

# GICSA

Quarterly Report

March 3, 2021

## EBITDA impacted by costs of Cero5Cien

- **Gicsa's report was mixed. The most recently inaugurated assets helped to keep NOI virtually unchanged. However, costs related to Cero5Cien affected EBITDA**
- **Although collections continued to recover sequentially (+18pp to 84%), accounts receivable only decreased by 10% q/q, limiting cash generation, and while risks to their recovery continue**

**A mixed year-end.** Again, a stronger-than-expected NOI contribution from newer assets helped offset the effect of the pandemic. Meanwhile, the opening of *Explanada Culiacán* led to a 6.0% y/y growth in GLA to 965,731 m<sup>2</sup>, while occupancy declined 510bps y/y to 85%, and average rent increased 4.5%. With this in mind, revenues declined 7.2% y/y to MXN 1.037 billion, reflecting a 15% drop in fixed rents (from concessions granted) and declines in almost every additional revenue source. Despite the above, NOI remained virtually stable at MXN 797 million (-1.5% y/y), due to greater contribution of the most recent openings to income and efficiencies in operating expenses. However, by contrast, EBITDA fell 27.1% y/y to MXN 542 million, impacted by real estate inventory sales costs of MXN 182 million, related to its Cero5Cien residential project (+2.5% y/y on a comparable basis, in line with our expectation). Finally, net income grew 51.1% y/y to MXN 304 million, supported by FX gains and lower effective tax rate.

**Leverage continues to increase.** The economic environment has been weakening the already leveraged capital structure of the company. In the quarter, ND/EBITDA ratio rose to 8.7x from 8.3x in 3Q20. Recovery of accounts receivable, continuous improvement in collections, and prudent management of capital expenditures will be crucial for the company to accumulate cash and deleverage its balance sheet without turning to other funding sources.

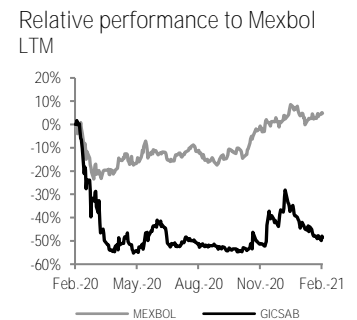
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Under Review	
Current Price	\$3.34
PT	
Upside Potential	
Max – Min LTM (\$)	7.10– 2.81
Market Cap (US\$m)	245.6
Shares Outstanding (m)	1,533.2
Float	30.62%
Daily Turnover US\$m	0.8
Valuation metrics LTM	
FV/EBITDA	12.2x
P/E	N.A.
MSCI ESG Rating*	N.A.



Financial Statements	2019	2020	2021E	2022E
Revenue	4,450	4,181	4,250	4,373
NOI	3,302	3,376	3,357	3,603
EBITDA	3,416	2,940	3,046	3,780
EBITDA Margin	76.8%	70.3%	71.7%	86.4%
Net Income	2,443	-81	410	105
Net Margin	54.9%	-1.9%	9.6%	2.4%
Total Assets	72,671	71,263	71,102	68,192
Cash	5,690	1,472	2,427	2,978
Total Liabilities	41,534	40,443	39,598	36,521
Debt	27,875	26,994	27,041	23,910
Common Equity	31,136	30,820	31,505	31,671

Source: Banorte

Valuation and Financial metrics	2019	2020	2021E	2022E
FV/EBITDA	9.6x	12.2x	11.5x	8.3x
P/E	2.1x	-63.0x	12.5x	48.6x
P/BV	0.2x	0.2x	0.2x	0.2x
ROE	8.7%	-0.3%	1.3%	0.3%
ROA	3.4%	-0.1%	0.6%	0.2%
EBITDA/ interest	2.6x	1.3x	1.7x	1.9x
Net Deb/EBITDA	6.5x	8.7x	8.1x	5.5x
Debt/Equity	0.9x	0.9x	0.9x	0.8x

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## GICSA – Results 4Q20

MXN, million

Concept	4Q19	4Q20	Var %	4Q20e	Diff% vs Estim.
Revenue	1,117	1,037	-7.2%	993	4.4%
NOI	810	797	-1.5%	675	18.0%
Ebitda	744	542	-27.1%	749	-27.5%
Net Income	201	304	51.1%	305	-0.5%
<b>Margins</b>					
NOI Margin	72.4%	76.8%	4.4pp	68.0%	8.8pp
Ebitda Margin	66.6%	52.3%	-14.3pp	75.4%	-23.1pp
Net Margin	18.0%	29.3%	11.3pp	30.7%	-1.4pp
EPS	\$0.13	\$0.20	54.4%	\$0.20	0.3pp

