

STORAGE: 1Q22 Results

Strong revenue growth due to acquisitions, but registers extraordinary charges related to the upcoming internalization

STORAGE 18	BUY
Target Price (MXN\$)	\$ 23.50
Expected Dividend	\$ 0.35
Current Price (MXN\$)	\$ 16.14
Min / Max (L12M - MXN\$)	15.00 - 16.15
Total Return	47.8%
Mkt Cap (Mn of MXN)	3,537
CBFI's Outstanding (Mn)	219.2
Float	12.5%



Opinion and recommendation

STORAGE reported a strong 45.2% revenue growth which derived from the acquisitions that it carried out during the last year. However, profitability declined due to higher corporate expenses and extraordinary charges related to the internalization of the administrator that will take place this month. Adjusted NOI was up 37.9% and adjusted EBITDA rose 36.5%. FFO decreased 33.7% due to higher interests paid, in addition to the aforementioned expenses and non-recurring items. We continue with BUY and MXN\$23.50/CBFI target price.

Portfolio

The built GLA increased 32.5% to 148,203 M2 mainly due to acquisitions. In addition, the GLA under development is 44,179 M2, which represented 30% of the GLA built at the end of 1Q22. STORAGE expects to invest MXN\$684.9 million during 2022 and 2023 to carry out these developments. The potential GLA is 192,383 M2 according to the Fibra.

Revenues

Revenues reached MXN\$103.6 million (vs. MXN\$102.9 million E), up 45.2% mainly due to the acquisitions that Fibra carried out during the last year. Additionally, the monthly effective rate rose 6.1% to MXN\$319.2 supported by the new strategy of providing tailor-made packages, which offset the lower average rate of the recently acquired Guardabox branches.

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However, occupancy fell by almost two percentage points to 74.1%, we believe also due to acquisitions. As a result, the monthly RevPaM advanced 6.1% to MXN\$236.4.

Move-ins represented 5.4% of the portfolio, higher than the 4.7% move-outs rate. Net absorption was thus positive by 2,157 M2, significantly higher than the previous year. On the other hand, the average stay of clients stood at 26.3 months. The Fibra expects this indicator to reach 30 months during the next quarters due to the greater average age of the branches.

Profitability

Total NOI rose 54.1% to MXN\$81.4 million (vs. MXN\$78.4 million E) due to STORAGE's operating leverage, which boosted its margin by 400 bps to 78.8%. However, the Fibra recorded an extraordinary MXN\$8.6 million charge related to the upcoming management internalization. The adjusted NOI grew 37.9% and the margin contracted to 70.5%. Additionally, corporate expenses excluding extraordinary items were MXN\$9.1 million in the quarter, slightly lower than the MXN\$9.7 million figure of 4Q21, but higher than the MXN\$6.1 million of 1Q21. Adjusted EBITDA increased 36.5% to MXN\$63.7 million, but the margin fell to 61.6%.

FFO decreased 33.7% to MXN\$27.0 million (vs. MXN\$44.8 million E) due to higher interest paid and extraordinary charges. Excluding these charges, we estimate that it would have reached MXN\$54.3 million, above our projections.

Investment properties

The value of investment properties was up 19.0% to MXN\$4.85 billion. STORAGE made a slight MXN\$66.0 million adjustment during the quarter.

Financial structure

We believe that STORAGE has a solid financial structure as it closed the quarter with slightly more than MXN\$1.5 billion in debt, which includes two green bonds. The LTV stood at 25.3%, below the regulatory maximum of 50%. Debt service coverage was 14.8x. In addition, cash amounted to MXN\$836.9 million, despite having decreased 12.7% against 4Q21 due to the investments in development and operating expenses.

Guardabox integration

STORAGE integrated the five Guardabox branches, which it acquired in 4Q21. It standardized the rental terms, which generated a temporary increase in this portfolio's accounts receivable. The Fibra expects these to normalize during the next quarter.

Distribution

STORAGE distributed MXN\$77.4 million in the quarter, 78.9% higher against the previous year. This was the second distribution that the Fibra has made since its initial public offering.

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