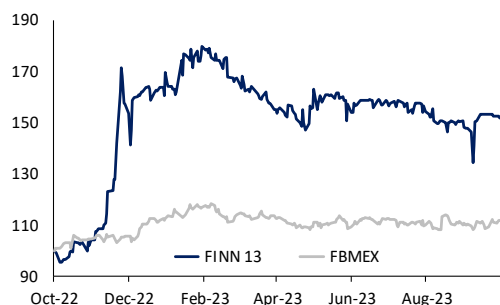


FIBRA INN: 3Q23 Results

Positive results with revenues, NOI and FFO in line with our expectations; appoints new CEO

FINN 13	BUY
Target Price (MXN\$)	\$ 8.50
Current Price (MXN\$)	\$ 5.50
Min / Max (L12M)	3.48 - 6.57
Expected Dividend (MXN\$)	\$ 0.15
Expected Return	57.3%
Market Cap. (MXN\$ Mn)	4,232
Outstanding CBFIs	769.5
Float	100.0%
ADTV (MXN\$ Mn)	\$ 0.64



Opinion and recommendation

FIBRA INN reported positive 3Q23 results that were in line with our projections in terms of revenues, total NOI and FFO. We reiterate BUY with a MXN\$8.50/CBFI target price.

FIBRA INN announced the appointment of Miguel Aliaga as its new CEO from next November 6th, replacing Oscar Calvillo. We believe that Miguel Aliaga has the necessary experience for such a position since he has been the Fibra’s CFO for the last 8 years, and he has worked in public companies for 25 years. Mr. Javier Leal Isla Garza will be the new CFO.

3Q23 Results

FIBRA INN's total revenues rose 12.3% to MXN\$569 million driven by higher occupancy (63.7% in 3Q23 vs. 60.6% in 3Q22) given the strategic location of its properties, mainly those in the north of the country, since they have exposure to the “nearshoring” trend. The average daily rate increased 7.5% with the incorporation of luxury hotels and the closure of limited-service hotels in the Bajío region. This boosted the RevPar by 13.1% and hotel revenue by 11.5%. In addition, it recorded MXN\$23.1 million in leasing revenues and MXN\$2.3 million from the Hotel Factory.

Total NOI margin expanded 30 bps to 32.8% due to operating leverage, lower advertising and promotion expenses, and a reduction in royalties paid. Therefore, Total NOI grew 13.5% to MXN\$187 million.

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The FFO was up 145.2% supported by solid operating leverage and higher interest gains from the resources that FIBRA INN raised with the subsequent offer. The Fibra expects to distribute MXN\$21.1 million, in line with previous quarters, and is working on a distribution policy for 2024.

LTV was 29.3% at the end of 3Q23, from 34.8% in 3Q22. In addition, cash increased to MXN\$1.9 billion, from MXN\$282 million. HR Ratings revised upwards the rating of FIBRA INN and its FINN 18 domestic bond from HR A- to HR A+ with a Stable Outlook, due to the sustained improvement in operating results during the last 12 months.

(Figures in MXN\$ Mn)	3Q23E	3Q23E	Diff.	3Q22	Change
Total Revenues	569	569	-0.0%	507	12.3%
Lodging Revenues	543	543	0.0%	488	11.5%
Property Leasing	23	23	0.6%	18	28.6%
Hotel Costs and Expenses	-382	-382	-0.0%	-342	11.7%
Total NOI	187	187	0.1%	164	13.5%
Total NOI Margin	32.8%	32.8%		32.5%	
Adjusted EBITDA	149	149	0.2%	133	12.6%
Adjusted EBITDA Margin	26.3%	26.2%		26.2%	
FFO	93	93	0.6%	38	145.2%
FFO Margin	16.4%	16.3%		7.5%	

Discounted Cash Flow Model

MXN\$ Mn	2024E	2025E	2026E	2027E	2028E	Perp.
FFO	386	395	360	396	448	472
Maintenance Capex	-85	-90	-96	-102	-108	-114
AFFO	85	88	47	76	123	358
Interest Gains	189	148	102	92	97	103
Interest Expenses	-447	-445	-487	-498	-505	-532
AFFO before interest payments	343	385	432	482	531	788
Perpetuity Growth Rate						5.3%
PV of Explicit Period (2024 -2028E)						1,564
Perpetuity Value						13,571
PV of Perpetuity Value						7,201
Enterprise Value						8,766
Net Debt						2,224
Market Value						6,542
Outstanding CBFi's						770
Target Price						P\$ 8.50
Current Price						P\$ 5.50
Potential Return incl/ Div.						57.3%
Average Cost of Debt						9.5%
Cost of Capital						11.9%
Market Risk Premium						6.0%
Risk Free Rate						10.4%
Beta						0.24
% of Debt						31%
% of Capital						69%
WACC						11.1%

