

UPSITE: 2Q23 Results

Positive, revenues and NOI grow in a significant was due to new properties, announces new contract in Ciudad Juárez building VI

FIBRAUP 18	BUY
Target Price (MXN\$)	\$ 55.00
Current Price (MXN\$)	\$ 29.99
Min / Max (L12M - MXN\$)	29.99 - 33.20
Total Return	83.4%
Mkt Cap (Mn of MXN)	1,687
CBFI's Outstanding (Mn)	56.3
Float	62.0%
NAV / CBFI (P\$)	\$ 55.81
Discount vs. NAV	46%

Opinion and recommendation

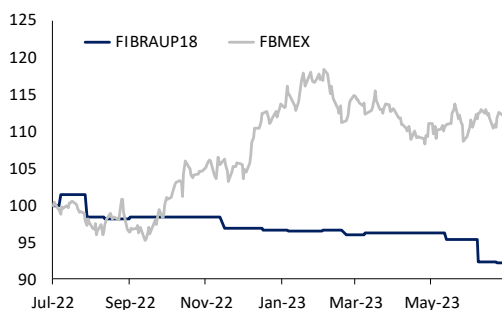
UPSITE reported positive results in 2Q23 mainly due to the addition of new properties. Revenues, NOI and NAV/CBFI were in line with our projections, while EBITDA far exceeded our estimates.

We reiterate our BUY recommendation with a MXN\$55.00/CBFI target price. The valuation of UPSITE certificates remains attractive with a 46% discount against NAV/CBFI. In addition, the Fibra has a proven business model and will soon announce the strategy to continue taking advantage of the nearshoring trend.

Portfolio

The gross leasable area was 171 thousand M2 at the end of 2Q23, in line with 1Q23. Occupancy remained at 100% while the average term was 7.3 years. UPSITE expects to complete building VI in Ciudad Juárez in 3Q23, which has a total area of 34,237 M2. It announced a new 7-year contract for 60% of this property and that it has clients interested in leasing the remaining 40%.

On the other hand, it plans to deliver the Tlaxcala building during 3Q23. It obtained a second favorable ruling regarding the surety bond from a Mexico City court, which will allow it to collect MXN\$90 million plus interests, updates and legal costs.



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Results

UPSITE posted 2Q23 revenues of MXN\$42.7 million (in line with our expectation of MXN\$42.9 million), up 45.2% YoY due to the addition of new properties in Ciudad Juárez. However, same-store sales decreased 8.0% due to the early termination of the lease for the Tlaxcala property.

Operating costs rose 62.2% due to the startup of new properties. The NOI grew 42.0% to MXN\$35.2 million (vs. MXN\$35.1 million E) while the NOI margin contracted to 82.5%, from 84.3%. Administrative expenses increased 89.5%. However, EBITDA grew 199.2% to MXN\$5.5 million (vs. MXN\$1.3 million E) due to the absence of the reserve for doubtful accounts.

The Fibra registered a MXN\$38.2 million net profit in the quarter, due to FX gains deriving from the appreciation of the FX rate. It presented a negative FFO of MXN\$8.8 million, compared to MXN\$9.1 million in the same period of the previous year.

Financial structure

Leverage stood at 25.0% at the end of 2Q23, a very manageable level since it was below the 50% maximum threshold. The Fibra plans to announce a new drawdown of the credit line with Bancomext and also expects to obtain an increase in the total amount of such line.

Investment Asset Value / NAV

The value of investment assets rose 24.4% to MXN\$3.8 billion at the end of the quarter. The NAV/CBFI stood at MXN\$55.81 (vs. our projection of MXN\$55.43), with a compound annual growth of 11.6% since the initial public offering.

(Figures in Millions of MXN\$)	2Q23	2Q23E	Diff.	2Q22	Change
Revenues	43	43	-0.4%	29	45.2%
Operating Cost	-7	-8	-3.4%	-5	62.2%
NOI	35	35	0.2%	25	42.0%
Operating Profit	6	1	n.a.	2	199.0%
<i>Operating Margin</i>	13.0%	2.7%		n.a.	
EBITDA	6	1	n.a.	2	199.0%
<i>EBITDA Margin</i>	13.0%	2.7%		n.a.	
Financial Gains	50	5	n.a.	-2	n.a.
Financial Cost	-17	-16	6.8%	-9	98.1%
Net Profit	38	-10	n.a.	-9	n.a.
NAV / CBFI	P\$ 55.81	P\$ 55.43	0.7%	P\$ 53.02	5.3%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E
Revenues	118	183	249	297	355	418
Operating Cost	-22	-32	-43	-50	-58	-67
NOI	96	151	206	247	297	350
<i>NOI Margin</i>	81.1%	82.4%	82.8%	83.2%	83.5%	83.9%
General Expenses	-172	-132	-180	-220	-240	-252
EBITDA	-77	18	26	27	57	98
Financial Gains	131	289	190	208	216	227
Financial Cost	-40	-69	-97	-131	-165	-206
Net Profit	15	239	119	104	108	119
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E
TOTAL ASSETS	4,173	4,694	5,362	5,881	6,518	7,322
Current Assets	694	474	432	479	497	532
LT Assets	3,479	4,220	4,930	5,402	6,022	6,790
Investment Properties	3,473	4,212	4,922	5,392	6,010	6,776
TOTAL LIABILITIES	1,145	1,427	1,976	2,464	3,067	3,825
TOTAL DEBT	1,015	1,241	1,743	2,184	2,736	3,439
NET DEBT	521	991	1,536	1,933	2,470	3,141
Stockholder's Equity	3,028	3,267	3,386	3,417	3,451	3,497
NAV	3,055	3,337	3,460	3,503	3,551	3,612
NAV / CBF1	\$ 54.31	\$ 59.32	\$ 61.50	\$ 62.27	\$ 63.12	\$ 64.20
CASH FLOW STATEMENT	2022	2023E	2024E	2025E	2026E	2027E
Net Profit	15	239	119	104	108	119
Total Adjustments	-83	-30	-11	-22	-19	-16
Cash Flow from Operations	-68	209	108	82	88	103
Net Cash Flow from Operating Activities	-68	209	108	82	88	103
Net Cash Flow from Investment Activities	-623	-574	-550	-270	-138	-276
Net Cash Flow from Financing Activities	502	227	501	368	480	629
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

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