

FIBRA EDUCA: 1Q24 Results

FFO and AFFO exceeded our expectations due to lower interest paid that offset the impact in Acapulco, we raised our recommendation to BUY

EDUCA 18	BUY
Target Price (MXN\$)	\$ 65.00
Expected Dividend	\$ 2.81
Current Price (MXN\$)	\$ 54.00
Min / Max (L12M - MXN\$)	\$ 48.50 - 55.35
Total Return	25.6%
Mkt Cap (Mn of MXN)	66,291
CBFI's Outstanding (Mn)	1,227.6
Float	31.8%
ADTV (6M - MXN\$ Mn)	0.1

Opinion and recommendation

FIBRA EDUCA reported mixed 1Q24 results. Revenue and total NOI continued to be impacted by the temporary closure of the Acapulco property, in line with expectations. However, FFO and AFFO exceeded our forecasts due to lower interest paid.

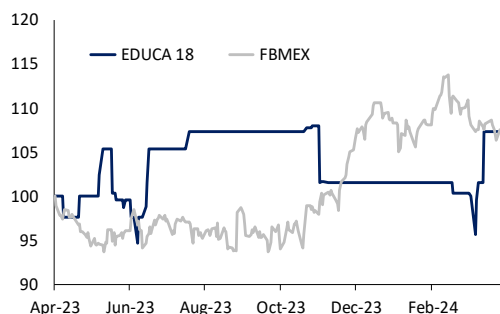
We are upgrading our recommendation to BUY, from HOLD, and our target price to MXN\$65.0/CBFI, from MXN\$62.0/CBFI, after having included in our model this quarterly report, the acquisitions that the Fibra will likely undertake during the rest of the year and the insurance payments.

Acquisitions

FIBRA EDUCA plans to make acquisitions in the educational sector amounting to around MXN\$1.6 billion plus taxes during the rest of the year, which we estimate will increase its ABR by around 20%. It plans to finance itself with the remaining resources of the bond it issued at the end of last year and its own cash reserves. The cap rate will be 10.58%, which we find very attractive. It is waiting for the seller to release certain warranties.

Acapulco property

FIBRA EDUCA expects to receive a payment of around MXN\$30 million in 2Q24 from the insurance company corresponding to the damage policy for the Acapulco property, net of the deductible. Renovation of this property will begin in the short term, which could take around 17 months. The Fibra expects to receive another payment at the end of the year corresponding to uncollected rents since November last year, which covers up to 24 months. We estimate that such a payment could amount to around MXN\$580 million.



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1Q24 Results

Total revenues decreased 3.1% YoY to MXN\$982 million (vs. MXN\$987 million estimated) due to the temporary closure of the Acapulco property, which was partially offset by the annual rent adjustment. Total NOI fell 4.4% to MXN\$848 million (in line) due to lower sales and a 7.1% increase in total expenses. The NOI margin was 86.3% in 1Q24, compared to 87.6% in 1Q23.

However, FFO was up 6.4% to MXN\$773 million (against our MXN\$702 million estimate) while AFFO increased 4.5% to MXN\$732 million (vs. MXN\$693 million E) due to a significant reduction in the interest rate paid since total debt rose 38%. FFO margin improved by 7 percentage points and AFFO margin by 5.4 percentage points.

On the other hand, the financial structure remained solid with an LTV of only 20%. In addition, the Fibra recorded MXN\$3.4 billion in cash reserves.

(Figures in Millions of Pesos)	1Q24	1Q24E	Diff	1Q23	Change
Leasing Revenues	982.2	986.8	-0.5%	1,013.1	-3.1%
Total Expenses	135.3	138.2	-2.1%	126.4	7.1%
Operating Profit	833.1	834.7	-0.2%	875.0	-4.8%
Financing Result	(167.5)	(252.2)	-33.6%	(175.5)	-4.6%
Net Profit	665.7	582.5	14.3%	699.5	-4.8%
NOI	847.7	850.1	-0.3%	887.5	-4.5%
NOI Margin	86.3%	86.1%		87.6%	
FFO	773.1	701.5	10.2%	726.8	6.4%
FFO Margin	78.7%	71.1%		71.7%	
AFFO	731.6	692.5	5.6%	700.0	4.5%
AFFO Margin	74.5%	70.2%		69.1%	

