

## HOTEL: Positive report, due to the increase in ADR and the appreciation of the Mexican peso.

### In line with estimates?

Positive results, in line with our estimates, due to rate stabilization, the maintenance of occupancy levels and the sale of the Guadalajara hotel. In this sense, we expect the ADR of the portfolio to remain stable during the second half of the year, thus stimulating revenues during this period.

### Operating profile

During the quarter, HOTEL completed the sale of the Barceló Guadalajara hotel, which had a positive impact on the results for the period. In addition, the Hyatt Regency Insurgentes hotel was inaugurated, favorable news for the development of HOTEL's portfolio.

However, during the quarter the dynamism of the beach segment was slightly affected by the return to operations of the Caribbean destinations and the appreciation of the Mexican peso, factors that have mainly affected the arrival of tourists from the United States.

In this regard, the portfolio's overall occupancy rate for 2Q23 was 65.7%, 1.7 pp below the occupancy rate recorded in the same period of the previous year. In line with inflationary dynamics, the portfolio's ADR increased 5.2% compared to 2Q22, reaching Ps.1,655.

Driven by the rate increase, RevPAR for the quarter reached Ps.1,088, an increase of 2.7% compared to 2Q22.

### P&L

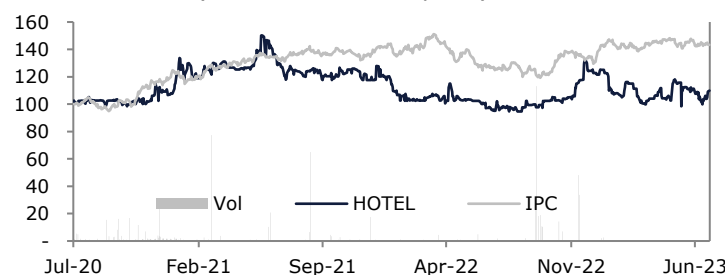
From April to June, the components of Total Revenues behaved as follows: Room Revenues of Ps.358.1 million (+10.2% YoY); Food & Beverage Revenues of Ps.295.9 million (+14.4% YoY); Other Revenues of Ps.32.0 million (-42.1% YoY); Vacation Club Revenues of Ps.12.9 million (+52.7% YoY); and, Third Party Hotel Management Fees of Ps.23.0 million (+1.9% YoY).

As a result, Total Revenues for the period amounted to Ps.722.0 million (higher than our expectations of Ps.714.2 million), which translates into an increase of 7.8% compared to 2Q22.

BUY	JUN24	Ps.7.00
Price (HOTEL*)		4.30
Min / Max (2Y)		3.70 / 5.20
Expected Return		62.8%
Market Cap.		3,079
Enterprise Value		7,378
Outstanding Shares		716
Float		42.4%
ADT		0.7

Price as of June 21, 2023

### HOTEL VS IPC (base 100 last three years)



Source: elaborated by APL Global with data from BMV.

Quarterly Results	2Q23	2Q22	Diff.
Hotels	24	23	4%
Owned Rooms	3,849	3,741	3%
Third-party Rooms	1,915	1,960	-2%
Adjusted Occupancy*	65.7%	67.4%	
ADR	1,655	1,574	5%
Adjusted RevPAR*	1088	1060	3%
Total Income	722	670	8%
Operating Profit	438.122	121.841	260%
Op mgn	60.69%	18.19%	
EBITDA	204.289	192.825	6%
EBITDA mgn	28.30%	28.78%	
Net Income	408.956	47.287	na
Net mgn	56.6%	7.1%	

Balance Sheet	2Q23	4Q22	Diff.
Properties	8,631	7,751	11%
Total Assets	11,718	12,442	-6%
Total Liabilities	4,855	5,585	-13%
Gross Debt	3,010	3,736	-19%
Net Debt	2,561	3,136	-18%
Net Debt / EBITDA LTM	2.9x	4.2x	
Interest Coverage*	6.9x	2.2x	
DSCR**	1.6x	0.8x	

Amounts in Ps. millions

\* Operating CF / Interest

\*\* Operating CF / Total Debt Service

Source: BMV and the issuer



For the first half of the year, Room Revenues amounted to Ps.793.4 million (+28.9% vs. 1H22); Food & Beverage Revenues of Ps.651.5 million (+36.6% vs. 1H22); Other Revenues of Ps.77.4 million (-29.2% vs. 1H22); Vacation Club revenues of Ps.24.0 million (+49.9% vs. 1H22); and, Third Party Hotel Management Fees of Ps.47.2 million (+14.5% vs. 1H22). Added together, Total Revenues for the first half of the year amounted to Ps.1,593.4 million (+26.6 vs. 1H22).

