

HOTEL: 4Q22 Results

Positive results due to a stronger tourism activity and the acquisition of the *Mahekal Beach Resort*; in line

HOTEL*	BUY
Target Price (MXN\$)	\$ 7.00
Current Price (MXN\$)	\$ 4.14
Min / Max (L12M - MXN\$)	3.67 - 5.20
Expected Dividend (MXN\$)	\$ 0.00
Total Return	69.1%
Mkt Cap (Mn of MXN)	2,965
Enterprise Value (Mn of MXN\$)	5,266
Shares Outstanding (Mn)	716.1
Float	72.3%
ADTV (MXN\$ Mn)	\$ 0.56



Opinion and recommendation

HOTEL reported positive 4Q22 operating results, in line with our revenue and EBITDA projections, but below in terms of net profits. After having updated our model, we continue with a BUY recommendation and a MXN\$7.00/share target price. We still find the current price level very attractive.

Portfolio

HOTEL acquired the *Mahekal Beach Resort* at the end of the quarter for a US\$56 million transaction value (equivalent to US\$287 thousand per room) of which 50% was financed with cash. As a result, the portfolio included 14 owned hotels, while the company continued to manage 10 third-party properties. This increased HOTEL's exposure to beach hotels to 60%, up from 57% the previous year. Worth mentioning that the company had also announced the signing of an agreement to sell the *Hilton Guadalajara* for US\$59 million to Barceló Hotel Group, to continue focusing on beach locations. It expects to close this transaction during the next few months.

Revenues

Revenues were MXN\$741 million in 4Q22, up 36% YoYs. They were practically in line with our MXN\$739 million expectation. They were driven mainly by the performance of owned hotels, which recorded an occupancy rate of 65.6% (in line) in the current quarter, up from 57.0%, and whose average daily rate was up 10% to MXN\$1,607 (vs. MXN\$1,590 E), generating a 27% rise in RevPar in this segment.

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A 34% increase in food and beverage revenues, derived from higher occupancy, also contributed. Meanwhile, occupancy at managed hotels rose 8.7 percentage points to 69.0%, although the average daily rate remained virtually unchanged at MXN\$1,718.

Profitability

HOTEL's EBITDA grew 31% YoY to MXN\$215 million (vs. MXN\$208 million E), as the significant increase in revenues was accompanied by higher operating expenses. As a result, EBITDA margin contracted 110 bps to 29.1%.

The company reported a MXN\$5 million net loss (vs. MXN\$34 million E) as a result of non-recurring expenses related to the maintenance of two *Krystal* hotels, which was partially offset by FX gains.

Financial structure

HOTEL financed the acquisition of the new hotel through a combination of cash and additional debt, which boosted its net debt by 22%. However, the significant recovery in the consolidated EBITDA generation resulted in a net debt to EBITDA ratio of 4.2x, up from 6.4x in the previous year. Worth mentioning that 11% of total debt matures in 2023. We expect the company to successfully refinance such portion with long-term debt.

(Figures in Millions of MXN\$)	4Q22	4Q22E	Diff.	4Q21	Change
Revenues	741	739	0.2%	546	35.6%
Operating Profit	35	52	-33.3%	29	20.7%
<i>Operating Margin</i>	4.7%	7.1%		5.3%	
EBITDA	215	208	3.4%	165	30.6%
<i>EBITDA Margin</i>	29.1%	28.2%		30.2%	
Financial Gains	154	39	295.0%	227	-32.0%
Financial Cost	-105	-37	188.3%	-258	-59.1%
Net Profit	-5	34	n.a.	74	n.a.

