

FIBRA INN: 4Q22 Results

Excellent operating performance with a high revenue, total NOI, FFO and AFFO growth, as expected

FINN 13	BUY
Target Price (MXN\$)	\$ 8.50
Current Price (MXN\$)	\$ 6.55
Min / Max (L12M - MXN\$)	3.20 - 6.61
Expected Dividend (MXN\$)	\$ 0.17
Total Return	32.4%
Mkt Cap (Mn of MXN)	3,299
CBFI's Outstanding (Mn)	503.6
Float	86.5%
ADTV (MXN\$ Mn)	\$ 3.58

Opinion and recommendation

FIBRA INN reported positive 4Q22 results that were in line with our expectations in terms of revenues, total NOI, FFO and AFFO. The Fibra continued to benefit from a stronger tourist activity, which boosted average daily rates and occupancies.

We expect a short-term positive reaction and we are reiterating our BUY recommendation. At the same time, we are adjusting our target price to MXN\$8.50/CBFI, from MXN\$6.50/CBFI.

Portfolio

Total rooms decreased 6% YoY to 6,047 as a result of the sale of 3 hotels in the Bajío region in December. FIBRA INN had 35 properties at the end of the quarter, two of which are still closed.

Revenues

Total revenues were MXN\$549 million in 4Q22 (in line), representing an annual increase of 39%. Hotel revenues were up 38% to MXN\$525 million, supported by an improvement of more than 12 percentage points in occupancy levels to 62.6%, combined with an 11% rise in the average daily rate to MXN\$1,612, due to stronger hotel activity. The Fibra expects occupancies to continue improving in the following months. In addition, leasing revenues advanced 62% and the Fibra recognized a MXN\$5 million revenue for the administration of "Hotel Factory" properties.



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Profitability / Distribution

The economies of scale generated by Aimbridge Hospitality, the hotel operator, boosted total NOI by 57% YoY to MXN\$189 million (vs. MXN\$179 million E). The NOI margin expanded to 34.3%, from 30.5% a year earlier. Adjusted EBITDA increased 61% to MXN\$149 million (vs. MXN\$147 million E). In addition, FFO and AFFO were positive by MXN\$52 million and MXN\$33 million, respectively (vs. MXN\$54 million and MXN\$34 million E), from the negative figures of the same period of the previous year. The quarterly distribution will be MXN\$21.6 million (MXN\$0.0428/CBF1), equivalent to 66% of the AFFO.

Financial structure

FIBRA INN closed the quarter with a total debt of MXN\$4.1 billion, which translated into a 33.1% LTV, practically unchanged from 33.5% in 4Q21. Worth mentioning that 94% of the debt is at a fixed rate. In addition, the cash reached MXN\$614 million and the VAT to recover MXN\$143 million.

ASG

The ESG Committee held its second session in November 2022, in which the progress and ESG strategy for 2023 were presented. In addition, Fibra carried out the "health month" program in November.

(Figures in MXN\$ Mn)	4Q22	4Q22E	Diff.	4Q21	Change
Total Revenues	549	549	0.0%	394	39.3%
Hotel Revenues	525	525	-0.0%	381	37.6%
Property Leasing	19	23	-17.2%	12	62.5%
Total Costs and Expenses	-361	-370	-2.5%	-274	31.6%
Total NOI	189	179	5.2%	120	56.9%
<i>Total NOI Margin</i>	34.3%	32.6%		30.5%	
Adjusted EBITDA	149	147	1.5%	93	60.6%
<i>Adjusted EBITDA Margin</i>	27.1%	26.7%		23.5%	
FFO	52	54	-3.6%	-3	n.a.
<i>FFO Margin</i>	9.4%	9.8%		-0.8%	
AFFO	33	34	-4.4%	-17	n.a.
<i>AFFO Margin</i>	6.0%	6.8%		-4.3%	

Discounted Cash Flow Model

MXN\$ Mn	2024E	2025E	2026E	2027E	2028E	Perp.
FFO	186	214	244	279	284	297
Maintenance Capex	(73)	(78)	(83)	(89)	(94)	(98)
AFFO	112	136	161	191	190	198
Interest Gains	73	78	83	88	94	98
Interest Expenses	(515)	(542)	(571)	(600)	(594)	(620)
AFFO before interest payments	555	600	649	702	690	721
Perpetuity Growth Rate						4.5%
PV of Explicit Period (2024 -2028E)						2,340
Perpetuity Value						11,217
PV of Perpetuity Value						6,031
Enterprise Value						8,371
Net Debt						4,092
Market Value						4,278
<i>Outstanding CBI's</i>						504
Target Price						P\$ 8.50
Current Price						P\$ 6.55
Potential Return incl/ Div.						33.0%
Average Cost of Debt						9.6%
Cost of Capital						11.7%
Market Risk Premium						6.0%
Risk Free Rate						9.3%
Beta						0.41
% of Debt						38%
% of Capital						62%
WACC						10.9%

