

FIBRA INN: 2Q22 Results

Significant improvement in occupancy and ADRs, profitability rises due to operational efficiencies derived from the alliance with Aimbridge, positive AFFO; in line

FINN 13	BUY
Target Price (MXN\$)	\$ 5.00
Current Price (MXN\$)	\$ 3.70
Min / Max (L12M - MXN\$)	2.98 - 4.15
Expected Dividend (MXN\$)	\$ 0.00
Total Return	35.1%
Mkt Cap (Mn of MXN)	1,863
CBFI's Outstanding (Mn)	503.6
Float	86.5%
ADTV (MXN\$ Mn)	\$ 0.24

Opinion and recommendation

FIBRA INN reported very positive 2Q22 results that were in line with our projections. Total revenue rose 72% on a combination of higher occupancy and rising ADRs. In addition, profitability improved due to economies of scale, which boosted the NOI and EBITDA by 172.6% and 180.2%, respectively. This also led to a positive MXN\$20 million AFFO, which had not taken place since the beginning of the pandemic. We reiterate our BUY recommendation with a MXN\$5.0/CBFI target price.

Revenues

FIBRA INN's total was up 72.4% YoY to MXN\$487 million (in line with our MXN\$487 million estimate), driven primarily by a 70.5% increase in hotel revenue thanks to a greater hotel activity. Occupancy reached 57.9%, from 40.6% the previous year, while the ADR rose 21.4% to MXN\$1,564, as previously reported. In addition, rental revenues stood at MXN\$20 million, from MXN\$7 million in 2Q21. The Fibra kept 33 hotels in operation and 5 closed during the quarter with a total of 6,442 rooms. In addition, it participates as a minority investor in 2 developments that will add another 426 new rooms.

Profitability

Operating expenses increased 45.6% due to the greater hotel activity. However, the expense-to-revenue ratio improved to 66.6%, from 78.9% due to the operational efficiencies derived from the alliance with Aimbridge. This translated into significant growth of 172.6% in NOI and 180.2% in adjusted EBITDA.



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Worth mentioning that the fibra recorded a positive MXN\$20 million AFFO, from last year's negative result. However, it will not pay dividends in order to accumulate cash.

Financial structure

The cash position reached MXN\$395 million at the end of 2Q22, improving against the MXN\$244 million level in 1Q22. In addition, the Fibra reported a recoverable VAT of MXN\$150 million. This means that it has sufficient resources to face the next maturity of MXN\$161 million in August. Leverage was 34.3%.

ESG

On July 5th, FIBRA INN presented its 2021 ESG Report under the standards of the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and sector indicators included in the AMEFIBRA ESG Manual. It identified and prioritized the Sustainable Development Goals (SDGs). It carried out a climate change diagnosis with the objective of identifying opportunity areas in accordance with the four pillars of the Task Force on Climate Related Financial Disclosure.

(Figures in MXN\$ Mn)	2Q22E	2Q22E	Diff.	2Q21	Change
Total Revenues	487	487	0.0%	280	74.0%
Hotel Revenues	465	465	0.0%	273	70.6%
Property Leasing	20	20	0.3%	7	194.3%
Hotel Costs and Expenses	-324	-325	-0.2%	-223	45.6%
Total NOI	162	162	0.5%	57	185.8%
<i>Total NOI Margin</i>	<i>33.4%</i>	<i>33.2%</i>		<i>20.3%</i>	
Adjusted EBITDA	134	132	1.3%	48	180.2%
<i>Adjusted EBITDA Margin</i>	<i>27.5%</i>	<i>27.2%</i>		<i>17.1%</i>	
FFO	37	36	2.6%	-46	-180.0%
<i>FFO Margin</i>	<i>7.6%</i>	<i>7.4%</i>		<i>-16.5%</i>	
AFFO	20	19	2.8%	-56	n.a.
<i>AFFO Margin</i>	<i>4.1%</i>	<i>4.0%</i>		<i>-20.0%</i>	

(Figures in Millions of Pesos)	2023E	2024E	2025E	2026E	2027E	Perp.
Total NOI	669	736	809	888	962	1,015
Indirect Expenses	(136)	(148)	(160)	(174)	(188)	(199)
Acquisition and Organization Expenses / Capex	10	11	12	13	14	15
Adjusted EBITDA	543	599	660	727	788	831
Interest Gains	20	21	23	25	27	29
Interest Expenses	(423)	(450)	(454)	(455)	(481)	(507)
FX Gain (Loss)	(11)	(11)	(12)	(12)	(12)	(13)
FFO	189	220	278	345	382	340
Maintenance Capex	(60)	(65)	(71)	(77)	(83)	(88)
AFFO	129	154	207	268	299	252
AFFO before interest payments	532	583	638	698	753	731
Perpetuity Growth Rate						5.5%
PV of Explicit Period (2023 -2027E)						2,417
Perpetuity Value						6,188
PV of Perpetuity Value						3,917
Enterprise Value						6,334
Net Debt						3,818
Market Value						2,516
Outstanding CBFI's						504
Target Price						P\$ 5.00
Current Price						P\$ 3.70
Potential Return incl/ Div.						37.8%
Target Multiples						
Cap Rate						9.3%
Dividend Yield						2.0%
P/ AFFO						49.1x
Average Cost of Debt						10.0%
Cost of Capital						9.3%
Market Risk Premium						6.0%
Risk Free Rate						8.5%
Beta						0.14
% of Debt						36%
% of Capital						64%
WACC						9.6%

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