### Profitability

As a result of the increase in Total Revenues, total Operating Costs and Expenses grew 8.6% YoY to Ps.595.5 million, generating an Operating Income of Ps.438.1 million (vs. Ps.121.8 million in 2Q22) and an EBITDA of Ps.204.3 million (+5.9% YoY).

On a cumulative basis, Operating Costs and Expenses grew 20.1% vs. 1H22, reaching Ps.1,241.2 million, generating an Operating Income of Ps.652.0 million (vs. Ps.220.7 million during 1H22) and an EBITDA of Ps.503.7 million (+39.1% vs. 1H22).

The EBITDA margin for the quarter was 28.3% (vs. 28.8% in 2Q22), while at the end of the semester the margin was 31.6% vs. 28.8% in 1H22.

During the quarter, there was an appreciation of the Mexican peso, which generated an exchange gain, resulting in a Net Comprehensive Financing Result (CFR) of Ps.33.1 million (vs. a loss of Ps.57.0 million in 2Q22). For the first half of the year, the RIF presented a gain of Ps.129.0 million (vs. an expense of Ps.21.2 million in 1H2022).

Finally, Net Income for the quarter was Ps.409.0 million (vs. Ps.47.3 million in 2Q22), which translates into a net margin of 56.6%, an outlier due to the sale of the Barceló Guadalajara hotel. On a cumulative basis, Net Income amounted to Ps.642.3 million (vs. Ps.152.5 million in 1H22), with a margin of 40.3%.

### Balance sheet

At the end of 2Q23, the Cash and Cash Equivalents balance amounted to Ps.311.7 million, of which 53.8% was in Mexican pesos and the remaining 46.2% in U.S. dollars.

Likewise, the issuer's Net Debt amounted to Ps.2,560.7 million, placing the Net Debt/EBITDA 12M multiple at 2.9x. Of the total debt, 77.4% is denominated in US dollars with an average financial cost of 8.65%, while the remaining 22.6% is denominated in Mexican pesos, with a weighted average financial cost of 14.55%. It should be noted that 89.1% of the maturities are long-term.

### Our Recommendation

After updating our model and revising our projections, we have maintained our 12-month Target Price (June 2024) unchanged at Ps.7.00 per share, with a fundamental buy recommendation.

**Pablo Domínguez**  
1 (786) 224-4501  
[pablo.dominquez@aplglobal.com](mailto:pablo.dominquez@aplglobal.com)

**Diego Cortazar**  
1 (786) 224-4501  
[diego.cortazar@aplglobal.com](mailto:diego.cortazar@aplglobal.com)



Assumptions for the calculation of the WACC	
Risk-free rate (M10):	9.1%
ERP:	2.0%
Beta:	0.35
ERP adjusted by Beta:	0.7%
Country Risk Premium	3.5%
Cost of Equity:	-50.0%
	11.6%
Risk free rate (M10):	9.1%
Spread:	3.5%
Debt Cost Before Taxes:	12.6%
Tax Rate:	30.0%
Cost of Debt:	8.8%
Debt mix:	30.5%
<b>WACC:</b>	<b>10.7%</b>
Residual Growth:	3.0%

\*ESG Addendum

Source: elaborated by APL Global

DCF/Year	1	2	3	4	5	6	7	8	9	10
NOPLAT	492	552	641	737	830	930	1,042	1,167	1,310	1,471
Depreciation & Amortization	253	256	263	275	288	302	317	334	352	372
Investments in working capital	(44)	(34)	(11)	15	17	22	26	30	31	36
CAPEX	(257)	(320)	(346)	(387)	(420)	(457)	(498)	(543)	(594)	(651)
<b>Free Cash Flow (FCF):</b>	<b>443</b>	<b>456</b>	<b>547</b>	<b>640</b>	<b>714</b>	<b>797</b>	<b>887</b>	<b>987</b>	<b>1,099</b>	<b>1,228</b>
Present Value FCF Years 1-10	4,218									
Residual Growth:	3.0%									
Residual Value:	16,394									
PV Residual Value:	5,923									
Total PV:	10,141									
Net Debt:	2,561									
Min. Interest:	1,688									
Implicit Market Cap:	5,892									
Outstanding Shares:	716									
<b>DCF Intrinsic Value:</b>	<b>8.20</b>									

DCF Sensitivity Analysis: WACC & Residual Growth						
		Residual Growth				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	11.7%	5.60	6.00	6.40	6.80	7.30
	11.2%	6.40	6.80	7.20	7.80	8.30
	<b>10.7%</b>	7.20	7.70	<b>8.20</b>	8.80	9.60
	10.2%	8.20	8.70	9.40	10.10	11.00
	9.7%	9.20	9.90	10.70	11.60	12.60

