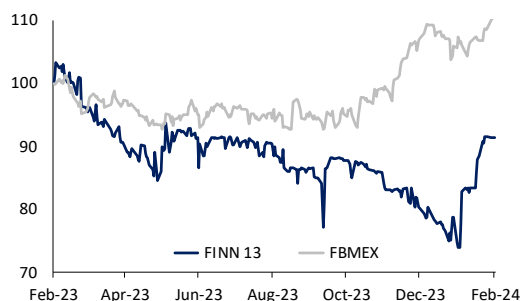


FIBRA INN: 4Q23 Results

Results in line with our expectations at the operating level; we reiterate BUY recommendation

FINN 13	BUY
Target Price (MXN\$)	\$ 8.50
Current Price (MXN\$)	\$ 5.80
Min / Max (L12M)	4.69 - 6.57
Expected Dividend (MXN\$)	\$ 0.44
Expected Return	54.1%
Market Cap. (MXN\$ Mn)	4,463
Outstanding CBFIs	769.5
Float	100.0%
ADTV (MXN\$ Mn)	\$ 1.66



Opinion and recommendation

FIBRA INN reported results that were in line with our revenue, NOI, and FFO estimates. They were driven by higher occupancy and rising ADR's, which were offset by higher expenses. We continue with a BUY recommendation and MXN\$8.50/CBFI target price.

4Q23 Results

Total revenues were up 5.4% YoY to MXN\$579 million, which was mainly due to a 5.9% increase in hotel revenues as a result of a 90 bps improvement in occupancy levels to 63.5% (with an all-time high in November) and a 6.0% rise in the ADR per available room. For its part, leasing revenues advanced 16.9%, while the Hotel Factory contributed marginally with MXN\$0.9 million.

NOI remained unchanged at MXN\$190 million due to higher operating expenses, mainly salaries. The NOI margin contracted to 32.7% in the current quarter, compared to 34.3% in 4Q22.

Reported FFO decreased 8.3% to MXN\$48 million due to non-recurring expenses related to the change of CEO and Director of Operations. The margin was 8.2% in 4Q23, from 9.4% in 4Q22. Excluding extraordinary items, the FFO would have been MXN\$108 million, up 108.9%.

FIBRA INN expects to distribute MXN\$20.4 million (MXN\$0.0268/per CBFI) to its holders no later than March 31st, which correspond to 4Q23 results, maintaining its conservative distribution policy. This amount will represent 70% of the AFFO of MXN\$29.3 million.

Financial structure

Leverage was 29.0% at the end of the quarter, practically in line with 29.3% in 3Q23 and below 33.1% in 4Q22. On the other hand, the Fibra had MXN\$1.9 billion in cash reserves thanks to last year's subscription.

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February 28th, 2024

(Figures in MXN\$ Mn)	4Q23E	4Q23E	Diff.	4Q22	Change
Total Revenues	579	580	-0.2%	549	5.4%
Lodging Revenues	556	556	0.0%	525	5.9%
Property Leasing	22	22	0.6%	19	16.9%
Hotel Factory	1	2	-59.9%	5	-82.5%
Operating Expenses	-390	-390	-0.1%	-361	8.0%
Total NOI	190	190	-0.5%	189	0.5%
<i>Total NOI Margin</i>	<i>32.7%</i>	<i>32.8%</i>		<i>34.3%</i>	
Adjusted EBITDA	99	100	-0.5%	131	-23.8%
<i>Adjusted EBITDA Margin</i>	<i>17.2%</i>	<i>17.2%</i>		<i>23.8%</i>	
FFO	48	47	1.6%	52	-8.3%
<i>FFO Margin</i>	<i>8.2%</i>	<i>8.1%</i>		<i>9.4%</i>	

