

HOTEL: 1Q22 Results

Revenues and EBITDA at record levels since the beginning of 2019, positive

HOTEL*	BUY
Target Price (MXN\$)	\$ 5.90
Current Price (MXN\$)	\$ 4.00
Min / Max (L12M - MXN\$)	4.00 - 5.87
Expected Dividend (MXN\$)	\$ 0.00
Total Return	47.5%
Mkt Cap (Mn of MXN)	2,464
Enterprise Value (Mn of MXN\$)	4,966
Shares Outstanding (Mn)	616.1
Float	75.0%
ADTV (MXN\$ Mn)	\$ 0.17



Opinion and Recommendation

HOTEL reported positive results that slightly exceeded our expectations. The company continued to benefit from a higher hotel activity, which boosted its occupancy levels in a significant way. This allowed it to raise the average daily rate above inflation. As a result, total revenues more than doubled to MXN\$589.1 million. Furthermore, EBITDA stood at MXN\$169.3 million, compared to last year's minimum figure of MXN\$4.3 million. These two indicators reached record levels since the beginning of 2019. Net profit reached MXN\$105.2 million, from a MXN\$184.8 million loss, due to FX gains. The financial structure strengthened with a 4.4x net debt to EBITDA ratio at the end of the quarter, from 6.4x in 4Q21. We expect a short-term positive reaction in HOTEL's share price. We reiterate BUY with a MXN\$5.90/share target price.

Portfolio

The portfolio included 13 owned hotels, of which 12 are stabilized and 1 is in its maturing stage, and 10 managed hotels. Total rooms fell 5.1% YoY to 5,964 due to the departure of two managed hotels from the portfolio, the *AC Hotel By Marriott Santa Fé* and the *Courtyard by Marriott Puebla*.

Revenues

A higher tourist activity boosted occupancy levels of HOTEL's own hotels to 57.3% in 1Q22, significantly higher than the 33.2% in 1Q21. This situation allowed the company to raise the average daily rate by 26.4% to MXN\$1,507. As a result, RevPar increased 117.9% to MXN\$863, and hotel revenues experienced a similar performance, standing at MXN\$290.4 million.

April 20th, 2022

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Higher consumption within the hotel properties fueled food and beverage revenues, which grew 140.3%, while other revenues were up 86.0%. Managed hotels registered a 62.4% occupancy rate, significantly higher than the previous year's 40.4%, while the average daily rate improved 35.5% to MXN\$1,844. For this reason, management fees rose 106.0%, despite the departure of two managed properties from the portfolio. Total revenues more than doubled to MXN\$589.1 million (vs. MXN\$576.2 million E).

Profitability

Costs and expenses advanced 50.6% YoY, below the revenue growth, which highlights the company's operating leverage. Operating costs and expenses increased 72.0%, while selling and administrative expenses rose 43.0%. EBITDA reached MXN\$169.3 million (vs. MXN\$158.3 million E), compared to a minimum figure of MXN\$4.3 million of the previous year. The EBITDA margin experienced a significant expansion to 28.7%, from 1.6%.

The company reported a MXN\$35.8 million net financial gain, from a MXN\$120.2 million loss, due to FX gains.

Quarterly net profits closed at MXN\$105.2 million (vs. MXN\$104.0 million E), from the previous year's MXN\$184.8 million loss, due to the significant improvement in operating performance, coupled with the aforementioned FX gains.

Financial structure

The debt to EBITDA ratio declined to 4.4x at the end of 1Q22, compared to 6.4x in 4Q21, benefiting from a higher EBITDA generation. The cash position also improved on an annual and sequential basis, closing at MXN\$601 million.

(Figures in Millions of MXN\$)	1Q22	1Q22E	Diff.	1Q21	Change
Total Revenues	589	576	2.2%	268	119.9%
Operating Profit	99	88	11.9%	-65	n.a.
Operating Margin	16.8%	15.3%		-24.1%	
EBITDA	169	158	7.0%	4	n.a.
EBITDA Margin	28.7%	27.5%		1.6%	
Financial Gains	125	70	n.a.	77	62.6%
Financial Cost	-89	-22	n.a.	-197	-54.7%
Pre-Tax Profit	135	136	-0.8%	-185	n.a.
Profit Before Minorities	105	104	1.2%	-185	n.a.
Minority Interest	-28	-4	639.4%	46	n.a.
Net Profit	77	100	-23.2%	-139	n.a.
EPS	P\$ 0.12	P\$ 0.16	-23.2%	-P\$ 0.23	n.a.

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