

UPSITE: 1Q23 Results

Favorable operating results, concludes construction of Ciudad Juárez building and leases Tlaxcala property

FIBRAUP 18	BUY
Target Price (MXN\$)	\$ 55.00
Current Price (MXN\$)	\$ 31.30
Min / Max (L12M - MXN\$)	31.20 -33.20
Total Return	75.7%
Mkt Cap (Mn of MXN)	1,761
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 55.09
Discount vs. NAV	43%

Opinion and recommendation

UPSITE reported positive results that were in line with our projections at the revenue, NOI and EBITDA level. The NAV/CBFI was MXN\$55.09, slightly exceeding our MXN\$54.36 estimate due to a lower debt.

Our recommendation is BUY with MXN\$55.0/CBFI target price. The valuation of the certificates still seems very low to us since they currently trade at a 43% discount against the reported NAV/CBFI.

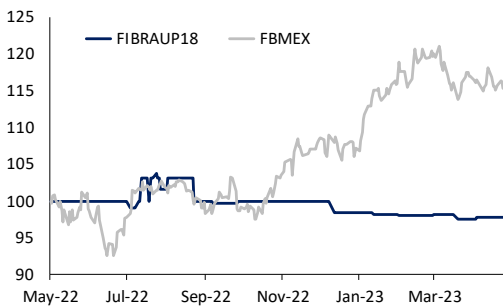
UPSITE's prospects remain favorable due to the upcoming completion of Building VI in Ciudad Juárez, which will increase the gross leasable area (GLA) by 20%. Furthermore, it is very well positioned to continue benefiting from the nearshoring trend.

Portfolio

UPSITE finished building V in Ciudad Juárez, which has a GLA of 18,400 M2. It has a 7-year lease contract denominated in US dollars. As a result, the Fibra closed the quarter with a total GLA of 171,098 M2, with a 27% annual growth. Occupancy remained at 100%.

It plans to finish building VI in Ciudad Juárez in 2Q23 with a GLA of 34,237 M2, of which 60% is already leased. This property will increase the total GLA by around 20%.

UPSITE signed a lease for the entire Tlaxcala building for a 10-year term with the rent being denominated in US dollars. It also obtained a favorable ruling from a Mexico City court regarding the MXN\$90 million surety bond related to that property, which we consider to be excellent news.



May 3rd, 2023

Martin Lara
 +5255-6413-8563
 martin.lara@miranda-gr.com

Results

Leasing revenues were up 93.9% to MXN\$38.4 million due to the termination of leased properties. However, same store sales decreased 7.2% as a result of the early cancellation of the Tlaxcala contract.

The operating cost increased 82.2% due to the incorporation of new buildings. Therefore, NOI grew 96.7% to MXN\$31.5 million. The NOI margin expanded to 82.0%, from 80.8%.

Administration expenses rose 95.9%. They include the budgeted amount that was authorized by the Technical Committee and the proportional part of the provision for variable salaries of the administrator.

The comprehensive cost of financing was MXN\$32.9 million positive due to FX gains. It compares against a MXN\$5.8 million loss from the previous year.

UPSITE recorded an extraordinary MXN\$15.7 million gain related to an adjustment in the valuation of the Tlaxcala building, closing the quarter with a MXN\$49.3 million net profit. It compared favorably with the prior year's MXN\$48.6 million net loss.

FFO was MXN\$9.4 million negative, from a negative figure of MXN\$3.3 million, as a result of higher interest payments.

Financial structure

UPSITE made the fifth drawdown of its credit line with Bancomext amounting to US\$10.35 million with a 7-year term plus a two-year grace period and a variable rate of 1-month SOFR + 238 bps. Total debt amounted to US\$63.6 million at the end of the quarter, which translated into a very manageable 26.2% LTV, below the maximum allowed level of 40%. In addition, the Fibra closed the quarter with a cash position of MXN\$522.2 million.

Investment property value

The value of investment properties amounted to MXN\$3.6 billion, up 27.4%, which was attributed to the completion of several buildings and the adjustment in the valuation of the Tlaxcala property.

The NAV/CBFI stood at MXN\$55.09 (vs. our MXN\$54.36 projection) at the end of the quarter, which represents a 9.82% CAGR since the June 2018 IPO. This indicator increased 1.6% annually.

Nearshoring

UPSITE mentioned in its press release that the country's industrial real estate market reached 90 million M2 with an occupation close to 100%. In addition, the demand is significant since there are around 400 companies on the waiting list to relocate their operations.

