



**APL** GLOBAL  
GROUP

# Coverage Initiated



**fibra inn**®





## Recommendation: BUY

We started formal hedging of FIBRA INN (BMV: FINN 13) with a fundamental BUY recommendation. In our opinion, supported by fundamental analysis, the company's stock certificates are trading below their fair value, with a total potential for appreciation of 41.0%. In accordance with our valuation parameters, we have established a 12-month Target Price (September 2022) of Ps.5.40 per certificate, with a return on capital appreciation and distributions of 41.0%.

BUY	P.T. SEP22	Ps.5.40
Price (FINN 13)		Ps.3.83
Max. /min. (2y)		3.02 / 12.09
Expected return P.T.		41.0%
Market capitalization (Mill.)		1,930
Distribution yield 12m fwd (Ps.)		0.0%
Outstanding shares (Mill.)		504
Float		86.5%
Average amount (Mill.)		1.1

Source: APL Global and BMV  
Prices as of 29/09/2021

## CONTENT

Executive Summary	2
Company's Description	3
Investment Thesis	4
Main Risks	8
Valuation	9
Financial Results and Projections	12
Hotel Sector in Mexico	14
Fibra Inn Differentiators	16
Timeline	19
Relevant information	20

Currently, the value of the certificate has been severely punished due to the uncertainty generated by COVID-19, with the hotel industry being one of the most affected sectors of the economy. In perspective, we see solid fundamentals, accompanied by a business model that seeks to get the most out of the resources raised by the trust.

According to the monthly report of the hotel indicators for July, FIBRA INN has an occupancy of 20 b.p. above the announced financial break-even point (48.0%), so we estimate this recovery trend will continue during the second half of 2021.

However, we consider that the advanced vaccination rates and the gradual return to the offices will contribute to the growth of the overall occupancy rate of the portfolio, driven by the hotels located in the main cities of the country, derived from the resumption of business trips and a greater demand for leisure travel.

The above, added to the cost containment strategy and the recent approval by the technical committee for the creation of the ESG committee, creates an adequate profile to face uncertainty, preparing FINN to capitalize on inorganic growth opportunities and organic that are presented in the short term.

## RESPONSIBLE ANALYSTS

### Pablo Domínguez

Portfolio Analyst

[pablo.dominguez@aplglobal.com](mailto:pablo.dominguez@aplglobal.com)

### Diego Cortazar

Research Analyst EMEA sector

[diego.cortazar@aplglobal.com](mailto:diego.cortazar@aplglobal.com)

### Andrés González

Research Analyst Latin America sector

[andres.gonzalez@aplglobal.com](mailto:andres.gonzalez@aplglobal.com)

**FINN RT VS FIBRAS RT**  
(base 100 last three years)





## COMPANY'S DESCRIPTION

FIBRA INN (FINN) is a Real Estate Investment Trust (FIBRA) managed and advised internally, focused on acquiring, developing, operating, through managers, and renting a series of properties for business and leisure accommodation in Mexico.

FINN's main objective is to generate incremental cash flows, derived from the operation, acquisition and identification of development opportunities that contribute to maintaining long-term sustainable growth, granting the holders of the Trust Stock Certificates (CBFIs) increasing distributions.

Initially, the Trust's assets were destined to hotels with a business focus. However, it has identified new opportunities in the segment of beach hotels or resorts, whose demand is in a deep search for complete luxury services, for which the FIBRA has ventured into the development model called "Hotel Factory", the which focuses on the acquisition and development of internationally renowned hotel complexes, participating only with a percentage of the total investment. This new development model will allow, through a purchase option, to acquire the remaining stake, once the property is stabilized, generating greater efficiency in the use of FIBRA resources, which will lead to greater distributions to holders.

The beach hotel inclusion strategy will complement FINN's income, since the cyclicity of business hotels is offset by the holiday seasons, which will allow for stability in income throughout the year. In this sense, FINN's property portfolio is widely diversified, encompassing the following segments: i) limited services; ii) select services; iii) full services; and iv) extended stay services in Mexico.

Currently, FINN owns a total of 38 hotels, with 6,442 rooms distributed in 14 states of the country: 7 hotels are limited service, 17 select service hotels, 13 full-service hotels, and 1 extended stay hotels. In addition to this, it participates in 2 developments of the Hotel Factory, which will add 426 rooms to the portfolio.

Geographic distribution of trust properties as of 2Q21			
Region	Hotels	Rooms	% Total Rooms
North	9	1,295	20%
Northeast	13	2,376	37%
Center and South	13	2,288	36%
West	3	483	7%
Total	38	6,442	100%

North: Chihuahua, Sonora

Northeast: Nuevo León, Coahuila y Tamaulipas

West: Jalisco

Center/South: Querétaro, Estado de México, Puebla, Guanajuato, Quintana Roo, CDMX, Veracruz,

Campeche

Source: Fibra Inn Quarterly Report

Here are the classifications under which FINN classifies its services and guests:

### Classification of services

- Full services are those that provide select services and also food and beverage services available in hotel restaurants, function rooms, and banquets.
- The selected services have the characteristic of offering lodging service, internet, courtesy breakfast, business center, meeting room, gym and parking.



- Limited services are hotels that offer select services, with a difference in having a lower rate, which is why they are known as budget in other countries such as the United States.
- Finally, the extended stay services offer both select services and accommodation, said stay differs in being greater than five days and with rooms that are equal to those of an apartment.

#### Guests classification

- Corporate or business segment: This segment is made up of those guests from large companies whose stay is frequent, so they have access to a preferential rate.
- Group segment: They are guests whose stay is from one to several days, for various reasons, from work, events, conventions and even courses.
- Pleasure segment: The best known in the market, whose stays range from individual, couple and family stays, in order to enjoy the holiday period.
- Airlines: Are those members of a crew whose stay is very frequent or those occasional travelers who handle packages that include accommodation.

