

HOTEL: 2Q23 Results

Slightly stronger-than-expected EBITDA and net profits; financial structure strengthened

HOTEL*	BUY
Target Price (MXN\$)	\$ 7.30
Current Price (MXN\$)	\$ 4.32
Min / Max (L12M - MXN\$)	3.64 - 5.20
Expected Dividend (MXN\$)	\$ 0.00
Total Return	69.0%
Mkt Cap (Mn of MXN)	3,093
Enterprise Value (Mn of MXN\$)	5,654
Shares Outstanding (Mn)	716.1
Float	72.3%
ADTV (MXN\$ Mn)	\$ 0.79



Opinion and recommendation

HOTEL reported slightly positive 2Q23 results that were in line with our expectations in terms of revenues but marginally exceeded our projections at the EBITDA and net profit level. After having updated our model, we are reiterating our BUY recommendation with a MXN\$7.30/share target price.

Portfolio

HOTEL carried out three operations during the current quarter that included the sale of the *Barceló Guadalajara Hotel*, the opening of the *Hyatt Regency Insurgentes* and the acquisition of a 25% stake in the *Secrets Tulum Resort & Spa* for US\$15 million. However, the number of total rooms was virtually unchanged on a yearly basis at 5,764.

Revenues

Total revenues stood at MXN\$722.0 million, practically in line with our MXN\$724.7 million projection, up 7.8% YoY. Hotel revenues increased 10.2% supported by a 9.0% rise in the average daily rate of wholly owned hotels to MXN\$1,603, which was partially offset by a reduction in the average daily occupancy rate to 63.8% in the current quarter, from 65.2% the previous year. In addition, food and beverage revenues increased 14.4%, vacation club +52.7%, and managed hotels 1.9%. However, other hotel revenues decreased 42.1%.

The EBITDA margin contracted to 28.3% in 2Q23, from 28.8% in 2Q22, as a result of an 8.6% increase in total costs and expenses. For this reason, EBITDA grew 5.9% to MXN\$204.3 million (vs. our P\$200.1 million estimate).

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The company recorded an extraordinary profit on the sale of the *Barceló Guadalajara Hotel* which boosted net profits nine-fold to MXN\$409.0 million (vs. MXN\$400.3 million that we expected).

Financial structure

Net debt rose 1.9% to MXN\$2,560.7 million. However, the net debt to EBITDA ratio decreased to 2.9x at the end of 2Q23, compared to 3.4x in 1Q23 and 4.0x in 2Q22.

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT	593	694	807	933	1,050	1,114
Tax Rate	26%	27%	27%	28%	28%	30%
Tax Shield	-154	-184	-218	-257	-294	-312
NOPLAT	439	510	589	677	756	802
Depreciation	321	339	357	377	398	422
Working Capital Changes	-81	-52	-55	-57	-59	-62
CAPEX	-260	-304	-348	-392	-404	-429
FCFF	419	492	544	605	691	733
Perpetuity Growth Rate						6.1%
PV of Explicit Period (2022 - 2028E)						1,927
Perpetuity Value						12,327
PV of Perpetuity Value						6,220
Enterprise Value						8,146
Net Debt						2,919
Market Value						5,228
Outstanding Shares						716
Target Price						P\$ 7.30
Current Market Price						P\$ 4.37
Potential Return Incl. Dividends						67.1%
Forward EV/EBITDA						10.3x
Forward P/E						29.4x
Average Cost of Debt						10.0%
LT Tax Rate						30.0%
After-Tax Cost of Debt						7.0%
Cost of Equity						14.8%
Market Risk Premium						6.0%
Risk-Free Rate						8.8%
Beta						1.00
% Total Debt						35.1%
% Capital						64.9%
WACC						12.1%

Sensitivity Analysis Table, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	872	918	966	1,015	1,065
Target EV/EBITDA					
8.8x	4.12	4.68	5.28	5.87	6.49
9.3x	4.73	5.32	5.95	6.58	7.24
9.8x	5.34	5.96	6.63	7.29	7.98
10.3x	5.94	6.61	7.30	8.00	8.73
10.8x	6.55	7.25	7.98	8.70	9.47
11.3x	7.16	7.89	8.65	9.41	10.21

