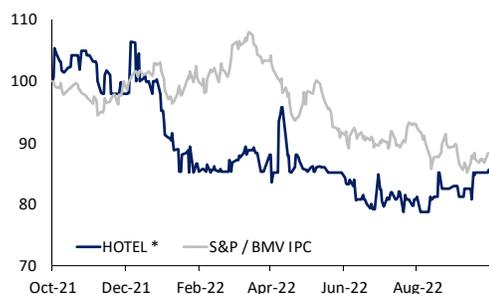


HOTEL: 3Q22 Results

Positive results with a significant revenue, EBITDA and net profit growth due to higher tourism activity

HOTEL*	BUY
Target Price (MXN\$)	\$ 6.00
Current Price (MXN\$)	\$ 4.02
Min / Max (L12M - MXN\$)	3.67 - 5.01
Expected Dividend (MXN\$)	\$ 0.00
Total Return	49.3%
Mkt Cap (Mn of MXN)	2,859
Enterprise Value (Mn of MXN\$)	5,160
Shares Outstanding (Mn)	711.1
Float	75.0%
ADTV (MXN\$ Mn)	\$ 1.84



Opinion and recommendation

HOTEL reported positive 3Q22 results with a 41% increase in revenues and a 66% EBITDA growth, practically in line with our projections. As expected, occupancy and average daily rates improved significantly, both in beach and urban hotels, derived from greater tourist activity, which boosted the chain's RevPar by 35%. Net profit reached MXN\$51 million, compared to a MXN\$62 million loss the previous year due to lower FX losses.

After having updated our model, we are slightly raising our target price to MXN\$6.00/share (from MXN\$5.90/share). Our recommendation remains BUY.

Portfolio

HOTEL recently published two relevant events in which it reported that it is analyzing the possible acquisition of a property in Riviera Maya and that it received a non-binding offer for one of its hotels.

Revenue

Total revenues were up 41% YoY to MXN\$652 million (vs. MXN\$648 million E). This was primarily attributed to a 35% increase in hotel revenues, +32% in food and beverages, 31% in other hotel revenues and 53% in managed hotels. In owned hotels, occupancy reached 62.6% in 3Q22, from 51.2% the previous year, as a result of stronger tourist activity. In addition, the average daily rate rose 10% to MXN\$1,488, which generated a 35% increase in the RevPar of this business segment to MXN\$931.

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Profitability

Total costs and expenses advanced 32% YoY due to stronger hotel activity. As a result of operating leverage, the EBITDA margin expanded to 26.3% (vs. 25.8%E), from 22.3% a year earlier. For that reason, EBITDA grew 66% YoY to MXN\$172 million (against our expectation of MXN\$167 million).

Quarterly net profit was MXN\$51 million (vs. MXN\$55 million E), compared to a MXN\$62 million net loss in the same period of the previous year, as a consequence of lower FX losses.

Financial structure

The debt to EBITDA ratio fell to 3.3x at the end of the quarter, from 10.4x a year earlier. This improvement was due to the strong EBITDA growth in addition to the capital increase that the company carried out during the current quarter.

(Figures in Millions of MXN\$)	3Q22	3Q22E	Diff.	3Q21	Change
Revenues	652	648	0.7%	463	41.0%
Operating Profit	99	98	1.0%	43	128.6%
<i>Operating Margin</i>	<i>15.2%</i>	<i>15.1%</i>		<i>9.4%</i>	
EBITDA	172	167	2.7%	103	66.1%
<i>EBITDA Margin</i>	<i>26.3%</i>	<i>25.8%</i>		<i>22.3%</i>	
Financial Gains	36	6	n.a.	54	-33.8%
Financial Cost	-76	-31	n.a.	-160	-52.4%
Pre-Tax Profit	60	75	-19.8%	-62	n.a.
Net Profit	51	55	-7.8%	-62	n.a.

