

# FNOVA: 4Q22 Results

Record results due to portfolio growth and new contracts; we reiterate BUY with a MXN\$37.0/CBFI target price

FNOVA 17	BUY
Target Price (MXN\$)	\$ 37.00
Expected Dividend	\$ 2.22
Current Price (MXN\$)	\$ 31.72
Min / Max (L12M - MXN\$)	\$ 27.50 - 34.47
Total Return	23.6%
Mkt Cap (Mn of MXN)	10,650
CBFI's Outstanding (Mn)	335.8
Float	25.3%



## Opinion and recommendation

FNOVA reported favorable 4Q22 results that were practically in line with our expectations in terms of revenues, EBITDA and FFO. The Fibra continued to benefit from the strong growth in the industrial segment and announced new contracts, which boosted its results at a double-digit rate. The quarterly distribution will amount to MXN\$0.5806/CBFI. Annual revenues exceeded MXN\$1.0 billion, reaching a new record.

We reiterate our BUY recommendation with a MXN\$37.0/CBFI target price after having updated our model. We believe that FNOVA is well positioned to continue benefiting from the nearshoring effect. In its conference call, the Fibra mentioned it plans to invest MXN\$2.3 billion this year in the development of an additional 145 thousand M2. It expects his revenue to rise around 20% with similar margins, which we believe is achievable. It still plans to carry out a subsequent offer amounting to MXN\$3-4 billion.

## Portfolio

FNOVA closed the quarter with a portfolio of 112 properties with a GLA of 550,182 M2 and 1,653 hectares of agro-industrial land. The Fibra added five properties in the industrial segment during the last twelve months, which boosted its total GLA by 10.7% YoY. Occupancy remained at 100% despite the incorporation of new properties. The remaining term of the contracts was 7.6 years in 4Q22, compared to 7.8 years in 4Q21. In addition, it has a land reserve of 749 thousand M2.

February 14<sup>th</sup>, 2023

**Stephanie Aroesti**  
 +5253-1409-6659  
 martin.lara@miranda-gr.com

**Martin Lara**  
 +5255-6413-8563  
 martin.lara@miranda-gr.com

In 4Q22, it signed lease contracts for two industrial buildings in the City of Chihuahua and Ciudad Juárez. During 2023, FNOVA plans to develop an additional 145 thousand M2, which includes the Essilor industrial warehouse, two BTS developments in Chihuahua, and the industrial park in Ciudad Juárez.

#### 4Q22 results

FNOVA's 4Q22 total revenues reached MXN\$263.7 million (vs. MXN\$273.0 million E), up 13.8% YoY mainly due to the portfolio growth, new contracts (Black Decker industrial warehouses in Hermosillo, Tecma in Ciudad Juárez, the Masterbrand building in Reynosa and the second phase of the BWI and Legget Platty properties) and high occupancy. In same-store terms, the increase was 3%, which included the adjustment for inflation, partially offset by the appreciation of the Mexican peso. On a cumulative basis, revenues set a new record, exceeding MXN\$1.0 billion, up 45.6%.

NOI rose 13.3% YoY to MXN\$256.2 million (vs. MXN\$265.6 million E) as the NOI margin fell slightly to 97.2%, from 97.6% in 4Q21. For its part, EBITDA grew 21.4% to MXN\$254.4 million as the Fibra registered MXN\$15.9 million in property development revenues. This led to a six percentage point improvement in the EBITDA margin to 96.5%. Excluding such this item, adjusted EBITDA was up 13.8%, with a margin of 90.5%, similar to the previous year. Adjusted FFO advanced 13.2% to MXN\$210.3 million (vs. MXN\$215.8 million E). The FFO margin was 79.8%, marginally lower than last year.

#### Distributions

FNOVA distributed MXN\$752 million in 2022. The distribution corresponding to 4Q22 will amount to MXN\$194.8 million, equivalent to MXN\$0.5806/CBFI, which will be higher than the MXN\$0.5354/CBFI of 4Q21. It will take place on February 21<sup>st</sup>.

#### Financial structure

Leverage (LTV) stood at 46.3% at the end of the period, compared to 38.7% the previous year, as a result of the financing of investments in properties that the Fibra carried out. During the quarter, it obtained a US\$100 million loan with Inbursa with a fixed rate of 5.90% and maturing in November 2027, which it used to prepay a loan with HSBC and another credit with Bancomext.

(Figures in MXN\$ Mn)	4Q22	4Q22E	Diff.	4Q21	Change
Total Revenues	264	273	-3.4%	232	13.8%
Leasing Revenues	257	266	-3.6%	221	16.0%
Operating Expenses	-7	-7	0.7%	-5	37.2%
NOI	256	266	-3.5%	226	13.3%
NOI Margin	97.2%	97.3%		97.6%	
EBITDA	254	247	2.9%	210	21.4%
EBITDA Margin	96.5%	90.6%		90.5%	
Net Profit	581	278	108.9%	346	68.0%
Outstanding CBFI's	336	439		336	
FFO	210	216	-2.5%	186	13.2%
FFO Margin	79.8%	79%	0.9%	80.2%	
Distribution	195	201	-3.1%	180	8.4%
Distribution/CBFI	\$ 0.58	\$ 0.60	-3.0%	\$ 0.54	8.4%

