



HOTEL: Mixed results, with ADR increases and revenue impacts from the closure of the Krystal Beach Acapulco hotel.

In line with estimates?

Mixed report, with double-digit growth in cumulative annual revenues, due to higher rates. In contrast, there was a reduction in local and international tourism, as well as lower revenues due to the temporary closure of the Krystal Beach Acapulco hotel, which was affected by Hurricane Otis last October.

Operating profile

During the fourth quarter of the year, HOTEL's revenues were affected by the closure of the Krystal Beach Acapulco Hotel, due to the damage caused by Hurricane Otis on the coast of Guerrero.

According to the issuer, a gradual reopening of this property is expected during the second half of the year, for which reason they will continue to manage the relevant procedures for the collection of the property's insurance.

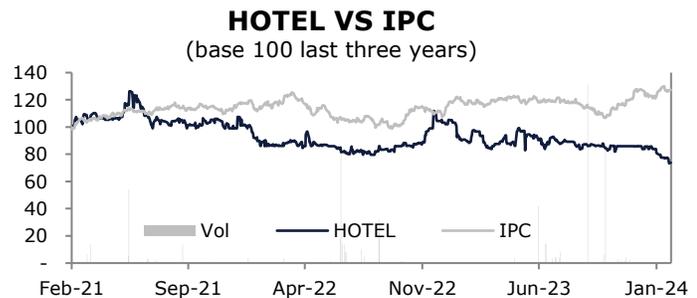
However, during the first half of the year, the issuer's revenues achieved significant growth, so that, viewed on an annual basis, revenues and profitability made significant progress with respect to 2022.

In this sense, the conversion of the Krystal Grand Puerto Vallarta hotel into the Breathless Puerto Vallarta Resort & Spa by Hyatt was announced, which will upgrade the hotel to the Grand Tourism category. This conversion is expected to be completed in the second quarter of 2025 offering 451 new rooms and suites.

During 4Q23, the total occupancy of the portfolio as of 4Q23 was 66.0%, 0.8 pp lower than the occupancy recorded in 4Q22, as a result of the reduction in local tourism and the effects of Hurricane Otis. In contrast, ADR for the total portfolio stood at Ps.1,765, an increase of 7.3% compared to the same quarter of the previous year. Likewise, RevPAR stood at Ps.1,165, an increase of 6.1% compared to 4Q22.

BUY	IV DEC24	Ps.6.00
Price (HOTEL*)		3.65
Min / Max (2Y)		3.21 / 5.20
Expected Return		64.4%
Market Cap.		2,614
Enterprise Value		6,717
Outstanding Shares		716
Float		42.4%
ADT		1.1

Price as of February 23, 2024



Source: elaborated by APL Global with BMV data.

Quarterly Results	4Q23	4Q22	Diff.
Hotels	25	24	4%
Owned Rooms	3,446	3,936	-12%
Third-party Rooms	2,180	1,915	14%
Adjusted Occupancy*	66.0%	66.8%	
ADR	1,765	1,645	7%
Adjusted RevPAR*	1,165	1,098	6%
Total Income	710	741	-4%
Operating Profit	-15,849	34,945	n.a.
Op mgn	-2.23%	4.72%	
EBITDA	180.33	215.487	-16%
EBITDA mgn	25.40%	29.08%	
Net Income	5.226	-5.022	n.a.
Net mgn	0.7%	-0.7%	

Balance Sheet	4Q23	4Q22	Diff.
Properties	8,619	7,751	11%
Total Assets	11,635	12,442	-6%
Total Liabilities	4,813	5,585	-14%
Gross Debt	2,900	3,736	-22%
Net Debt	2,491	3,136	-21%
Net Debt / EBITDA LTM	3.0x	4.2x	
Interest Coverage*	1.9x	2.2x	
DSCR**	1.0x	0.8x	

Amounts in Ps. millions

* Operating CF / Interest

** Operating CF / Total Debt Service

Source: BMV and the issuer



P&L

At the end of the quarter, the components of Total Revenues were as follows: Room Revenues of Ps.347.1 million (-5.4% YoY); Food & Beverage Revenues of Ps.290.0 million (-1.7% YoY); Other Revenues of Ps.38.4 million (+6.3% YoY); Vacation Club Revenues of Ps.10.3 million (vs. Ps.20.2 million in 4Q22); and, Third Party Hotel Management Fees of Ps.24.1 million (+4.8% YoY).