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2023E	2024E	2025E	2026E	2027E	Perp.
OPERATING PROFIT	752	844	947	1,061	1,186	1,275
Tax Rate	25%	26%	26%	27%	27%	30%
Tax Shield	-188	-215	-246	-281	-320	-344
NOPLAT	564	629	701	780	865	931
Depreciation	137	145	153	161	170	183
Working Capital Changes	16	-44	-45	-46	-47	-51
CAPEX	-400	-420	-440	-460	-480	-516
FCFF	318	310	369	435	509	547
Perpetuity Growth Rate						7.6%
PV of Explicit Period (2023 - 2027E)						1,332
Perpetuity Value						10,579
PV of Perpetuity Value						5,154
Enterprise Value						6,486
Net Debt						2,222
Market Value						4,264
Outstanding Shares						711
Target Price						P\$ 6.00
Current Market Price						P\$ 4.02
Potential Return Incl. Dividends						49.2%
Forward EV/EBITDA						8.5x
Forward P/E						11.2x
Average Cost of Debt						8.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						5.7%
Cost of Equity						15.9%
Market Risk Premium						6.0%
Risk-Free Rate						9.9%
Beta						1.00
% Total Debt						31.0%
% Capital						69.0%
WACC						12.7%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	821	864	909	955	1,002
Target EV/EBITDA					
7.0x	3.20	3.63	4.08	4.53	5.00
7.5x	3.78	4.24	4.72	5.20	5.70
8.0x	4.36	4.84	5.36	5.87	6.41
8.5x	4.94	5.45	6.00	6.54	7.11
9.0x	5.51	6.06	6.64	7.21	7.82
9.5x	6.09	6.67	7.27	7.88	8.52

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	342	361	379	398	418
Target P/E					
8.2x	3.97	4.18	4.40	4.61	4.85
9.2x	4.45	4.68	4.93	5.18	5.43
10.2x	4.93	5.19	5.46	5.74	6.02
11.2x	5.41	5.70	6.00	6.30	6.61
12.2x	5.89	6.20	6.53	6.86	7.20
13.2x	6.37	6.71	7.06	7.42	7.79

(Figures in Millions of MXN\$)	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	1,761	2,636	3,044	3,368	3,724	4,112	4,533
Cost of Sales	-665	-1,053	-1,445	-1,593	-1,754	-1,928	-2,116
Gross Profit	1,095	1,583	1,599	1,776	1,971	2,184	2,417
<i>Gross Margin</i>	62.2%	60.1%	52.5%	52.7%	52.9%	53.1%	53.3%
General Expenses	-456	-588	-624	-690	-763	-843	-929
Operating Profit	70	597	752	844	947	1,061	1,186
<i>Operating Margin</i>	4.0%	22.6%	24.7%	25.1%	25.4%	25.8%	26.2%
Depreciation and Amortization	-265	-130	-137	-145	-153	-161	-170
EBITDA	401	738	909	1,013	1,128	1,254	1,392
<i>EBITDA Margin</i>	22.8%	28.0%	29.9%	30.1%	30.3%	30.5%	30.7%
Financial Gains	439	239	-46	-44	-48	-48	-47
Financial Cost	-619	-350	-149	-153	-157	-160	-164
Pre-Tax Profit	-109	490	561	652	747	857	979
Income Tax & Profit Sharing	76	-115	-140	-166	-194	-227	-264
Net Profit	-33	375	421	485	553	630	715
BALANCE SHEET	2021	2022E	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	10,845	11,692	12,244	12,840	13,502	14,241	15,064
Current Assets	1,195	2,006	2,204	2,388	2,395	2,579	2,770
LT Assets	9,650	9,686	10,041	10,452	11,107	11,662	12,294
TOTAL LIABILITIES	4,883	4,971	5,144	5,303	5,468	5,640	5,819
ST Liabilities	886	1,098	1,189	1,265	1,348	1,438	1,534
LT Liabilities	3,997	3,873	3,955	4,038	4,120	4,202	4,284
TOTAL DEBT	3,208	3,013	3,095	3,177	3,260	3,342	3,424
NET DEBT	2,644	2,222	2,182	2,201	2,403	2,437	2,472
TOTAL CAPITAL	5,962	6,721	7,100	7,537	8,034	8,602	9,245
Stockholder's Equity	4,829	5,500	5,810	6,167	6,575	7,039	7,566
Minority Interest	1,133	1,221	1,290	1,369	1,460	1,563	1,680

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