

# FNOVA: 2Q23 Results

Positive quarter with high growth in US Dollar terms due to portfolio expansion and new contracts; financial structure strengthens

FNOVA 17	BUY
Target Price (MXN\$)	\$ 39.00
Expected Dividend	\$ 2.22
Current Price (MXN\$)	\$ 28.90
Min / Max (L12M - MXN\$)	\$ 27.99 - 33.00
Total Return	42.6%
Mkt Cap (Mn of MXN)	12,411
CBFI's Outstanding (Mn)	429.5
Float	25.3%



## Opinion and recommendation

FNOVA reported positive 2Q23 results with significant double-digit growth in all operating indicators in dollar terms (although less in peso terms due to the FX appreciation). In addition, the financial structure strengthened with the proceeds of the subsequent issuance. We reiterate our BUY recommendation with a MXN\$39.0/CBFI target price after having updated our model. In our opinion, FNOVA is a vehicle that provides high exposure to the nearshoring trend.

## Portfolio

The portfolio consisted of 112 properties with a GLA of 550,182 M2 at the end of 2Q23. It expanded 4.3% annually due to the incorporation of two industrial properties during the last 12 months. The occupancy rate remained at 100%, while the average contract term decreased slightly to 7.5 years, from 7.8 years. FNOVA expects to deliver the ZF and Regal developments in the coming months.

It recently signed an agreement for the purchase of 50 hectares in the city of Chihuahua where it plans to develop an industrial park over the next 4 years with an investment of approximately US\$180 million. With this property, Fibra expects to have 1.2 million M2 of land reserves for the development of four industrial portfolios.

## Revenues

Total revenues were up 4.8% in peso terms and 18.0% in US Dollar terms to MXN\$255.2 million (67% of revenues are denominated in US Dollars). This performance was mainly due to a 4.5% increase in leasing revenues to MXN\$247.8 million, which benefited from the portfolio expansion, upward adjustments in monthly rents (industrial +22.5%, education +8.1% and commercial +3.6% in dollars) and a greater number of contracts (Masterbrand, second BWI industrial unit and Leggett & Platt expansion in 3Q22 and Essilor in May this year). Same-store sales decreased 5.3% in pesos due to FX appreciation.

## Profitability / Distribution

Operating expenses advanced 9.5%, which resulted in a 4.6% NOI growth to MXN\$247.4 million. The NOI margin remained virtually unchanged at 96.9%. However, FFO rose 7.6% to MXN\$216.4 million, with a margin expansion to 84.8%, from 82.6%. As a result, FNOVA estimates a distribution of P\$217.7 million corresponding to 2Q23.

## Financial structure

The financial structure strengthened with the resources of the subsequent public issuance amounting to MXN\$2,721 million. The value of investment properties (which included a M\$400 million revaluation in 2Q23) increased 5.1%. These factors contributed to the reduction of LTV to 29.4% in 2Q23, from 47.8% in 1Q23 and 42.1% in 2Q22. In addition, the Fibra has more than US\$470 million in available lines of credit.

(Figures in MXN\$ Mn)	2Q23	2Q23E	Diff.	2Q22	Chg.
Total Revenues	255	265	-3.6%	243	4.8%
Leassing Revenues	248	257	-3.4%	237	4.5%
Leassing Revenues	-8	-7	9.8%	-7	9.5%
NOI	247	258	-4.0%	236	4.7%
NOI Margin	96.9%	97.3%		97.1%	
EBITDA	244	256	-4.8%	231	5.8%
EBITDA Margin	95.6%	96.9%		94.7%	
Net Income	879	698	25.9%	188	367.5%
Outstanding CBFI's	429	429		336	
FFO	216	211	2.5%	201	7.5%
FFO Margin	84.7%	81.0%	4.5%	82.6%	
FFO	195	190	2.5%	191	2.1%
NOI Margin	\$ 0.58	\$ 0.57	2.5%	\$ 0.57	2.1%