At the end of the second quarter of the year, the ownership structure of CBFIs was composed of the following:

	Issued and subscribed as of June 30, 2021	%	Issued and not subscribed	Total CBFIs
Repurchase Fund	223,900	0.0%		
Founders Trust	67,694,155	13.4%		
Investing public	435,928,891	86.5%		
<b>Total outstanding</b>	<b>503,846,946</b>	<b>100.0%</b>		
Total entitled to distribution	503,623,046			
CBFIs issued for the capital program			805,763,126	
CBFIs issued for the payment of internalization*			2,773,080	
CBFIs in treasury			50,000,000	
Total CBFIs in treasury			858,536,206	
<b>Total CBFIs</b>	<b>503,846,946</b>		<b>858,536,206</b>	<b>1,362,383,152</b>

\*Process of integration of the administration and advice to FINN

Source: prepared by APL Global with data from Fibra Inn

## INVESTMENT THESIS

### 1. Aligned incentives (Trust-Administration-Investor)

The real estate investment vehicles that are managed and advised internally allow the alignment of the objectives between the trust, the administrators and the investors, achieving more efficient cost and expense structures, avoiding paying extraordinary commissions for administration or consultancy, which is reflected in a greater amount of distribution to holders.

This represents an incentive that allows to eliminate disagreements between third parties, allowing a more objective and valuable work in terms of relationship between parties. FIBRA INN is the only participant in the hotel sector that has this work scheme. The main benefit that it brings is a boost to the growth of the EBITDA margin, and a decrease in administrative expenses proportional to the growth of the size of the FIBRA.



## 2. Diversified hotel platform with international standards

FIBRA INN maintains a business model based on geographic diversification and the support of internationally renowned brands (IHG, Hilton Worldwide, Marriott International Inc. and Wyndham Hotel Group), with which it maintains long-term contracts that seek to set a minimum standard. of quality and service, which translates into an offer of better hosting services for the client, giving FINN competitive advantages that pay for a greater demand. Likewise, FINN hotels are strategically located in medium and large urban areas, thus taking advantage of the high influx of these cities and the quality of their services.

	Brand	City	State	Rooms
<b>Limited Service Hotels</b>				
1	Wyndham Garden	Irapuato	Guanajuato	102
2	Wyndham Garden	Celaya	Guanajuato	150
3	Wyndham Garden	Silao	Guanajuato	143
4	Microtel Inn & Suites by Wyndham	Chihuahua	Chihuahua	108
5	Microtel Inn & Suites by Wyndham	Toluca	Edo. Mex	129
6	Microtel Inn & Suites by Wyndham	Cd. Juárez	Chihuahua	113
7	Wyndham Garden	Guadalajara Andares	Jalisco	186
				<b>931</b>
<b>Select Service Hotels</b>				
1	Hampton Inn by Hilton	Monterrey	Nuevo León	223
2	Hampton Inn by Hilton	Saltillo	Coahuila	226
3	Hampton Inn by Hilton	Reynosa	Tamaulipas	145
4	Hampton Inn by Hilton	Querétaro	Querétaro	178
5	Hampton Inn by Hilton	Hermosillo	Sonora	151
6	Hampton Inn by Hilton	Chihuahua	Chihuahua	190
7	Holiday Inn Express	Saltillo	Coahuila	180
8	Holiday Inn Express	Toluca	Edo. Mex	268
9	Holiday Inn Express	Monterrey	Nuevo León	198
10	Holiday Inn Express	Toluca	Edo. Mex	127
11	Holiday Inn Express & Suites	Juárez	Chihuahua	182
12	Courtyard by Marriott	Saltillo	Coahuila	180
13	Courtyard by Marriott	Chihuahua	Chihuahua	152
14	Fairfield Inn & Suites by Marriott	Coatzacoalcos	Veracruz	180
15	Wyndham Garden	Playa del Carmen	Quintana Roo	196
16	Wyndham Garden	Monterrey	Nuevo León	85
17	AC Hotels by Marriott	Guadalajara	Jalisco	180
				<b>3,041</b>
<b>Full Service Hotels</b>				
1	Holiday Inn	Monterrey	Nuevo León	198
2	Holiday Inn	Puebla	Puebla	150
3	Ex-hacienda San Xavier	Guanajuato	Guanajuato	155
4	Marriot	Puebla	Puebla	296
5	Holiday Inn	México	CDMX	214
6	Holiday Inn	Altamira	Tamaulipas	203
7	Casa Grande	Chihuahua	Chihuahua	115
8	Casa Grande	Delicias	Chihuahua	88
9	Crowne Plaza	Monterrey	Nuevo León	219
10	Holiday Inn	Reynosa	Tamaulipas	95
11	Holiday Inn	Cd. Juárez	Chihuahua	196
12	The Westin	Monterrey	Nuevo León	174
13	JW Marriott	Monterrey	Nuevo León	250
				<b>2,353</b>
<b>Full Service Hotels</b>				
1	Staybridge Suites	Guadalajara	Jalisco	117
<b>Total portfolio as of July 30, 2021</b>				<b>6,442</b>

Source: prepared by APL Global with data from Fibra Inn

## 3. Procedure focused on strengthening and developing the hotel portfolio

The selection of properties must always guarantee an added value in favor of FIBRA INN. This value should reduce the degree of competition with high entry barriers and areas with high exponential growth of the premium market.



For this reason, FINN has developed business models that allow maximizing returns to investors. The "Hotel Factory" scheme expands growth opportunities. This is based on a strategy that seeks to develop properties through the joint investment of FIBRA INN and strategic partners (institutional investors or investment funds). Once the hotel developed under this scheme stabilizes, FINN may, through a purchase option, acquire the remaining stake in said property, in order to incorporate the property into its equity; considerably expanding investment options and improving returns.