INCOME STATEMENT	2022	2023E	2024E	2025E	2026E	2027E	2028E
Lodging Revenues	1,838.7	2,145.3	2,313.2	2,466.9	2,630.1	2,803.6	2,965.7
Property Leasing	73.9	78.9	92.5	98.7	105.2	112.1	118.6
Total Revenues	1,921.7	2,233.4	2,415.3	2,575.5	2,745.7	2,926.5	3,095.6
Hotel Costs and Expenses	- 1,291.2	- 1,501.8	- 1,626.3	- 1,727.1	- 1,832.7	- 1,944.8	- 2,048.0
Total NOI	630.5	731.7	789.0	848.4	913.1	981.7	1,047.5
<i>Total NOI Margin</i>	32.8%	32.8%	32.7%	32.9%	33.3%	33.5%	33.8%
Indirect Expenses	- 159.8	- 179.8	- 193.2	- 206.0	- 219.7	- 234.1	- 247.6
EBITDA	470.7	551.8	595.8	642.4	693.4	747.6	799.9
<i>EBITDA Margin</i>	24.5%	24.7%	24.7%	24.9%	25.3%	25.5%	25.8%
Acquisition and Organization Expenses	30.1	25.7	31.4	33.5	35.7	38.0	40.2
Adjusted EBITDA	500.8	577.6	627.2	675.9	729.1	785.7	840.1
<i>Adjusted EBITDA Margin</i>	26.1%	25.9%	26.0%	26.2%	26.6%	26.8%	27.1%
Operating Profit	206.9	317.6	405.2	459.8	500.0	570.5	619.6
<i>Operating Margin</i>	10.8%	14.2%	16.8%	17.9%	18.2%	19.5%	20.0%
Majority Net Profit	- 114.7	32.5	100.0	111.7	59.0	105.9	148.8
FFO	122.5	281.7	386.0	395.0	359.5	395.6	448.4
<i>FFO Margin</i>	6.4%	12.6%	16.0%	15.3%	13.1%	13.5%	14.5%
FFO per CBFI	\$ 0.243	\$ 0.397	\$ 0.502	\$ 0.513	\$ 0.467	\$ 0.514	\$ 0.583
BALANCE SHEET	2022	2023E	2024E	2025E	2026E	2027E	2028E
TOTAL ASSETS	12,524.5	13,938.4	14,281.0	14,215.1	14,838.6	14,740.6	14,627.2
Current Assets	891.1	2,262.5	1,897.8	1,494.3	1,167.0	1,229.6	1,288.2
Long-Term Assets	11,633.4	11,675.9	12,383.1	12,720.8	13,671.6	13,511.0	13,338.9
Property, Plant and Equipment	11,319.3	11,432.1	12,139.2	12,476.7	13,427.4	13,266.6	13,094.4
TOTAL LIABILITIES	4,692.8	4,634.3	4,925.6	4,796.9	5,364.5	5,190.5	5,000.4
Current Liabilities	539.7	636.6	927.8	799.1	1,166.7	992.7	802.6
Long-Term Liabilities	4,153.1	3,997.8	3,997.8	3,997.8	4,197.8	4,197.8	4,197.8
Total Debt	4,186.7	4,166.6	4,439.9	4,296.7	4,849.1	4,658.9	4,453.9
Net Debt	3,572.7	2,223.5	2,870.0	3,137.7	4,025.3	3,780.9	3,525.2
Trustee's Capital	7,831.7	9,304.0	9,355.3	9,418.3	9,474.1	9,550.2	9,626.8
Minority Interest	1,250.7	1,270.1	1,277.1	1,285.7	1,293.3	1,303.7	1,314.2
Stockholder's Equity	6,581.0	8,026.7	8,061.2	8,109.9	8,174.3	8,221.1	8,275.1

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