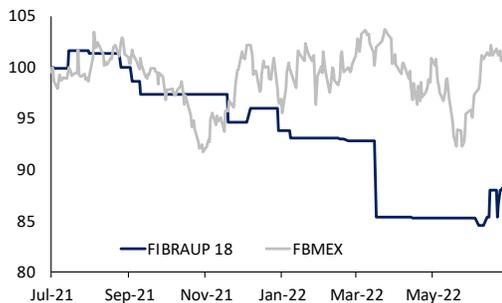


UPSITE: 2Q22 Results

Announces the construction of a new building in Ciudad Juárez; operating results above projections, but recognizes extraordinary charge in Tlaxcala property

FIBRAUP 18	BUY
Target Price (MXN\$)	\$ 55.00
Current Price (MXN\$)	\$ 33.00
Min / Max (L12M - MXN\$)	32.00 -38.50
Total Return	66.7%
Mkt Cap (Mn of MXN)	1,856
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 53.02
Discount vs. NAV	38%



Opinion and recommendation

UPSITE reported positive 2Q22 operating results with strong growth in revenues and NOI, which exceeded our projections, supported by the addition of new properties. However, net profits and FFO were below our estimates due to an extraordinary charge related to an account receivable adjustment from the Tlaxcala property.

UPSITE's prospects are favorable as it has begun construction of a new building in Ciudad Juárez and has another two under construction in that city, which will increase its GLA by 53%. In addition, it is negotiating the lease of the Tlaxcala property, which could improve occupancy levels.

UPSITE trades at a 38% discount taking into account the reported NAV/CBFI of MXN\$53.02. We have a BUY recommendation and an estimated intrinsic value of MXN\$55.0/CBFI.

Portfolio

UPSITE's portfolio includes 7 completed properties with a GLA of 134,360 M2, of which 54,221 M2 are "same stores" and 80,139 M2 are stabilized. Occupancy was 76.2% in the quarter. In addition, the portfolio under construction is 70,975 M2 including three new buildings, one of which began in the current quarter. These properties will likely be completed by the end of this year or the beginning of next one. This means that the GLA will expand 53% from current levels.

On the other hand, UPSITE has some proposals for the lease of the Tlaxcala property and continues to seek the payment of the surety bond for the early termination of the contract. We believe that the Fibra could register an extraordinary gain if it were able to collect such funds.

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2Q22 Results

Total revenues amounted to MXN\$29.4 million, up 87.0% YoY, driven mainly by the lease of the new buildings. However, same store rents decreased 52.3% due to the temporary impact related to the Tlaxcala property.

Operating cost rose 74.4% due to the incorporation of new properties, which resulted in a significant growth of 89.5% in NOI to MXN\$24.8 million. The NOI margin expanded to 84.3%, from 83.2%. Administrative expenses advanced 28.5%, while the Fibra recognized a non-recurring MXN\$7.3 million loss related to the bad debt reserve of the Tlaxcala property. Despite this situation, EBITDA experienced a strong 107.3% growth to MXN\$1.9 million.

The net loss was MXN\$9.1 million, from last year's MXN\$3.4 million net loss. The difference was the non-recurring charge, higher net interest and a FX loss. Likewise, FFO was MXN\$9.1 million negative in 2Q22, from a MXN\$4.3 million gain in the previous year.

Financial structure

Leverage was 22.0% at the end of 2Q22, below the maximum level of 40% established by the Fibra. It compares to 21.5% in 1Q22 and 7.7% in 2Q21, due to the additional debt that Fibra took for the construction of properties. On the other hand, the Bancomext credit line was increased to US\$100 million, from the original level of US\$50 million.

Property value, NAV/CBFI

The value of investment properties reached MXN\$3.0 billion at the end of 2Q22, up 32.6%.

The NAV/CBFI was MXN\$53.02, slightly below our MXN\$56.84 projection due to a marginally lower amount of assets. This indicator compares to MXN\$59.51/CBFI in 2Q21 due to a higher debt level. However, it has risen at a 10.8% CAGR since the IPO.

(Figures in Millions of MXN\$)	2Q22	2Q22E	Diff.	2Q21	Change
Revenues	29	20	48.1%	16	87.0%
Operating Cost	-5	-4	21.1%	-3	74.5%
NOI	25	16	54.5%	13	89.5%
Operating Profit	2	0	n.a.	1	107.3%
Operating Margin	6.3%	1.7%		n.a.	
EBITDA	2	0	n.a.	1	107.3%
EBITDA Margin	6.3%	1.7%		n.a.	
Financial Gains	-2	-0	n.a.	6	n.a.
Financial Cost	-9	-7	20.3%	-2	n.a.
Net Profit	-9	-7	30.5%	4	n.a.

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