

# FIBRA INN: 1Q23 Results

Revenues fueled by higher occupancies and ADRs, profitability improves due to economies of scale with Aimbridge Latam; in line

FINN 13	BUY
Target Price (MXN\$)	\$ 8.50
Current Price (MXN\$)	\$ 5.78
Min / Max (L12M - MXN\$)	3.20 - 6.61
Expected Dividend (MXN\$)	\$ 0.41
Total Return	54.1%
Mkt Cap (Mn of MXN)	2,911
CBFI's Outstanding (Mn)	503.6
Float	86.5%
ADTV (MXN\$ Mn)	\$ 3.69

## Opinion and recommendation

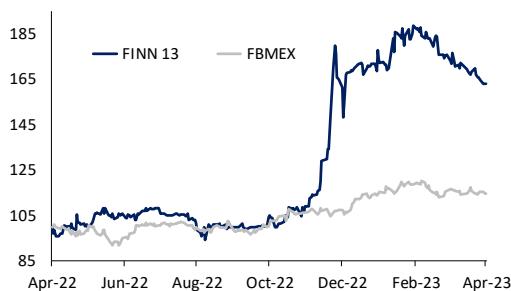
FIBRA INN reported excellent quarterly results, which were practically in line with our estimates at the revenue, NOI and FFO level. We reiterate our BUY recommendation with a MXN\$8.50/CBFI target price.

The holders approved the MXN\$1.5 billion subscription, through the issuance of up to 260 million new CBFIs at a price of MXN\$5.80 each. The Fibra will use part of these resources to improve 10 properties in the states of Nuevo León and Coahuila that are close to the new Tesla plant. They also approved the creation of a new MXN\$250 million buy-back reserve.

## Revenues

FIBRA revenues were up 41.0% to MXN\$534 million, which was mainly attributed to a 42.8% increase in lodging revenues. These benefited from the strength of tourism activity and the Fibra's focus on luxury hotels, which resulted in a higher occupancy (60.5% in 1Q23 vs. 47.7% in 1Q22) and average daily rates (+12.5% YoY to MXN\$1,673). It expects the favorable occupancy trend to continue for the rest of 2023, which we think is positive news as such performance will allow it to continue growing at high rates. Meanwhile, rental revenues were flat.

Profitability improved significantly due to the economies of scale generated by its operator, Aimbridge Latam, mainly in global purchases, as well as in the procedures and technology used in asset management. FIBRA INN's Total NOI advanced 55.4% to MXN\$178.7 million, thanks to a 310 bps expansion in the margin to 33.5%.



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For the same reason, FFO stood at MXN\$45.3 million, while AFFO was at MXN\$21.1 million, against the negative figures of the previous year.

### Financial structure

FIBRA INN's leverage fell with an LTV of only 33.4% in 1Q23, lower than the 34.3% in 1Q22. It expects to be in compliance with the financial restriction of 1.5x debt service in the short term, which will allow it to increase debt. On the other hand, the Fibra registered a MXN\$428.5 million cash position and MXN\$136.3 million in recoverable VAT.

### Distribution

FIBRA INN's Technical Committee approved a quarterly distribution of MXN\$21.1 million (MXN\$0.0419/CBF with an annualized return of 2.9%), equivalent to 100% of the AFFO.

### ASG

During the quarter, FIBRA INN adhered to the United Nations Global Pact, obtained the results of the Corporate Sustainable Assessment, held the first session of the ESG Committee that included the 2023 projects, and obtained the "A Great Place to Work" certification.

(Figures in MXN\$ Mn)	1Q23	1Q23E	Diff.	1Q22	Change
Total Revenues	534	534	-0.1%	379	41.0%
Lodging Revenues	515	515	-0.0%	361	42.8%
Property Leasing	17	17	0.6%	17	0.3%
Hotel Costs and Expenses	-355	-360	-1.3%	-264	34.7%
Total NOI	179	179	-0.4%	115	55.4%
Total NOI Margin	33.5%	33.0%		30.3%	
Adjusted EBITDA	140	140	-0.1%	85	63.5%
Adjusted EBITDA Margin	26.1%	26.0%		22.5%	
FFO	45	45	0.9%	-4	n.a.
FFO Margin	8.5%	9.4%		-1.2%	
AFFO	21	24	-11.6%	-18	n.a.
AFFO Margin	3.9%	6.0%		-4.6%	

## Discounted Cash Flow Model

MXN\$ Mn	2024E	2025E	2026E	2027E	2028E	Perp.
FFO	326	291	318	342	360	376
Maintenance Capex	-75	-80	-85	-91	-96	-100
AFFO	251	211	233	252	264	275
Interest Gains	88	43	45	48	51	54
Interest Expenses	-421	-461	-494	-533	-576	-602
AFFO before interest payments	583	630	681	737	789	824
Perpetuity Growth Rate						4.4%
PV of Explicit Period (2024 -2028E)						2,355
Perpetuity Value						9,504
PV of Perpetuity Value						4,537
Enterprise Value						6,892
Net Debt						2,609
Market Value						4,283
Outstanding CBFI's						504
Target Price						P\$ 8.50
Current Price						P\$ 5.78
Potential Return incl/ Div.						54.1%
Target Multiples						
Cap Rate						10.9%
Dividend Yield						4.8%
P/ AFFO						21.0x
Average Cost of Debt						9.5%
Cost of Capital						14.8%
Market Risk Premium						6.0%
Risk Free Rate						8.8%
Beta						1.00
% of Debt						32%
% of Capital						68%
WACC						13.1%

