

HOTEL: 2Q22 Results

Positive; Occupancy and ADRs continue to improve, boosting sales and EBITDA

HOTEL*	BUY
Target Price (MXN\$)	\$ 5.90
Current Price (MXN\$)	\$ 3.78
Min / Max (L12M - MXN\$)	3.70 - 5.10
Expected Dividend (MXN\$)	\$ 0.00
Total Return	56.1%
Mkt Cap (Mn of MXN)	2,329
Enterprise Value (Mn of MXN\$)	4,841
Shares Outstanding (Mn)	616.1
Float	75.0%
ADTV (MXN\$ Mn)	\$ 0.84



Opinion and Recommendation

HOTEL reported very positive 2Q22 results, marginally above our expectations in terms of revenues, EBITDA and net profits. The company continued to benefit from the combination of higher occupancies and ADRs, which boosted its total revenues by 38.5%. In addition, profitability improved due to operating leverage, with which EBITDA grew by more than 50%. However, quarterly net profits contracted 66.1% due to FX losses. Worth mentioning that the L12M EBITDA is only 2% below pre-pandemic levels.

We expect a favorable short-term reaction in HOTEL's share price and we are reiterating our BUY recommendation with a MXN\$5.90/share target price. We believe that the company's outlook is favorable due to the continued recovery of occupancy and ADRs, the possible acquisition of a property in the Riviera Maya region and the opening of the *Hyatt Regency Insurgentes* hotel towards the end of the year.

Portfolio

HOTEL's portfolio remained at 23 total hotels, of which 13 are owned and 10 belong to third parties. The total number of rooms in operation of owned and managed hotels was 5,701 at the end of 2Q22, unchanged from the previous year. In addition, the company has another 582 rooms under construction. 88% of the rooms are in stabilized properties, 3% in the process of stabilization, and 9% under construction. This compares to the 84/11/5 mix of the same period last year, which indicates that the company has additional capacity.

Revenues

Total revenues were up 38.5% (vs. 37.1%E) YoY to MXN\$670.0 million. This was mainly attributed to the food and beverage business, which grew 52.7%, followed by hotel revenues, which increased 51%.

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Additionally, managed hotel sales were 58.7% higher, while other revenues improved by 45.1%. In owned hotels, occupancy reached 65.2% in 2Q22, from 50.6% the previous year, as a result of greater tourist activity. In addition, the ADR increased 17.6% to MXN\$1,470. This resulted in a RevPar of MXN\$958, up 51.5% against 2Q21.

In managed hotels, the performance was similar since occupancy stood at 71.6%, from 58.5%, while the average rate rose 20.9%. This translated into a MXN\$1,256 RevPar, up 48.1% annually.

Profitability

Total costs rose 56.3% due to higher hotel activity. On the other hand, administrative expenses advanced 23.6%. As a result, EBITDA grew 50.5% to MXN\$192.9 million. The EBITDA margin expanded to 28.8% (vs. 28.5%E), from 26.5% a year earlier.

Quarterly net profits decreased -66.1% YoY to MXN\$47.3 million as a result of a MXN\$57.0 million net financial cost which was generated by an FX loss.

Financial structure

Net debt advanced 11.2% to MXN\$2,512 million. However, the net debt to EBITDA ratio continued to decline to 4.0x at the end of the current quarter, compared to 4.4x in 1Q22 and 20.6x in 2Q21. The maturity profile is comfortable since only 3% of debt matures during the rest of 2022.

(Figures in Millions of MXN\$)	2Q22	2Q22E	Diff.	2Q21	Change
Revenues	670	663	1.1%	484	38.5%
Operating Profit	122	122	0.1%	62	96.7%
<i>Operating Margin</i>	<i>18.2%</i>	<i>18.4%</i>		<i>12.8%</i>	
EBITDA	193	189	1.9%	128	50.5%
<i>EBITDA Margin</i>	<i>28.8%</i>	<i>28.5%</i>		<i>26.5%</i>	
Financial Gains	90	-38	n.a.	81	11.4%
Financial Cost	-147	-26	n.a.	-4	n.a.
Pre-Tax Profit	66	58	14.1%	139	-52.6%
Profit Before Minorities	47	45	4.7%	139	-66.1%
Minority Interest	-0	-12	-99.1%	-33	-99.7%
Net Profit	47	33	42.8%	106	-55.5%
EPS	P\$ 0.08	P\$ 0.05	42.8%	P\$ 0.17	-55.5%

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