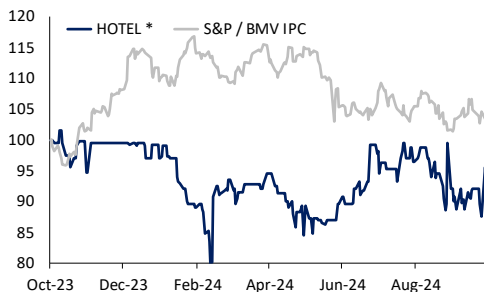


# HOTEL: 3Q24 Results

Neutral results with revenues, EBITDA and net profits in line with expectations; reopens the *Krystal Beach Acapulco*

HOTEL*	BUY
Target Price (MXN\$)	\$ 5.50
Current Price (MXN\$)	\$ 3.75
Min / Max (L12M - MXN\$)	3.20 - 4.25
Expected Dividend (MXN\$)	\$ 0.00
Total Return	46.7%
Mkt Cap (Mn of MXN)	2,685
Enterprise Value (Mn of MXN\$)	5,173
Shares Outstanding (Mn)	716.1
Float	72.3%
ADTV (MXN\$ Mn)	\$ 0.95



## Opinion and recommendation

HOTEL reported neutral quarterly results with revenues, EBITDA and net profits in line with our projections. The company recorded higher leverage due to lower cash levels. We reiterate our BUY recommendation with a MXN\$5.50/share target price.

## 3Q24 Results

HOTEL's total revenues were up 3.4% YoY to MXN\$678 million (vs. our MXN\$677 million expectation), mainly supported by a 3.5% increase in room revenues, which benefited from the gradual reopening of the *Krystal Beach Acapulco* hotel since last July, a 6.9% rise in the ADR and a 0.7 PP improvement in occupancy levels to 61.0% in the company's owned hotels. Managed hotels also contributed with a 24.8% sales increase resulting from the opening of *Secrets Tulum Resort & Spa*, while other revenues advanced 25.1%. Food and beverage revenues remained stable, while Vacation Club sales decreased 13.1%.

EBITDA fell 7.7% YoY to MXN\$144 million (vs. MXN\$143 million E) due to a 6.5% increase in total costs and expenses. The margin contracted 2.6 percentage points to 21.2%. However, EBITDA stabilized sequentially.

The company recorded a MXN\$86 million (vs. -MXN\$85 million E) net loss, due to lower operating results and higher net financial costs.

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The net debt to EBITDA ratio stood at 3.6x at the end of 3Q24 as cash reserves decreased by 27%. Leverage was higher than 3.4x in 2Q24 and 3.0x in 3Q23. It is within the company's long-term range.

HOTEL faces MXN\$445 million in short-term debt. We expect it to refinance part of this debt in the near future with longer-term loans. In addition, it has 4 hotels with no leverage at the moment.

(Figures in Millions of MXN\$)	3Q24	3Q24E	Diff.	3Q23	Change
Revenues	678	677	0.2%	656	3.4%
EBITDA	144	141	2.0%	156	-7.7%
EBITDA Margin	21.2%	20.8%		23.7%	
Financial Gains	154	5	n.a.	-48	n.a.
Financial Cost	-314	-160	95.9%	-92	240.3%
Net profit	-86	-85	2.0%	-55	n.a.

## Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2025E	2026E	2027E	2028E	2029E	Perp.
OPERATING PROFIT	445	491	565	596	628	657
Tax Rate	27%	27%	28%	28%	28%	30%
Tax Shield	-118	-133	-155	-167	-176	-197
NOPLAT	327	359	410	429	452	460
Depreciation	343	362	382	403	425	444
Working Capital Changes	48	-37	-34	-45	-38	-40
CAPEX	-140	-149	-162	-170	-179	-187
FCFF	579	534	595	617	661	881
Perpetuity Growth Rate						4.6%
PV of Explicit Period (2025 - 2029E)						2,051
Perpetuity Value						9,827
PV of Perpetuity Value						4,582
Enterprise Value						6,633
Net Debt						2,695
Market Value						3,938
Outstanding Shares						716
Target Price						P\$ 5.50
Current Market Price						P\$ 3.75
Potential Return Incl. Dividends						46.7%
Forward EV/EBITDA						9.8x
Forward P/E						26.1x
Average Cost of Debt						9.1%
LT Tax Rate						30.0%
After-Tax Cost of Debt						6.4%
Cost of Equity						16.5%
Market Risk Premium						6.0%
Risk-Free Rate						10.5%
Beta						1.00
% Total Debt						29.0%
% Capital						71.0%
WACC						13.6%