<b>INCOME STATEMENT</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Lodging Revenues	1,838.7	2,190.2	2,406.1	2,564.4	2,732.4	2,910.8	3,078.3
Property Leasing	73.9	75.3	84.2	89.8	95.6	101.9	107.7
Total Revenues	1,921.7	2,273.7	2,497.5	2,662.5	2,838.0	3,024.3	3,197.6
Hotel Costs and Expenses	- 1,291.2	- 1,520.3	- 1,668.5	- 1,770.3	- 1,877.8	- 1,991.4	- 2,096.4
Total NOI	630.5	753.4	829.0	892.2	960.2	1,032.9	1,101.2
<i>Total NOI Margin</i>	<i>32.8%</i>	<i>33.1%</i>	<i>33.2%</i>	<i>33.5%</i>	<i>33.8%</i>	<i>34.2%</i>	<i>34.4%</i>
Indirect Expenses	- 158.6	- 190.8	- 209.8	- 223.7	- 238.4	- 254.0	- 268.6
EBITDA	471.9	562.6	619.2	668.6	721.8	778.9	832.6
<i>EBITDA Margin</i>	<i>24.6%</i>	<i>24.7%</i>	<i>24.8%</i>	<i>25.1%</i>	<i>25.4%</i>	<i>25.8%</i>	<i>26.0%</i>
Acquisition and Organization Expenses	30.1	40.4	50.0	53.3	56.8	60.5	64.0
Adjusted EBITDA	502.1	603.0	669.2	721.8	778.6	839.3	896.6
<i>Adjusted EBITDA Margin</i>	<i>26.1%</i>	<i>26.5%</i>	<i>26.8%</i>	<i>27.1%</i>	<i>27.4%</i>	<i>27.8%</i>	<i>28.0%</i>
Operating Profit	206.9	347.6	399.7	444.7	515.0	584.4	630.3
<i>Operating Margin</i>	<i>10.8%</i>	<i>15.3%</i>	<i>16.0%</i>	<i>16.7%</i>	<i>18.1%</i>	<i>19.3%</i>	<i>19.7%</i>
Majority Net Profit	- 114.7	50.3	60.8	15.3	59.1	94.6	101.0
FFO	123.7	280.3	325.6	291.3	318.2	342.3	359.6
<i>FFO Margin</i>	<i>6.4%</i>	<i>12.3%</i>	<i>13.0%</i>	<i>10.9%</i>	<i>11.2%</i>	<i>11.3%</i>	<i>11.2%</i>
Maintenance Capex	69.9	76.4	74.9	79.9	85.1	90.7	95.9
AFFO	56.8	203.9	250.7	211.4	233.0	251.6	263.7
<i>AFFO Margin</i>	<i>3.0%</i>	<i>9.0%</i>	<i>10.0%</i>	<i>7.9%</i>	<i>8.2%</i>	<i>8.3%</i>	<i>8.2%</i>
FFO per CBF1	\$ 0.246	\$ 0.557	\$ 0.647	\$ 0.578	\$ 0.632	\$ 0.680	\$ 0.714
AFFO Per CBF1	\$ 0.113	\$ 0.405	\$ 0.498	\$ 0.420	\$ 0.463	\$ 0.500	\$ 0.524
Distribution	-	203.9	250.7	211.4	233.0	251.6	263.7
Distribution Per CBF1	\$ -	\$ 0.405	\$ 0.498	\$ 0.420	\$ 0.463	\$ 0.500	\$ 0.524
<b>BALANCE SHEET</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
TOTAL ASSETS	12,524.5	13,790.1	13,689.7	13,914.0	14,012.5	14,328.6	14,562.8
Current Assets	891.1	1,882.7	812.4	851.4	892.9	936.9	977.9
Long-Term Assets	11,633.4	11,907.4	12,877.3	13,062.6	13,119.7	13,391.7	13,584.9
Property, Plant and Equipment	11,319.3	11,591.0	12,560.8	12,746.0	12,802.9	13,074.7	13,267.8
TOTAL LIABILITIES	4,692.8	4,659.9	4,754.1	5,175.6	5,452.6	5,932.9	6,337.5
Current Liabilities	539.7	549.7	643.8	1,065.4	1,142.4	1,622.6	2,027.2
Long-Term Liabilities	4,153.1	4,110.2	4,110.2	4,110.2	4,310.2	4,310.2	4,310.2
Total Debt	4,186.7	4,200.9	4,273.7	4,680.6	4,942.1	5,406.0	5,795.5
Net Debt	3,572.7	2,609.3	3,759.2	4,132.1	4,357.5	4,783.0	5,136.7
Trustee's Capital	7,831.7	9,130.2	8,935.6	8,738.4	8,559.9	8,395.7	8,225.3
Minority Interest	1,250.7	1,473.4	1,442.0	1,410.2	1,381.4	1,354.9	1,327.4
Stockholder's Equity	6,581.0	7,588.8	7,436.1	7,274.3	7,117.6	6,976.7	6,829.8

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