

STORAGE: 2Q23 Results

Quarterly results driven by portfolio growth, record occupancy and higher profitability

STORAGE 18	BUY
Target Price (MXN\$)	\$ 25.00
Expected Dividend	\$ 0.36
Current Price (MXN\$)	\$ 17.25
Min / Max (L12M - MXN\$)	15.50 - 18.00
Total Return	47.0%
Mkt Cap (Mn of MXN)	3,850
CBFI's Outstanding (Mn)	223.2
Float	12.5%
ADTV (MXN\$ Mn)	0.1

Opinion and recommendation

STORAGE reported another outstanding quarter with significant growth in most of the operating indicators due to the expansion of the portfolio, higher occupancy levels and stronger profitability. Revenue, NOI and EBITDA were in line with our projections.

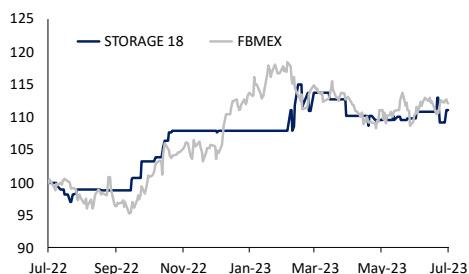
We reiterate our BUY recommendation with a MXN\$25.00/CBFI target price, after having included this quarterly report in our model.

Portfolio

The gross leasable area (GLA) built expanded 11.8% to 168,333 M2 due to the addition of 5 new properties during the last twelve months. In addition, the available ABR grew by 5.4% annually. STORAGE has 16 stabilized properties, 4 more than the previous quarter, and 12 in the stabilization process.

The highlight of the quarter was that occupancy reached 82.1%, the highest level since the Fibra's IPO. This occurred due to a positive net absorption of 6,931 M2 during the period. Occupancy in the newly stabilized properties exceeded 85%.

During the quarter, STORAGE continued to develop the Lerma II and Río San Joaquín units, and expand the Tlalpan-Coapa, Mariano Escobedo and Condesa branches. STORAGE's growth prospects remain very favorable as it expects to invest MXN\$745 million during the 2023-2024 period in order to build an additional 48,706 M2, which will represent 29% of the current GLA.



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

Results

STORAGE followed a more aggressive pricing strategy than in prior quarters as the monthly effective rate rose 1.0% on an annual basis, but decreased 3.4% sequentially, which explains the record level of absorption and occupancy in the current quarter. Despite this, RevPaM experienced a significant increase of 11.1% YoY and was flat sequentially, while leasing revenues were up 14.5%. This, coupled with a 100% growth in other revenues, resulted in a 17.5% increase in total revenues to MXN\$127.0 million.

Profitability improved significantly due to the internalization of the administration, boosting the total NOI by 24.2% and EBITDA by nearly 30%. However, FFO remained stable due to less interests capitalized.

Financial structure

LTV stood at 22% at the end of 2Q23, in line with previous quarters and slightly below the 24.6% of 2Q22. On the other hand, Fibra registered a MXN\$39.1 million gain on the revaluation of its properties.

MAIN OPERATING INDICATORS	2Q23	2Q23E	Diff.	2Q22	Change
Constructed GLA (m2)	168,333	168,395	0.0%	150,546	11.8%
Available GLA (m2)	155,233	155,204	0.0%	147,261	5.4%
Occupied GLA (m2)	127,492	122,611	4.0%	109,999	15.9%
Monthly effective rate - MXN\$	319.7	335.0	-4.6%	316.4	1.0%
Occupancy (%-m2)	82.1%	79.0%		74.7%	
RevPaM (MXN\$-EoP)	262.5	264.7	-0.8%	236.4	11.0%
(Figures in Millions of Pesos)	2Q23	2Q23E	Diff.	2Q22	Change
Total Revenues	127	129	-1.8%	108	17.5%
Leasing Revenues	120	122	-1.8%	104	14.5%
Other Revenues	7	8	-1.8%	4	100.9%
Operating Expenses (Incl. Asset Tax)	24	24	2.9%	23	6.4%
Corporate Expenses, Fees & Other	33	31	6.3%	36	-9.1%
NOI	97	98	-1.5%	81	19.3%
NOI Margin	76.2%	77.2%		75.0%	
EBITDA	63	67	-7.0%	45	39.3%
EBITDA Margin	49.4%	53.0%		41.7%	
FFO	34	38	-8.9%	30	14.8%
FFO Margin	27.0%	29.1%		27.6%	

