

HCITY: 4Q24 Results

Neutral results with sales in line and EBITDA and net profits below our expectations due to extraordinary items; appoints new CEO

| HCITY * | BUY |
|--------------------------------|-------------|
| Target Price (MXN\$) | \$ 11.00 |
| Current Price (MXN\$) | \$ 4.57 |
| Min / Max (L12M - MXN\$) | 3.80 - 6.00 |
| Expected Dividend (MXN\$) | \$ 0.00 |
| Total Return | 140.7% |
| Mkt Cap (Mn of MXN) | 1,884 |
| Enterprise Value (Mn of MXN\$) | 5,438 |
| Shares Outstanding (Mn) | 412.3 |
| Float | 87.0% |
| ADTV (MXN\$ Mn) | \$ 1.21 |

Opinion and recommendation

NORTE 19 reported neutral 4Q24 results which were in line with our revenue forecast, but below our EBITDA and net profit projections due to extraordinary charges. We reiterate our BUY recommendation with a MXN\$11.0/share target price.

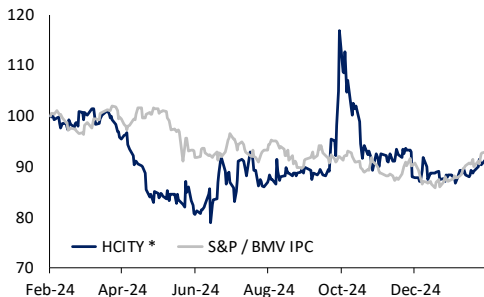
The valuation of NORTE 19 shares is attractive with a P/BV of 0.3x, projected EV/EBITDA of 4.8x and estimated P/E of 4.4x, based on our updated projections.

4Q24 Results

NORTE 19 recorded total revenues of MXN\$1.06 billion in the quarter, up 12.5% YoY. The company continued adjusting rates above inflation, which resulted in a 10.1% ADR increase. Additionally, occupancy improved 30 bps to 56.9%, boosting RevPar by 10.6%. The number of total rooms in the portfolio remained virtually unchanged at 17,396.

EBITDA decreased 21.2% YoY on a non-comparable basis as the company reversed a MXN\$40 million provision in 4Q23 and recorded non-recurring expenses of MXN\$50 million in 4Q24 related to the pension plan, severance pay, increased food and beverage staff and expansion of the full-service segment. Excluding extraordinary items, we estimate that EBITDA would have increased 7.2%, while the margin would have been 29.0%, slightly exceeding our expectations. Net profits advanced 4.8% YoY due to a lower tax reserve and a gain under discontinued operations.

In the hotel management and operation business, NORTE 19 has 14 additional properties in the pipeline with a potential of more than 1,350 rooms. In the development business, the company has 11 projects. It continues to evaluate the sale of non-strategic assets.



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Tax authorities imposed a MXN\$144 million tax credit to Operadora de Hoteles Norte 19. We believe that the process could be resolved in the long term. The company is preparing defense mechanisms.

On the other hand, NORTE 19 announced the appointments of Eduardo Ymay Seemann as its new CEO; Santiago Parra will continue as the company's CFO and will assume the role of Inmobiliaria Hotelera Norte 19 CEO; Alberto Granados will be the CEO of Operadora de Hoteles Norte 19, and Francisco Fabregat will be the CEO of Altabix, with the responsibility of launching the Stack Up project.

| (Figures in Millions of Pesos) | 4Q24 | 4Q24E | Diff. | 4Q23 | Chg. |
|--------------------------------|--------------|--------------|--------|--------------|--------|
| Total Revenues | 1,060 | 1,060 | 0.0% | 943 | 12.5% |
| Operating Profit | 147 | 191 | -23.0% | 217 | -32.5% |
| <i>Operating Margin</i> | <i>13.8%</i> | <i>18.0%</i> | | <i>23.0%</i> | |
| EBITDA | 258 | 297 | -13.2% | 327 | -21.2% |
| <i>EBITDA Margin</i> | <i>24.3%</i> | <i>28.0%</i> | | <i>34.7%</i> | |
| Financial Gains | 12 | 29 | -57.3% | 13 | -6.1% |
| Financial Cost | -143 | -131 | 8.9% | -140 | 2.3% |
| Net Profit | 60 | 70 | -15.1% | 57 | 4.8% |

