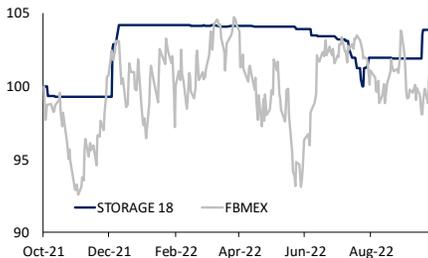


STORAGE: 3Q22 Results

High revenue growth due to acquisitions while NOI and FFO margins expanded with the internalization, positive

STORAGE 18	BUY
Target Price (MXN\$)	\$ 24.50
Expected Dividend	\$ 0.35
Current Price (MXN\$)	\$ 16.50
Min / Max (L12M - MXN\$)	15.39 - 16.50
Total Return	50.6%
Mkt Cap (Mn of MXN)	3,677
CBFI's Outstanding (Mn)	222.8
Float	12.5%



Opinion and recommendation

STORAGE reported positive 3Q22 results with a 46% total revenue growth driven again by acquisitions. In addition, the Fibra began to generate economies of scale with the internalization of its administration, which boosted its NOI and FFO margins in a significant way. As a result, NOI rose 47% and the FFO 76%. The EBITDA margins contracted due to the lease payments at the Guardabox branches, but the EBITDA still rose 11%. All these figures were above our projections.

After updating our forecast model, we are reiterating our BUY recommendation and raising our target price to MXN\$24.50/CBFI, from MXN\$23.50/CBFI.

Portfolio

The gross built area reached 150 thousand M2, while the gross available area was 147 thousand M2, which represented annual increases of 16% and 26%, respectively. This was mainly due to the addition of 6 branches during the last 12 months. Net absorption was 3,950 M2 in the quarter. On the other hand, the potential GLA remained at 201 thousand M2. STORAGE expects to fulfill its development plan between 2022 and 2023 with MXN\$671 million in investments. It will focus mainly on the Mariano Escobedo, Río San Joaquín, Condesa (Vasconcelos), Lerma II and the third phase of Tlapan-Coapa branches.

Revenues

Leasing revenues were up 42% YoY to MXN\$108 million, basically in line with our MXN\$107 million expectation. Despite the significant expansion of the portfolio, occupancy improved to 77.5%, from 75.6% in the previous year and 74.7% in 2Q22 as the Fibra continued to focus on this indicator. In fact, the monthly effective rate was up 6.5% to MXN\$323.6, below inflation, given the “revenue management” strategy. The combination of these factors resulted in a MXN\$250.8 RevPaM, rising 9.2%. In addition, STORAGE recorded other revenues of MXN\$9 million (vs. MXN\$5 million E), which translated into total revenues of MXN\$117 million (vs. MXN\$111 million), 46% higher YoY.

Clients

STORAGE closed the quarter with 11,913 clients, of which 80% were from the residential sector and 20% from the commercial sector. The average stay reached 26.9 months.

Profitability

The Fibra benefited from economies it generated with the internalization of the administration. NOI margin expanded to 77.0% in the current quarter, from 74.7% a year earlier. Therefore, NOI grew 47% to MXN\$88 million (vs. MXN\$82 million E). The FFO margin experienced a similar performance as it stood at 37.3% in 3Q22, with an improvement of nearly seven percentage points, translating into a 76% FFO growth to MXN\$43 million (vs. MXN\$36 million E). However, the EBITDA margin contracted to 50.5%, compared to 65.2%, due to branch leasing expenses. Even so, EBITDA managed to be up 11%.

Financial structure

The leverage ratio was down to 24.5%, from 26.1% in the previous year, given the increase in the book value of investment properties during the last twelve months, which included a MXN\$60.1 million surplus in the period.

ESG

STORAGE presented its 2021 Sustainability Report.

