

# UPSITE: 4Q21 Results

New properties lead to a high revenue and EBITDA growth; Investment property value up 56.9% YoY

FIBRAUP18	BUY
Target Price (MXN\$)	\$ 55.00
Current Price (MXN\$)	\$ 34.90
Min / Max (L12M - MXN\$)	34.90 - 38.90
Total Return	57.6%
Mkt Cap (Mn of MXN)	1,963
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 58.32
Discount vs. NAV	40%

## Opinion and recommendation

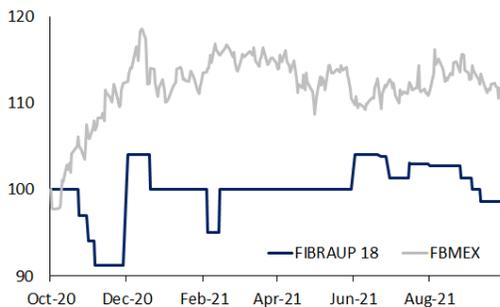
UPSITE reported positive 4Q21 results with a strong 45.2% YoY growth in leasing revenues, while EBITDA reached MXN\$7.8 million, much higher than the marginal amount of the previous year. However, the FFO decreased 13.1% due to higher interests paid given rising debt levels. The value of investment properties rose 56.9% and the Fibra registered a low leverage with a 14.1% LTV.

The NAV/CBFI was MXN\$58.32 at the end of 4Q21 (compared to our MXN\$56.79 expectation). This means that UPSITE's certificates continue to trade at a significant 40.2% discount, which we find attractive. We reiterate BUY and MXN\$55.00/CBFI target price.

On January 13<sup>th</sup>, UPSITE terminated the lease of its industrial property in Tlaxcala as the client did not pay in advance 15 monthly rents, as originally agreed. This property has a GLA of 31,920 M2 and we estimate represents around 20% of contracted revenues. However, the Fibra has a 30-month surety bond and could seek to rent this asset to another client.

## Portfolio

The same-store portfolio continued to include 3 properties with a GLA of 54,221 M2, while the stabilized portfolio consisted of two finished properties, the new Tijuana building that the Fibra expects to receive in 1Q22 and the new Ciudad Juárez building that will be available in 4Q22. The GLA of the stabilized portfolio is 80,139 M2. The two portfolios were 100% rented at the end of 4Q21. In addition, the Fibra owns a 769,099 M2 land reserve, of which 355,279 represents the potential GLA.



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UPSITE signed two new contracts. The first was in a Build-to-Suit building within the “Upsite Juárez Park I” with a GLA of 20,444 M2. It is denominated in US dollars and has a mandatory term of 10 years. The second one is with an existing client in the same park with a GLA of 6,578 M2, in US dollars and with a 5 year-term.

After the end of the quarter, UPSITE terminated the lease contract for an industrial property in Tlaxcala as the client did not pay in advance 15 monthly rents, as was originally agreed. This property has a GLA of 31,920 M2. We estimate that it generated a monthly rent of US\$134 thousand + VAT, which represents around 20% of contracted revenues. The Fibra initiated an off-court process for the collection of the 30-month surety bond and could seek to rent this asset to another client. Worth mentioning that this property’s revenue is not a source of debt payment. The Fibra will have more information during the next month.

### **Investment properties**

The value of investment properties amounted to MXN\$2.74 billion (vs. our estimate of MXN\$2.57 billion, with the difference being the revaluation of the quarter) at the end of 4Q21, up 56.9% YoY and 10.5% YoY. The Fibra recorded a MXN\$159.9 million revaluation in the current quarter, to reflect the market value of its finished properties.

### **Results**

UPSITE reported MXN\$23.6 million in leasing revenues in 4Q21, up 45.2%, due to the start of operations of two new properties last September.

The operating cost rose 39.7% due to these new properties. This was offset by a 9.7% drop in administrative expenses. As a result, EBITDA reached MXN\$7.8 million, from a minimum figure for the same period of the previous year.

Financing costs amounted to MXN\$1.5 million in 4Q21, compared to a MXN\$7.1 million gain in the previous year. The difference was a lower amount of interest gains due to the Fibra’s investments, as well as higher interests paid due to rising debt levels.

UPSITE recorded a MXN\$166.2 million net profit in the period, thanks to an extraordinary MXN\$159.9 million gain on the revaluation of properties.

FFO decreased to MXN\$6.3 million in 4Q21, from MXN\$7.2 million in 4Q20, due to the reduction in interest earned and the increase in interest paid.

### **Financial structure**

UPSITE ended the quarter with total debt of MXN\$512.9 million, which translated into a 14.1% LTV, from 8.0% in 3Q21. This means that it has ample borrowing capacity.

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(Figures in Millions of MXN\$)	4Q21	4Q21E	Diff.	4Q20	Change
Revenues	24	23	3.4%	16	45.2%
Operating Profit	8	7	n.a.	0	n.a.
<i>Operating Margin</i>	33.2%	32.7%		<i>n.a.</i>	
EBITDA	8	7	n.a.	0	n.a.
<i>EBITDA Margin</i>	33.2%	32.7%		<i>n.a.</i>	
Financial Gains	168	4	n.a.	-168	n.a.
Financial Cost	-10	-5	109.4%	-1	n.a.
Net Profit	166	7	n.a.	-169	n.a.

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