

# HOTEL

Sells the *Hilton Guadalajara* and acquires a property in Playa del Carmen; we raised our target price to MXN\$7.00/share

HOTEL*	BUY
Target Price (MXN\$)	\$ 7.00
Current Price (MXN\$)	\$ 5.19
Min / Max (L12M - MXN\$)	3.67 - 5.20
Expected Dividend (MXN\$)	\$ 0.00
Total Return	34.9%
Mkt Cap (Mn of MXN)	3,691
Enterprise Value (Mn of MXN\$)	5,992
Shares Outstanding (Mn)	711.1
Float	75.0%
ADTV (MXN\$ Mn)	\$ 2.19

## Opinion and recommendation

HOTEL announced the signing of an agreement to sell the 450-room *Hilton Guadalajara* to the Barceló Hotel Group for US\$59 million. It expects this transaction to take place in 1Q23. On the other hand, the company announced the acquisition in association with a group of investors of a 50% equity stake at the *Makehal Beach Resort* in Playa del Carmen for a transaction value of US\$56 million, of which 50% will be financed with debt. This property has 195 rooms and 4 restaurants and bars.

We see these transactions as favorable for HOTEL as it will recycle part of its portfolio to continue focusing on the beach segment, which has registered, and we expect will continue to register, a stronger performance in terms of RevPar and profitability than urban hotels. The company will now have 6,764 rooms in total, of which 60% will be in beach destinations and the rest in cities. HOTEL mentioned that it will continue to actively seek growth opportunities to continue increasing shareholder value.

After having updated our model, we are raising our target price to MXN\$7.00/share (from MXN\$6.00/share). Our fundamental recommendation remains BUY. The valuation of HOTEL shares seems attractive to us since they currently trade at a forward EV/EBITDA of 8.4x and a projected P/E of 10.7x. The main risk at the moment is a macroeconomic slowdown.



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## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	780	879	987	1,107	1,219	1,304
Tax Rate	26%	26%	27%	27%	27%	30%
Tax Shield	-199	-228	-262	-299	-329	-352
NOPLAT	581	650	726	808	890	952
Depreciation	145	153	161	170	180	192
Working Capital Changes	-44	-45	-46	-47	-47	-51
CAPEX	-420	-440	-460	-480	-480	-513
FCFF	262	318	381	452	543	580
Perpetuity Growth Rate						6.9%
PV of Explicit Period (2023 - 2027E)						1,356
Perpetuity Value						11,524
PV of Perpetuity Value						5,850
Enterprise Value						7,205
Net Debt						2,230
Market Value						4,976
Outstanding Shares						711
Target Price						P\$ 7.00
Current Market Price						P\$ 5.19
Potential Return Incl. Dividends						34.8%
Forward EV/EBITDA						9.0x
Forward P/E						12.6x
Average Cost of Debt						8.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						5.7%
Cost of Equity						14.8%
Market Risk Premium						6.0%
Risk-Free Rate						8.8%
Beta						1.00
% Total Debt						31.0%
% Capital						69.0%
WACC						12.0%

**Sensitivity Analysis Table, EV/EBITDA vs. EBITDA**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>857</b>	<b>902</b>	<b>949</b>	<b>997</b>	<b>1,047</b>
<b>Target EV/EBITDA</b>					
7.5x	4.01	4.49	4.99	5.50	6.03
8.0x	4.61	5.12	5.66	6.20	6.76
8.5x	5.22	5.76	6.33	6.90	7.50
<b>9.0x</b>	<b>5.82</b>	<b>6.39</b>	<b>7.00</b>	<b>7.60</b>	<b>8.24</b>
9.5x	6.42	7.03	7.66	8.30	8.97
10.0x	7.02	7.66	8.33	9.00	9.71

