

FNOVA: 1Q24 Results

Stronger-than-expected quarterly results due to new contracts

FNOVA 17	BUY
Target Price (MXN\$)	\$ 39.00
Expected Dividend	\$ 2.20
Current Price (MXN\$)	\$ 28.55
Min / Max (L12M - MXN\$)	\$ 26.99 - 32.91
Total Return	44.3%
Mkt Cap (Mn of MXN)	13,154
CBFI's Outstanding (Mn)	460.7
Float	25.3%

Opinion and recommendation

FNOVA reported a very positive quarter with significant growth in all operating indicators both in dollars and pesos as it benefited from the start of new lease contracts. Revenue, total NOI and FFO exceeded our projections, so we expect a positive short-term reaction in the price of the certificates. We reiterate a BUY recommendation with a MXN\$39.0/CBFI target price after these results.

We continue to believe that FNOVA's prospects are very favorable due to the strategic location of its properties with high exposure to the nearshoring process.

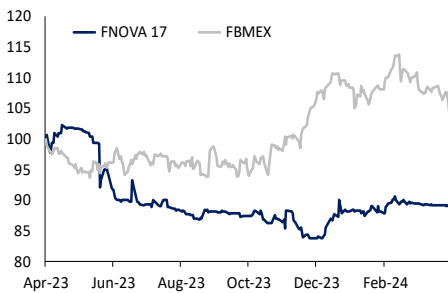
Portfolio

The GLA was up 1.1% YoY to 556.5 thousand M2 at the end of the quarter, due to the addition of 4 properties during the last 12 months. Occupancy remained at 100%. The average contract term of 6.7 years. In addition, the Fibra owns 2,118 hectares of agro-industrial land since it acquired a property in this segment for MXN\$515 million, payable in CBFI's.

FNOVA is developing nearly 275 thousand M2, which will increase its total GLA by 49% over the next few years. Currently, it is developing the speculative warehouses of the new industrial park in Ciudad Juárez, the speculative warehouses and the urbanization works in the Bafar 3 Park in Chihuahua and the urbanization works in the Bafar Norte Technology Park in Chihuahua.

1Q24 Results

Quarterly revenues were MXN\$303.8 million, which represented an increase of 16.8% in pesos and 28.0% in dollars, driven mainly by the new contracts for the Essilor, Regal, ZF warehouses and the acquisition of the new agro-industrial property. This figure slightly exceeded our MXN\$300.3 million projection.



The NOI margin improved slightly to 97.4% in 1Q24, from 97.3% in 1Q23, due to operating leverage given the higher level of revenue. Total NOI rose 17.0% to MXN\$296.0 million (vs. MXN\$291.3 million E). For the same reason, FFO grew 17.0% in pesos and 28.4% in dollars to MXN\$246.7 million (vs. MXN\$238.4 million E). As a result, the Fibra expects to distribute MXN\$264.9 million (MXN\$0.575/CBFI) corresponding to 1Q24 results.

The financial structure strengthened with the resources from last year's offering, with a 33% LTV at the end of the quarter, from 48% in the same period of the previous year. In addition, the Fibra has MXN\$219.7 million of cash and temporary investments and MXN\$111.3 million in recoverable VAT.

(Figures in Millions of Pesos)	1Q24	1Q24E	Dif.	1Q23	Chg.
Total Revenues	304	300	1.2%	260	16.8%
Leasing Revenues	296	292	1.2%	252	17.4%
Operating Expenses	-8	-9	-12.7%	-7	10.6%
NOI	296	291	1.6%	253	17.0%
<i>NOI Margin</i>	<i>97.4%</i>	<i>97.0%</i>		<i>97.3%</i>	
EBITDA	313	266	17.6%	242	29.4%
<i>EBITDA Margin</i>	<i>103.0%</i>	<i>88.5%</i>		<i>93.0%</i>	
FFO	247	238	3.5%	211	17.0%
FFO Margin	83.4%	79.4%		83.6%	