Discounted Cash Flow Model

MXN\$ Mn	2025E	2026E	2027E	2028E	2029E	Perp.
FFO	431	429	457	517	562	582
Maintenance Capex	-88	-94	-101	-106	-113	-117
AFFO	342	335	356	411	449	465
Interest Gains	162	115	92	98	104	107
Interest Expenses	-411	-418	-423	-422	-431	-446
AFFO before interest payments	591	637	687	735	776	804
Perpetuity Growth Rate						3.6%
PV of Explicit Period (2025 -2029E)						2,538
Perpetuity Value						11,831
PV of Perpetuity Value						6,544
Enterprise Value						9,082
Net Debt						2,544
Market Value						6,538
<i>Outstanding CBFI's</i>						770
Target Price						P\$ 8.50
Current Price						P\$ 5.80
Potential Return incl/ Div.						54.1%
Average Cost of Debt						9.6%
Cost of Capital						10.7%
Market Risk Premium						6.0%
Risk Free Rate						9.3%
Beta						0.24
% of Debt						32%
% of Capital						68%
WACC						10.4%

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Lodging Revenues	2,146.4	2,267.4	2,419.3	2,580.7	2,752.2	2,912.1	3,081.1
Property Leasing	79.1	90.7	96.8	103.2	110.1	116.5	123.2
Total Revenues	2,233.4	2,367.7	2,526.0	2,694.3	2,873.1	3,039.8	3,215.6
Operating Expenses	- 1,499.7	- 1,594.1	- 1,693.8	- 1,798.2	- 1,909.1	- 2,011.0	- 2,127.7
Total NOI	733.7	773.6	832.2	896.1	963.9	1,028.8	1,087.9
<i>Total NOI Margin</i>	32.8%	32.7%	32.9%	33.3%	33.6%	33.8%	33.8%
Indirect Expenses	- 230.5	- 189.4	- 202.1	- 215.5	- 229.8	- 243.2	- 257.2
EBITDA	503.1	584.2	630.2	680.5	734.1	785.6	830.6
<i>EBITDA Margin</i>	22.5%	24.7%	24.9%	25.3%	25.6%	25.8%	25.8%
Acquisition and Organization Expenses	25.1	30.8	32.8	35.0	37.4	39.5	41.8
Adjusted EBITDA	528.3	615.0	663.0	715.6	771.4	825.1	872.4
<i>Adjusted EBITDA Margin</i>	23.7%	26.0%	26.2%	26.6%	26.9%	27.1%	27.1%
Operating Profit	11.1	247.3	293.1	333.2	396.6	447.4	487.1
<i>Operating Margin</i>	0.5%	10.4%	11.6%	12.4%	13.8%	14.7%	15.1%
Majority Net Profit	- 234.8	- 7.9	- 6.6	- 24.9	7.3	60.3	97.2
FFO	240.5	423.8	430.6	429.0	456.8	517.1	561.6
<i>FFO Margin</i>	10.8%	17.9%	17.0%	15.9%	15.9%	17.0%	17.5%
FFO per CBFI	\$ 0.344	\$ 0.551	\$ 0.560	\$ 0.557	\$ 0.594	\$ 0.672	\$ 0.730
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	13,580.8	13,519.9	13,475.3	13,749.6	13,721.1	13,813.2	13,980.2
Current Assets	2,193.9	1,932.6	1,542.9	1,093.1	1,151.9	1,206.8	1,264.7
Long-Term Assets	11,386.9	11,587.2	11,932.4	12,656.5	12,569.2	12,606.4	12,715.5
Property, Plant and Equipment	11,176.5	11,376.7	11,721.8	12,445.7	12,358.2	12,395.3	12,504.2
TOTAL LIABILITIES	4,503.6	4,755.6	4,670.5	4,910.8	4,834.6	4,876.0	4,993.7
Current Liabilities	563.4	815.3	730.2	770.5	694.3	735.7	853.5
Long-Term Liabilities	3,940.3	3,940.3	3,940.3	4,140.3	4,140.3	4,140.3	4,140.3
Total Debt	3,963.1	4,201.2	4,101.5	4,326.6	4,234.2	4,260.7	4,361.4
Net Debt	2,040.5	2,543.9	2,838.5	3,518.3	3,372.3	3,348.7	3,396.7
Trustee's Capital	9,077.1	8,764.3	8,804.8	8,838.8	8,886.5	8,937.2	8,986.4
Minority Interest	1,184.0	1,143.2	1,148.5	1,152.9	1,159.1	1,165.7	1,172.2
Stockholder's Equity	7,893.1	7,539.1	7,572.9	7,608.9	7,636.5	7,667.9	7,701.7

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