

FIBRA INN: 2Q23 Results

Positive, high growth in all operating indicators with a strengthened financial structure

FINN 13	BUY
Target Price (MXN\$)	\$ 8.50
Current Price (MXN\$)	\$ 5.71
Min / Max (L12M)	3.18 - 6.57
Expected Dividend (MXN\$)	\$ 0.12
Expected Return	51.0%
Market Cap. (MXN\$ Mn)	4,394
Outstanding CBFIs	769.5
Float	100.0%
ADTV (MXN\$ Mn)	\$ 2.48

Opinion and recommendation

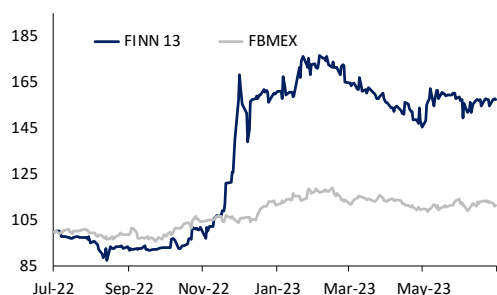
FIBRA INN reported positive quarterly results that were in line with our projections in terms of revenues and total NOI but slightly above our expectations in terms of FFO. We expect a short-term favorable reaction in the CBFi price. We reiterate our BUY recommendation with a MXN\$8.50/CBFi target price.

Revenues

Total revenues reached MXN\$551.3 million (in line with our forecast) in 2Q23 up 13.3% YoY. FIBRA INN continued to benefit from the strength of tourism activity, which boosted the occupancy (62.8% in 2Q23 vs. 57.9% in 2Q22) to the highest level in five years, and the average daily rate (+5.7% to MXN\$1,654) to an all-time high. RevPar rose 14.8%, while hotel revenues advanced 14.3%. Additionally, the Fibra recorded rental revenues of MXN\$16.9 million and Hotel Factory revenues of MXN\$2.5 million. It expects the positive trend in occupancy to continue for the rest of the year, which we believe is excellent news.

Profitability / Distribution

Total NOI grew 10.0% to MXN\$178.8 million (vs. MXN\$179.8 million we expected) with a margin of 32.4% in the current quarter, compared to 33.4% in the same period last year. This took place as a result of higher hotel expenses related to the increase in occupancy levels, maintenance and an annual adjustment in royalties at the Westin Monterrey Valle and the JW Marriott Monterrey Valle hotels.



July 27th, 2023

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

For its part, FFO grew 51.9% to MXN\$54.3 million (slightly above our expectation of MXN\$51.3 million) with a margin expansion to 9.8%, from 7.3%. FIBRA INN will distribute MXN\$21.1 million, equivalent to MXN\$0.0275/CBFI corresponding to 2Q23.

Financial structure

The balance sheet included the resources of the recent MXN\$1.5 billion subscription, which led to a 29.2% LTV, from last year's 34.3%. The debt payment coverage ratio improved to 3.7x, from 1.9x. The Fibra also had MXN\$135.8 million in recoverable VAT.

(Figures in MXN\$ Mn)	2Q23	2Q23E	Diff.	2Q22	Change
Total Revenues	551	551	0.1%	487	13.3%
Lodging Revenues	532	532	-0.0%	465	14.3%
Property Leasing	17	17	1.8%	20	-16.2%
Hotel Costs and Expenses	-373	-371	0.5%	-324	14.9%
Total NOI	179	180	-0.6%	162	10.0%
Total NOI Margin	32.4%	32.7%		33.4%	
Adjusted EBITDA	140	139	1.0%	134	4.5%
Adjusted EBITDA Margin	25.4%	25.2%		27.5%	
FFO	54	51	5.7%	37	47.0%
FFO Margin	9.8%	9.3%		7.6%	

Discounted Cash Flow Model

MXN\$ Mn	2024E	2025E	2026E	2027E	2028E	Perp.
FFO	271	300	328	378	407	422
Maintenance Capex	-119	-127	-136	-145	-153	-159
AFFO	152	172	192	233	254	263
Interest Gains	64	31	33	35	37	38
Interest Expenses	-393	-399	-406	-415	-441	-457
AFFO before interest payments	481	541	565	613	658	682
Perpetuity Growth Rate						3.6%
PV of Explicit Period (2024 -2028E)						2,170
Perpetuity Value						11,727
PV of Perpetuity Value						6,831
Enterprise Value						9,000
Net Debt						2,457
Market Value						6,543
Outstanding CBFI's						770
Target Price						P\$ 8.50
Current Price						P\$ 5.71
Potential Return incl/ Div.						52.0%
Average Cost of Debt						9.4%
Cost of Capital						9.4%
Market Risk Premium						6.0%
Risk Free Rate						8.8%
Beta						0.10
% of Debt						30%
% of Capital						70%
WACC						9.4%