#### 4. Management experience

FIBRA INN has managers with more than 30 years of experience in the hotel industry and commercial relations with international hotel chains, with extensive knowledge of the real estate industry, whose skills, capacities and work experience contribute to the added value of the business.

In addition, the Technical Committee is made up of experts in different fields, which contributes to the positioning of the FIBRA before the investing public.

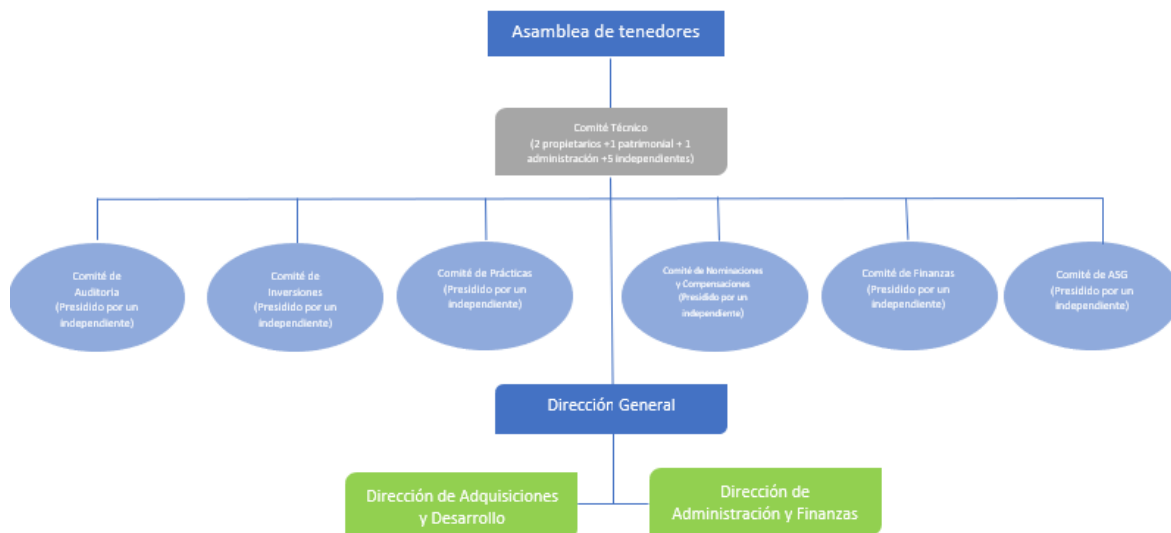
Member	Quality	Alternate
Victor Zorrilla Vargas	Patrimonial Member (Founders)	Robert Jaime Dotson Castrejón
Joel Zorrilla Vargas	Patrimonial Member (Founders)	Juan Carlos Hernaiz Vigil
Alejandro Wassiliu	Patrimonial Member	Edgar Patricio Sosa Silva
Oscar Eduardo Calvillo Amaya	Administration Member	Miguel Aliaga Gargollo
Adrián Enrique Garza de la Garza	Independent Member	
Alberto Rafael Gómez Eng	Independent Member	
Héctor Medina Aguiar	Independent Member	
Marcelo Zambrano Lozano	Independent Member	
Santiago Pinson Correa	Independent Member	

Source: prepared by APL Global with data from Fibra Inn



## 5. Extensive development of ESG criteria

In accordance with best ESG practices, independent members chair the following support committees: Audit, Investments, Practices, Nominations and Compensation, Finance and ESG.



Among the notable characteristics of its Corporate Governance:

- 55% of the members of the Technical Committee are independent
- 100% Support Committees are chaired by independent members
- Approval of an ESG Committee where sustainability strategies will be promoted

Committee Type	Total Members	Independent	Patrimonial
Technical	9	5	4
Audit	3	3	0
Prácticas	3	3	0
Nominations and Compensation	6	4	2
Investments	5	3	2
Financial	5	4	1
ESG	4	2	2

Source: prepared by APL Global with data from Fibra Inn

## 6. Profit margin higher than the market

FIBRA's business model has the ability to produce profits above the market average, due to its ability to generate economies of scale that allow it to reduce costs and expenses of the complexes it operates and manages.



## 7. Conservative financial policy

Attractive capital design with a moderate monetary approach that does not exceed the leverage limit of the National Banking and Securities Commission (50%).

	Total Revenue	NOI	Net Debt	EBITDA U12M	ADR	RevPar	Occupation
<b>FINN</b>	<b>279.7</b>	<b>56.8</b>	<b>3,939.4</b>	<b>(826.1)</b>	<b>1,288</b>	<b>523</b>	<b>40.6%</b>
<b>FIHO</b>	743.1	201.6	4,614.0	154.3	1,095	522	47.7%
<b>HCITY</b>	519.0	(21.0)	5,446.5	70.2	999	380	38.0%
<b>HOTEL</b>	483.6	62.0	(228.0)	(12.2)	1,250	632	50.6%
<b>POSADAS</b>	1,933.6	91.1	US\$826.0	330.9	-	-	-

Financial information in Ps. as of 2Q21 and prices as of August 10, 2021

Source: prepared by APL Global with data from the BMV

The FIBRA maintains attractive financing, due to good administrative management, presenting, as of June 30, 2021, a 39.5% debt, fully complying with the provisions of the CNBV. In addition to this, FINN maintains a high level of its credit rating; Since the stock certificates are rated A (mex), by Fitch Ratings, and HR A + and HR2, by HR Ratings.

## 8. Competitive rates

FINN maintains developments with potential growth that allow it to offer rates below those that operate in the United States, Canada and South America. Part of this achievement is the result of its technological platform, which allows it to offer a world-class reservation system, identifying the existing demand and placing the best rate; since it algorithmically collects historical information on hotel rates, administration and customer sales.

