

## FNOVA (BUY, T.P. MXN\$37.0)

Announces new BTS in Ciudad Juárez; raising recommendation to BUY

FNOVA announced that it will develop 239,445-square-foot “Build-to-Suit” industrial buildings (4.2% of current gross leasable area excluding the agro-industrial portfolio) for ZF Electronics Systems in Ciudad Juárez, which are part of Juárez Park. This industrial property will be developed in two phases, the first will have 151,640 square feet in 2023 and the second one will be an expansion of 87,805 square feet in 2024. ZF is a global technology company that supplies components for passenger cars, commercial vehicles, and technology based in Friedrichshafen, Germany.

We are adjusting our target price to MXN\$37.00/CBFI, from MXN\$34.0/CBFI, as a result of lower interest rates, which have a favorable impact on our discounted cash flow model. For this reason, we are raising our recommendation to BUY, from HOLD. FNOVA's outlook is favorable mainly due to its exposure to the nearshoring trend.

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## Discounted Cash Flow Model

MXN\$ Mn	2023E	2024E	2025E	2026E	2027E	Perp.
Net profit	1,206	1,284	1,377	1,469	1,563	1,660
Adjustments	(183)	(219)	(205)	(191)	(175)	(186)
FFO	1,023	1,065	1,172	1,278	1,387	1,474
Interest Expenses	112	131	138	140	144	153
FFO Before Interest Expenses	1,135	1,196	1,309	1,418	1,531	1,627
Perpetuity Growth Rate						6.2%
PV of Explicit Period (2023 -2027E)						4,736
Perpetuity Value						28,272
PV of Perpetuity Value						14,746
Enterprise Value						19,482
Net Debt						3,248
Market Value						16,234
<i>Outstanding CBFi's</i>						439
Target Price						P\$ 37.00
Current Price						P\$ 29.80
Potential Return incl/ Div.						31.1%
Target Multiples						
Cap Rate						5.1%
Dividend Yield						4.6%
P/ FFO						19.8x
Average Cost of Debt						4.1%
Cost of Capital						13.8%
Market Risk Premium						6.0%
Risk Free Rate						8.9%
Beta						0.82
% of Debt						24%
% of Capital						76%
WACC						<b>11.5%</b>

Source: Miranda Global Research

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