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	458	531	613	704	788	823
Tax Rate	26%	27%	27%	28%	28%	30%
Tax Shield	-119	-141	-166	-194	-221	-230
NOPLAT	339	390	448	510	567	592
Depreciation	313	330	348	368	388	405
Working Capital Changes	-35	-34	-34	-34	-36	-38
CAPEX	-260	-304	-348	-392	-404	-422
FCFF	357	382	414	452	515	538
Perpetuity Growth Rate						4.4%
PV of Explicit Period (2024 - 2028E)						1,621
Perpetuity Value						11,531
PV of Perpetuity Value						6,855
Enterprise Value						8,476
Net Debt						3,464
Market Value						5,012
Outstanding Shares						716
Target Price						P\$ 7.00
Current Market Price						P\$ 4.10
Potential Return Incl. Dividends						70.7%
Forward EV/EBITDA						12.8x
Forward P/E						22.1x
Average Cost of Debt						9.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						6.4%
Cost of Equity						10.5%
Market Risk Premium						6.0%
Risk-Free Rate						9.0%
Beta						0.25
% Total Debt						35.1%
% Capital						64.9%
WACC						9.1%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	717	755	795	834	876
Target EV/EBITDA					
11.3x	4.12	4.71	5.34	5.96	6.62
11.8x	4.62	5.24	5.89	6.54	7.23
12.3x	5.12	5.76	6.44	7.12	7.84
12.8x	5.62	6.29	7.00	7.71	8.45
13.3x	6.12	6.82	7.55	8.29	9.06
13.8x	6.62	7.35	8.11	8.87	9.67

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	205	216	227	239	250
Target P/E					
19.1x	5.46	5.75	6.05	6.35	6.67
20.1x	5.74	6.05	6.37	6.68	7.02
21.1x	6.03	6.35	6.68	7.02	7.37
22.1x	6.32	6.65	7.00	7.35	7.72
23.1x	6.60	6.95	7.32	7.68	8.07
24.1x	6.89	7.25	7.63	8.02	8.42

(Figures in Millions of MXN\$)	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	2,652	2,628	2,839	3,152	3,494	3,866	4,205
Cost of Sales	-977	-1,288	-1,385	-1,532	-1,691	-1,863	-2,018
Gross Profit	1,676	1,340	1,453	1,620	1,803	2,002	2,186
<i>Gross Margin</i>	63.2%	51.0%	51.2%	51.4%	51.6%	51.8%	52.0%
General Expenses	-595	-539	-582	-646	-716	-792	-862
Operating Profit	355	415	458	531	613	704	788
<i>Operating Margin</i>	13.4%	15.8%	16.1%	16.9%	17.5%	18.2%	18.7%
Depreciation and Amortization	-281	-297	-313	-330	-348	-368	-388
EBITDA	749	732	795	889	993	1,108	1,212
<i>EBITDA Margin</i>	28.2%	27.8%	28.0%	28.2%	28.4%	28.7%	28.8%
Financial Gains	406	-54	-54	-50	-46	-42	-38
Financial Cost	-418	-199	-205	-210	-216	-221	-226
Pre-Tax Profit	346	166	203	275	356	446	529
Income Tax & Profit Sharing	-147	-42	-53	-73	-96	-123	-148
Net Profit	198	124	150	202	260	323	381
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	12,644	13,065	13,548	14,119	14,784	15,554	16,400
Current Assets	2,105	1,717	1,869	2,047	2,238	2,443	2,632
LT Assets	10,540	11,348	11,679	12,071	12,546	13,111	13,768
TOTAL LIABILITIES	5,787	5,948	6,132	6,325	6,527	6,736	6,934
ST Liabilities	1,429	1,488	1,570	1,661	1,759	1,866	1,962
LT Liabilities	4,358	4,460	4,562	4,665	4,767	4,870	4,972
TOTAL DEBT	3,707	3,911	4,013	4,116	4,218	4,321	4,423
NET DEBT	3,263	3,464	3,531	3,580	3,624	3,663	3,708
TOTAL CAPITAL	6,857	7,117	7,416	7,793	8,258	8,818	9,466
Stockholder's Equity	5,384	5,587	5,822	6,118	6,483	6,923	7,432
Minority Interest	1,474	1,530	1,594	1,675	1,775	1,895	2,034
CASH FLOW STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Net Profit	198	124	150	202	260	323	381
Inv. Related Activities	284	-46	-26	-9	14	33	53
Pre-Tax Cash Flow	482	-1,253	-942	-878	-827	-775	-764
Working Capital Changes	-52	91	-35	-34	-34	-34	-36
Operating Cash Flow	430	-1,162	-977	-913	-861	-809	-800
Investment Cash Flow	-1,731	-179	-227	-271	-315	-359	-371
Financing Cash Flow	1,181	1,335	1,231	1,228	1,226	1,223	1,220
Net Incr. (Decr.) in Cash & Temp. Inv.	-121	-6	27	45	50	55	49
Beg. of Period Cash and Temp. Inv.	565	444	447	483	536	594	657
End of Period Cash and Temp. Inv.	444	447	483	536	594	657	715

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