

HCITY: 1Q25 Results

Solid revenue growth but lower profitability levels due to the expansion process

HCITY *	BUY
Target Price (MXN\$)	\$ 11.00
Current Price (MXN\$)	\$ 4.12
Min / Max (L12M - MXN\$)	3.80 - 6.00
Expected Dividend (MXN\$)	\$ 0.00
Total Return	167.0%
Mkt Cap (Mn of MXN)	1,699
Enterprise Value (Mn of MXN\$)	5,242
Shares Outstanding (Mn)	412.3
Float	87.0%
ADTV (MXN\$ Mn)	\$ 1.24

Opinion and Recommendation

NORTE 19 reported revenues in line with our estimates but lower-than-expected profitability due to the expansion process of its hotel portfolio.

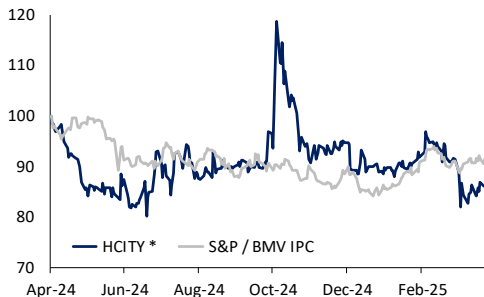
We reiterate our BUY recommendation with an MXN\$11.00/share target price following these results. We believe NORTE 19's outlook is favorable.

1Q25 Results

NORTE 19's total portfolio included 157 hotels with 18,292 rooms thanks to the opening of the “Marriott Tijuana El Florido” and the addition of five Full-Service hotels under the HS Hotsson brand. The company also has a pipeline of 15 third-party hotels with potential for operation and development, with more than 1,650 rooms.

Revenues were up 7.4% YoY to MXN\$993.0 million, supported by a 4.5% increase in the number of rooms and a 9.3% ADR rise to MXN\$1,412, a record level for the company. This offset a 2.2 PP reduction in occupancy levels to 51.9% due to the macroeconomic impact. Meanwhile, RevPar increased 4.9%.

However, EBITDA fell 12% YoY to MXN\$198.7 million due to higher costs and personnel expenses related to the company's expansion. The EBITDA margin contracted 4.3 percentage points to 20.0%. NORTE 19 expects these additional costs and expenses to gradually dilute over the coming quarters. For the same reason, it recorded a MXN\$68.6 million net loss in 1Q25, higher than the MXN\$33.3 million net loss in 1Q24.



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NORTE 19 expects to sell non-strategic assets amounting to MXN\$200-300 million during the remainder of the year and has 35.3 million shares in its treasury. In the technology division, it is developing the "Stackup" hotel suite, which it expects to begin marketing in the coming months.

(Figures in Millions of Pesos)	1Q25	1Q25E	Diff.	1Q24	Chg.
Total Revenues	993	993	0.0%	925	7.4%
Operating Profit	92	87	5.4%	114	-19.6%
<i>Operating Margin</i>	9.2%	8.8%		12.3%	
EBITDA	199	219	-9.1%	225	-11.6%
<i>EBITDA Margin</i>	20.0%	22.0%		24.3%	
Financial Gains	9	11	-17.6%	15	-39.2%
Financial Cost	-161	-129	25.2%	-160	1.2%
Net Profit	-69	13	n.a.	-33	106.3%

Discounted Cash Flow Model

(Figures in Millions of MXN\$)	2026E	2027E	2028E	2029E	2030E	Perp.
OPERATING PROFIT	706	914	1,129	1,331	1,543	1,575
Tax Rate	20%	20%	20%	20%	20%	30%
Adjusted Taxes	-143	-186	-229	-270	-313	-472
NOPLAT	563	729	899	1,061	1,230	1,102
Depreciation	569	589	609	631	654	667
Working Capital Changes	-28	-28	-29	-30	-31	-31
CAPEX	-403	-433	-464	-498	-526	-805
FCFF	702	857	1,016	1,164	1,327	932
Perpetuity Growth Rate						2.0%
PV of Explicit Period (2026E - 2030E)						3,544
Perpetuity Value						9,536
PV of Perpetuity Value						4,881
Enterprise Value						8,425
Net Debt						3,419
Minority Interest						1,070
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\$ 4.12
Potential Return Incl. Dividends						167.0%
Target Forward EV/EBITDA						7.4x
Target Forward P/E						23.1x
Average Cost of Debt						13.0%
LT Tax Rate						30.0%
After-Tax Cost of Debt						9.1%
Cost of Equity						13.9%
Market Risk Premium						6.0%
Risk-Free Rate						9.5%
Beta						0.74
% Total Debt						34.4%
% Capital						65.6%
WACC						11.8%