As a result, Total Revenues for the period amounted to Ps.709.9 million, which translates into a 4.2% decrease compared to 4Q22, mainly affected by the closure of the hotel in Acapulco and a lower dynamism of local tourism.

For the year to date, Room Revenues reached Ps.1,455.7 million (+11.8% YoY); Food & Beverage Revenues of Ps.1,215.9 million (+19.5% YoY); Other Revenues of Ps.150.6 million (-24.7% YoY); Vacation Club Revenues of Ps.46.8 million (+0.0% YoY); and, Third Party Hotel Management Fees of Ps.90.2 million (+5.1% YoY). Added together, Total Revenues for 2023 amounted to Ps.2,959.2 million (+11.6 YoY). These increases are mainly due to Mexico's openness to international tourism, attracting a higher proportion of visitors from the Caribbean.

Profitability

During the quarter, total Operating Costs and Expenses grew 0.9% YoY to Ps.606.0 million, generating an Operating Loss of Ps.15.8 million and an EBITDA of Ps.180.3 million (-16.3% YoY). This loss is due to a 13.3% increase in non-recurring expenses during 4Q23, as a result of the closure of the Krystal Beach Acapulco hotel.

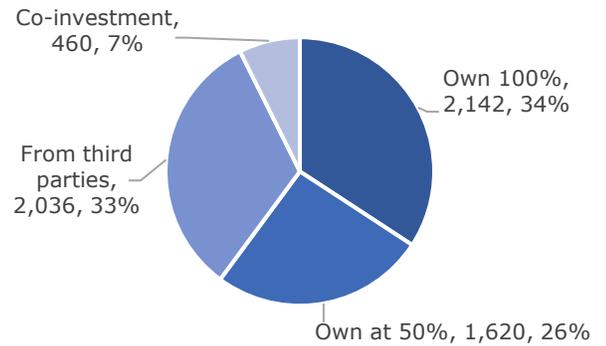
On a cumulative basis, Operating Costs and Expenses grew 11.1% YoY to Ps.2,426.8 million, generating an Operating Income of Ps.380.2 million (+7.2% YoY) and an EBITDA of Ps.839.7 million (+12.1% vs. 2022).

EBITDA margin for the quarter was 25.4% (vs. 29.1% in 4Q22), while for the year to date, EBITDA margin was 28.4% (vs. 28.2% in 2022).

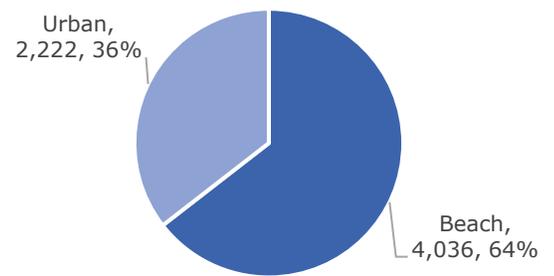
For 4Q23, the Net Comprehensive Financing Result (CFR) was Ps.31.8 million (vs. Ps.49.0 million in 4Q22). This decrease in income is the result of higher interest expenses in the quarter. On a cumulative basis, during 2023 the CFR presented a gain of Ps.20.2 million, which compares favorably with the loss presented in 2022 of Ps.12.5 million.

As a result, Net Income amounted to Ps.5.2 million (vs. a Net Loss of Ps.5.0 million in 4Q22), which translates into a net margin of 0.7% (vs. a negative margin of 0.7% in 4Q22). On a cumulative basis, Net Income amounted to Ps.592.9 million (vs. a Net Income of Ps.198.3 million in 2022), with a margin of 20.0% (vs. 7.5% in the same period of the previous year).