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Lodging Revenues	1,838.7	2,137.1	2,300.8	2,453.9	2,616.4	2,789.1	2,950.6
Property Leasing	73.9	71.7	80.5	85.9	91.6	97.6	103.3
Total Revenues	1,921.7	2,218.4	2,388.6	2,548.2	2,718.0	2,898.4	3,065.5
Hotel Costs and Expenses	- 1,291.2 -	- 1,493.9 -	- 1,609.8 -	- 1,709.8 -	- 1,814.4 -	- 1,925.5 -	- 2,027.8
Total NOI	630.5	724.5	778.8	838.4	903.6	972.9	1,037.7
<i>Total NOI Margin</i>	<i>32.8%</i>	<i>32.7%</i>	<i>32.6%</i>	<i>32.9%</i>	<i>33.2%</i>	<i>33.6%</i>	<i>33.9%</i>
Indirect Expenses	- 158.6 -	- 179.5 -	- 191.1 -	- 203.9 -	- 217.4 -	- 231.9 -	- 245.2
EBITDA	471.9	545.0	587.7	634.5	686.2	741.0	792.5
<i>EBITDA Margin</i>	<i>24.6%</i>	<i>24.6%</i>	<i>24.6%</i>	<i>24.9%</i>	<i>25.2%</i>	<i>25.6%</i>	<i>25.9%</i>
Acquisition and Organization Expenses	30.1	22.2	23.9	25.5	27.2	29.0	30.7
Adjusted EBITDA	502.1	567.3	611.6	660.0	713.4	770.0	823.1
<i>Adjusted EBITDA Margin</i>	<i>26.1%</i>	<i>25.6%</i>	<i>25.6%</i>	<i>25.9%</i>	<i>26.2%</i>	<i>26.6%</i>	<i>26.9%</i>
Operating Profit	206.9	236.4	246.0	303.4	382.6	460.7	509.3
<i>Operating Margin</i>	<i>10.8%</i>	<i>10.7%</i>	<i>10.3%</i>	<i>11.9%</i>	<i>14.1%</i>	<i>15.9%</i>	<i>16.6%</i>
Majority Net Profit	- 114.7 -	- 30.5 -	- 94.4 -	- 77.0 -	- 2.8	68.4	93.3
FFO	123.7	240.3	271.3	299.8	327.9	377.6	406.9
<i>FFO Margin</i>	<i>6.4%</i>	<i>10.8%</i>	<i>11.4%</i>	<i>11.8%</i>	<i>12.1%</i>	<i>13.0%</i>	<i>13.3%</i>
Maintenance Capex	69.9	114.1	119.4	127.4	135.9	144.9	153.3
AFFO	56.8	126.2	151.9	172.4	192.0	232.7	253.6
<i>AFFO Margin</i>	<i>3.0%</i>	<i>5.7%</i>	<i>6.4%</i>	<i>6.8%</i>	<i>7.1%</i>	<i>8.0%</i>	<i>8.3%</i>
FFO per CBF1	\$ 0.246	\$ 0.343	\$ 0.353	\$ 0.390	\$ 0.426	\$ 0.491	\$ 0.529
AFFO Per CBF1	\$ 0.113	\$ 0.179	\$ 0.197	\$ 0.224	\$ 0.250	\$ 0.302	\$ 0.330
Distribution	-	84.2	151.9	172.4	192.0	232.7	253.6
Distribution Per CBF1	\$ -	\$ 0.124	\$ 0.197	\$ 0.224	\$ 0.250	\$ 0.302	\$ 0.330
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	12,524.5	13,761.8	13,381.9	13,387.7	13,147.4	13,152.6	13,247.4
Current Assets	891.1	1,835.9	780.2	817.9	858.1	900.7	940.2
Long-Term Assets	11,633.4	11,926.0	12,601.7	12,569.8	12,289.3	12,251.9	12,307.2
Property, Plant and Equipment	11,319.3	11,685.7	12,361.3	12,329.3	12,048.6	12,011.0	12,066.2
TOTAL LIABILITIES	4,692.8	4,550.2	4,416.3	4,671.4	4,625.9	4,795.5	5,050.9
Current Liabilities	539.7	533.5	399.7	654.7	409.2	578.8	834.2
Long-Term Liabilities	4,153.1	4,016.7	4,016.7	4,016.7	4,216.7	4,216.7	4,216.7
Total Debt	4,186.7	4,010.1	3,859.6	4,100.3	4,039.7	4,193.2	4,433.9
Net Debt	3,572.7	2,457.3	3,367.5	3,575.3	3,479.8	3,596.2	3,802.4
Trustee's Capital	7,831.7	9,211.7	8,965.6	8,716.3	8,521.5	8,357.1	8,196.6
Minority Interest	1,250.7	1,251.8	1,218.3	1,184.5	1,158.0	1,135.7	1,113.8
Stockholder's Equity	6,581.0	7,938.6	7,711.0	7,487.3	7,310.9	7,160.4	7,017.9

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