Sensitivity Analysis, EV/EBITDA vs. EBITDA

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected EBITDA	1,151	1,212	1,275	1,339	1,406
Target EV/EBITDA					
5.9x	4.58	5.45	6.36	7.28	8.24
6.4x	5.98	6.92	7.91	8.90	9.94
6.9x	7.37	8.39	9.46	10.52	11.65
7.4x	8.77	9.86	11.00	12.15	13.35
7.9x	10.16	11.33	12.55	13.77	15.06
8.4x	11.56	12.79	14.10	15.40	16.76

Sensitivity Analysis, P/E vs. Net Profit

	-10%	-5%	<i>Original</i>	+5%	+10%
Projected Net Profit	177	187	197	206	217
Target P/E					
20.1x	8.64	9.09	9.57	10.05	10.55
21.1x	9.07	9.55	10.05	10.55	11.08
22.1x	9.50	10.00	10.53	11.05	11.60
23.1x	9.93	10.45	11.00	11.55	12.13
24.1x	10.36	10.90	11.48	12.05	12.66
25.1x	10.79	11.36	11.96	12.55	13.18

(Figures in Millions of Pesos)

INCOME STATEMENT	2024	2025E	2026E	2027E	2028E	2029E	2030E
Total Revenues	4,002	4,293	4,777	5,257	5,781	6,355	6,981
Cost of Sales	-3,006	-3,266	-3,605	-3,935	-4,294	-4,681	-5,101
Gross Profit	996	1,028	1,172	1,321	1,488	1,673	1,880
General Expenses	-446	-551	-458	-399	-352	-335	-329
Operating Profit	539	468	706	914	1,129	1,331	1,543
Depreciation and Amortization	-436	-545	-569	-589	-609	-631	-654
EBITDA	974	1,013	1,275	1,503	1,738	1,962	2,197
Financial Gains	60	40	60	67	74	81	89
Financial Cost	-603	-556	-520	-551	-607	-693	-775
Pre-Tax Profit	-5	-47	247	431	595	719	857
Income Tax & Profit Sharing	39	-11	-50	-87	-121	-146	-174
Net Profit	72	-58	197	343	474	573	683
BALANCE SHEET	2024	2025E	2026E	2027E	2028E	2029E	2030E
TOTAL ASSETS	13,401	13,608	14,270	15,150	15,864	17,212	18,591
Current Assets	1,151	1,456	1,600	1,742	1,896	2,062	2,242
LT Assets	12,251	12,152	12,670	13,408	13,968	15,150	16,350
TOTAL LIABILITIES	5,154	5,464	5,986	6,568	6,844	7,650	8,370
ST Liabilities	1,123	1,448	1,469	1,502	1,277	1,484	1,603
LT Liabilities	4,031	4,016	4,516	5,066	5,566	6,166	6,766
Total Debt	4,121	4,277	4,779	5,343	5,598	6,383	7,079
Net Debt	3,554	3,419	3,824	4,292	4,442	5,112	5,682
TOTAL CAPITAL	8,247	8,144	8,284	8,582	9,020	9,562	10,222
Stockholder's Equity	7,136	7,073	7,196	7,454	7,835	8,306	8,878
Minority Interest	1,111	1,070	1,089	1,128	1,186	1,257	1,343
CASH FLOW STATEMENT	2024	2025E	2026E	2027E	2028E	2029E	2030E
Net Profit	72	-58	197	343	474	573	683
Inv. Related Activities	933	1,266	1,291	1,310	1,331	1,352	1,375
Pre-Tax Cash Flow	1,005	1,062	599	596	1,003	602	815
Working Capital Changes	-342	29	-28	-28	-29	-30	-31
Operating Cash Flow	663	1,090	571	569	974	573	784
Investment Cash Flow	-466	-313	-363	-392	-424	-457	-486
Financing Cash Flow	-642	-451	-77	-46	-411	34	-138
Net Incr. (Decr.) in Cash & Temp. Inv.	-443	318	132	131	140	149	160
Beg. of Period Cash and Temp. Inv.	1,010	567	859	955	1,051	1,156	1,271
End of Period Cash and Temp. Inv.	567	859	955	1,051	1,156	1,271	1,396

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