(Figures in Millions of Pesos)

MAIN OPERATING INDICATORS	3Q22	3Q22E	Diff.	3Q21	Change
Constructed GLA (m2)	150,341	150,546	-0.1%	129,724	15.9%
Available GLA (m2)	147,056	147,535	-0.3%	117,191	25.5%
Monthly effective rate - P\$	323.6	322.1	0.5%	303.9	6.5%
Occupancy (%-m2)	77.5%	75.0%		75.6%	
RevPaM (P\$-FdP)	250.8	241.6	3.8%	229.6	9.2%
INCOME STATEMENT	3Q22	3Q22E	Diff.	3Q21	Change
Total Revenues	117	111	5.4%	80	45.5%
Leasing Revenues	108	107	0.8%	76	41.9%
Other Revenues	9	4	135.8%	4	110.5%
Operating Expenses (Incl. Asset Tax)	21	24	-12.1%	20	4.4%
Corporate Expenses, Fees & Other	30	30	1.7%	8	300.7%
Depreciation	0	0	5.4%	0	0.0%
Total General Expenses	51	54	-4.4%	28	84.7%
Operating Profit	125	64	94.9% -	44	-387.7%
Net Financial Cost	5 -	16	-68.8% -	20	-74.9%
Net Profit	120	48	149.9% -	64	-288.9%
NOI	88	82	6.9%	60	47.2%
NOI Margin	77.0%	75.7%		74.7%	
EBITDA	58	52	9.9%	52	10.5%
EBITDA Margin	50.5%	48.3%		65.2%	
FFO	43	36	17.6%	24	75.9%
FFO Margin	37.3%	33.4%		30.4%	
EPCBFI	0.54	0.22	150.1%	-0.29	-283.9%
NOI / CBFi	0.39	0.37	7.0%	0.28	43.4%
EBITDA / CBFi	0.26	0.24	9.9%	0.24	7.6%
FFO / CBFi	0.19	0.16	17.6%	0.11	71.2%
BALANCE SHEET	3Q22	3Q22E	Diff.	3Q21	Change
TOTAL ASSETS	6,252	6,012	4.0%	6,042	3.5%
Current assets	866	916	-5.5%	1,163	-25.6%
Total non current assets	5,386	5,096	5.7%	4,879	10.4%
Investment properties	5,261	5,035	4.5%	4,846	8.6%
TOTAL LIABILITIES	1,767	1,765	0.2%	1,808	-2.3%
TOTAL EQUITY	4,485	4,415	1.6%	4,234	5.9%
Total Debt	1,533	1,543	-0.7%	1,532	0.0%
Net Debt	880	948	-7.2%	528	66.8%
LTV	24.5%	25.7%		26.1%	

Discounted Cash Flow Model

(Figures in Millions of Mexican Pesos)	2023E	2024E	2025E	2026E	2027E	Perp.
Net Profit	277	347	386	416	460	488
Restatement of Investment Property Value	28	25	23	20	20	21
Depreciation	0	0	0	0	0	0
FFO	218	289	327	357	399	467
Growth Capex	936	284	-	-	-	0
FFO after Capex	718	4	327	357	399	467
Interest paid	72	73	79	88	91	96
Free Cash Flow	(646)	78	406	446	490	563
Perpetuity Growth Rate						6.1%
PV of Explicit Period (2023 -2027E)						359
Terminal Value						11,161
PV of Terminal Value						5,933
Enterprise Value						6,292
Net Debt						1,031
Market Value						5,261
Recoverable VAT						199
Adjusted Market Value						5,460
CBFIs outstanding						223
Target Price						P\$ 24.50
Current Price						P\$ 16.50
Potential Return incl/ Div.						52.5%
Target Multiples						
Cap Rate						5.3%
Dividend Yield						2.7%
P/ FFO						37.2x
Average Cost of Debt						9.18%
Cost of Capital						11.8%
Market Risk Premium						6.0%
Risk Free Rate						9.8%
Beta						0.34
% of Debt						26%
% of Capital						74%
WACC						11.11%