**Sensitivity Analysis Table, EV/EBITDA vs. EBITDA**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected EBITDA</b>	<b>762</b>	<b>802</b>	<b>844</b>	<b>886</b>	<b>931</b>
<b>Target EV/EBITDA</b>					
8.3x	2.78	3.24	3.73	4.22	4.73
8.8x	3.31	3.80	4.32	4.84	5.38
9.3x	3.84	4.36	4.91	5.46	6.03
<b>9.8x</b>	<b>4.38</b>	<b>4.92</b>	<b>5.50</b>	<b>6.08</b>	<b>6.68</b>
10.3x	4.91	5.48	6.09	6.69	7.33
10.8x	5.44	6.04	6.68	7.31	7.98

**Sensitivity Analysis Table, P/E vs. Net Profit**

	-10%	-5%	<i>Original</i>	+5%	+10%
<b>Projected Net Profit</b>	<b>136</b>	<b>143</b>	<b>151</b>	<b>158</b>	<b>166</b>
<b>Target P/E</b>					
23.1x	4.39	4.62	4.87	5.11	5.37
24.1x	4.58	4.82	5.08	5.33	5.60
25.1x	4.77	5.02	5.29	5.55	5.83
<b>26.1x</b>	<b>4.96</b>	<b>5.22</b>	<b>5.50</b>	<b>5.77</b>	<b>6.06</b>
27.1x	5.15	5.42	5.71	6.00	6.30
28.1x	5.34	5.62	5.92	6.22	6.53

(Figures in Millions of Pesos)

<b>INCOME STATEMENT</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Revenues	3,032	2,846	3,105	3,320	3,595	3,773	3,974
Operating Profit	380	447	445	491	565	596	628
<i>Operating margin</i>	<i>12.5%</i>	<i>15.7%</i>	<i>14.3%</i>	<i>14.8%</i>	<i>15.7%</i>	<i>15.8%</i>	<i>15.8%</i>
Depreciation and Amortization	-307	-325	-343	-362	-382	-403	-425
EBITDA	840	728	844	913	1,011	1,067	1,121
<i>EBITDA Margin</i>	<i>27.7%</i>	<i>25.6%</i>	<i>27.2%</i>	<i>27.5%</i>	<i>28.1%</i>	<i>28.3%</i>	<i>28.2%</i>
Financial Gains	628	202	45	57	68	79	84
Financial Cost	-608	-701	-290	-316	-334	-352	-368
Pre-Tax Profit	406	-47	205	237	304	328	350
Income Tax & Profit Sharing	-124	0	-54	-64	-83	-92	-98
Net profit	593	-47	151	173	220	236	252
<b>BALANCE SHEET</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
TOTAL ASSETS	11,778	11,795	12,130	12,414	12,795	13,062	13,327
Current Assets	1,699	1,490	1,675	1,815	2,018	2,142	2,249
LT Assets	10,078	10,305	10,455	10,598	10,776	10,920	11,077
TOTAL LIABILITIES	4,956	4,978	5,288	5,544	5,894	6,129	6,360
ST Liabilities	1,371	1,298	1,547	1,727	2,001	2,161	2,315
LT Liabilities	3,585	3,680	3,741	3,817	3,893	3,968	4,044
TOTAL DEBT	2,792	2,875	3,020	3,223	3,465	3,677	3,861
NET DEBT	2,590	2,695	2,772	2,925	3,106	3,262	3,423
TOTAL CAPITAL	6,822	6,817	6,842	6,870	6,901	6,933	6,967
Stockholder's Equity	5,209	5,275	5,294	5,315	5,340	5,365	5,391
Minority Interest	1,612	1,542	1,548	1,554	1,561	1,569	1,576
<b>BALANCE SHEET</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>
Net Profit	593	-47	151	173	220	236	252
Inv. Related Activities	29	956	714	737	757	778	800
Pre-Tax Cash Flow	622	781	175	210	209	271	284
Working Capital Changes	-67	-104	48	-37	-34	-45	-38
Operating Cash Flow	555	677	223	173	175	226	246
Investment Cash Flow	691	-265	-104	-113	-126	-134	-143
Financing Cash Flow	-1,488	-435	-50	-9	12	-37	-81
Net Incr. (Decr.) in Cash & Temp. Inv.	-242	-23	69	50	61	56	22
Beg. of Period Cash and Temp. Inv.	444	202	179	248	299	359	415
End of Period Cash and Temp. Inv.	202	179	248	299	359	415	437

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