Discounted Cash Flow Model

| (Figures in Millions of MXN\$) | 2026E | 2027E | 2028E | 2029E | 2030E | Perp. |
|---------------------------------------|-------|-------|-------|-------|-------|-----------|
| OPERATING PROFIT | 976 | 1,177 | 1,382 | 1,611 | 1,854 | 1,872 |
| Tax Rate | 20% | 20% | 20% | 20% | 20% | 30% |
| Adjusted Taxes | -198 | -239 | -281 | -327 | -376 | -562 |
| NOPLAT | 778 | 938 | 1,102 | 1,284 | 1,477 | 1,311 |
| Depreciation | 525 | 548 | 572 | 598 | 625 | 631 |
| Working Capital Changes | -27 | -28 | -29 | -30 | -31 | -31 |
| CAPEX | -420 | -452 | -485 | -521 | -551 | -964 |
| FCFF | 855 | 1,007 | 1,160 | 1,332 | 1,520 | 947 |
| Perpetuity Growth Rate | | | | | | 1.0% |
| PV of Explicit Period (2026E - 2030E) | | | | | | 4,081 |
| Perpetuity Value | | | | | | 8,469 |
| PV of Perpetuity Value | | | | | | 4,250 |
| Enterprise Value | | | | | | 8,332 |
| Net Debt | | | | | | 3,229 |
| Minority Interest | | | | | | 1,167 |
| Market Value | | | | | | 3,936 |
| Land Properties | | | | | | 600 |
| Adjusted Market Value | | | | | | 4,536 |
| <i>Outstanding Shares</i> | | | | | | 412 |
| Target Price | | | | | | P\$ 11.00 |
| Current Market Price | | | | | | P\$ 4.57 |
| Potential Return Incl. Dividends | | | | | | 140.7% |
| Target Forward EV/EBITDA | | | | | | 6.0x |
| Target Forward P/E | | | | | | 7.5x |
| Average Cost of Debt | | | | | | 12.9% |
| LT Tax Rate | | | | | | 30.0% |
| After-Tax Cost of Debt | | | | | | 9.0% |
| Cost of Equity | | | | | | 14.4% |
| Market Risk Premium | | | | | | 6.0% |
| Risk-Free Rate | | | | | | 10.0% |
| Beta | | | | | | 0.74 |
| % Total Debt | | | | | | 32.5% |
| % Capital | | | | | | 67.5% |
| WACC | | | | | | 12.2% |

Sensitivity Analysis, EV/EBITDA vs. EBITDA

| | -10% | -5% | <i>Original</i> | +5% | +10% |
|-------------------------|--------------|--------------|-----------------|--------------|--------------|
| Projected EBITDA | 1,355 | 1,426 | 1,501 | 1,576 | 1,655 |
| Target EV/EBITDA | | | | | |
| 4.5x | 3.93 | 4.71 | 5.54 | 6.36 | 7.23 |
| 5.0x | 5.57 | 6.44 | 7.36 | 8.27 | 9.24 |
| 5.5x | 7.22 | 8.17 | 9.18 | 10.19 | 11.24 |
| 6.0x | 8.86 | 9.90 | 11.00 | 12.10 | 13.25 |
| 6.5x | 10.50 | 11.63 | 12.82 | 14.01 | 15.26 |
| 7.0x | 12.15 | 13.36 | 14.64 | 15.92 | 17.26 |

Sensitivity Analysis, P/E vs. Net Profit

| | -10% | -5% | <i>Original</i> | +5% | +10% |
|-----------------------------|-------------|--------------|-----------------|--------------|--------------|
| Projected Net Profit | 544 | 573 | 603 | 633 | 665 |
| Target P/E | | | | | |
| 4.5x | 5.97 | 6.28 | 6.61 | 6.94 | 7.29 |
| 5.5x | 7.29 | 7.67 | 8.08 | 8.48 | 8.90 |
| 6.5x | 8.61 | 9.06 | 9.54 | 10.01 | 10.52 |
| 7.5x | 9.93 | 10.45 | 11.00 | 11.55 | 12.13 |
| 8.5x | 11.25 | 11.84 | 12.46 | 13.09 | 13.74 |
| 9.5x | 12.57 | 13.23 | 13.92 | 14.62 | 15.35 |