Sensitivity Analysis: P/BV vs. changes in BV						
		P/BV				
		0.6x	0.7x	0.8x	0.9x	1.0x
Changes in BV	5.0%	4.60	5.30	6.10	6.80	7.60
	2.5%	4.40	5.20	5.90	6.70	7.40
	<b>0.0%</b>	4.30	5.10	<b>5.80</b>	6.50	7.20
	-2.5%	4.20	4.90	5.60	6.30	7.00
	-5.0%	4.10	4.80	5.50	6.20	6.90

Método de valuación	Precio	Pond.
DCF	8.20	50%
P/VL objetivo	5.80	50%
<b>Precio Objetivo 12 meses (PO)</b>	<b>7.00</b>	100%
Precio actual	4.30	
Rendimiento potencial del PO	62.8%	
<b>Recomendación:</b>	<b>COMPRA</b>	

Source: elaborated by APL Global



P&L				
	2021	2022	2023 E	2024 E
Total Income	1,761	2,652	3,263	3,611
COGS	665	977	1,218	1,354
SG&A	456	595	711	797
Operating profit	70	355	938	787
EBITDA Basic				
	401	749	947	1,044
EBITDA Adjusted				
Other income	(570)	(725)	(396)	(673)
Financial Income	(179)	(12)	(78)	(223)
Subsidiaries	1	4	6	6
Net Income Before Taxes	(109)	346	866	570
Tax	(76)	147	167	171
Discontinued Operations	-	-	-	-
Non Controlling Profit	(33)	36	144	82
Controlling Profit	(0)	162	555	317
Growths				
Total Income		50.7%	23.0%	10.7%
Operating profit		408.9%	164.5%	-16.1%
EBITDA		87.0%	26.4%	10.3%
Controlling Profit		n.a.	241.6%	-42.8%
Margins				
Operating	4.0%	13.4%	28.7%	21.8%
EBITDA	22.8%	28.2%	29.0%	28.9%
Net	0.0%	6.1%	17.0%	8.8%
Outstanding Shares (millions)	616	716	716	716
Book Value	9.68	9.58	8.66	8.40
EPS	(0.00)	0.23	0.77	0.44
EBITDA per share	0.65	1.05	1.32	1.46
Cash Flow				
	2021	2022	2023 E	2024 E
Net income	(33)	198	699	399
(-) + Working capital	-44	-133	-15	138
Net cash flows from operations	286	448	1,155	740
Net cash flows from operating activities	311	430	1,353	938
Net cash flows from investing activities	(374)	(1,611)	(218)	(289)
Net cash flows from financing activities	137	1,181	(1,264)	(580)
Chg. In Cash & Cash Eq.	74	0	(129)	69
Cash & Cash Eq. Beginning of period	539	565	444	315
Cash & Cash Eq. End of period	565	444	315	384

Balance Sheet				
	2021	2022	2023 E	2024 E
Total Assets	10,845	12,644	11,711	11,655
Short term assets	1,195	2,105	1,749	1,895
Cash	383	370	288	351
Clients	118	189	91	130
Inventory	23	32	40	45
Other short term assets	670	1,514	1,330	1,369
Long term assets	9,650	10,540	9,962	9,760
Investments	39	37	331	101
Prop. Plant & Eq.	8,637	9,282	8,610	8,677
Intangibles	346	346	346	346
Other long term assets	630	875	675	637
Total liabilities	4,883	5,787	5,512	5,643
Short term liabilities	886	1,429	1,576	1,823
Short term debt	245	405	496	614
Payable	468	721	788	986
Other short term liabilities	173	303	292	223
Long term liabilities	3,997	4,358	3,936	3,820
Long term debt	2,976	3,331	2,862	2,732
Other long term liabilities	1,021	1,027	1,073	1,088
Total Debt	3,221	3,736	3,358	3,345
Net debt	2,565	3,292	3,043	2,962
Shareholders' Equity	5,962	6,857	6,199	6,013
Controlling Int	4,829	5,384	4,674	4,534
Non-Controlling Int	1,133	1,474	1,524	1,479
Indicators				
	2021	2022	2023 E	2024 E
Liquidity	1.3x	1.5x	1.1x	1.0x
Acid test	1.3x	1.5x	1.1x	1.0x
Leverage				
(Liabilities/SE)	0.8x	0.8x	0.9x	0.9x
Total Debt/EBITDA	0.0x	0.0x	0.0x	0.0x
Net Debt/EBITDA	0.0x	0.0x	0.0x	0.0x
Interest Coverage	6.9x	6.9x	6.9x	6.9x
Days inventory	12.5	11.7	11.8	11.8
Days receivables	24.2	25.6	10.0	13.0
Days payables	253.0	265.8	232.9	262.2
CC Cycle	-216.3	-228.4	-211.1	-237.4
ROA	-0.3%	1.6%	6.0%	3.4%
ROE	-0.6%	2.9%	11.3%	6.6%

Source: BMV and APL Global



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