Total Rooms



Segment



Source: elaborated by APL Global with HOTEL data.

Balance sheet

At the end of 4Q23, the Cash and Cash Equivalents balance amounted to Ps.271.8 million, of which 70.3% was in Mexican pesos, while the remaining 29.7% was in U.S. dollars.

Likewise, the issuer's Net Debt amounted to Ps.2,490.6 million, placing the Net Debt/EBITDA 12M ratio at 3.0x. Of the total debt, 76.1% is denominated in U.S. dollars, with an average financial cost of 8.5%, while the remaining 23.9% is denominated in Mexican pesos, with a weighted average financial cost of 14.5%. It should be noted that more than 87% of the debt is long-term.

Our Recommendation

After updating our valuation model, we have adjusted our 12-month (December 24) Intrinsic Value (VI) to Ps.6.00 per share from Ps.7.00, ratifying our fundamental BUY recommendation. This is mainly due to the earnings adjustments we have incorporated to our model in light of the closing of the Krystal Acapulco hotel.

Pablo Domínguez
1 (786) 224-4501
pablo.dominquez@aplglobal.com

Diego Cortazar
1 (786) 224-4501
diego.cortazar@aplglobal.mx



Assumptions for the calculation of the WACC	
Risk-free rate (M10):	9.0%
ERP:	2.0%
Beta:	0.82
ERP adjusted by Beta:	1.6%
Country Risk Premium	3.0%
Cost of Equity:	-50.0%
	12.1%
Risk free rate (M10):	9.0%
Spread:	3.5%
Debt Cost Before Taxes:	12.5%
Tax Rate:	30.0%
Cost of Debt:	8.8%
Debt mix:	30.5%
WACC:	11.1%
Residual Growth:	3.0%

*ESG Addendum

Source: APL Global and various recognized sources

DCF/Year	1	2	3	4	5	6	7	8	9	10
NOPLAT	679	766	633	711	799	891	998	1,114	1,250	1,398
Depreciation & Amortization	259	256	259	262	264	266	268	270	271	273
Investments in working capital	(334)	(252)	(193)	(207)	(224)	(251)	(287)	(333)	(392)	(467)
CAPEX	(185)	(67)	(75)	(82)	(89)	(97)	(105)	(115)	(126)	(138)
Free Cash Flow (FCF):	419	704	624	685	749	809	874	935	1,003	1,066
Present Value FCF Years 1-10	4,305									
Residual Growth:	3.0%									
Residual Value:	13,546									
PV Residual Value:	4,725									
Total PV:	9,031									
Net Debt:	2,491									
Min. Interest:	1,612									
Implicit Market Cap:	4,928									
Outstanding Shares:	716									
DCF Intrinsic Value:	6.90									

DCF Sensitivity Analysis: WACC & Residual Growth						
		Residual Growth				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	12.1%	4.80	5.10	5.40	5.70	6.10
	11.6%	5.40	5.70	6.10	6.50	6.90
	11.1%	6.10	6.50	6.90	7.30	7.90
	10.6%	6.90	7.30	7.80	8.30	9.00
	10.1%	7.70	8.20	8.80	9.50	10.30

Sensitivity Analysis: P/BV vs. changes in BV						
		P/BV				
		0.5x	0.6x	0.7x	0.8x	0.9x
Changes in BV	5.0%	3.80	4.60	5.30	6.10	6.90
	2.5%	3.70	4.50	5.20	6.00	6.70
	0.0%	3.60	4.40	5.10	5.80	6.50
	-2.5%	3.50	4.30	5.00	5.70	6.40
	-5.0%	3.50	4.10	4.80	5.50	6.20

Valuation method	Price	Weig.
DCF	6.90	50%
Target P/BV	5.10	50%
12 months Intrinsic Value (IV)	6.00	100%
Actual price	3.65	
Expected return	64.4%	
Recommendation:	BUY	

