

FIBRA INN: 1Q24 Results

Positive quarter with significant FFO and AFFO growth

FINN 13	BUY
Target Price (MXN\$)	\$ 8.50
Current Price (MXN\$)	\$ 5.65
Min / Max (L12M)	4.69 - 5.98
Expected Dividend (MXN\$)	\$ 0.18
Expected Return	53.6%
Market Cap. (MXN\$ Mn)	4,387
Outstanding CBFI's	776.4
Float	100.0%
ADTV (MXN\$ Mn)	\$ 1.78



Opinion and recommendation

FIBRA INN reported positive 1Q24 results, although in line with our forecasts in terms of total revenues, NOI, FFO and AFFO. We expect a favorable short-term reaction in the price of the certificates. The recommendation remains BUY with a MXN\$8.50/CBFI target price.

1Q24 Results

FIBRA INN benefited from an 8.4% increase in the ADR that offset the slight reduction in occupancy levels to 60.3% in the current quarter, from 60.5%. This boosted RevPar by 8.0% to MXN\$1,094 and hotel revenues by 7.6% to MXN\$554.2 million. In addition, the Fibra recorded MXN\$17.7 million in leasing revenues, resulting in a 7.5% rise in total revenues to MXN\$571.9 million, practically in line with our MXN\$571.8 million projection.

Total NOI grew 5.9% YoY to MXN\$186.9 million as hotel service expenses were 8.3% higher. However, non-operating expenses decreased 15.8% due to lower corporate and Hotel Factory expenses. For this reason, adjusted EBITDA was up 10.1% to MXN\$153.7 million.

FFO registered a significant 116.9% YoY increase to MXN\$98.2 million (in line), supported by operational efficiencies and higher interest earned. For the same reason, AFFO rose 193.3% to MXN\$78.2 million (also in line). The Fibra plans to distribute MXN\$33.7 million (P\$0.045/CBFI) corresponding to 1Q24 results no later than May 31st. This figure represents 43% of AFFO and is 68% higher than that of 4Q23.

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Financial structure

FIBRA INN's leverage remained low with a 28.9% LTV at the end of 1Q24, below the regulatory maximum of 50%. In addition, the Fibra recorded MXN\$1,694.7 million in cash and temporary investments, MXN\$135.1 million in recoverable VAT and MXN\$24.9 million in available-for-sale assets. We continue to believe it has the resources to carry out acquisitions.

(Figures in MXN\$ Mn)	1Q24	1Q24E	Diff.	1Q23	Change
Total Revenues	572	572	0.0%	532	7.5%
Lodging Revenues	554	554	0.0%	515	7.6%
Property Leasing	18	18	0.3%	17	5.7%
Hotel Factory	0	0	n.a.	0	n.a.
Operating Expenses	-385	-385	0.1%	-355	8.3%
Total NOI	187	187	-0.2%	177	5.9%
Total NOI Margin	32.7%	32.8%		33.2%	
Adjusted EBITDA	154	154	-0.2%	140	10.1%
Adjusted EBITDA Margin	26.9%	26.9%		26.2%	
FFO	98	98	-0.1%	45	116.9%
FFO Margin	17.2%	17.2%		8.5%	

Discounted Cash Flow Model

MXN\$ Mn	2025E	2026E	2027E	2028E	2029E	Perp.
FFO	423	452	486	567	644	676
Maintenance Capex	-89	-95	-101	-107	-114	-119
AFFO	333	357	384	459	530	557
Interest Gains	150	107	86	91	97	101
Interest Expenses	-373	-353	-354	-333	-309	-324
AFFO before interest payments	556	602	653	701	742	779
Perpetuity Growth Rate						5.0%
PV of Explicit Period (2025 -2029E)						2,347
Perpetuity Value						12,266
PV of Perpetuity Value						6,435
Enterprise Value						8,783
Net Debt						2,184
Market Value						6,599
Outstanding CBFIs						776
Target Price						P\$ 8.50
Current Price						P\$ 5.65
Potential Return incl/ Div.						53.6%
Average Cost of Debt						9.6%
Cost of Capital						12.1%
Market Risk Premium						7.4%
Risk Free Rate						10.3%
Beta						0.24
% of Debt						30%
% of Capital						70%
WACC						11.3%