### Income Statement (Million pesos)

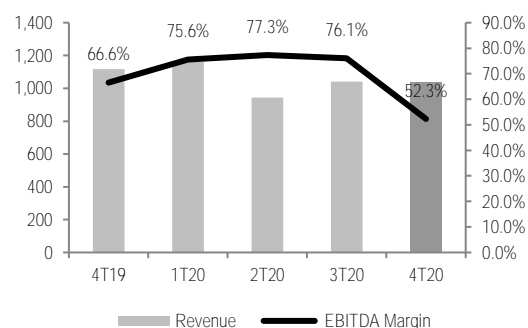
Year	2019	2020	2020	Change	Change
Quarter	4	3	4	% y/y	% q/q
Net Revenue	1,117.4	1,040.9	1,037.4	-7.2%	-0.3%
Costs of goods sold	307.9	206.3	240.3	-21.9%	16.5%
Gross profit	809.5	834.6	797.0	-1.5%	-4.5%
General expenses	(65.4)	(42.5)	(254.6)	289.0%	499.3%
NOI	809.5	834.6	797.0	-1.5%	-4.5%
NOI Margin	72.4%	80.2%	76.8%	4.4pp	(3.4pp)
Depreciation	108.3	14.6	37.9	-65.0%	159.3%
EBITDA	744.1	792.1	542.5	-27.1%	-31.5%
EBITDA Margin	66.6%	76.1%	52.3%	(14.3pp)	(23.8pp)
Interest Income (Expense) net	(225.4)	59.5	148.4	N.A.	149.3%
Interest expense	318.2	352.4	577.2	81.4%	63.8%
Interest income	59.1	576.0	85.2	44.1%	-85.2%
Other income (expense)	(220.5)	(275.3)	(103.3)	-53.2%	-62.5%
Foreign exchange gain (loss)	254.2	111.2	743.7	192.5%	>500%
Unconsolidated subsidiaries	(2.5)	8.4	14.7	N.A.	74.7%
Income before taxes	563.1	1,077.8	789.1	40.1%	-26.8%
Income taxes	299.0	184.4	291.7	-2.4%	58.2%
Discontinued operations					
Consolidated Net Income	264.1	893.5	497.4	88.3%	-44.3%
Non-controlling interest	63.1	364.2	193.6	207.0%	-46.8%
Net Income	201.1	529.2	303.8	51.1%	-42.6%
Net Margin	18.0%	50.8%	29.3%	11.3pp	(21.6pp)
EPS	0.131	0.345	0.202	54.4%	-41.3%

### Balance Sheet (Million pesos)

Total Current Assets	12,563.0	10,658.8	10,336.3	-17.7%	-3.0%
Cash & Short Term Investments	5,690.1	1,272.0	1,471.8	-74.1%	15.7%
Long Term Assets	60,107.7	62,068.2	60,926.7	1.4%	-1.8%
Property, Plant & Equipment (Net)	782.3	670.8	675.3	-13.7%	0.7%
Intangible Assets (Net)	402.9	110.5	127.1	-68.5%	15.0%
Total Assets	72,670.7	72,727.0	71,263.0	-1.9%	-2.0%
Current Liabilities	2,075.6	4,036.7	4,080.7	96.6%	1.1%
Short Term Debt	659.5	2,405.5	2,187.5	231.7%	-9.1%
Accounts Payable	650.4	730.2	864.8	33.0%	18.4%
Long Term Liabilities	39,458.6	37,693.5	36,362.0	-7.8%	-3.5%
Long Term Debt	27,777.4	25,827.0	25,692.3	-7.5%	-0.5%
Total Liabilities	41,534.2	41,730.2	40,442.7	-2.6%	-3.1%
<b>Stockholders' Equity</b>	31,136.5	30,996.8	30,820.3	-1.0%	-0.6%
Non-controlling interest	63.1	364.2	193.6	207.0%	-46.8%
Total Equity	25,664.3	25,264.7	25,729.6	0.3%	1.8%
Liabilities & Equity	72,670.7	72,727.0	71,263.0	-1.9%	-2.0%
Net Debt	22,185.3	26,045.0	25,522.0	15.0%	-2.0%

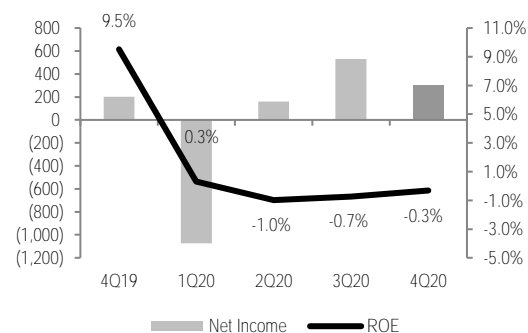
## Revenue & EBITDA Margin

MXN, million



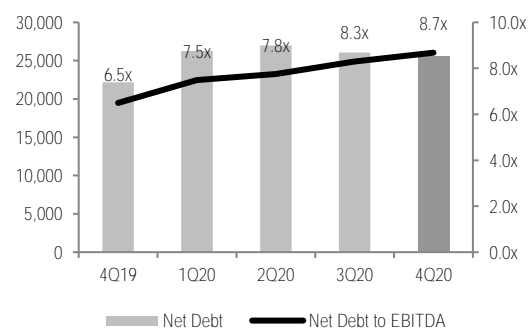
## Net Income & ROE

MXN, million



## Net Debt & Net Debt to EBITDA ratio

MXN, million



Source: Banorte, MSE.

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentin III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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	Reference
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

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## History of PT and ratings

Stock	Date	Rating	PT
GICSA B	23/07/2019	Buy	\$7.00
GICSA B	01/03/2019	Buy	\$9.00
GICSA B	25/10/2017	Buy	\$14.00
GICSA B	25/04/2017	Buy	\$15.00

## MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD		AVERAGE			LEADER	

\*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

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