

FNOVA: 3Q24 Results

Solid quarterly results that exceeded our revenue, EBITDA, NOI and FFO expectations; financial structure improved

FNOVA 17	BUY
Target Price (MXN\$)	\$ 34.00
Expected Dividend	\$ 2.15
Current Price (MXN\$)	\$ 23.85
Min / Max (L12M - MXN\$)	\$ 23.50 - 29.82
Total Return	51.6%
Mkt Cap (Mn of MXN)	14,157
CBFI's Outstanding (Mn)	593.6
Float	23.0%

Opinion and recommendation

FNOVA reported positive results that were above our forecasts in terms of revenues, NOI, EBITDA and FFO. In addition, the financial structure strengthened with the resources of the rights offering.

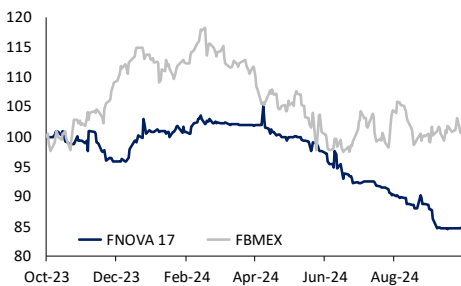
We are reiterating our BUY recommendation with a MXN\$34.0/CBFI target price after having updated our projection model. FNOVA is carrying out a significant expansion of its property portfolio, which we believe will reinforce its exposure to the “Nearshoring” process.

Portfolio

The GLA reached 609 thousand M2 at the end of 3Q24, with an annual 10.6% increase, due to the incorporation of 3 properties in the industrial segment and 4 in the commercial segment. In addition, the agroindustrial GLA reached 2,118 hectares (+28.1%). The occupancy rate remained at 100%. The average duration of the contracts increased slightly to 6.4 years.

Rents per square foot in dollars rose significantly in the logistics segment (+35.7%) due to high demand and the FX effect, and rose at a single-digit rate in the other business areas.

FNOVA continues to develop a GLA of more than 227 thousand M2, which represents 37% of the current GLA and includes the Parque Norte Chihuahua, Parque Tecnológico Bafar 3 and Juárez Park projects. In addition, it mentioned in its press release that it will likely close three new lease contracts.



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3Q24 Results

Total revenues reached MXN\$331.5 million (vs. our MXN\$307.2 million expectation), representing a 26.8% YoY growth. This performance was due to the portfolio expansion, the start of the new contracts of Visteon, Regal and ZF, the incorporation of the second agroindustrial property, higher rents in US dollars and depreciation of the Mexican peso.

Profitability at the NOI and EBITDA level improved due to higher revenues and operational efficiencies. The NOI margin expanded 40 bps to 97.4%, while the EBITDA margin strengthened 60 bps to 90.7%. This boosted the NOI by 27.4% YoY to MXN\$322.9 million (vs. MXN\$299.3 million E) and the EBITDA by 27.7% YoY to MXN\$300.8 million (vs. MXN\$277.6 million E).

Meanwhile, FFO was up 22.1% YoY to MXN\$303.8 million (vs. MXN\$273.9 million E). The margin was 93.1% in the quarter, from 95.2% in 3Q23. As a result, the Fibra expects to distribute MXN\$303.8 million corresponding to the 3Q24 results, which represents 100% of the FFO.

The LTV fell to 23.0% in 3Q24, compared to 35.6% in 2Q24 and 29.7% in 3Q23 due to the rights offering with which the Fibra raised MXN\$3.45 billion (equivalent to 86% of the amount offered). It used US\$112 million of such funds to reduce its short-term debt. In addition, the Fibra has a MXN\$1.08 billion cash position and recoverable VAT of MXN\$68.0 million.

