

FIHO

Quarterly Report

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Priority to maintain liquidity in a tough environment

- **FIHO results registered falls, although less than expected, stemming from the COVID-19 impact which significantly hit hotel demand and led to the closing of several hotels**
- **The sector outlook seems very complicated for the next quarters, pointing out 2Q20. Thereon, the REIT adopted measures in efforts to maintain its liquidity, such as, not paying 1Q20 distribution**

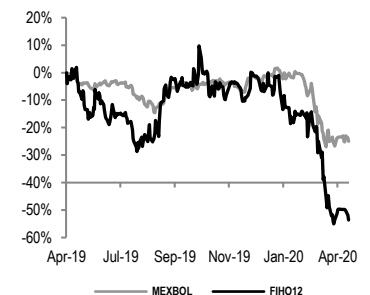
A year-start impacted by COVID-19. FIHO's 1Q20 results reflect the pandemic impact which derived in a stout hotel demand decrease, which led to the closing of 30 hotels in March 23 and 11 more in March 31. For the total portfolio (85 hotels) -excluding Fiesta Americana Condesa Cancun (FACC)- occupancy registered an 11.2% drop y/y to locate at 49.7%, while the average rate rose 2%, resulting in a 16.8% effective rate reduction placing it at \$747. Likewise, a FACC lower occupancy (-13.2%) drove rental income to a 12% y/y downturn. Thus, net income fell 8.9% to \$949 million. On one hand, lower operating leverage led to a 3.8pp NOI reduction to 29.2%, and EBITDA margin to a 4.0pp decrease to 23.3%. On the other hand, the REIT posted a net loss due to lower operating profit, greater interest expense and FX losses. FIHO's debt profile is 28% LTV (*Loan to Value*), below its 40% limit.

Focused on maintaining liquidity in face of a more complicated scenario ahead. Amid a complex outlook for the hotel sector, which is one of the most affected sectors by COVID-19, FIHO took on measures to maintain liquidity during the quarter, such as: non-essential expenses reduction, 1Q20 distribution elimination and an advisory-fee deferral. For the REIT, a greater impact will be shown in 2Q20 with the closing of its hotels, for which we will cautiously review our estimates and rating.

Under Review

Current Price	\$4.50
PT2020	
Upside Potential	
Distribution payment 20e (%)	
Max - Min LTM (\$)	10.16 - 4.20
Market Cap (US\$m)	144.55
Shares Outstanding (m)	785.72
Float	80%
Daily Turnover (\$m)	18.3
Valuation metrics LTM	
P/AFFO	6.2x
FV/EBITDA	6.9x

Relative performance to MEXBOL LTM



Financial Statements

MXN, million	2018	2019	2020E	2021E
Revenues	4,107	4,372	4,711	4,961
Operating Income	694	691	777	833
EBITDA	1,155	1,156	1,258	1,329
EBITDA Margin	28.1%	26.5%	26.7%	26.8%
Net Income	615	317	441	497
Net Margin	15.0%	7.3%	9.4%	10.0%
Total Assets	17,108	17,746	17,614	17,544
Cash	481	906	787	810
Total Liabilities	4,019	5,115	5,148	5,257
Debt	3,516	4,579	4,579	4,579
Common Equity	13,089	12,631	12,466	12,287

Source: Banorte

Valuation and financial metrics

	2018	2019	2020E	2021E
FV/EBITDA	5.7x	6.2x	5.8x	5.5x
P/U	5.8x	11.3x	8.0x	7.1x
P/VL	0.3x	0.3x	0.3x	0.3x
P/FFO	3.8x	4.6x	3.8x	3.6x
P/AFFO	4.2x	5.6x	5.0x	4.6x
Cap Rate (NOI/FV)	20.9%	19.3%	21.0%	22.4%

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FIHO – Results 1Q20

MXN, million

Concept	1Q19	1Q20	Var %	1Q20e	Var % vs Estim.
Revenue	1,042	949	-8.9%	911	4.2%
NOI	343	277	-19.4%	253	9.5%
Ebitda	284	221	-22.3%	202	9.2%
Net Income	96	-53	N.A.	3	N.A.
Margins					
NOI Margin	33.0%	29.2%	-3.8pp	27.8%	1.4pp
Ebitda Margin	27.3%	23.3%	-4.0pp	22.2%	1.1pp
Net Margin	9.3%	-5.6%	-14.9pp	0.3%	-5.9pp
Distribution payment	\$0.21	N.A.	N.A.	\$0.10	N.A.

Income Statement (Million pesos)