Sensitivity Analysis Table, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	161	169	178	187	196
Target P/E					
26.4x	5.92	6.23	6.55	6.88	7.23
27.4x	6.14	6.46	6.80	7.14	7.50
28.4x	6.36	6.70	7.05	7.40	7.77
29.4x	6.59	6.94	7.30	7.67	8.05
30.4x	6.81	7.17	7.55	7.93	8.32
31.4x	7.04	7.41	7.80	8.19	8.60

(Figures in Millions of Pesos)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Revenues	2,652	3,039	3,221	3,568	3,946	4,358	4,736
Cost of Sales	-977	-1,290	-1,514	-1,659	-1,815	-1,983	-2,131
Gross Profit	1,676	1,750	1,707	1,909	2,131	2,375	2,605
<i>Gross Margin</i>	<i>63.2%</i>	<i>57.6%</i>	<i>53.0%</i>	<i>53.5%</i>	<i>54.0%</i>	<i>54.5%</i>	<i>55.0%</i>
General Expenses	-595	-634	-660	-731	-809	-893	-971
Operating Profit	355	869	593	694	807	933	1,050
<i>Operating margin</i>	<i>13.4%</i>	<i>28.6%</i>	<i>18.4%</i>	<i>19.5%</i>	<i>20.5%</i>	<i>21.4%</i>	<i>22.2%</i>
Depreciation and Amortization	-281	-304	-321	-339	-357	-377	-398
EBITDA	749	898	966	1,089	1,225	1,375	1,516
<i>EBITDA Margin</i>	<i>28.2%</i>	<i>29.5%</i>	<i>30.0%</i>	<i>30.5%</i>	<i>31.0%</i>	<i>31.5%</i>	<i>32.0%</i>
Financial Gains	406	451	-72	-72	-71	-71	-71
Financial Cost	-418	-531	-292	-300	-307	-315	-323
Pre-Tax Profit	346	799	241	334	440	558	667
Income Tax & Profit Sharing	-147	-146	-63	-89	-119	-154	-187
Net profit	198	652	178	246	321	405	480
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	12,644	12,244	12,562	12,981	13,476	14,057	14,698
Current Assets	2,105	1,696	1,840	2,009	2,191	2,385	2,566
LT Assets	10,540	10,548	10,723	10,971	11,285	11,672	12,133
TOTAL LIABILITIES	5,787	5,365	5,502	5,675	5,854	6,039	6,214
ST Liabilities	1,429	1,520	1,563	1,642	1,727	1,818	1,899
LT Liabilities	4,358	3,845	3,939	4,033	4,127	4,221	4,315
TOTAL DEBT	3,707	3,253	3,347	3,441	3,535	3,629	3,723
NET DEBT	3,263	2,919	2,993	3,049	3,101	3,150	3,202
TOTAL CAPITAL	6,857	6,879	7,060	7,305	7,622	8,017	8,484
Stockholder's Equity	5,384	5,187	5,324	5,509	5,747	6,046	6,398
Minority Interest	1,474	1,692	1,736	1,797	1,874	1,972	2,086
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
NET PROFIT	198	652	178	246	321	405	480
Inv. Related Activities	284	-182	-77	-59	-37	-17	4
Pre-Tax Cash Flow	482	-230	-831	-789	-731	-673	-656
Working Capital Changes	-52	76	-81	-52	-55	-57	-59
Operating Cash Flow	430	-154	-911	-841	-786	-730	-714
Investment Cash Flow	-1,731	2,600	3,954	3,910	3,866	3,822	3,810
Financing Cash Flow	1,181	-2,557	-3,023	-3,031	-3,039	-3,047	-3,054
Net Incr. (Decr.) in Cash & Temp. Inv.	-121	-110	20	38	42	45	42
Beg. of Period Cash and Temp. Inv.	565	444	334	354	392	434	479
End of Period Cash and Temp. Inv.	444	334	354	392	434	479	521

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