Discounted Cash Flow Model

(Figures in Millions of Pesos)	2025E	2026E	2027E	2028E	2029E	Perp.
FFO	3,825	3,998	4,179	4,368	4,564	4,836
Capex Reserve	- 103	- 103	- 103	- 103	- 103	109
ESG Initiative Expenses	64	72	80	80	80	85
AFFO	3,658	3,823	3,997	4,185	4,381	4,642
Interests Expenses	697	698	699	699	699	740
FFCE	4,355	4,521	4,695	4,884	5,080	7,267
Perpetuity Growth Rate						6.0%
PV of Explicit Period (2025 - 2029E)						17,055
Perpetuity Value						132,069
PV of Perpetuity						68,882
Enterprise Value						85,938
Net Debt						6,149
Market Value						79,789
Outstanding CBFi's						1,228
Target Price						P\$ 65.00
Current Market Price						P\$ 54.00
Potential Return w/Dividends						25.6%
Average Cost of Debt						8.8%
Cost of Equity						12.1%
Market Risk Premium						6.0%
Risk-Free Rate						10.3%
Beta						0.30
% Total Debt						20%
% Equity						80%
WACC						11.5%

(Figures in Millions of Pesos)

OPERATING INDICATORS	2023	2024E	2025E	2026E	2027E	2028E	2029E
Total GLA (M2)	540,637	628,938	628,938	628,938	628,938	628,938	628,938
GLA Universities	483,023	571,324	571,324	571,324	571,324	571,324	571,324
GLA Learning Centers	22,707	22,707	22,707	22,707	22,707	22,707	22,707
GLA Offices	34,907	34,907	34,907	34,907	34,907	34,907	34,907
Occupancy Rate	100%	100%	100%	100%	100%	100%	100%
Average Revenue / M2 (MXN\$)	\$ 631.8	\$ 624.7	\$ 638.2	\$ 663.7	\$ 690.3	\$ 717.9	\$ 746.6
INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Leasing Revenues	4,090.1	4,383.7	4,816.6	5,009.3	5,209.6	5,418.0	5,634.7
Operating Expenses	459.0	420.7	505.7	516.0	526.2	536.4	546.6
Administrative Expenses	76.5	100.2	130.0	135.2	140.7	146.3	152.1
Total Expenses	535.6	520.9	635.8	651.2	666.8	682.7	698.7
Gain on Fair Value Adjustment	1,078.7	300.0	350.0	400.0	400.0	400.0	400.0
ESG Initiative Expenses	47.0	55.0	64.0	72.0	80.0	80.0	80.0
Operating Profit	4,586.2	4,107.8	4,466.8	4,686.1	4,862.8	5,055.3	5,256.0
Financing Result	- 767.4 -	- 634.4 -	- 738.6 -	- 743.0 -	- 746.5 -	- 750.4 -	- 754.8 -
Net Profit	3,818.9	3,473.4	3,728.2	3,943.0	4,116.3	4,305.0	4,501.2
NOI	3,558.3	3,895.9	4,183.9	4,361.2	4,545.9	4,738.5	4,939.1
NOI Margin	87.0%	88.9%	86.9%	87.1%	87.3%	87.5%	87.7%
FFO	2,914.7	3,609.3	3,825.2	3,998.0	4,179.3	4,368.0	4,564.2
FFO Margin	71.3%	82.3%	79.4%	79.8%	80.2%	80.6%	81.0%
AFFO	2,832.7	3,451.6	3,658.5	3,823.3	3,996.5	4,185.2	4,381.5
AFFO Margin	69.3%	78.7%	76.0%	76.3%	76.7%	77.2%	77.8%
AFFO per CBFI	\$ 2.3078	\$ 2.8116	\$ 2.9802	\$ 3.1144	\$ 3.2555	\$ 3.4092	\$ 3.5691
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	40,039.8	40,194.7	40,296.4	40,422.5	40,543.5	40,663.6	40,783.4
Total Current Assets	3,475.5	1,774.4	1,851.3	1,824.3	1,792.2	1,754.7	1,711.4
Total Non-Current Assets	36,564.2	38,420.3	38,445.2	38,598.2	38,751.3	38,908.8	39,072.0
Investment Properties	36,532.1	38,388.8	38,413.8	38,566.8	38,719.9	38,877.4	39,040.6
TOTAL LIABILITIES	7,974.2	8,079.2	8,111.2	8,117.5	8,118.7	8,119.0	8,119.0
Total Current Liabilities	226.4	146.1	146.1	146.1	146.1	146.1	146.1
Total Non-Current Liabilities	7,747.9	7,933.1	7,965.1	7,971.4	7,972.6	7,972.9	7,972.9
TOTAL EQUITY	32,065.5	32,115.5	32,185.3	32,305.1	32,424.8	32,544.6	32,664.3
Total Debt	7,717.1	7,902.6	7,934.5	7,940.9	7,942.1	7,942.4	7,942.4
Net Debt	4,254.2	6,149.1	6,104.2	6,137.5	6,170.8	6,208.6	6,252.0
LTV	21%	21%	21%	21%	21%	20%	20%

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