Year	2019	2019	2020	Change	Change
Quarter	1	4	1	% y/y	% q/q
Net Revenue	1,041.9	1,130.8	948.8	-8.9%	-16.1%
Cost of goods sold	682.0	761.6	656.0	-3.8%	-13.9%
Gross profit	359.9	369.2	292.8	-18.6%	-20.7%
General expenses	196.9	205.0	192.9	-2.0%	-5.9%
NOI	343.4	351.8	277.0	-19.4%	-21.3%
NOI Margin	33.0%	31.1%	29.2%	(3.8pp)	(1.9pp)
Operating Profit Adjusted	163.1	164.3	87.1	-46.6%	-47.0%
Operating Margin	15.6%	14.5%	9.2%	(6.5pp)	(5.3pp)
Operating Depreciation	117.3	114.5	128.9	10.0%	12.6%
EBITDA	284.5	296.3	220.9	-22.3%	-25.4%
EBITDA Margin	27.3%	26.2%	23.3%	(4.0pp)	(2.9pp)
Interest income (expense) net	(69.7)	(65.8)	(139.9)	100.7%	112.7%
Interest expense	86.4	91.7	100.0	15.8%	9.1%
Interest income	16.4	20.3	15.9	-2.6%	-21.4%
Income before taxes	93.3	62.0	(53.3)	N.A.	N.A.
Income taxes	(3.1)	7.6	0.1	N.A.	-99.2%
Consolidated Net Income	96.4	54.4	(53.3)	N.A.	N.A.
Minorities	0.0	0.0	0.0	N.A.	N.A.
Net Income	96.4	54.4	(53.3)	N.A.	N.A.
Net Margin	9.3%	4.8%	-5.6%	(14.9pp)	(10.4pp)
FFO	215.8	218.1	77.7	-64.0%	-64.4%
AFFO	166.1	158.5	97.2	-41.5%	-38.7%
Distribution payment	0.211	0.201	N.A.	N.A.	N.A.

Balance Sheet (Millions)

	1Q19	1Q20	1Q20	Change	Change
Total Current Assets	1,108.4	1,224.3	1,294.1	16.7%	5.7%
Cash & Short Term Investments	654.4	905.9	970.4	48.3%	7.1%
Long Term Assets	16,329.8	16,522.1	16,568.7	1.5%	0.3%
Property, Plant & Equipment (Net)	11,766.1	12,305.9	12,570.9	6.8%	2.2%
Properties under development	523.7	239.4	239.8	-54.2%	0.2%
Total Assets	17,438.2	17,746.4	17,862.8	2.4%	0.7%
Current Liabilities	1,017.1	706.4	593.1	-41.7%	-16.0%
Short Term Debt	414.5	170.6	170.6	-58.9%	0.0%
Accounts Payable	306.4	273.7	273.7	-10.7%	0.0%
Long Term Liabilities	3,471.1	4,408.6	4,859.3	40.0%	10.2%
Long Term Debt	3,471.1	4,408.6	4,408.6	27.0%	0.0%
Total Liabilities	4,488.2	5,115.0	5,452.4	21.5%	6.6%
Common Stock	12,950.0	12,631.4	12,410.4	-4.2%	-1.7%
Minorities	0.0	0.0	0.0	N.A.	N.A.
Total Equity	12,950.0	12,631.4	12,410.4	-4.2%	-1.7%
Liabilities & Equity	17,438.2	17,746.4	17,862.8	2.4%	0.7%
Net Debt	3,231.2	3,673.3	3,608.8	11.7%	-1.8%

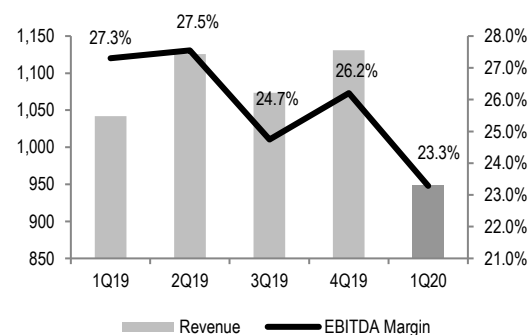
Cash Flow (Million pesos)

Cash Flow from Operating Activities	190.2	297.5	207.0
Cash Flow from Investing Activities	(155.2)	(184.4)	(155.1)
Cash Flow from Financing Activities	138.0	(202.2)	12.6
FX effect on cash	0.0	0.0	0.0
Change in Cash Balance	173.0	(89.1)	64.5

Source: Banorte, BMV.

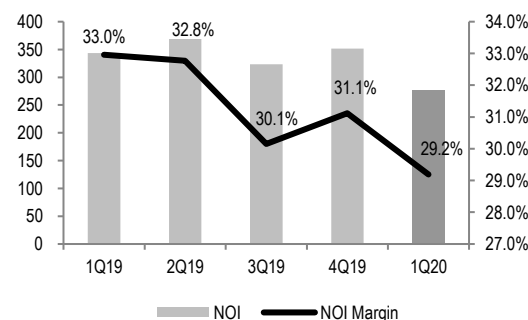
Revenue & EBITDA Margin

MXN, million



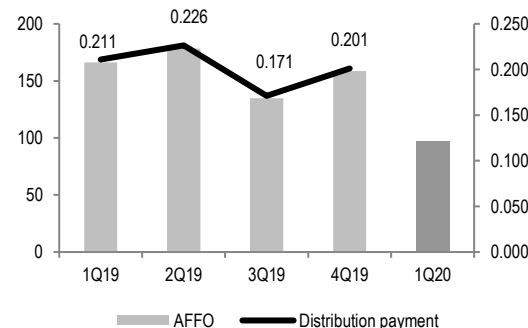
NOI & NOI Margin

MXN, million



AFFO / Distribution payment

MXN, million



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, Valentín 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, Jorge Antonio Izquierdo Lobato and Eridani Ruibal Ortega, 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
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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History of PT and Ratings

Stock	Date	Rating	PT
FIHO12	24/10/2019	Buy	\$10.4
FIHO12	15/07/2019	Hold	\$9.8
FIHO12	22/04/2019	Hold	\$11.3
FIHO12	26/02/2019	Hold	\$11.8

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