(Figures in Millions of MXN\$)	1Q23	1Q23E	Diff.	1Q22	Change
Revenues	38	39	-1.7%	20	93.9%
Operating Cost	-7	-8	-10.3%	-4	82.2%
NOI	31	31	0.4%	16	96.7%
Operating Profit	1	-1	n.a.	0	139.2%
Operating Margin	1.8%	-1.6%		n.a.	
EBITDA	1	-1	n.a.	0	n.a.
EBITDA Margin	1.8%	-1.6%		n.a.	
Financial Gains	64	9	n.a.	-43	n.a.
Financial Cost	-15	-18	-15.8%	-6	168.8%
Net Profit	49	-10	n.a.	-49	n.a.
NAV / CBF1	P\$ 55.09	P\$ 54.36	1.3%	P\$ 54.20	1.6%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E
Revenues	118	206	283	338	398	463
Operating Cost	-22	-37	-51	-61	-72	-84
NOI	96	168	232	277	326	380
General Expenses	-172	-164	-215	-226	-240	-252
EBITDA	-77	5	17	51	86	128
EBITDA Margin	-64.8%	2.3%	6.0%	15.1%	21.7%	27.5%
Financial Gains	131	225	172	184	195	206
Financial Cost	-40	-65	-89	-120	-150	-186
Net Profit	15	165	100	115	132	148
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	4,173	4,676	5,347	5,868	6,509	7,315
Current Assets	694	470	429	478	499	537
LT Assets	3,479	4,206	4,917	5,389	6,010	6,778
Investment Properties	3,473	4,197	4,907	5,377	5,995	6,761
TOTAL LIABILITIES	1,145	1,483	2,054	2,533	3,115	3,847
TOTAL DEBT	1,015	1,244	1,791	2,222	2,752	3,426
NET DEBT	521	994	1,584	1,971	2,486	3,128
Stockholder's Equity	3,028	3,193	3,292	3,335	3,393	3,469
NAV	3,055	3,265	3,371	3,426	3,498	3,589
NAV / CBF1	\$ 54.31	\$ 58.04	\$ 59.92	\$ 60.89	\$ 62.18	\$ 63.79
CASH FLOW STATEMENT	2022	2023E	2024E	2025E	2026E	2027E
Net Profit	15	165	100	115	132	148
Total Adjustments	-83	-25	-91	-74	-71	-68
Cash Flow from Operations	-68	140	9	42	61	81
Net Cash Flow from Operating Activities	-68	140	9	42	61	81
Net Cash Flow from Investment Activities	-623	-558	-550	-270	-138	-276
Net Cash Flow from Financing Activities	502	229	548	358	457	601
Net Incr. (Decr.) in Cash & Eq. Before FX Impact	-189	-244	-43	44	15	32
Net Incr. (Decr.) in Cash & Eq. After FX Impact	-189	-244	-43	44	15	32
Beg. of Period Cash and Eq.	687	494	250	207	251	266
End of Period Cash and Eq.	494	250	207	251	266	298

DISCLAIMER

The current report was prepared by Miranda Global Research ("Miranda GR") for Vector Casa de Bolsa, S.A. de C.V. The information is presented in summarized form and is not meant to be complete. There are no declarations or guarantees, expressed or implicit, in respect to the accuracy, impartiality or integrity of the information.

Miranda GR, in accordance to applicable legislation, has made sure that the presented personalized recommendation is reasonable to the client, as it has verified congruency between the client's profile and the profile of the financial product. Under no circumstance should it be understood that the fulfillment of the previously mentioned recommendation, guarantees the result or the success of the proposed strategies in the presented document.

The information included in this presentation was obtained from public sources. Projections or previsions included in this presentation, are a generalized recommendation and are based on subjective assumptions and estimations about events and circumstances that have not yet happened and are subjected to significant variations. Therefore, it is not possible to guarantee that any of the results included in the current report will happen in the future, in other words, it does not guarantee the result or the success of the posed strategies.

This report has been prepared solely with informational purposes. No declarations are made in respects to precision, sufficiency, veracity or accuracy of the information and opinions hereby included. Miranda GR will not answer (either because of negligence or for any other reason) for any damage or detriment derived or related to the use of this report or its content, or any connection to the report. Miranda GR is not responsible for the use or association with this report, including but not limited to, any declaration, expressed or implicit or guarantees or omissions included in this information.

This report is based on facts and/or events that have happened up to this date, consequently any future facts and/or events can impair the conclusions hereby expressed. Miranda GR does not assume any responsibility to update, review, rectify or invalidate this report based on any future occurrence.

The opinions related to this report eventually expressed by Miranda GR, should be considered only as suggestions/recommendations to better operate various topics related to the presentation.

This report and its contents are property of Miranda GR and cannot be reproduced or broadcast in part or in its entirety without the previous written consent of Miranda GR.

Miranda Global Research receives fees from Fibra Upsite for independent analyst services. Companies or Fibras under coverage will have no right or opportunity to exert any influence on opinions, projections, recommendations, and/or target prices expressed hereby by Miranda GR.