INCOME STATEMENT	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Lodging Revenues	1,838.7	2,192.2	2,338.0	2,492.8	2,657.3	2,832.1	2,995.6
Property Leasing	73.9	87.7	93.5	99.7	106.3	113.3	119.8
Total Revenues	1,921.7	2,285.9	2,438.7	2,601.0	2,773.6	2,956.9	3,127.1
Hotel Costs and Expenses	- 1,291.2 -	- 1,532.1 -	- 1,629.1 -	- 1,729.2 -	- 1,835.1 -	- 1,946.9 -	- 2,112.3
Total NOI	630.5	753.8	809.6	871.7	938.6	1,010.1	1,014.8
<i>Total NOI Margin</i>	<i>32.8%</i>	<i>33.0%</i>	<i>33.2%</i>	<i>33.5%</i>	<i>33.8%</i>	<i>34.2%</i>	<i>32.5%</i>
Indirect Expenses	- 158.6 -	- 205.7 -	- 219.5 -	- 234.1 -	- 249.6 -	- 266.1 -	- 281.4
EBITDA	471.9	548.1	590.1	637.6	689.0	743.9	733.3
<i>EBITDA Margin</i>	<i>24.6%</i>	<i>24.0%</i>	<i>24.2%</i>	<i>24.5%</i>	<i>24.8%</i>	<i>25.2%</i>	<i>23.5%</i>
Acquisition and Organization Expenses	30.1	45.7	48.8	52.0	55.5	59.1	62.5
Adjusted EBITDA	502.1	593.8	638.9	689.7	744.4	803.1	795.9
<i>Adjusted EBITDA Margin</i>	<i>26.1%</i>	<i>26.0%</i>	<i>26.2%</i>	<i>26.5%</i>	<i>26.8%</i>	<i>27.2%</i>	<i>25.5%</i>
Operating Profit	206.9	332.7	386.0	447.1	510.0	575.3	567.7
<i>Operating Margin</i>	<i>10.8%</i>	<i>14.6%</i>	<i>15.8%</i>	<i>17.2%</i>	<i>18.4%</i>	<i>19.5%</i>	<i>18.2%</i>
Majority Net Profit	- 114.7 -	- 84.7 -	- 68.0 -	- 28.9	10.0	52.1	56.3
FFO	123.7	177.3	185.5	213.9	244.4	279.4	283.8
<i>FFO Margin</i>	<i>6.4%</i>	<i>7.8%</i>	<i>7.6%</i>	<i>8.2%</i>	<i>8.8%</i>	<i>9.4%</i>	<i>9.1%</i>
Maintenance Capex	69.9	68.6	73.2	78.0	83.2	88.7	93.8
AFFO	56.8	108.7	112.4	135.9	161.1	190.7	190.0
<i>AFFO Margin</i>	<i>3.0%</i>	<i>4.8%</i>	<i>4.6%</i>	<i>5.2%</i>	<i>5.8%</i>	<i>6.4%</i>	<i>6.1%</i>
FFO per CBF1	\$ 0.246	\$ 0.352	\$ 0.368	\$ 0.425	\$ 0.485	\$ 0.555	\$ 0.564
AFFO Per CBF1	\$ 0.113	\$ 0.216	\$ 0.223	\$ 0.270	\$ 0.320	\$ 0.379	\$ 0.377
Distribution	-	117.0	122.5	141.2	161.3	184.4	187.3
Distribution Per CBF1	\$ -	\$ 0.232	\$ 0.243	\$ 0.280	\$ 0.320	\$ 0.366	\$ 0.372
BALANCE SHEET	2022E	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	12,524.5	13,111.1	13,292.2	13,550.5	13,853.6	14,194.0	14,312.5
Current Assets	891.1	1,018.5	1,072.0	1,128.7	1,189.1	1,253.3	1,312.8
Long-Term Assets	11,633.4	12,092.6	12,220.3	12,421.8	12,664.5	12,940.7	12,999.7
Property, Plant and Equipment	11,319.3	11,778.4	11,905.9	12,107.3	12,349.8	12,625.9	12,684.7
TOTAL LIABILITIES	4,692.8	5,363.3	5,611.7	5,898.7	6,191.8	6,480.7	6,543.5
Current Liabilities	539.7	1,210.2	1,458.7	1,745.6	1,838.7	2,127.6	2,190.4
Long-Term Liabilities	4,153.1	4,153.1	4,153.1	4,153.1	4,353.1	4,353.1	4,353.1
Total Debt	4,186.7	4,822.5	5,057.0	5,329.5	5,607.3	5,880.1	5,919.1
Net Debt	3,572.7	4,092.2	4,277.9	4,498.5	4,721.2	4,935.4	4,920.0
Trustee's Capital	7,831.7	7,747.8	7,680.5	7,651.8	7,661.8	7,713.3	7,769.0
Minority Interest	1,250.7	1,237.3	1,226.5	1,222.0	1,223.5	1,231.8	1,240.7
Stockholder's Equity	6,581.0	6,480.0	6,418.6	6,389.7	6,392.6	6,429.7	6,474.3

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