(Figures in Millions of Pesos)	3Q24	3Q24E	Dif.	3Q23	Chg.
Total Revenues	331	307	7.9%	261	26.8%
Leasing Revenues	323	299	8.1%	254	27.3%
Operating Expenses	-9	-8	8.8%	-8	8.3%
NOI	323	299	7.9%	254	27.4%
<i>NOI Margin</i>	97.4%	97.4%		97.0%	
EBITDA	301	278	8.3%	236	27.7%
<i>EBITDA Margin</i>	90.7%	90.4%		90.1%	
FFO	304	274	10.9%	249	22.1%
<i>FFO Margin</i>	93.1%	91.7%		95.2%	

Discounted Cash Flow Model

MXN\$ Mn	2025E	2026E	2027E	2028E	2029E	Perp.
Net profit	1,470	1,574	1,675	1,775	1,858	1,933
Adjustments	-267	-351	-391	-431	-459	-477
FFO	1,204	1,223	1,284	1,344	1,399	1,456
Interest Expenses	115	148	183	218	247	257
FFO Before Interest Expenses	1,318	1,371	1,467	1,562	1,647	2,141
Perpetuity Growth Rate						4.0%
PV of Explicit Period (2025 -2029E)						5,479
Perpetuity Value						34,159
PV of Perpetuity Value						18,973
Enterprise Value						24,452
Net Debt						4,273
Market Value						20,179
<i>Outstanding CBFI's</i>						594
Target Price						P\$ 34.00
Current Price						P\$ 23.84
Potential Return incl/ Div.						51.6%
Average Cost of Debt						5.0%
Cost of Capital						11.9%
Market Risk Premium						6.0%
Risk Free Rate						10.0%
Beta						0.31
% of Debt						23%
% of Capital						77%
WACC						10.3%

(Figures in Millions of Pesos)

Total GLA (M2)	2023	2024E	2025E	2026E	2027E	2028E	2029E
Industrial	423,870	488,856	558,895	558,895	558,895	558,895	558,895
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	621,477	691,516	691,516	691,516	691,516	691,516
Agroindustrial	2,118	2,118	2,118	2,118	2,118	2,118	2,118
Total	21,735,899	21,801,477	21,871,516	21,871,516	21,871,516	21,871,516	21,871,516
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	1,256	1,320	1,377	1,435	1,490	1,548
Leasing Revenues	1,018	1,223	1,284	1,337	1,391	1,446	1,504
Other Revenues	32	33	36	40	44	44	44
Operating Expenses	32	33	36	36	38	40	42
NOI	1,018	1,224	1,284	1,341	1,397	1,450	1,506
<i>NOI Margin</i>	<i>97.0%</i>	<i>97.4%</i>	<i>97.3%</i>	<i>97.4%</i>	<i>97.4%</i>	<i>97.3%</i>	<i>97.3%</i>
Net Profit	2,262	1,752	1,470	1,574	1,675	1,775	1,858
Outstanding CBFIs	461	594	594	594	594	594	594
EBITDA	960	1,174	1,192	1,253	1,313	1,366	1,418
<i>EBITDA Margin</i>	<i>91.4%</i>	<i>93.5%</i>	<i>90.3%</i>	<i>91.0%</i>	<i>91.5%</i>	<i>91.7%</i>	<i>91.6%</i>
FFO	921	1,094	1,204	1,223	1,284	1,344	1,399
FFO/CBFI	\$ 2.24	\$ 2.08	\$ 2.03	\$ 2.06	\$ 2.16	\$ 2.26	\$ 2.36
Distribution	906	1,127	1,204	1,223	1,284	1,344	1,399
Distribution/CBFI	\$ 2.20	\$ 2.15	\$ 2.03	\$ 2.06	\$ 2.16	\$ 2.26	\$ 2.36
BALANCE SHEET	2023	2024E	2025E	2026E	2027E	2028E	2029E
Total Assets	15,856	21,916	23,326	25,371	27,496	29,401	31,265
Short-Term Assets	244	866	379	448	517	586	654
Long-Term Assets	15,612	21,051	22,947	24,923	26,979	28,815	30,611
Investment Properties	14,787	19,191	20,891	22,671	24,531	26,171	27,771
Total Liabilities	5,800	5,184	6,327	8,021	9,755	11,229	12,634
ST Liabilities	1,554	265	408	1,102	1,336	810	715
Long-Term Liabilities	4,247	4,919	5,919	6,919	8,419	10,419	11,919
Gross Debt	5,065	5,037	6,179	7,873	9,607	11,081	12,486
Net Debt	4,924	4,273	5,909	7,535	9,201	10,607	11,944
LTV	32%	23%	26%	31%	35%	38%	40%
Trust's Equity	10,056	16,758	17,025	17,376	17,767	18,198	18,657

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