Source: APL Global



	P&L			
	2022	2023	2024 E	2025 E
Total Income	2,652	2,959	3,083	3,335
COGS	977	1,112	1,167	1,263
SG&A	595	662	701	755
Operating profit	355	694	674	760
EBITDA Basic				
EBITDA Adjusted	749	840	1,120	1,210
Other income	(725)	(491)	(541)	(557)
Financial Income	(12)	20	(116)	(145)
Subsidiaries	4	6	6	6
Net Income Before Taxes	346	720	564	621
Tax	147	124	169	186
Discontinued Operations	-	(3)	(3)	(3)
Non Controlling Profit	36	71	46	50
Controlling Profit	162	522	345	381
Growths				
Total Income		11.6%	4.2%	8.2%
Operating profit		95.7%	-2.9%	12.8%
EBITDA		12.1%	33.4%	8.0%
Controlling Profit		221.3%	-33.9%	10.5%
Margins				
Operating	13.4%	23.4%	21.9%	22.8%
EBITDA	28.2%	28.4%	36.3%	36.3%
Net	6.1%	17.6%	11.2%	11.4%
Outstanding Shares (millions)	716	716	716	716
Book Value	9.58	9.53	9.97	9.97
EPS	0.23	0.73	0.48	0.53
EBITDA per share	1.05	1.17	1.56	1.69
Cash Flow				
	2022	2023	2024 E	2025 E
Net income	198	593	391	431
(-) + Working capital	(133)	(336)	(334)	-252
Net cash flows from operations	448	367	362	471
Net cash flows from operating activities	430	555	550	658
Net cash flows from investing activities	(1,611)	(245)	(96)	10
Net cash flows from financing activities	1,181	(1,418)	(560)	(670)
Chg. In Cash & Cash Eq.	0	(1,108)	(106)	(2)
Cash & Cash Eq. Beginning of period	565	444	272	166
Cash & Cash Eq. End of period	444	272	166	164

Source: BMV and APL Global

	Balance Sheet			
	2022	2023	2024 E	2025 E
Total Assets	12,644	11,848	11,773	11,627
Short term assets	2,105	1,763	1,651	1,671
Cash	370	250	153	151
Clients	189	199	193	208
Inventory	32	33	35	35
Other short term assets	1,514	1,282	1,271	1,278
Long term assets	10,540	10,084	10,122	9,956
Investments	37	320	320	329
Prop. Plant & Eq.	9,282	8,619	8,546	8,356
Intangibles	346	346	346	346
Other long term assets	875	799	910	925
Total liabilities	5,787	5,026	4,630	4,485
Short term liabilities	1,429	1,373	1,632	1,688
Short term debt	405	358	618	576
Payable	721	803	801	899
Other short term liabilities	303	213	213	213
Long term liabilities	4,358	3,653	2,998	2,797
Long term debt	3,331	2,542	2,750	2,562
Other long term liabilities	1,027	1,111	247	235
Total Debt	3,736	2,900	3,369	3,138
Net debt	3,292	2,628	3,203	2,974
Shareholders' Equity	6,857	6,822	7,143	7,143
Controlling Int	5,384	5,209	5,455	5,455
Non-Controlling Int	1,474	1,612	1,688	1,688
Indicators				
	2022	2023	2024 E	2025 E
Liquidity	1.5x	1.3x	1.0x	1.0x
Acid test	1.5x	1.3x	1.0x	1.0x
Leverage (Liabilities/SE)	0.8x	0.7x	0.6x	0.6x
Total Debt/EBITDA				
Net Debt/EBITDA				
Interest Coverage	12	11	11	10
	26	24	22	22
Days inventory	266	260	247	256
Days receivables	-228	-225	-214	-224
Days payables				
CC Cycle	1.6%	5.0%	3.3%	3.7%
	2.9%	8.7%	5.5%	6.0%
ROA	1.5x	1.3x	1.0x	1.0x
ROE	1.5x	1.3x	1.0x	1.0x



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