**Sensitivity Analysis Table, P/E vs. Net Profit**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>355</b>	<b>374</b>	<b>394</b>	<b>414</b>	<b>434</b>
<b>Target P/E</b>					
9.6x	4.82	5.07	5.34	5.60	5.88
10.6x	5.32	5.59	5.89	6.18	6.49
11.6x	5.81	6.12	6.44	6.77	7.10
<b>12.6x</b>	<b>6.31</b>	<b>6.65</b>	<b>7.00</b>	<b>7.35</b>	<b>7.71</b>
13.6x	6.81	7.17	7.55	7.93	8.33
14.6x	7.31	7.70	8.10	8.51	8.94

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenues	1,761	2,636	2,885	3,170	3,513	3,886	4,293	4,665
Cost of Sales	-665	-1,053	-1,370	-1,499	-1,654	-1,822	-2,004	-2,169
Gross Profit	1,095	1,583	1,514	1,671	1,859	2,064	2,289	2,497
<i>Gross Margin</i>	62.2%	60.1%	52.5%	52.7%	52.9%	53.1%	53.3%	53.5%
General Expenses	-456	-588	-591	-650	-720	-797	-880	-956
Operating Profit	70	597	700	780	879	987	1,107	1,219
<i>Operating Margin</i>	4.0%	22.6%	24.3%	24.6%	25.0%	25.4%	25.8%	26.1%
Depreciation and Amortization	-265	-130	-137	-145	-153	-161	-170	-180
EBITDA	401	738	858	949	1,060	1,181	1,313	1,435
<i>EBITDA Margin</i>	22.8%	28.0%	29.7%	30.0%	30.2%	30.4%	30.6%	30.8%
Financial Gains	439	239	-46	-45	-49	-49	-48	-46
Financial Cost	-619	-350	-149	-153	-157	-160	-164	-167
Pre-Tax Profit	-109	490	510	586	678	783	900	1,010
Income Tax & Profit Sharing	76	-115	-127	-150	-176	-207	-243	-273
Net Profit	-33	375	382	437	502	575	657	737
<b>BALANCE SHEET</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
TOTAL ASSETS	10,845	11,692	12,165	12,713	13,327	14,013	14,780	15,611
Current Assets	1,195	2,006	2,111	2,282	2,295	2,474	2,661	2,871
LT Assets	9,650	9,686	10,054	10,431	11,031	11,539	12,119	12,740
TOTAL LIABILITIES	4,883	4,971	5,100	5,255	5,417	5,586	5,762	5,928
ST Liabilities	886	1,098	1,145	1,218	1,298	1,384	1,477	1,562
LT Liabilities	3,997	3,873	3,955	4,038	4,120	4,202	4,284	4,367
TOTAL DEBT	3,208	3,013	3,095	3,177	3,260	3,342	3,424	3,507
NET DEBT	2,644	2,222	2,230	2,258	2,452	2,487	2,523	2,527
TOTAL CAPITAL	5,962	6,721	7,065	7,458	7,909	8,427	9,018	9,682
Stockholder's Equity	4,829	5,500	5,781	6,103	6,472	6,896	7,380	7,923
Minority Interest	1,133	1,221	1,283	1,355	1,437	1,531	1,638	1,759
<b>CASH FLOW STATEMENT</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
PRE-TAX PROFIT	-33	433	510	586	678	783	900	1,010
Inv. Related Activities	369	279	383	395	403	415	424	433
Pre-Tax Cash Flow	336	883	473	535	392	573	596	630
Working Capital Changes	-25	-31	17	-44	-45	-46	-47	-47
Operating Cash Flow	311	852	490	491	347	528	549	582
Investment Cash Flow	-424	-705	-397	-417	-437	-457	-477	-477
Financing Cash Flow	137	81	-20	-21	-23	-25	-27	-29
Net Incr. (Decr.) in Cash & Temp. Inv.	26	226	73	53	-113	46	45	77
Beg. of Period Cash and Temp. Inv.	539	565	791	865	919	808	855	902
End of Period Cash and Temp. Inv.	565	791	865	919	808	855	902	980

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