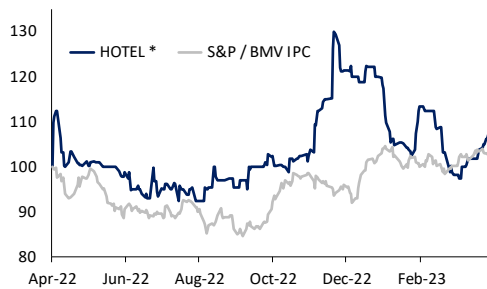


HOTEL: 1Q23 Results

Excellent quarterly results driven by a stronger tourism activity and the acquisition of the *Mahekal Beach Resort*

HOTEL*	BUY
Target Price (MXN\$)	\$ 7.30
Current Price (MXN\$)	\$ 4.37
Min / Max (L12M - MXN\$)	3.67 - 5.20
Expected Dividend (MXN\$)	\$ 0.00
Total Return	67.0%
Mkt Cap (Mn of MXN)	3,129
Enterprise Value (Mn of MXN\$)	6,084
Shares Outstanding (Mn)	716.1
Float	72.3%
ADTV (MXN\$ Mn)	\$ 0.04



Opinion and recommendation

HOTEL reported excellent 1Q23 results with high revenue, EBITDA and net profit growth that slightly exceeded our expectations. We expect a short-term positive reaction in the stock price. After having incorporated these results into our model, we are reiterating our BUY recommendation and adjusting our target price to MXN\$7.30/share, from MXN\$7.00/share.

Portfolio

During the quarter, HOTEL acquired the *Mahekal Beach Resort* in Playa del Carmen, with which the total number of rooms increased 3.3% to 6,159. In addition, the contribution of beach hotels rose to 60%, from 57% the previous year. The company plans to complete the sale of the *Barceló Guadalajara* hotel for US\$59 million during the rest of the year, which has 450 rooms. It recently opened the *Hyatt Insurgentes* and plans to open the *Secrets Tulum Resort and Spa* during the second half of the year.

Revenues

Total revenues were up 48% YoY to MXN\$871.5 million (vs. our MXN\$834.7 million projection) supported by a favorable performance in food and beverages (+63%), room revenues (+50%), Vacation Club (+47%) and hotel management (+30%), which was partially offset by a lower level of “other revenues”. Room revenues benefited from a stronger tourism activity, which boosted the occupancy (+10.6 PP to 67.9% in owned hotels) and average daily rates (+20% to MXN\$1,809), as well as the aforementioned acquisition.

April 25th, 2023

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Profitability

Total costs and expenses advanced 33.1% as a result of an increased operation of the company. However, the EBITDA margin expanded 5.6 percentage points to 34.4%, due to operating leverage. For this reason, the EBITDA registered a significant 76.9% growth to MXN\$299.4 million (also exceeding our MXN\$284.5 million expectation).

Net profits were up 121.9% to MXN\$233.3 million (vs. MXN\$227.9 million E), reacting favorably to the combination of stronger operating results and FX gains, given the appreciation of the Mexican peso during the quarter.

Financial structure

Leverage improved to 3.4x at the end of 1Q23 despite the acquisition of the new hotel. It compared favorably against the 4.4x of the same period last year, due to the significant EBITDA growth that more than offset the 18.1% rise in the company's net debt.

(Figures in Millions of MXN\$)	1Q23	1Q23E	Diff.	1Q22	Change
Revenues	871	835	4.4%	589	47.9%
Operating Profit	214	206	4.0%	99	116.4%
Operating Margin	24.5%	24.6%		16.8%	
EBITDA	299	285	5.2%	169	76.9%
EBITDA Margin	34.4%	34.1%		28.7%	
Financial Gains	299	146	104.8%	125	139.4%
Financial Cost	-203	-47	332.0%	-89	127.8%
Net Profit	233	228	2.4%	105	121.9%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	650	764	890	1,029	1,155	1,202
Tax Rate	26%	27%	27%	28%	28%	30%
Tax Shield	-169	-203	-240	-283	-324	-337
NOPLAT	481	562	650	746	832	866
Depreciation	318	335	354	373	394	410
Working Capital Changes	-56	-58	-60	-62	-62	-64
CAPEX	-260	-304	-348	-392	-404	-420
FCFF	483	536	596	666	760	791
Perpetuity Growth Rate						4.1%
PV of Explicit Period (2022 - 2028E)						2,144
Perpetuity Value						10,093
PV of Perpetuity Value						5,144
Enterprise Value						7,288
Net Debt						2,061
Market Value						5,227
Outstanding Shares						716
Target Price						P\$ 7.30
Current Market Price						P\$ 4.37
Potential Return Incl. Dividends						67.0%
Forward EV/EBITDA						7.6x
Forward P/E						15.4x
Average Cost of Debt						9.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						6.4%
Cost of Equity						14.9%
Market Risk Premium						6.0%
Risk-Free Rate						8.9%
Beta						1.00
% Total Debt						35.1%
% Capital						64.9%
WACC						11.9%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	1,058	1,114	1,172	1,231	1,292
Target EV/EBITDA					
6.1x	3.87	4.34	4.84	5.34	5.87
6.6x	4.61	5.12	5.66	6.20	6.77
7.1x	5.35	5.90	6.48	7.06	7.67
7.6x	6.08	6.68	7.30	7.92	8.58
8.1x	6.82	7.45	8.12	8.78	9.48
8.6x	7.56	8.23	8.94	9.64	10.38