## Discounted Cash Flow Model

MXN\$ Mn	2024E	2025E	2026E	2027E	2028E	Perp.
Net profit	1,588	1,675	1,795	1,916	2,047	2,153
Adjustments	-424	-440	-494	-542	-596	-627
FFO	1,164	1,235	1,301	1,374	1,451	1,526
Interest Expenses	142	174	206	240	274	288
FFO Before Interest Expenses	1,306	1,408	1,507	1,614	1,725	1,814
Perpetuity Growth Rate						5.2%
PV of Explicit Period (2024 -2028E)						5,545
Perpetuity Value						27,446
PV of Perpetuity Value						14,877
Enterprise Value						20,422
Net Debt						3,674
Market Value						16,748
<i>Outstanding CBFi's</i>						429
Target Price						P\$ 39.00
Current Price						P\$ 31.60
Potential Return incl/ Div.						30.4%
Target Multiples						
Cap Rate						5.5%
Dividend Yield						5.0%
P/ FFO						17.6x
Average Cost of Debt						5.0%
Cost of Capital						13.0%
Market Risk Premium						6.0%
Risk Free Rate						8.8%
Beta						0.69
% of Debt						28%
% of Capital						72%
WACC						10.7%

(Figures in Millions of Pesos)

<b>Total GLA (M2)</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Industrial	419,314	469,122	528,940	535,979	535,979	535,979	535,979
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	599,990	659,808	666,847	666,847	666,847	666,847
Agroindustrial	1,653	1,653	1,653	1,653	1,653	1,653	1,653
Total	17,080,182	17,129,990	17,189,808	17,196,847	17,196,847	17,196,847	17,196,847
<b>Occupancy</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
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%
<b>Monthly revenues per M2</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Monthly revenues per M2	4.79	5.51	6.75	7.09	7.44	7.81	8.20
<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>
Total Revenues	1,005	1,162	1,422	1,499	1,576	1,657	1,737
Leasing Revenues	980	1,132	1,390	1,463	1,536	1,613	1,693
Other Revenues	26	30	32	36	40	44	44
Operating Expenses	29	30	36	36	40	42	42
NOI	976	1,131	1,386	1,463	1,536	1,615	1,695
<i>NOI Margin</i>	97.1%	97.4%	97.5%	97.6%	97.5%	97.5%	97.6%
Net Profit	1,509	2,884	1,588	1,675	1,795	1,916	2,047
Outstanding CBFIs	336	429	429	429	429	429	429
EBITDA	942	1,103	1,357	1,430	1,507	1,586	1,670
<i>EBITDA Margin</i>	93.6%	95.0%	95.4%	95.4%	95.6%	95.7%	96.1%
FFO	813	951	1,164	1,235	1,301	1,374	1,451
<i>FFO Margin</i>	80.9%	81.9%	81.9%	82.4%	82.6%	83.0%	83.5%
FFO/CBFI	\$ 2.42	\$ 2.35	\$ 2.71	\$ 2.87	\$ 3.03	\$ 3.20	\$ 3.38
Distribution	752	843	1,007	1,068	1,125	1,189	1,255
Distribution/CBFI	\$ 2.24	\$ 2.22	\$ 2.34	\$ 2.49	\$ 2.62	\$ 2.77	\$ 2.92
<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	13,741	14,624	16,188	17,825	19,542	21,339	23,216
Short-Term Assets	279	419	452	509	566	623	680
Long-Term Assets	13,463	14,205	15,735	17,315	18,975	20,715	22,535
Investment Properties	12,372	12,691	14,141	15,641	17,221	18,881	20,621
Total Liabilities	6,493	4,333	5,315	6,345	7,392	8,461	9,546
ST Liabilities	1,076	293	775	305	352	421	506
Long-Term Liabilities	5,418	4,039	4,539	6,039	7,039	8,039	9,039
Gross Debt	6,384	3,984	4,966	5,996	7,043	8,113	9,197
Net Debt	6,203	3,674	4,614	5,588	6,579	7,593	8,621
LTV	46%	27%	31%	34%	36%	38%	40%
Trust's Equity	7,248	10,317	10,899	11,506	12,176	12,904	13,696

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