## 9. Vertical integration

FIBRA INN has a vertical integration structure that allows it to better capitalize on development or acquisition opportunities in areas with high growth potential, thus creating economies of scale.

# MAIN RISKS

## 1. Increases in the risk-free rate

To value a FIBRA, investors mainly use the central bank's reference interest rate, so any increase in said rate could affect the price of the CBFIs, and put pressure on the financial costs of the FIBRA.

## 2. Perception of security

According to the World Travel and Tourism Council, insecurity is the main factor that inhibits the influx of tourists to a destination (even above the probability of contagion due to the pandemic and political instability), and according to data from Inegi, during June 2021, in Mexico 66.6% of people 18 years of age or older, consider that their city is unsafe. In this way, an increase in high-impact crimes could significantly reduce the interest of national and international travelers towards tourist and business destinations.





### **3. Changes in industry laws and regulations**

Modifications in the regulatory laws on accommodation and hotels could stop the flow of travelers on vacation or business issues, since the tourism and hotel sector were among the first to be stopped by the pandemic. In addition to this, FIBRA INN may be affected by the modifications that may occur in the authorized metrics for FIBRAs (leverage, distributions, etc.), construction, the environment, property taxes and Income Tax (ISR).

Therefore, the breach of any law, permit or agreement may imply high costs for the trust, negatively affecting the operating results. On the other hand, new public or economic policies that could alter market conditions could affect the performance of FIBRA INN.

### **4. Absence of international tourism**

The high levels of contagion in the various tourist destinations in Mexico can lead international travelers to change and / or modify their travel itinerary, either reducing their stay time or choosing destinations close to their place of residence, which affects the capture of foreign exchange and the levels of reserves considerably.

### **5. Impact of the Coronavirus**

Derived from COVID-19, FIBRA INN estimates a less aggressive economic impact, with respect to the new variants of the coronavirus, due to a greater number of people who currently have already been vaccinated. Despite these slow but gradual growth scenarios, the level of employment remains below the pre-pandemic situation; since it went from 46% in 1Q20 to 41% during 2Q21.

### **6. Climat change**

Derived from FINN's intention to venture into the beach hotel segment, it is natural to consider possible damage to assets, derived from hurricanes, earthquakes, typhoons, etc., which could present higher insurance expenses in the future and decrease the profitability of the portfolio.

## **VALUATION**

In order to define a 12-month Target Price (PO), we have applied the two most appropriate valuation methodologies to the FIBRA INN trading model.

#### **I. Dividend Discount Model (DDM)**

Given the nature of FINN's operations, we take this model as a reference, through which we intend to determine the current value of the CBF, based on the distributions that we estimate the trust will deliver in the future. Our base exercise contemplates the projection of Adjusted Funds from Operations (AFFO), for the period 2021 - 2032, and incorporates increases in debt, capital and a greater number of outstanding CBFs (see section "Recent results and financial projections"). We have assigned a weighting of 40% to this valuation method.



The main assumptions for calculating the cost of equity capital and residual growth were:

- Risk-free rate: We take as a reference the average price of the secondary market of the M bond of the last 12 months (6.3%), to which we add the country risk premium of Mexico determined by the 12-month average of the EMBI (2.4 %).
- Residual growth: We assume that growth in perpetuity would be in line with the expected average inflation expectation for the next 10 years, which in this case we have determined at 3.0%.

Assumptions for calculating the weighted average cost of capital (WACC):	
Risk-free rate (M 10):	6.4%
Risk premium over capital:	2.3%
Beta:	0.79
Beta-adjusted risk premium:	1.8%
Sovereign risk premium:	3.4%
<b>Share capital cost (ka):</b>	<b>11.6%</b>
Residual growth:	3.0%

Source: APL Global and various recognized sources

Any variation in our parameters to calculate the cost of share capital, which is currently 11.6%, could modify our target price, therefore, we suggest reviewing our sensitivity matrix at different rates of residual growth and cost of capital.

Dividend Discount Model (DDM)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
AFFO (Ps. millions)	42	235	239	258	279	301	325	352	380	411
CBFIs in circulation (millions)	504	504	516	516	516	528	528	528	528	540
<b>Distribución per CBFI (Ps.)</b>	<b>0.08</b>	<b>0.47</b>	<b>0.47</b>	<b>0.50</b>	<b>0.54</b>	<b>0.57</b>	<b>0.62</b>	<b>0.67</b>	<b>0.72</b>	<b>0.77</b>
Present Value FCF Year 2-	2.80									
Residual growth:	3.0%									
Residual value:	9.16									
Present Value of the residual:	3.05									
<b>Intrinsic value per CBFI:</b>	<b>5.85</b>									

Source: APL Global

With our estimates, it is observed that the present value of the CBFI is Ps.5.85, reflecting a discount of 52.7% with respect to its market price, which, as of September 29, 2021, was Ps.3.83 per certificate.

Sensitivity of the IV calculated by DDM: Residual vs. ka						
		Residual Growth Scenarios				
		2.00%	2.5%	3.0%	3.5%	4.0%
Scenarios for ka levels	12.6%	4.91	5.03	5.16	5.31	5.48
	12.1%	5.19	5.33	5.49	5.66	5.86
	<b>11.6%</b>	5.51	5.67	<b>5.85</b>	6.05	6.28
	11.1%	5.86	6.04	6.26	6.49	6.77
	10.6%	6.25	6.47	6.72	7.00	7.33

Source: APL Global

## II. Net Asset Value (NAV) estimated for the next 12 months

The value of real estate assets estimated for June 2022 is expected to be Ps.9.79 per CBFI. Said value was derived from the sum of the Value of Property, Plant and Equipment (net) at the end of June 2022, which was estimated at Ps.8,571 million.