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	306	322	339	356	374
Target P/E					
12.4x	5.31	5.59	5.88	6.17	6.48
13.4x	5.73	6.04	6.35	6.67	7.00
14.4x	6.16	6.48	6.83	7.17	7.53
15.4x	6.59	6.93	7.30	7.66	8.05
16.4x	7.01	7.38	7.77	8.16	8.57
17.4x	7.44	7.83	8.25	8.66	9.09

(Figures in Millions of Pesos)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	2,652	3,419	3,495	3,874	4,287	4,736	5,151
Cost of Sales	-977	-1,421	-1,529	-1,687	-1,858	-2,043	-2,212
Gross Profit	1,676	1,998	1,966	2,187	2,429	2,693	2,939
<i>Gross Margin</i>	63.2%	58.4%	56.3%	56.5%	56.7%	56.9%	57.1%
General Expenses	-595	-701	-717	-794	-879	-971	-1,056
Operating Profit	355	687	650	764	890	1,029	1,155
<i>Operating margin</i>	13.4%	20.1%	18.6%	19.7%	20.8%	21.7%	22.4%
Depreciation and Amortization	-281	-301	-318	-335	-354	-373	-394
EBITDA	749	1,150	1,172	1,308	1,456	1,619	1,769
<i>EBITDA Margin</i>	28.2%	33.6%	33.5%	33.8%	34.0%	34.2%	34.4%
Financial Gains	406	293	25	29	33	36	38
Financial Cost	-418	-368	-222	-228	-234	-240	-246
Pre-Tax Profit	346	616	458	570	694	830	952
Income Tax & Profit Sharing	-147	-154	-119	-151	-188	-228	-267
Profit Before Minorities	198	462	339	419	507	602	685
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	12,644	12,078	12,417	12,799	13,227	13,706	14,215
Current Assets	2,105	2,645	2,773	3,010	3,216	3,426	3,600
LT Assets	10,540	9,433	9,644	9,789	10,011	10,280	10,615
TOTAL LIABILITIES	5,787	5,356	5,527	5,703	5,887	6,077	6,260
ST Liabilities	1,429	1,491	1,571	1,656	1,748	1,847	1,939
LT Liabilities	4,358	3,864	3,956	4,047	4,139	4,230	4,322
TOTAL DEBT	3,707	3,292	3,383	3,475	3,566	3,658	3,749
NET DEBT	3,263	2,061	2,160	2,158	2,194	2,237	2,307
TOTAL CAPITAL	6,857	6,723	6,891	7,095	7,340	7,629	7,955
Stockholder's Equity	5,384	5,224	5,355	5,514	5,704	5,928	6,182
Minority Interest	1,474	1,499	1,536	1,582	1,636	1,701	1,774
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
NET PROFIT	198	462	339	419	507	602	685
Inv. Related Activities	284	5	-20	-3	20	39	60
Pre-Tax Cash Flow	482	1,208	355	505	515	558	545
Working Capital Changes	-52	-177	-56	-58	-60	-62	-62
Operating Cash Flow	430	1,031	299	447	455	496	484
Investment Cash Flow	-1,731	199	-235	-279	-323	-367	-379
Financing Cash Flow	1,181	-443	-72	-75	-78	-81	-84
Net Incr. (Decr.) in Cash & Temp. Inv.	-121	787	-8	94	55	49	21
Beg. of Period Cash and Temp. Inv.	565	444	1,231	1,223	1,317	1,372	1,421
End of Period Cash and Temp. Inv.	444	1,231	1,223	1,317	1,372	1,421	1,442

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