

UPSITE: 3Q22 Results

Solid results driven by the portfolio expansion; announces new leasing contracts

FIBRAUP 18	BUY
Target Price (MXN\$)	\$ 55.00
Current Price (MXN\$)	\$ 32.00
Min / Max (L12M - MXN\$)	31.70 -36.70
Total Return	71.9%
Mkt Cap (Mn of MXN)	1,800
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 53.10
Discount vs. NAV	40%

Opinion and recommendation

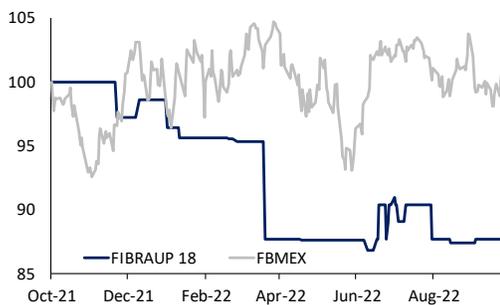
UPSITE once again reported positive operating results with strong revenue and NOI growth due to the portfolio expansion that included the incorporation of a new property during the current quarter. In addition, the Fibra continued to build three properties in Ciudad Juárez and announced the signing of new lease agreements, which we believe will support its results in the future. In our opinion, UPSITE is a suitable financial vehicle to gain direct exposure to the nearshoring trend.

UPSITE's certificates are currently trading at a 40% discount against NAV/CBFI, which we consider to be high. We reiterate our BUY recommendation with a MXN\$55.0/CBFI target price.

Portfolio

The portfolio's GLA reached 134,360 M2 with the addition of the CJS03 property in Ciudad Juárez, compared to 114,016 M2 the previous year. In addition, the Fibra continues to build another 3 properties in Ciudad Juárez with a GLA of 70,975 M2 that it expects to finish in 1Q23. Work progress is 92% in building IV, 81% in V and 16% in VI.

UPSITE recently signed two leases for available space within building IV, signed a binding letter of intent with a new client for the lease of building V, and signed a binding letter of intent for the lease of the vacant Tlaxcala property. In addition, building VI has a letter of intent for 60% of GLA.



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Total revenues amounted to MXN\$31.8 million, which represented a 61% annual increase. This was mainly due to the expansion of the portfolio during the last twelve months. Same-store sales decreased 53% due to the cancellation of the Tlaxcala contract.

The properties' operating cost rose 127% which translated into a 50% NOI growth. The Fibra expects its expenses to normalize once revenues from new buildings stabilize.

Operating expenses reached MXN\$103 million, from MXN\$12.4 million, due to a non-cash provision that the Fibra recognized (which we estimate at MXN\$80 million), which relates to the variable portion of the administrator's salaries for the 2019-2022 period. This resulted in a negative EBITDA of MXN\$77.8 million and a negative FFO of MXN\$90.7 million.

Investment properties / NAV/CBFI

The value of investment properties reached MXN\$3,257.7 million at the end of 3Q22, up 32% YoY. The Fibra recorded a MXN\$94.7 million fair value adjustment for the appraisal of two properties in Ciudad Juárez.

The NAV/CBFI was MXN\$53.10 (we expected MXN\$54.80) at the end of the period, below the MXN\$60.05 of 3Q21 mainly due to higher leverage, but in line with the MXN\$53.02 of 2Q22.

Financial structure

UPSITE carried out the fourth disposition of the Bancomext credit amounting to US\$10.6 million. It closed the quarter with an LTV of 25.6%, which was below the 40% maximum internal threshold.

(Figures in Millions of MXN\$)	3Q22	3Q22E	Diff.	3Q21	Change
Revenues	32	33	-4.1%	20	61.2%
Operating Cost	-7	-7	-0.1%	-3	127.3%
NOI	25	27	-5.1%	17	49.8%
Operating Profit	-78	4	n.a.	4	n.a.
Operating Margin	-244.5%	10.9%		n.a.	
EBITDA	-78	4	n.a.	4	n.a.
EBITDA Margin	-244.5%	10.9%		n.a.	
Financial Gains	93	3	n.a.	136	n.a.
Financial Cost	-11	-9	n.a.	-3	n.a.
Net Profit	4	-2	n.a.	137	n.a.
NAV / CBFI	P\$ 53.02	P\$ 54.80	-3.2%	P\$ 60.05	-12%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	75	115	277	343	407	476	552
General Expenses	-49	-165	-104	-114	-125	-136	-149
Operating Profit	15	-71	120	163	203	248	297
<i>Operating Margin</i>	<i>19.9%</i>	<i>-61.5%</i>	<i>43.2%</i>	<i>47.5%</i>	<i>50.0%</i>	<i>52.1%</i>	<i>53.8%</i>
EBITDA	15	-71	120	163	203	248	297
<i>EBITDA Margin</i>	<i>19.9%</i>	<i>-61.5%</i>	<i>43.2%</i>	<i>47.5%</i>	<i>50.0%</i>	<i>52.1%</i>	<i>53.8%</i>
Financial Gains	434	60	201	193	205	219	233
Financial Cost	-17	-38	-69	-77	-97	-113	-136
Pre-Tax Profit	432	-50	251	279	312	354	394
Net Profit	432	-50	225	247	274	307	340
BALANCE SHEET	2021	2022E	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	3,614	4,194	4,829	5,244	5,739	6,362	7,184
Current Assets	878	749	702	404	456	558	610
LT Assets	2,736	3,444	4,127	4,840	5,283	5,805	6,574
Investment Properties	2,736	3,438	4,113	4,823	5,263	5,781	6,547
TOTAL LIABILITIES	600	1,230	1,702	1,937	2,231	2,621	3,176
TOTAL DEBT	513	1,080	1,537	1,760	2,044	2,403	2,925
NET DEBT	-174	530	1,037	1,560	1,794	2,053	2,525
Stockholder's Equity	3,013	2,964	3,127	3,307	3,507	3,742	4,008
NAV	2,761	3,004	3,173	3,361	3,571	3,815	4,092
NAV / CBF1	\$ 58.32	\$ 53.40	\$ 56.41	\$ 59.75	\$ 63.48	\$ 67.81	\$ 72.74
CASH FLOW STATEMENT	2021	2022E	2023E	2024E	2025E	2026E	2027E
Net Profit	432	-50	251	279	312	354	394
Total Adjustments	-476	-32	-120	-121	-123	-104	-102
Cash Flow from Operations	-44	-82	131	158	189	251	292
Net Cash Flow from Operating Activities	-44	-82	131	158	189	251	292
Net Cash Flow from Investment Activities	-583	-650	-525	-550	-270	-138	-276
Net Cash Flow from Financing Activities	279	568	395	156	211	286	449
Net Incr. (Decr.) in Cash & Eq. Before FX Impact	-348	-133	-50	-300	50	100	50
Net Incr. (Decr.) in Cash & Eq. After FX Impact	-348	-133	-50	-300	50	100	50
Beg. of Period Cash and Eq.	1,035	687	550	500	200	250	350
End of Period Cash and Eq.	687	550	500	200	250	350	400

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