(Figures in Millions of MXN\$)

INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Lodging Revenues	2,146.4	2,287.6	2,451.6	2,615.2	2,789.0	2,951.1	3,122.4
Property Leasing	79.1	78.3	85.8	91.5	97.6	103.3	109.3
Total Revenues	2,231.3	2,365.9	2,547.4	2,717.2	2,897.5	3,065.6	3,242.9
Operating Expenses	- 1,499.7	- 1,597.7	- 1,708.2	- 1,813.5	- 1,925.4	- 2,028.1	- 2,145.8
Total NOI	731.6	768.2	839.2	903.6	972.1	1,037.5	1,097.0
<i>Total NOI Margin</i>	32.8%	32.5%	32.9%	33.3%	33.5%	33.8%	33.8%
Indirect Expenses	- 228.4	- 179.4	- 203.8	- 217.4	- 231.8	- 245.2	- 259.4
EBITDA	503.1	588.8	635.4	686.3	740.3	792.2	837.6
<i>EBITDA Margin</i>	22.5%	24.9%	24.9%	25.3%	25.5%	25.8%	25.8%
Acquisition and Organization Expenses	25.1	26.0	33.1	35.3	37.7	39.9	42.2
Adjusted EBITDA	528.3	614.8	668.6	721.6	777.9	832.1	879.8
<i>Adjusted EBITDA Margin</i>	23.7%	26.0%	26.2%	26.6%	26.8%	27.1%	27.1%
Operating Profit	11.1	452.6	500.1	547.5	601.6	644.8	682.7
<i>Operating Margin</i>	0.5%	19.1%	19.6%	20.2%	20.8%	21.0%	21.1%
Majority Net Profit	- 234.8	218.3	226.9	246.6	274.6	340.2	407.5
FFO	240.5	390.5	422.6	452.1	485.6	566.6	643.7
<i>FFO Margin</i>	10.8%	16.5%	16.6%	16.6%	16.8%	18.5%	19.9%
FFO per CBFI	\$ 0.344	\$ 0.503	\$ 0.544	\$ 0.582	\$ 0.625	\$ 0.730	\$ 0.829
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
TOTAL ASSETS	13,580.8	13,443.2	13,758.0	14,224.4	14,510.9	14,904.2	15,032.7
Current Assets	2,193.9	1,952.3	1,575.1	1,121.5	1,180.9	1,236.2	1,294.6
Long-Term Assets	11,386.9	11,491.0	12,182.9	13,102.9	13,330.0	13,667.9	13,738.1
Property, Plant and Equipment	11,176.5	11,297.3	11,989.1	12,909.0	13,135.9	13,473.7	13,543.7
TOTAL LIABILITIES	4,503.6	4,350.5	4,199.2	4,186.2	3,974.3	3,832.9	3,391.5
Current Liabilities	563.4	490.7	339.4	126.4	85.5	226.9	668.3
Long-Term Liabilities	3,940.3	3,859.8	3,859.8	4,059.8	4,059.8	4,059.8	4,059.8
Total Debt	3,932.6	3,840.2	3,672.7	3,644.4	3,416.1	3,259.7	2,801.1
Net Debt	2,010.0	2,184.1	2,399.0	2,829.2	2,546.8	2,340.0	1,828.2
Trustee's Capital	9,077.1	9,092.7	9,558.8	10,038.3	10,536.6	11,071.2	11,641.3
Minority Interest	1,184.0	1,205.2	1,267.0	1,330.5	1,396.6	1,467.4	1,543.0
Stockholder's Equity	7,893.1	7,853.2	8,255.2	8,669.9	9,095.6	9,551.7	10,036.9

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