MAIN OPERATING INDICATORS	2021	2022E	2023E	2024E	2025E	2026E	2027E
Constructed GLA (m2)	148,537	150,341	189,341	201,183	201,183	201,183	201,183
Available GLA (m2)	141,735	147,334	189,341	201,183	201,183	201,183	201,183
Occupied GLA (m2)	104,549	114,184	140,112	152,899	156,923	160,946	164,970
Unoccupied GLA	37,186	33,150	49,229	48,284	44,260	40,237	36,213
Occupancy (%-m2)	74%	78%	74%	76%	78%	80%	82%
Monthly effective rate - P\$	293.9	323.3	342.7	363.2	385.0	408.1	432.6
RevPaM (P\$-FdP)	216.8	250.5	253.6	276.1	300.3	326.5	354.8
INCOME STATEMENT	2021	2022E	2023E	2024E	2025E	2026E	2027E
Total Revenues	324	448	567	696	771	839	911
Leasing Revenues	307	424	524	643	712	774	842
Other Revenues	16	24	43	53	59	64	70
Operating Expenses (Incl. Asset Tax)	83	84	106	129	142	153	163
Corporate Expenses, Fees & Other	30	134	146	178	195	210	227
Depreciation	0	0	0	0	0	0	0
Total General Expenses	113	218	252	307	337	363	390
Revaluation of Investment Properties	- 4	5	28	25	23	20	20
Operating Profit	207	235	343	414	457	495	541
Interest Expense	- 72	- 69	- 72	- 73	- 79	- 88	- 91
Interest Gains	6	5	4	3	4	4	4
FX Gain	- 0	0	0	0	0	0	0
Unrealized valuation effect of financial instruments	1	- 3	2	3	4	5	6
Unrealized valuation effect investment instruments	17	30	-	-	-	-	-
Net Financial Cost	- 47	- 37	- 66	- 67	- 71	- 80	- 81
Net Profit	160	198	277	347	386	416	460
NOI	237	345	431	536	597	652	712
<i>NOI Margin</i>	73.9%	77.7%	77.1%	77.9%	78.2%	78.5%	78.9%
EBITDA	207	211	285	358	402	441	485
<i>EBITDA Margin</i>	64.5%	47.5%	51.0%	52.1%	52.7%	53.2%	53.7%
FFO	141	147	218	289	327	357	399
FFO Margin	43.9%	33.1%	39.0%	41.9%	42.8%	43.0%	44.2%
BALANCE SHEET	2021	2022E	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	6,050	6,237	6,487	6,970	7,413	8,065	8,692
Current assets	1,163	811	536	612	656	696	739
Total non current assets	4,886	5,426	5,952	6,358	6,757	7,369	7,953
Intangible Assets	-	62	62	62	62	62	62
TOTAL LIABILITIES	1,808	1,884	1,866	2,012	2,080	2,328	2,508
Current liabilities	181	251	224	360	417	654	822
Long-term liabilities	1,627	1,633	1,643	1,652	1,663	1,674	1,686
TOTAL EQUITY	4,234	4,544	4,821	5,168	5,553	5,969	6,429
Total Debt	1,486	1,629	1,593	1,720	1,772	2,004	2,166
Net Debt	528	1,031	1,275	1,329	1,339	1,533	1,655
PER CBFI DATA	2021	2022E	2023E	2024E	2025E	2026E	2027E
CBFIs outstanding	217	223	223	223	223	223	223
EPCBFI	0.74	0.89	1.24	1.56	1.73	1.86	2.07
NOI / CBFI	1.09	1.55	1.93	2.41	2.68	2.93	3.20
EBITDA / CBFI	0.95	0.95	1.28	1.61	1.80	1.98	2.18
FFO / CBFI	0.65	0.66	0.98	1.30	1.47	1.60	1.79

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