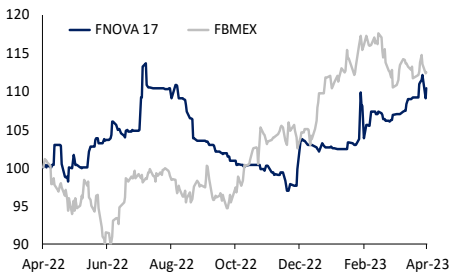


FNOVA: 1Q23 Results

Positive results with double digit growth in all indicators; we reiterate BUY and we raised our target price to MXN\$39.0/CBFI

FNOVA 17	BUY
Target Price (MXN\$)	\$ 39.00
Expected Dividend	\$ 2.29
Current Price (MXN\$)	\$ 31.60
Min / Max (L12M - MXN\$)	\$ 26.80 - 32.40
Total Return	30.7%
Mkt Cap (Mn of MXN)	10,604
CBFI's Outstanding (Mn)	335.6
Float	25.3%



Opinion and recommendation

FNOVA reported outstanding 1Q23 results driven mainly by portfolio growth and higher rates, which generated double-digit revenue, adjusted EBITDA, and NOI growth. These figures were basically in line with our projections.

We are reiterating our BUY recommendation. We have raised our target price to MXN\$39.00/CBFI, from MXN\$37.00/CBFI, after adjusting our projections model.

The nearshoring effect is expected to generate a total demand of 2.3 million square meters of industrial space, according to a CBRE study. We continue to believe that FNOVA is well positioned to benefit from this trend.

Portfolio

FNOVA closed the quarter with a total portfolio of 112 properties with 550,182 M2 of GLA and 1,653 hectares of the agro-industrial portfolio. The GLA grew 5.5% supported by the incorporation of 3 new properties during the last year. Despite this, occupancy remained at 100%. The average term of the contracts was 8.0 years in the current quarter, slightly higher than the 7.7 years in the same period last year. Worth mentioning that exposure to the industrial sector increased by two percentage points to 60% and that rents per square foot rose 23% annually in dollar terms in that segment, well above those of the other segments. Additionally, the Fibra owns a land reserve of 748,831 M2, with which its total portfolio exceeds 1.3 million M2.

FNOVA expects to complete the properties that have contracts with ZF and Regal in the coming months. They will begin to generate revenues during the second half of the year. In addition, it received requests for expansion of some properties.

1Q23 Results

Total revenues were up 10.6% YoY in local currency terms to MXN\$260.1 million (vs. our MXN\$265.9 million estimate) mainly due to a 9.8% increase in rental revenues, which was attributed to the leases of the industrial warehouses to Black & Decker, Masterbrand, and BWI and the expansion of Legget & Platt. This was partially offset by the appreciation of the exchange rate. In same-property terms, revenues decreased 0.7% due to the currency impact, but rose 4.1% without considering it.

Operating expenses advanced only 4.1%, which boosted NOI by 10.8% to MXN\$253.0 million (vs. P\$257.9 million E). The NOI margin improved marginally to 97.3%, from 97.1%. Adjusted EBITDA without extraordinary income registered an 11.8% increase reaching MXN\$235.8 million.

For its part, FFO grew 7.5% to MXN\$210.8 million (vs. MXN\$202.3 million E). The margin was 81.0%, lower than the 83.3% of the previous year, as a result of higher interests paid.

Additionally, FNOVA reported an FX gain of MXN\$373.4 million and recorded a MXN\$130.0 million gain on the revaluation of investment properties.

Distribution

FNOVA distributed MXN\$194.8 million during the quarter, equivalent to MXN\$0.5806/CBFI.

Financial structure

Total debt was up 35.3% to MXN\$6.5 billion due to the investments that the Fibra carried out during the last twelve months. This boosted the LTV to 47.9% at the end of 1Q23, from 42.1% in 1Q22. Worth mentioning that it refinanced its short-term debt through two long-term loans with BBVA. The first one amounted to US\$15.4 million, carries a 5.35% fixed interest rate and matures in 2027, while the second one was for US\$19.8 million with at a 5.50% fixed interest rate and maturity in 2028.