To the current value of the Property, Plant and Equipment (Ps.9,076 million) was added a fair value adjustment of the assets, in line with that presented during the last 2 years.

Likewise, we added the cash and short-term financial investments that were projected, at the end of June 2022, at Ps.584 million, less the total debt of Ps.4,223 million, which we contemplate to be contracted throughout 2021, with an expected payback period of ten years.

<b>Determination of the NAV 12 months</b>	
Period	20222
Property, plant and equipment (net)	8,571
Cash, equivalents and investments	584
Total debt	4,223
NAV	4,582
Outstanding CFBIs (millions)	504
<b>Target Price by NAV</b>	<b>9.79</b>

Source: APL Global

Since historically the NAV per CBFI has shown an average discount of 58% during the last 5 years, we have applied this same correction factor to the value of Ps.9.79 per CBFI, which generates a Target Price per NAV of Ps .5.09 per certificate, which represents a discount of approximately 32.9% with respect to the indicated market value. We have assigned a weighting of 60% to this methodology.

Through this methodology, we have established a Target Price of the issuer as of June 2022 at Ps.5.40 per CBFI, with a fundamental BUY recommendation. The foregoing implies a total potential yield from appreciation of the CBFI for the next 12 months of 41.0%.

<b>Valuation Method</b>	<b>Price</b>	<b>Weig.</b>
Dividend Discount Model (DDM)	5.85	50%
Net Asset Value (NAV)	5.09	50%
<b>Intrinsic Value (IV) (12 months)</b>	<b>5.40</b>	100%
Actual price	3.83	
Price performance	41.0%	
Dividend yield	0.0%	
<b>Total Yield</b>	<b>41.0%</b>	
<b>Recommendation</b>	<b>BUY</b>	

Source: APL Global



## FINANCIAL RESULTS AND PROJECTIONS

During 2021, companies dedicated to hospitality have seen an important recovery in their income, derived from the high vaccination rates that some countries have reached in the last six months. Despite this recovery, the expectation in the sector is limited, due to the possible outbreaks of COVID-19 that could occur and reduce the mobility of travelers, both national and foreign.

In this sense, FIINN has maintained a cautious handling of cash, supported by the divestment of certain assets, such as the Holiday Inn Express Guadalajara Autónoma hotel. Likewise, FIINN has a positive medium and long-term outlook, derived from operations, which allows it to reduce risks and increase its portfolio, such as the so-called "Hotel Factory". In addition to this, it is estimated that the acquisition of Grupo Hotelero Prisma, by the global operator Aimbridge Hospitality, will generate a series of synergies in favor of the holders, given its extensive experience in the sector, which will improve the development of new projects and It will contribute to the generation of economies of scale.

During the second quarter of 2021, lodging income amounted to Ps.272.9 million, while real estate rental income was Ps.6.8 million, which meant an annual recovery of 440.7% and 40.9% respectively.

In the accumulated period, FIINN's revenues amounted to Ps.465.7 million (1H21), which represented an increase of 12.9% with respect to the same period of the previous year.

Regarding the revaluation of properties, we estimate that these will have slight quarterly decreases during the remainder of 2021, and part of 2022, achieving a rebound towards the end of 2022 once the global economic situation has stabilized and the ravages of the pandemic have subsided.

For our 12-month projections, we estimate: i) a reopening of the Holiday Inn Coyoacán hotel, during the first quarter of 2022; ii) an occupancy of the consolidated portfolio close to 50%; and, iii) growth in rates in line with inflation.

Finally, we estimate that adjusted flows from operation (AFFO) will be positive during the third quarter of 2022; therefore, we have projected a distribution of cash to holders from that period.



Consolidated Results				
	2020	2021 E	2022 E	2023 E
<b>Net income</b>	<b>706</b>	<b>1,114</b>	<b>1,495</b>	<b>1,570</b>
Property expenses	424	542	701	737
Administrative expenses	1,190	577	601	680
<b>Operating Income (Loss)</b>	<b>(1,213)</b>	<b>329</b>	<b>230</b>	<b>191</b>
Net finance income (expenses)	(305)	(439)	(374)	(121)
Income taxes	7	-	-	-
<b>Net profit (loss)</b>	<b>(1,525)</b>	<b>(596)</b>	<b>(145)</b>	<b>70</b>
NOI	(57)	393	794	833
FFO	(388)	(124)	132	236
AFFO	(412)	(151)	104	207
<b>Growths in:</b>				
Net income	-63.2%	57.7%	34.2%	5.0%
NOI	-110.1%	-788.1%	102.2%	4.9%
FFO	-210.7%	-68.1%	-206.7%	78.5%
AFFO	-245.7%	-63.4%	-168.8%	99.3%
<b>Margins:</b>				
NOI	-8.1%	35.3%	53.1%	53.0%
FFO	-54.9%	-11.1%	8.8%	15.0%
AFFO	-58.4%	-13.5%	6.9%	13.2%
<b>Cifras per CBFI:</b>				
Outstanding CBFI (millions)	493	504	504	504
NOI per CBFI	(0.12)	0.78	1.58	1.65
FFO per CBFI	(0.79)	(0.25)	0.26	0.47
AFFO per CBFI	(0.84)	(0.30)	0.21	0.41

