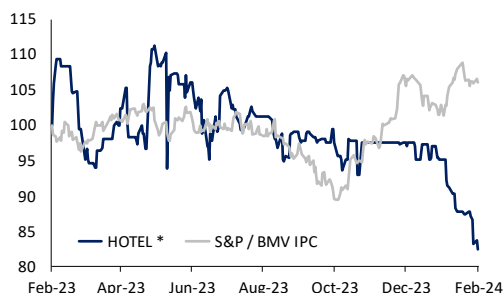


HOTEL: 4Q23 Results

Results impacted by the temporary closure of the “*Krystal Beach Acapulco*” hotel, in line with expectations

HOTEL*	BUY
Target Price (MXN\$)	\$ 5.50
Current Price (MXN\$)	\$ 3.65
Min / Max (L12M - MXN\$)	3.20 - 4.62
Expected Dividend (MXN\$)	\$ 0.00
Total Return	50.7%
Mkt Cap (Mn of MXN)	2,614
Enterprise Value (Mn of MXN\$)	5,104
Shares Outstanding (Mn)	716.1
Float	72.3%
ADTV (MXN\$ Mn)	\$ 2.50



Opinion and recommendation

HOTEL's operating performance was affected by the temporary closure of the “*Krystal Acapulco Beach*” hotel, as we anticipated. After including these results in our model, we are reiterating our BUY recommendation, and adjusting the target price to MXN\$5.50/share, from MXN\$6.40/share.

Portfolio

We expect around 200 rooms of the “*Krystal Beach Acapulco*” hotel to begin operations in 3Q24 and the whole property to open by the end of the current year. The company received part of the insurance and is carrying out the corresponding construction works.

On the other hand, HOTEL opened the “*Secrets Tulum Resort & Spa*” with 326 rooms, which is a third-party hotel. It also plans to convert the “*Krystal Grand Puerto Vallarta*” to “*Breathless Puerto Vallarta Resort by Hyatt*” within the grand tourism category, which will be completed in 2Q25.

4Q23 Results

HOTEL recorded total revenues of MXN\$710 million (in line with our MXN\$710 million expectation) in 4Q23, which represented a 4.2% YoY decrease. It was mainly due to a 5.4% drop in hotel revenues, -1.7% in food and beverage, and -49.1% in Vacation Club as a result of the impact on the Acapulco hotel. This was partially offset by a 4.8% increase in managed hotels and a 6.3% rise in “other revenues”.

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The ADR of owned hotels in operation was up 4.3%, which offset a 0.3 percentage point reduction in occupancy levels to 65.3%.

HOTEL's total costs and expenses remained virtually unchanged despite lower revenues. For this reason, EBITDA fell 16.3% to MXN\$180 million (also in line with our MXN\$180 million projection), while the EBITDA margin contracted 3.7 percentage points to 25.4%. However, the company recorded FX gains, ending the quarter with a MXN\$5 million net profit (vs. MXN\$7 million E), from a MXN\$5 million net loss in the same period of the previous year.

Cash flow / Financial structure

Despite lower operating results, operating cash flow rose 25.9% supported by adequate working capital management, which allowed cash to improve sequentially and the net debt to EBITDA ratio to remain stable at 3.0x in 4Q23. Worth mentioning that short-term debt represented 12% of total debt. However, the company is refinancing such a portion.

(Figures in Millions of MXN\$)	4Q23	4Q23E	Diff.	4Q22	Change
Revenues	710	710	0.0%	741	-4.2%
EBITDA	180	180	0.4%	215	-16.3%
<i>EBITDA Margin</i>	25.4%	25.3%		29.1%	
Financial Gains	156	77	102.1%	154	1.3%
Financial Cost	-125	-51	144.3%	-105	18.3%
Net profit	5	7	-30.3%	-5	n.a.

