

UPSITE: 4Q22 Results

Solid results that exceeded our expectations due to the portfolio growth and new contracts

FIBRAUP 18	BUY
Target Price (MXN\$)	\$ 55.00
Current Price (MXN\$)	\$ 31.39
Min / Max (L12M - MXN\$)	31.00 -35.30
Total Return	75.2%
Mkt Cap (Mn of MXN)	1,766
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 54.31
Discount vs. NAV	42%

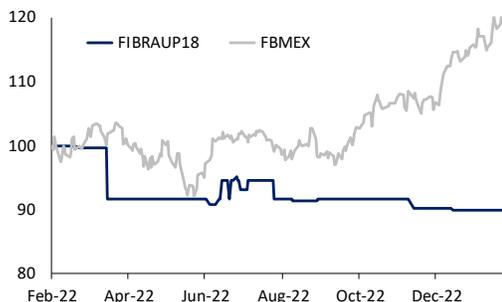
Opinion and recommendation

UPSITE reported positive 4Q22 results that exceeded our projections in terms of revenues, NOI, net profits and NAV/CBFI due to the addition of new leased properties to the portfolio. However, EBITDA was below our projections due to the recognition of the variable portion of the Administrator's salaries for the 2019-2022 period.

UPSITE is a clear beneficiary of the nearshoring trend due to its high and growing exposure to the industrial sector in the north of the country. In addition, its valuation continues to be very attractive since its certificates currently at a 42% discount against the net asset value. For these reasons, we reiterate our BUY recommendation with a MXN\$55.00/CBFI.

Portfolio

The portfolio continued to grow during the quarter as UPSITE delivered Building IV which has two lease contracts, it is about to deliver building V, which already includes a signed lease, and it has made considerable progress in building VI, which has a 7-year dollar-denominated lease with a client that will occupy 57% of space with an area of 19,352 M2. These three properties together will contribute with a GLA of 71,000 M2.



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Additionally, UPSITE signed a binding letter of intent to lease the entire 31,920 M2 Tlaxcala property for a 10-year term, also denominated in dollars.

Worth mentioning that the occupancy of the existing properties remained at 100% with an average lease term of 7.4 years, one of the longest in Mexico's industrial sector. UPSITE's land reserve continued at 625 thousand M2 with a potential GLA of 285 thousand M2. It is located mainly in the cities of Querétaro and Irapuato.

4Q22 Results

Total revenues stood at MXN\$37.1 million (vs. MXN\$34.3 million E), up 57.4% YoY, due to the addition of new rented properties. However, the operation of the new real estate boosted the operating cost by 119.7% to MXN\$7.3 million. Despite this situation, NOI was MXN\$29.8 million in the quarter (vs. MXN\$27.7 million E), with a 47.1% YoY rise. Administrative expenses were up 147.6% to MXN\$30.7 million since the Fibra recognized the variable portion of the administrator's salaries corresponding to the 2019-2022 period. As a result, EBITDA was negative by around MXN\$1.0 million, from a positive figure of MXN\$7.8 million in the same period of the previous year. FFO for 4Q22 was MXN\$6.0 million, slightly below the MXN\$6.3 million for 4Q21.

Property Value

The value of investment properties reached MXN\$3.5 billion, up 26.9% YoY. The Fibra recorded a MXN\$62.1 million adjustment in the fair value of its properties in the period.

Financial structure

Despite the significant investment in new properties, UPSITE maintained a solid financial structure with a 24.5% LTV at the end of 4Q22, from 14.1% in 4Q21. In addition, the Fibra has MXN\$494.0 million in cash and temporary investments and MXN\$195.9 million in recoverable VAT.

Net Asset Value

The net asset value was MXN\$54.31/CBFI at the end of the quarter (vs. our MXN\$53.02/CBFI expectation). It has grown at a 9.5% annual average rate since the initial public offering that took place in June 2018. In addition, it registered a slight increase sequentially.

(Figures in Millions of MXN\$)	4Q22	4Q22E	Diff.	4Q21	Change
Revenues	37	34	8.1%	24	57.4%
Operating Cost	-7	-7	11.1%	-3	119.6%
NOI	30	28	7.4%	20	47.1%
Operating Profit	-1	5	n.a.	8	n.a.
Operating Margin	-2.6%	13.7%		n.a.	
EBITDA	-1	5	n.a.	8	n.a.
EBITDA Margin	-2.6%	13.7%		n.a.	
Financial Gains	84	12	n.a.	168	-50.3%
Financial Cost	-14	-11	29.3%	-10	46.6%
Net Profit	68	4	n.a.	166	-59.0%
NAV / CBFI	P\$ 54.31	P\$ 53.02	2.4%	P\$ 58.32	-6.9%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E
Revenues	118	285	379	449	525	608
Operating Cost	-22	-56	-75	-89	-104	-120
NOI	96	229	304	360	422	488
General Expenses	-172	-132	-139	-146	-153	-160
EBITDA	-77	97	165	215	269	328
<i>EBITDA Margin</i>	-64.8%	34.0%	43.6%	47.8%	51.1%	53.9%
Financial Gains	131	184	182	193	206	219
Financial Cost	-40	-81	-90	-113	-135	-162
Net Profit	15	200	256	295	339	384
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	4,173	4,866	5,281	5,806	6,529	7,351
Current Assets	694	705	407	460	562	614
LT Assets	3,479	4,161	4,873	5,346	5,967	6,737
Investment Properties	3,473	4,148	4,858	5,328	5,946	6,712
TOTAL LIABILITIES	1,145	1,700	1,926	2,230	2,687	3,198
TOTAL DEBT	1,015	1,509	1,728	2,020	2,444	2,918
NET DEBT	521	1,009	1,528	1,770	2,094	2,518
Stockholder's Equity	3,028	3,166	3,355	3,576	3,842	4,153
NAV	3,055	3,226	3,418	3,649	3,926	4,249
NAV / CBF1	\$ 54.31	\$ 57.35	\$ 60.75	\$ 64.87	\$ 69.79	\$ 75.52
CASH FLOW STATEMENT	2022	2023E	2024E	2025E	2026E	2027E
Net Profit	15	200	256	295	339	384
Total Adjustments	-83	-194	-233	-235	-214	-212
Cash Flow from Operations	-68	6	23	60	125	172
Net Cash Flow from Operating Activities	-68	6	23	60	125	172
Net Cash Flow from Investment Activities	-623	-525	-550	-270	-138	-276
Net Cash Flow from Financing Activities	502	433	152	218	351	401
Net Incr. (Decr.) in Cash & Eq. Before FX Impact	-189	6	-300	50	100	50
Net Incr. (Decr.) in Cash & Eq. After FX Impact	-189	6	-300	50	100	50
Beg. of Period Cash and Eq.	687	494	500	200	250	350
End of Period Cash and Eq.	494	500	200	250	350	400

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