CBFIs calculated at the end of the year

Cash Flow				
	2020	2021 E	2022 E	2023 E
Net profit (loss)	(1,525)	(596)	(143)	70
Net finance income (expenses)	(305)	(438)	(373)	(121)
Working capital	(183)	286	67	87
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(267)</b>	<b>(137)</b>	<b>400</b>	<b>133</b>
(-) Long-term asset purchase	-	-	-	-
(-) Investment in property, plants and equipment	535	(308)	(300)	(300)
(+) Interest collected	16	11	28	4
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(166)</b>	<b>324</b>	<b>328</b>	<b>304</b>
(+) Increase in debt	1,265	358	(146)	(143)
(+) Amounts for issuance of shares	-	-	-	-
(-) Dividends paid	64	-	70	205
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>136</b>	<b>(122)</b>	<b>(692)</b>	<b>(567)</b>
INCR. (DEC.) IN CASH AND EQ.	(298)	65	37	(130)
CASH AND EQ. AT THE BEGINNING OF THE PERIOD	564	266	331	368
CASH AND EQ. AT THE END OF THE PERIOD	266	331	368	237

Source: APL Global



Financial Position				
	2020	2021 E	2022 E	2023 E
<b>Total Assets</b>	<b>10,474</b>	<b>10,066</b>	<b>10,529</b>	<b>10,426</b>
<b>Current assets</b>	<b>899</b>	<b>690</b>	<b>1,657</b>	<b>1,338</b>
Cash and equivalents	266	331	368	237
Financial investments	80	32	39	39
Customers and accounts receivable	128	94	148	156
Other current assets	426	233	1,103	906
<b>Non-current assets</b>	<b>9,575</b>	<b>9,376</b>	<b>8,872</b>	<b>9,088</b>
Properties, plant and eq. (net)	9,419	9,204	8,697	8,910
Other non-current assets	156	172	175	178
<b>Total Liabilities</b>	<b>4,676</b>	<b>4,769</b>	<b>5,158</b>	<b>5,033</b>
<b>Current liabilities</b>	<b>472</b>	<b>529</b>	<b>560</b>	<b>556</b>
Short-term debt	149	148	143	138
Other current liabilities	324	381	416	418
<b>Non-current liabilities</b>	<b>4,204</b>	<b>4,240</b>	<b>4,598</b>	<b>4,477</b>
Long-term debt	4,077	4,148	4,007	3,869
Other non-current liabilities	127	92	591	608
Total debt	4,226	4,297	4,150	4,007
Net debt	3,960	3,966	3,783	3,770
Shareholders Equity	5,798	5,296	5,371	5,393

Operational indicators and financial ratios				
	2020	2021 E	2022 E	2023 E
Liquidity	1.9x	1.3x	3.0x	2.4x
Leverage (TL/TA)	44.6%	47.4%	49.0%	48.3%
Total debt/NOI	-74.0x	10.9x	5.2x	4.8x
Net debt/NOI	-10.2x	-32.1x	28.7x	16.0x
LTV (Total debt/Prop. Inv)	44.1%	45.8%	46.8%	44.1%
Implicit Cap Rate	-0.6%	4.3%	9.1%	9.3%

Source: APL Global



## HOTEL SECTOR IN MEXICO

According to Sectur, by 2020, the hotel sector in Mexico represented 28.3% of the Tourism Gross Domestic Product and 9.0% of formal employment.

In the words of the head of Sectur, Miguel Torruco Marqués, "The hotel industry has become a dynamic, solid and growing sector, which in Mexico is consolidated as an activity that generates foreign exchange, jobs and investment."

For 2020, 2021 and 2022, it is expected that there will be an investment portfolio of an approximate total of Ps. 287 billion throughout the Mexican territory, favoring the construction of 90 thousand 300 new hotel rooms, which it is estimated could create close to of 79 thousand direct jobs.

According to the statistical report on the behavior of foreign direct investment (FDI) for 2Q21, the FDI destined to temporary accommodation services and food and beverage preparation accumulated, during the first six months of the year, US\$716.8 million, which it represented 3.9% of Mexico's total FDI.

The hotel sector has been highly affected by the COVID-19 pandemic, due to the mobility restrictions that were imposed at the beginning of the outbreak in 2020, the sector being severely punished by investors, as shown in the various financial multiples FINN and its competitors.

	EV / NOI	Mkt. Cap. / NAV	P / E	P / BV
<b>FINN</b>	<b>18.9x</b>	<b>0.2x</b>	<b>-1.4x</b>	<b>0.4x</b>
FIHO	8.6x	0.4x	-8.5x	1.2x
HOTEL	-39.5x	0.3x	89.3x	0.5x
HCITY	-19.9x	0.2x	-2.9x	0.3x
POSADAS	-34.0x	2.3x	-27.2x	26.7x
<b>Benchmark*</b>	<b>-19.9x</b>	<b>1.3x</b>	<b>-5.3x</b>	<b>13.5x</b>

Financial information in Ps. as of 2Q21 and prices as of September 10, 2021.

\*Weighted average

\*\* For HOTEL, HCITY and POSADAS, operating income was taken as NOI.

Source: Prepared by APL Global with data subtracted from the quarterly reports of each company

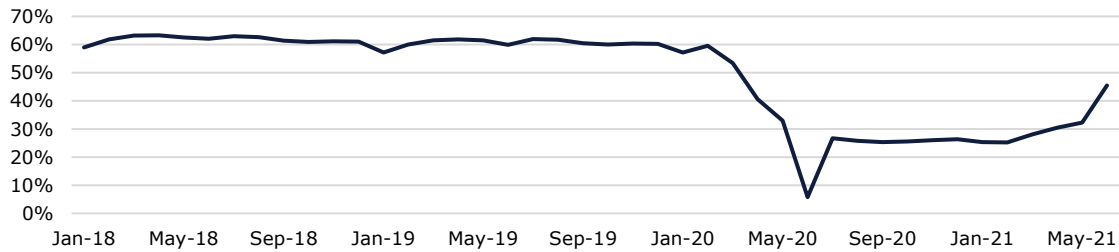
During the second quarter of 2020, FINN had to close 23 hotels, with only 15 remaining in operation. At the end of 2Q21, FINN has 5 hotels closed and 33 in operation.