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	524	572	642	715	810	852
Tax Rate	27%	27%	28%	28%	28%	30%
Tax Shield	-139	-154	-177	-200	-227	-256
NOPLAT	385	418	465	515	583	596
Depreciation	342	361	381	402	424	446
Working Capital Changes	-7	-5	-1	-5	15	16
CAPEX	-316	-352	-396	-408	-440	-463
FCFF	404	421	449	503	582	774
Perpetuity Growth Rate						5.2%
PV of Explicit Period (2025 - 2029E)						1,639
Perpetuity Value						10,349
PV of Perpetuity Value						5,065
Enterprise Value						6,704
Net Debt						2,767
Market Value						3,937
Outstanding Shares						716
Target Price						P\$ 5.50
Current Market Price						P\$ 3.65
Potential Return Incl. Dividends						50.6%
Forward EV/EBITDA						9.1x
Forward P/E						36.3x
Average Cost of Debt						8.5%
LT Tax Rate						30.0%
After-Tax Cost of Debt						5.9%
Cost of Equity						15.5%
Market Risk Premium						6.0%
Risk-Free Rate						9.2%
Beta						1.04
% Total Debt						29.5%
% Capital						70.5%
WACC						12.6%

Sensitivity Analysis, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	832	876	922	968	1,017
Target EV/EBITDA					
7.6x	2.61	3.07	3.57	4.06	4.58
8.1x	3.19	3.69	4.21	4.74	5.29
8.6x	3.77	4.30	4.85	5.41	6.00
9.1x	4.35	4.91	5.50	6.09	6.71
9.6x	4.93	5.52	6.14	6.76	7.42
10.1x	5.51	6.13	6.79	7.44	8.13

Sensitivity Analysis, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	98	103	108	114	120
Target P/E					
33.3x	4.55	4.79	5.04	5.30	5.56
34.3x	4.69	4.94	5.20	5.46	5.73
35.3x	4.83	5.08	5.35	5.61	5.90
36.3x	4.96	5.22	5.50	5.77	6.06
37.3x	5.10	5.37	5.65	5.93	6.23
38.3x	5.24	5.51	5.80	6.09	6.40

(Figures in Millions of Pesos)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Revenues	2,959	2,836	3,296	3,555	3,893	4,246	4,667
Operating Profit	380	413	524	572	642	715	810
<i>Operating margin</i>	<i>12.8%</i>	<i>14.6%</i>	<i>15.9%</i>	<i>16.1%</i>	<i>16.5%</i>	<i>16.8%</i>	<i>17.4%</i>
Depreciation and Amortization	-307	-324	-342	-361	-381	-402	-424
EBITDA	840	789	922	993	1,087	1,184	1,302
<i>EBITDA Margin</i>	<i>28.4%</i>	<i>27.8%</i>	<i>28.0%</i>	<i>27.9%</i>	<i>27.9%</i>	<i>27.9%</i>	<i>27.9%</i>
Financial Gains	628	13	17	19	20	22	24
Financial Cost	-608	-444	-397	-405	-413	-422	-430
Pre-Tax Profit	406	-14	148	190	253	319	408
Income Tax & Profit Sharing	-124	4	-39	-51	-70	-89	-114
Net profit	593	-11	108	139	183	230	294
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	11,848	12,254	13,069	14,058	15,310	16,805	18,723
Current Assets	1,763	1,519	1,743	1,893	2,063	2,223	2,439
LT Assets	10,084	10,735	11,325	12,164	13,247	14,582	16,284
TOTAL LIABILITIES	5,026	5,478	5,678	5,884	6,105	6,312	6,586
ST Liabilities	1,373	1,663	1,773	1,889	2,021	2,138	2,322
LT Liabilities	3,653	3,815	3,905	3,995	4,085	4,174	4,264
TOTAL DEBT	2,860	3,022	3,112	3,202	3,292	3,382	3,472
NET DEBT	2,588	2,767	2,749	2,811	2,864	2,915	2,958
TOTAL CAPITAL	6,822	6,776	7,391	8,174	9,204	10,493	12,137
Stockholder's Equity	5,209	5,174	5,644	6,242	7,029	8,013	9,268
Minority Interest	1,612	1,601	1,747	1,932	2,175	2,480	2,868
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
NET PROFIT	593	-11	108	139	183	230	294
Inv. Related Activities	29	424	442	465	485	506	528
Pre-Tax Cash Flow	622	224	540	504	561	589	617
Working Capital Changes	-67	175	-7	-5	-1	-5	15
Operating Cash Flow	555	400	533	499	561	584	632
Investment Cash Flow	691	-289	-213	-249	-293	-305	-337
Financing Cash Flow	-1,418	-128	-213	-222	-231	-240	-249
Net Incr. (Decr.) in Cash & Temp. Inv.	-172	-17	107	29	37	39	46
Beg. of Period Cash and Temp. Inv.	444	272	255	363	391	428	467
End of Period Cash and Temp. Inv.	272	255	363	391	428	467	513

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