Discounted Cash Flow Model

(Figures in Millions of Mexican Pesos)	2024E	2025E	2026E	2027E	2027E	Perp.
FFO	174	276	314	349	380	398
Growth Capex	729	0	0	0	0	0
FFO after Capex	-555	276	314	349	380	398
Interest paid	131	134	151	164	183	192
FCFF	-424	410	465	513	563	590
Perpetuity Growth Rate						4.9%
PV of Explicit Period (2024 -2028E)						980
Terminal Value						10,415
PV of Terminal Value						5,699
Enterprise Value						6,680
Net Debt						1,295
Market Value						5,385
Recoverable VAT						193
Adjusted Market Value						5,577
CBFIs outstanding						223
Target Price						P\$ 25.00
Current Price						P\$ 17.40
Potential Return incl/ Div.						45.7%
Average Cost of Debt						9.55%
Cost of Capital						10.9%
Market Risk Premium						6.0%
Risk Free Rate						8.9%
Beta						0.33
% of Debt						22%
% of Capital						78%
WACC						10.57%

MAIN OPERATING INDICATORS	2022	2023E	2024E	2025E	2026E	2027E	2028E
Constructed GLA (m2)	156,656	182,333	217,039	217,039	217,039	217,039	217,039
Available GLA (m2)	148,331	158,630	195,335	212,698	212,698	212,698	212,698
Occupied GLA (m2)	118,351	125,635	151,385	169,095	173,349	177,603	181,857
Unoccupied GLA	29,980	32,995	43,950	43,603	39,349	35,095	30,841
Occupancy (%-m2)	80%	79%	78%	80%	82%	84%	86%
Monthly effective rate - MXN\$	323.9	329.3	349.1	370.0	392.2	415.7	440.7
RevPaM (MXN\$-EoP)	258.4	260.8	270.5	294.2	319.6	347.1	376.8
INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Total Revenues	447	512	578	753	839	911	989
Leasing Revenues	423	482	544	709	790	858	932
Other Revenues	23	30	34	44	49	53	58
Operating Expenses (Incl. Asset Tax)	83	96	109	141	156	166	181
Corporate Expenses, Fees & Other	125	130	139	178	195	208	222
Total General Expenses	208	226	248	319	350	374	402
Revaluation of Investment Properties	206	357	74	77	80	85	90
Operating Profit	444	643	404	511	569	622	677
Interest Expense	- 71	- 113	- 131	- 134	- 151	- 164	- 183
Interest Gains	5	10	10	13	15	17	18
FX Gain	0	1	1	1	1	1	1
Unrealized valuation effect of financial instruments	- 3	- 5	- 5	- 5	- 5	- 5	- 5
Unrealized valuation effect investment instruments	42	16	44	48	52	56	60
Net Financial Cost	- 26	- 93	- 83	- 80	- 90	- 98	- 111
Net Profit	418	549	321	431	479	524	566
NOI	344	387	435	576	646	706	768
<i>NOI Margin</i>	<i>77.8%</i>	<i>76.3%</i>	<i>76.3%</i>	<i>77.4%</i>	<i>77.8%</i>	<i>78.1%</i>	<i>78.2%</i>
EBITDA	219	256	296	398	452	498	546
<i>EBITDA Margin</i>	<i>49.5%</i>	<i>50.5%</i>	<i>51.9%</i>	<i>53.5%</i>	<i>54.3%</i>	<i>55.1%</i>	<i>55.6%</i>
FFO	154	152	174	276	314	349	380
FFO Margin	34.8%	30.0%	30.5%	37.0%	37.8%	38.7%	38.7%
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	6,539	7,615	7,976	8,365	9,005	9,576	10,383
Current assets	733	414	442	516	553	585	618
Total non current assets	5,806	7,202	7,534	7,849	8,452	8,991	9,765
Intangible Assets	96	24	24	24	24	24	24
TOTAL LIABILITIES	1,829	1,758	1,882	1,928	2,183	2,326	2,670
Current liabilities	190	119	234	270	263	146	227
Long-term liabilities	1,639	1,639	1,648	1,659	1,919	2,181	2,443
TOTAL EQUITY	4,710	5,257	5,494	5,837	6,222	6,649	7,113
Total Debt	1,490	1,496	1,607	1,635	1,874	2,003	2,330
Net Debt	953	1,295	1,380	1,339	1,544	1,645	1,941

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