The head of Sectur explained that, despite the marked uncertainty and cautious forecasts throughout last year, during the second quarter of 2021, the hotel sector has shown a significant rebound, a result that is attributed to the start of the vaccination program against COVID-19, as well as progress in the US vaccination scheme, which widely benefited markets dependent on tourists from North America.

According to figures from the National Statistical Information System of the Tourism Sector of Mexico (DataTur), during June, hotel occupancy in the main 70 tourist destinations of the country amounted to 45.5%, a figure that compares favorably with 5.8% for the same month of the previous year.



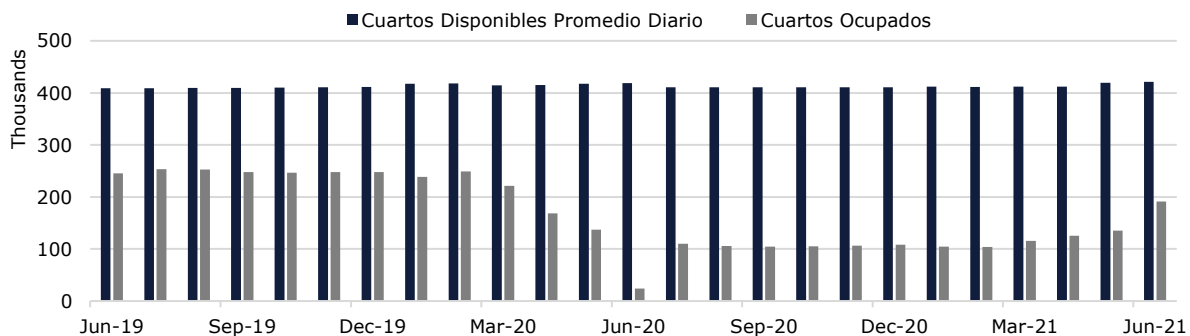
### Hotel Occupation (%)



Source: prepared by APL Global with data from Sectur

Likewise, the number of average rooms occupied during the month of June amounted to 191,439, registering an increase of 692.3% with respect to the same month of the previous year. These increases have been driven mainly by the arrival of foreign and national tourists, which had an annual increase of 1257.5% and 543.2%.

### Average Daily Available Rooms vs Occupied Rooms



Source: prepared by APL Global with data from Sectur

The corridor of Los Cabos (San José del Cabo - Cabo San Lucas) and Cancun, which are destinations that mostly depend on North American tourism, have benefited from national tourism, which has been atypical, due to the offers that different chains from 3 to 5 stars, as well as grand tourism, have offered in order to improve the influx of guests; seeking to boost the sector's income.

According to KPMG Mexico, it is considered that once the vaccination process has started, these tourist places show a total occupancy close to 50%, both North Americans and locals, hoping that by the end of 2021 this growth trend will continue.

In the same way, it is possible that a staggered return to the trends that existed before the pandemic will begin to be observed, where the majority of guests are North Americans, with rates already stabilized, and a hotel occupancy close to that registered in 2019, which is that this would create a scenario of certainty for the entire hotel sector.





## FIBRA INN DIFFERENTIATORS

The Infrastructure and Real Estate Trusts (FIBRA) arise to promote the development of the real estate market in Mexico; preventing the vehicle from being taxed at the corporate level, on the condition that the profits generated are transferred to its investors. The scheme originates from the Real Estate Investment Trusts (REITS) in the United States.

FIBRAs are an attractive option for the investing public, and they are becoming more and more popular in the Mexican market. They are a vehicle that, due to its attributes, allows the development and management of real estate projects. Through the trust, financing is allowed for the purchase or construction of real estate for lease.

Some advantages that stand out in the separation of a real estate portfolio in these vehicles, unlike a corporate one, is that they increase the visibility and qualities of each of the assets, of the different real estate segments, according to their profitability, as well as boost improvements in resource allocation.

The operation of the FIBRAs consists of a contribution of real estate to a trust. Said contribution is financed via capital, through the issuance of Fiduciary Stock Certificates (CBFIs) in the market, through a public or private offering.

All properties, built or acquired, are destined for leasing, with the purpose of receiving periodic income from the income of the assets. The benefits obtained by the investor lie in the periodic payments (product of the lease) and the capital gain, due to the capital gain generated by the assets.

Therefore, FIBRAs are a hybrid instrument, as they have characteristics of both the debt and capital markets, since they provide quasi-fixed returns from the lease, and variable from capital gains.

According to article 223 of the Income Tax Law, FIBRAs are exempt from paying income tax at the corporate level, the tax burden corresponds only to the holders of the participation certificates, for the benefits they receive.

In order to obtain the tax benefits applicable to FIBRAs, they must meet the following requirements: that the trust has been established in accordance with Mexican law and the trustee is a credit institution resident in Mexico; and, that at least 70% of the trust equity is invested in real estate. In addition, the assets that are built or acquired must be used for leasing and cannot be sold before at least four years have elapsed from the completion of their construction or acquisition. Finally, 95% of the fiscal result of the immediately preceding fiscal year must be distributed among the holders.

The advantage of FIBRAs is to facilitate investors' access to the real estate sector, while the assets in trust are managed by experts in the field.



Some benefits of a FIBRA scheme are:

- *Step up in basis*: Recognition at market value of the properties, without triggering the payment of the capital gain of 30%.
- Corporate tax savings: Rental income received free of corporate tax (30% higher).
- Fiscal Shield: Release of value through the use of the fiscal shield, i.e. dividends received as a capital reduction that are tax-free. Lower effective tax rate on dividends (~ 15-20%) as a result of the benefit of the tax shield.
- Incremental leverage: by doing a “step up on basis” of the asset value, the potential leverage space is also increased. FIBRAs can be leveraged up to 50% of the value of the assets.