Discounted Cash Flow Model

MXN\$ Mn	2025E	2026E	2027E	2028E	2029E	Perp.
Net profit	1,382	1,479	1,557	1,613	1,636	1,725
Adjustments	-327	-383	-419	-431	-407	-429
FFO	1,055	1,096	1,138	1,182	1,229	1,296
Interest Expenses	158	193	229	262	291	307
FFO Before Interest Expenses	1,213	1,288	1,366	1,444	1,520	1,875
Perpetuity Growth Rate						5.4%
PV of Explicit Period (2025 -2029E)						5,011
Perpetuity Value						34,586
PV of Perpetuity Value						18,652
Enterprise Value						23,663
Net Debt						5,695
Market Value						17,968
<i>Outstanding CBFI's</i>						461
Target Price						P\$ 39.00
Current Price						P\$ 28.55
Potential Return incl/ Div.						44.3%
Average Cost of Debt						5.5%
Cost of Capital						13.6%
Market Risk Premium						6.0%
Risk Free Rate						10.3%
Beta						0.55
% of Debt						34%
% of Capital						66%
WACC						10.8%

(Figures in Millions of Pesos)

Total GLA (M2)	2023	2024E	2025E	2026E	2027E	2028E	2029E
Industrial	423,870	456,642	526,681	526,681	526,681	526,681	526,681
Education	43,082	43,082	43,082	43,082	43,082	43,082	43,082
Retail	24,591	25,184	25,184	25,184	25,184	25,184	25,184
Logistics	39,432	39,432	39,432	39,432	39,432	39,432	39,432
Engineering Centers	24,924	24,924	24,924	24,924	24,924	24,924	24,924
Total Real Estate	555,899	589,264	659,303	659,303	659,303	659,303	659,303
Agroindustrial	2,118	2,118	2,118	2,118	2,118	2,118	2,118
Total	21,735,899	21,769,264	21,839,303	21,839,303	21,839,303	21,839,303	21,839,303
Occupancy	2023	2024E	2025E	2026E	2027E	2028E	2029E
Industrial	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Education	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Retail	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Logistics	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Engineering Centers	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Agroindustrial	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
INCOME STATEMENT	2023	2024E	2025E	2026E	2027E	2028E	2029E
Total Revenues	1,050	1,212	1,279	1,335	1,391	1,445	1,501
Leasing Revenues	1,018	1,181	1,243	1,295	1,347	1,401	1,457
Other Revenues	32	31	36	40	44	44	44
Operating Expenses	- 32 -	- 31 -	- 36 -	- 40 -	- 42 -	- 42 -	- 42 -
NOI	1,018	1,181	1,243	1,295	1,349	1,403	1,459
<i>NOI Margin</i>	<i>97.0%</i>	<i>97.4%</i>	<i>97.2%</i>	<i>97.0%</i>	<i>97.0%</i>	<i>97.1%</i>	<i>97.2%</i>
Net Profit	2,262	2,186	1,382	1,479	1,557	1,613	1,636
Outstanding CBFi's	461	461	461	461	461	461	461
EBITDA	960	1,132	1,151	1,207	1,265	1,315	1,367
<i>EBITDA Margin</i>	<i>91.4%</i>	<i>93.4%</i>	<i>90.0%</i>	<i>90.4%</i>	<i>90.9%</i>	<i>91.0%</i>	<i>91.1%</i>
FFO	920	996	1,055	1,096	1,138	1,182	1,229
<i>FFO Margin</i>	<i>90.4%</i>	<i>84.4%</i>	<i>84.9%</i>	<i>84.6%</i>	<i>84.5%</i>	<i>84.4%</i>	<i>84.4%</i>
FFO/CBFI	\$ 2.24	\$ 2.16	\$ 2.29	\$ 2.38	\$ 2.47	\$ 2.56	\$ 2.67
Distribution	906	1,014	1,055	1,096	1,138	1,182	1,229
Distribution/CBFI	\$ 2.20	\$ 2.20	\$ 2.29	\$ 2.38	\$ 2.47	\$ 2.56	\$ 2.67
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
Total Assets	15,856	17,840	19,644	21,540	23,495	25,207	26,823
Short-Term Assets	244	422	468	525	582	639	695
Long-Term Assets	15,612	17,418	19,177	21,015	22,913	24,568	26,128
Investment Properties	14,787	16,434	18,113	19,871	21,689	23,264	24,744
Total Liabilities	5,800	6,189	7,666	9,179	10,715	11,996	13,205
ST Liabilities	1,554	1,619	1,596	2,109	2,145	2,426	2,635
Long-Term Liabilities	4,247	4,570	6,070	7,070	8,570	9,570	10,570
Gross Debt	5,065	5,978	7,455	8,968	10,504	11,785	12,994
Net Debt	4,924	5,695	7,116	8,573	10,053	11,278	12,431
LTV	32%	34%	38%	42%	45%	47%	48%
Trust's Equity	10,056	11,677	12,004	12,387	12,806	13,237	13,644

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