(Figures in Millions of Pesos)

| INCOME STATEMENT | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Revenues | 4,002 | 4,690 | 5,166 | 5,681 | 6,243 | 6,858 | 7,529 |
| Cost of Sales | -3,006 | -3,560 | -3,890 | -4,244 | -4,627 | -5,041 | -5,489 |
| Gross Profit | 996 | 1,130 | 1,276 | 1,437 | 1,617 | 1,817 | 2,040 |
| General Expenses | -446 | -312 | -293 | -254 | -228 | -200 | -180 |
| Operating Profit | 539 | 813 | 976 | 1,177 | 1,382 | 1,611 | 1,854 |
| Depreciation and Amortization | -436 | -503 | -525 | -548 | -572 | -598 | -625 |
| EBITDA | 974 | 1,315 | 1,501 | 1,725 | 1,955 | 2,209 | 2,478 |
| Financial Gains | 60 | 51 | 78 | 86 | 95 | 104 | 114 |
| Financial Cost | -603 | -517 | -487 | -479 | -495 | -538 | -571 |
| Pre-Tax Profit | -5 | 347 | 568 | 784 | 982 | 1,178 | 1,396 |
| Income Tax & Profit Sharing | 39 | -70 | -115 | -159 | -199 | -239 | -283 |
| Discontinued Operations | 38 | 150 | 150 | 150 | 150 | 150 | 150 |
| Net Profit | 72 | 427 | 603 | 775 | 933 | 1,089 | 1,263 |
| BALANCE SHEET | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| TOTAL ASSETS | 13,401 | 13,505 | 14,204 | 15,132 | 15,893 | 17,290 | 18,718 |
| Current Assets | 1,151 | 1,570 | 1,711 | 1,861 | 2,023 | 2,199 | 2,389 |
| LT Assets | 12,251 | 11,935 | 12,493 | 13,271 | 13,869 | 15,091 | 16,330 |
| TOTAL LIABILITIES | 5,154 | 4,846 | 5,004 | 5,228 | 5,134 | 5,530 | 5,791 |
| ST Liabilities | 1,123 | 827 | 986 | 1,209 | 1,116 | 1,511 | 1,772 |
| LT Liabilities | 4,031 | 4,019 | 4,019 | 4,019 | 4,019 | 4,019 | 4,019 |
| Total Debt | 4,121 | 4,167 | 4,307 | 4,511 | 4,397 | 4,770 | 5,006 |
| Net Debt | 3,554 | 3,229 | 3,274 | 3,375 | 3,148 | 3,398 | 3,500 |
| TOTAL CAPITAL | 8,247 | 8,659 | 9,200 | 9,904 | 10,759 | 11,760 | 12,928 |
| Stockholder's Equity | 7,136 | 7,492 | 7,960 | 8,570 | 9,309 | 10,176 | 11,186 |
| Minority Interest | 1,111 | 1,167 | 1,240 | 1,335 | 1,450 | 1,585 | 1,742 |
| CASH FLOW STATEMENT | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
| Net Profit | 72 | 427 | 603 | 775 | 933 | 1,089 | 1,263 |
| Inv. Related Activities | 933 | 975 | 997 | 1,020 | 1,044 | 1,070 | 1,097 |
| Pre-Tax Cash Flow | 1,005 | 1,176 | 843 | 811 | 1,189 | 790 | 1,005 |
| Working Capital Changes | -342 | -27 | -27 | -28 | -29 | -30 | -31 |
| Operating Cash Flow | 663 | 1,148 | 816 | 783 | 1,160 | 760 | 974 |
| Investment Cash Flow | -466 | -350 | -380 | -411 | -444 | -480 | -510 |
| Financing Cash Flow | -642 | -460 | -374 | -302 | -635 | -190 | -362 |
| Net Incr. (Decr.) in Cash & Temp. Inv. | -443 | 338 | 62 | 70 | 80 | 90 | 102 |
| Beg. of Period Cash and Temp. Inv. | 1,010 | 567 | 938 | 1,033 | 1,136 | 1,249 | 1,372 |
| End of Period Cash and Temp. Inv. | 567 | 938 | 1,033 | 1,136 | 1,249 | 1,372 | 1,506 |

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