### Discounted Cash Flow Model

MXN\$ Mn	2024E	2025E	2026E	2027E	2028E	Perp.
Net profit	1,175	1,233	1,286	1,344	1,412	1,492
Adjustments	-24	-16	-4	4	8	8
FFO	1,151	1,217	1,282	1,348	1,419	1,500
Interest Expenses	170	198	229	262	295	312
FFO Before Interest Expenses	1,321	1,415	1,512	1,610	1,715	1,813
Perpetuity Growth Rate						5.7%
PV of Explicit Period (2024 -2028E)						5,552
Perpetuity Value						29,455
PV of Perpetuity Value						15,925
Enterprise Value						21,478
Net Debt						5,129
Market Value						16,349
<i>Outstanding CBFIs</i>						442
Target Price						P\$ 37.00
Current Price						P\$ 31.72
Potential Return incl/ Div.						23.6%
Average Cost of Debt						4.1%
Cost of Capital						14.4%
Market Risk Premium						6.0%
Risk Free Rate						9.0%
Beta						0.90
% of Debt						35%
% of Capital						65%
WACC						<b>10.8%</b>

(Figures in Millions of Pesos)

<b>Total GLA (M2)</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Industrial	369,219	419,314	510,174	510,174	510,174	510,174	510,174	510,174
Education	43,082	43,082	43,082	43,082	43,082	43,082	43,082	43,082
Retail	23,431	23,431	23,431	23,431	23,431	23,431	23,431	23,431
Logistics	36,346	39,432	39,432	39,432	39,432	39,432	39,432	39,432
Engineering Centers	24,924	24,923	24,923	24,923	24,923	24,923	24,923	24,923
Total Real Estate	497,001	550,182	641,042	641,042	641,042	641,042	641,042	641,042
Agroindustrial	1,653	1,653	1,653	1,653	1,653	1,653	1,653	1,653
Total	17,027,001	17,080,182	17,171,042	17,171,042	17,171,042	17,171,042	17,171,042	17,171,042
<b>Occupancy</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Industrial	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Education	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Retail	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Logistics	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Engineering Centers	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Agroindustrial	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Monthly revenues per M2</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Monthly revenues per M2		4.79	5.84	6.75	7.09	7.44	7.81	8.20
<b>INCOME STATEMENT</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Total Revenues	691	1,005	1,229	1,423	1,496	1,573	1,654	1,735
Leasing Revenues	667	980	1,201	1,391	1,460	1,533	1,610	1,691
Other Revenues	23	26	28	32	36	40	44	44
Operating Expenses	- 19	- 29	- 32	- 36	- 36	- 40	- 42	- 42
NOI	672	976	1,197	1,387	1,460	1,533	1,612	1,693
NOI Margin	97%	97%	97%	97%	98%	97%	97%	98%
Net Profit	823	1,509	973	1,175	1,233	1,286	1,344	1,412
Outstanding CBFI's	336	336	442	442	442	442	442	442
EBITDA	625	942	1,146	1,332	1,402	1,471	1,546	1,626
EBITDA Margin	91%	94%	93%	94%	94%	93%	93%	94%
FFO	558	813	993	1,151	1,217	1,282	1,348	1,419
FFO Margin	81%	81%	81%	81%	81%	81%	82%	82%
FFO/CBFI	\$ 1.80	\$ 2.42	\$ 2.39	\$ 2.61	\$ 2.75	\$ 2.90	\$ 3.05	\$ 3.21
Distribution	602	729	920	1,066	1,127	1,188	1,249	1,315
Distribution/CBFI	\$ 1.92	\$ 2.17	\$ 2.22	\$ 2.41	\$ 2.55	\$ 2.69	\$ 2.83	\$ 2.98
<b>BALANCE SHEET</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Total Assets	11,909	13,741	16,690	17,441	18,662	19,903	21,164	22,445
Short-Term Assets	200	279	748	298	299	300	301	302
Long-Term Assets	11,709	13,463	15,943	17,143	18,363	19,603	20,863	22,143
Investment Properties	10,626	12,372	14,772	15,892	17,032	18,192	19,372	20,572
Total Liabilities	4,689	6,493	5,889	6,531	7,646	8,788	9,954	11,138
ST Liabilities	984	1,076	471	1,113	228	370	536	720
Long-Term Liabilities	3,705	5,418	5,418	5,418	7,418	8,418	9,418	10,418
Gross Debt	4,537	6,384	5,779	6,421	7,536	8,679	9,844	11,028
Net Debt	4,398	6,203	5,129	6,221	7,336	8,479	9,644	10,828
LTV	38%	46%	35%	37%	40%	44%	47%	49%
Trust's Equity	7,220	7,248	10,801	10,910	11,016	11,115	11,210	11,307

## **DISCLAIMER**

The current report was prepared by Miranda Global Research ("Miranda GR"). The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public and/or private sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Fibra Nova for independent analyst services. Companies or Fibras under coverage will have no right or opportunity to exert any influence on opinions, projections, recommendations, and/or target prices expressed hereby by Miranda GR.

---