FIBRA INN is an internally managed Mexican trust, formed primarily to obtain, develop and rent an extensive set of properties that are destined for lodging in Mexico, to serve the traveler. FINN is involved in producing a positive effect on the profitability of its properties, considering a sustainable management of its activities, and seeking a positive impact on the environment and society.

FIBRA INN began the formation of a portfolio of hotels at the time of the initial public offering, in 2013, the year in which it was established with a portfolio of hotel contributions by the founding partners, consisting of 8 hotels, with 1,613 rooms, which represented a value of Ps.1,773.8 million.

In 2016, FINN was the first FIBRA to internalize its administration, which differentiates it from other FIBRAs. This change was approved by 91% of the trust holders, which brought with it several benefits that are relevant to the governance of the FIBRA. These changes have brought about greater transparency in management, elimination of acquisition, disposal, financing or development commissions, since these could cause conflicts of interest or incentives that are different from those of the holders. Likewise, two new committees were established "Investment Committee" and "Financial Committee".

In 2020, FINN decided to develop and implement an ESG management model, characterized by emphasizing environmental, social and corporate governance issues, in favor of a better social, economic and financial performance of the FIBRA.

As a result of the foregoing, we consider that FIINN has an innovative, efficient, flexible and highly profitable business model, which is mainly made up of three fundamental elements: i) diversification of brands and formats; ii) strategic geographic location; and, iii) quality services in the complexes that make up the portfolio. Undoubtedly, these three elements are essential to guarantee the growth of the portfolio and keep guests satisfied, which results in better distributions to holders.



## TIMELINE

### 1950-2007

---

- In 1950 the Hotel Rio Mty was born as a family business, inaugurated by the engineer Domingo A. Zorrilla Gómez; which would become what we now know as FINN.
- Starting in 2001, a concept called “Hoteles Prisma México” was created, a company that would manage and develop the group's hotels.
- In 2007, Hoteles Prisma opened up to investment, integrating the group the investment funds CVCI Capital and Indigo Capital, which contributed US\$25.5 million and US\$1.2 million, respectively.

### 2012-2013

---

- FIBRA INN was consolidated as a FIBRA on October 23, 2012.
- FIBRA INN debuts on the Mexican Stock Exchange (BMV) on March 13, 2013, under the ticker symbol FINN 13.

### 2014-2016

---

- In 2014, 13 hotels were acquired, representing 1,733 rooms. Also, 4 existing hotels had an expansion, so this represented 304 additional rooms.
- During 2015, new technological platforms were implemented and the trust processes were redesigned.
- In 2016, the “Hotel Factory” started, which emerged as a mechanism to promote the growth of the FIBRA, together with developers and external investors, in order to create an acquisition pipeline, this without affecting the CBFi holders' distributions.

### 2017-2020

---

- On October 11, 2018, information was given on the purchase of a piece of land in Playa del Carmen, and on the progress of the projects of the Hotel Factory.
- On October 7, 2019, it was announced the cancellation of 10,475,815 CBFIs acquired by FIBRA INN, from May 2, 2018 to March 29, 2019, by the repurchase fund.
- From January 1, 2020 to April 27, 2020, FIBRA INN made capital repurchases of FINN13, for a total of 938,702 CBFIs, and a value of Ps.7.4 million, with an average price of Ps.7.90.



## RELEVANT STATEMENTS

### About the information presented

The analysts responsible for the preparation of this report state that the analysis, valuations, opinions, points of view and conclusions expressed herein reflect a totally independent opinion, which is based on information that is considered to be public and reliable.

APL Global states that the personnel making this report has experience, technical capacity and professional prestige. The analysis developed by APL Global is prepared under the highest standards of quality and transparency.

Regardless of the business relationship that APL Global might be carrying with the analyzed issuers, there is a “Chinese Wall” barrier between the APL Global business areas and fundamental analysts, in order to guarantee their independence in investment opinions and recommendations.

In some cases, the coverage provided by APL Global is provided through the payment of a consideration, this being a service charged to the issuer. However, APL Global has full impartiality and autonomy in the construction of its model and issuance of opinions.

The information is presented in summary form and does not purport to be complete. There is no representation or warranty, express or implied, regarding the accuracy, impartiality, or completeness of this information.

The information contained in this presentation is public and was obtained from different sources. The projections or forecasts contained in this analysis are a general recommendation and are based on assumptions and subjective estimates about events and circumstances that have not yet occurred and are subject to significant variations. It is not possible to guarantee the success of the strategies proposed.

The target price presented in this report reflects the possible expected performance of the stock in a specific period of time. Said performance is determined by the valuation methodology selected by APL Global, which is based on the combination of one or more generally accepted methodologies for the financial valuation of a company and which may include valuation by multiples, discounted cash flows (DCF for its acronym in English), sum of parts, liquidation value and any other appropriate methodology for the particular case. It should be noted that said valuation could be affected by other factors, such as the flow of general or specific company news, investors' perception of the issuer, the sector and financial markets, mergers and acquisitions, among others. Some or all of these factors may lead to a recommendation contrary to that indicated by the simple fundamental valuation.

This document has been prepared for informational purposes. No commitment is made regarding the precision, sufficiency, veracity or accuracy of the information and opinions contained herein. APL Global will not be liable for any loss or damage derived from this. This presentation is based on facts and / or events that have occurred up to this date, so future events and / or events may harm the conclusions expressed here. APL Global does not assume any responsibility to update, revise, rectify or cancel this presentation based on any future events.

As of the date of this report, the APL Global analysts do not receive any compensation from Fibra Inn.

This report and its contents are property of APL Global and cannot be shown or distributed without APL Global's prior written consent.