(Figures in MXN\$ Mn)	1Q23	1Q23E	Diff.	1Q22	Change
Total Revenues	260	266	-2.2%	235	10.6%
Leasing Revenues	252	259	-2.7%	230	9.8%
Operating Expenses	-7	-8	-11.3%	-7	4.1%
NOI	253	258	-1.9%	228	10.8%
NOI Margin	97.3%	97.0%		97.1%	
EBITDA	242	245	-1.4%	219	10.3%
EBITDA Margin	93.0%	92.3%		93.2%	
Net Profit	698	172	304.9%	480	45.5%
Outstanding CBFI's	336	336		336	
FFO	211	202	4.2%	196	7.5%
FFO Margin	81.0%	76%	6.5%	83.4%	
Distribution	195	187	3.8%	191	2.1%
Distribution/CBFI	\$ 0.58	\$ 0.56	3.9%	\$ 0.57	2.1%

Discounted Cash Flow Model

MXN\$ Mn	2024E	2025E	2026E	2027E	2028E	Perp.
Net profit	1,500	1,612	1,723	1,838	1,962	2,071
Adjustments	-369	-417	-461	-509	-557	-588
FFO	1,131	1,195	1,262	1,329	1,405	1,483
Interest Expenses	154	188	222	258	294	311
FFO Before Interest Expenses	1,285	1,383	1,484	1,587	1,699	1,794
Perpetuity Growth Rate						5.6%
PV of Explicit Period (2024 -2028E)						5,470
Perpetuity Value						29,192
PV of Perpetuity Value						15,913
Enterprise Value						21,383
Net Debt						4,160
Market Value						17,223
<i>Outstanding CBFi's</i>						442
Target Price						P\$ 39.00
Current Price						P\$ 31.60
Potential Return incl/ Div.						30.7%
Average Cost of Debt						4.8%
Cost of Capital						13.1%
Market Risk Premium						6.0%
Risk Free Rate						8.9%
Beta						0.69
% of Debt						29%
% of Capital						71%
WACC						10.6%

(Figures in Millions of Pesos)

Total GLA (M2)	2022	2023E	2024E	2025E	2026E	2027E	2028E
Industrial	419,314	489,077	510,174	510,174	510,174	510,174	510,174
Education	43,082	43,082	43,082	43,082	43,082	43,082	43,082
Retail	23,431	23,431	23,431	23,431	23,431	23,431	23,431
Logistics	39,432	39,432	39,432	39,432	39,432	39,432	39,432
Engineering Centers	24,923	24,923	24,923	24,923	24,923	24,923	24,923
Total Real Estate	550,182	619,945	641,042	641,042	641,042	641,042	641,042
Agroindustrial	1,653	1,653	1,653	1,653	1,653	1,653	1,653
Total	17,080,182	17,149,945	17,171,042	17,171,042	17,171,042	17,171,042	17,171,042
Occupancy	2022	2023E	2024E	2025E	2026E	2027E	2028E
Industrial	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Education	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Retail	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Logistics	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Engineering Centers	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Agroindustrial	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Total Revenues	1,005	1,183	1,422	1,496	1,573	1,654	1,735
Leasing Revenues	980	1,151	1,390	1,460	1,533	1,610	1,691
Other Revenues	26	32	32	36	40	44	44
Operating Expenses	29	28	36	36	40	42	42
NOI	976	1,155	1,386	1,460	1,533	1,612	1,693
<i>NOI Margin</i>	97%	98%	97%	98%	97%	97%	98%
Net Profit	1,509	2,252	1,500	1,612	1,723	1,838	1,962
Outstanding CBFIs	336	442	442	442	442	442	442
EBITDA	942	1,110	1,342	1,412	1,481	1,555	1,636
<i>EBITDA Margin</i>	94%	94%	94%	94%	94%	94%	94%
FFO	813	940	1,131	1,195	1,262	1,329	1,405
<i>FFO Margin</i>	81%	79%	80%	80%	80%	80%	81%
FFO/CBFI	\$ 2.42	\$ 2.43	\$ 2.56	\$ 2.71	\$ 2.86	\$ 3.01	\$ 3.18
Distribution	729	888	1,074	1,136	1,199	1,262	1,335
Distribution/CBFI	\$ 2.17	\$ 2.29	\$ 2.43	\$ 2.57	\$ 2.71	\$ 2.86	\$ 3.02
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
Total Assets	13,741	16,105	17,653	19,290	21,007	22,804	24,681
Short-Term Assets	279	622	670	727	784	841	898
Long-Term Assets	13,463	15,483	16,983	18,563	20,223	21,963	23,783
Investment Properties	12,372	13,869	15,289	16,789	18,369	20,029	21,769
Total Liabilities	6,493	4,920	6,042	7,202	8,395	9,616	10,866
ST Liabilities	1,076	1,457	1,078	238	431	653	902
Long-Term Liabilities	5,418	3,464	4,964	6,964	7,964	8,964	9,964
Gross Debt	6,384	4,670	5,791	6,952	8,144	9,366	10,615
Net Debt	6,203	4,160	5,239	6,344	7,480	8,646	9,839
LTV	46%	29%	33%	36%	39%	41%	43%
Trust's Equity	7,248	11,211	11,636	12,113	12,638	13,213	13,841

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