HOTEL

Quarterly Report

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Solid recovery in results continues

- **HOTEL released 3Q21 figures showing significant improvement due to higher hotel demand, higher rates and solid operating leverage, in line with expectations**
- **Although occupancy and EBITDA remain below pre-pandemic levels (-6.1pp and -26.0% vs. 3Q19), the improved industry performance confirms our favorable view for the company**

Continued good dynamism in the hotel sector. HOTEL's 3Q21 results showed relevant advances due to a better demand behavior, coupled with an easy comparable base ─until August 2020 the company already had all its hotels open after the major impact of the pandemic in 2Q20─. Thus, revenues presented an increase of 158.3% to MXN 463 million (-9% vs. 3Q19), favored by an occupancy in owned hotels (those that contribute the most to revenues) of 51.2% (+28.5pp y/y vs. 3Q20), as well as by an annual increase in the average rate of 19.5% to MXN 1,352, so the effective rate was placed at MXN 692 (+169.6% y/y). Thus, the higher operating leverage was reflected in an EBITDA of MXN 103 million (vs. MXN -29 million in 3Q20), with a margin of 22.3%, better than expected. On the other hand, at the net level, the majority loss of MXN 38 million (vs. MXN -45 million in 3Q20), derived from foreign exchange losses, partially offset by higher operating income. Finally, the ND/EBITDA ratio was 10.4x vs. 20.6x in 2Q21, which we expect to continue decreasing as figures improve. For the quarter, the FV/EBITDA multiple decline from 59.7x to 23.4x. **The favorable outlook is confirmed.** Our expectations are that the greater dynamism of hotel demand, as a result of the economic recovery and the progress in the vaccination process, should be reflected in a continued pace of recovery in the industry, and in better results for the company in the coming quarters. Thus, we ratify our positive outlook for HOTEL, while considering its low marketability.

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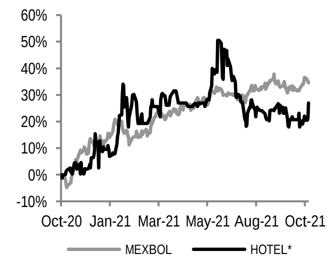
BUY	
Current Price	$4.95
PT	$5.70
Upside Potencial	15.2%
Max – Min LTM ($)	5.90 – 3.65
Market Cap (US$m)	150.21
Shares Outstanding (m)	616.1
Float	46.1%
Daily Turnover ($m)	0.3
Valuation metrics LTM	
FV/EBITDA	23.4x
P/U	75.6x
MSCI ESG Rating*	N.A.

Relative performance to MEXBOL LTM



Financial Statements

MXN, million	2019	2020	2021E	2022E
Revenues	2,238	1,071	1,434	1,860
Operating Income	379	-227	38	160
EBITDA	646	47	300	426
EBITDA Margin	28.8%	4.4%	20.9%	22.9%
Net Income	179	-384	-74	-20
Net Margin	8.0%	-35.8%	-5.2%	-1.1%
Total Assets	10,240	10,319	10,419	10,442
Cash	180	539	553	578
Total Liabilities	4,208	4,282	4,456	4,498
Debt	2,782	2,889	3,134	3,126
Common Equity	6,032	6,037	5,963	5,943

Source: Banorte

Valuation and financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	9.8x	140.2x	22.7x	15.9x
P/U	13.6x	-7.9x	-41.2x	-153.6x
P/VL	0.4x	0.5x	0.5x	0.5x
ROE	3.8%	-7.9%	-1.6%	-0.4%
ROA	1.8%	-3.7%	-0.7%	-0.2%
EBITDA/Interest	3.5x	0.4x	2.9x	4.8x
Net Debt/EBITDA	4.0x	50.0x	8.6x	6.0x
Debt/Equity	0.5x	0.5x	0.5x	0.5x

HOTEL – Results 3Q21

MXN, million

Concept	3Q20	3Q21	Var %	3Q21e	Diff% vs Estim.
Revenue	179	463	158.3%	488	-5.2%
Operating Income	-90	43	N.A.	33	32.5%
Ebitda	-29	103	N.A.	100	3.2%
Net Income	-45	-38	-15.9%	-87	N.A.
Margins					
Operating Margin	-50.1%	9.4%	59.5pp	6.7%	2.7pp
Ebitda Margin	-15.9%	22.3%	38.2pp	20.5%	1.8pp
Net Margin	-25.4%	-8.3%	17.1pp	-17.8%	9.5pp
EPS	-$0.09	-$0.06	-32.9%	-$0.14	N.A.

Income Statement (Million pesos)					
Year	2020	2021	2021	Change	Change
Quarter	3	2	3	% y/y	% q/q
Net Revenue	179.1	483.6	462.8	158.3%	-4.3%
Cost of goods sold	83.0	181.1	167.6	101.8%	-7.5%
Gross profit	96.1	302.6	295.2	207.2%	-2.4%
General expenses	185.9	240.6	252.0	35.5%	4.7%
Operating Income	(89.8)	62.0	43.3	N.A.	-30.1%
Operating Margin	-50.1%	12.8%	9.4%	59.5pp	(3.5pp)
Depreciation	59.8	58.2	57.5	-3.8%	-1.3%
EBITDA	(28.5)	128.1	103.3	N.A.	-19.4%
EBITDA Margin	-15.9%	26.5%	22.3%	38.2pp	(4.2pp)
Interes income (expense) net	59.7	77.1	(105.6)	N.A.	N.A.
Interest expense	32.0	24.7	22.1	-31.0%	-10.4%
Interest income	(2.7)	4.7	2.9	N.A.	-37.8%
Other income (expenses)	(1.3)	(1.6)	(1.2)	-11.0%	-28.1%
Exchange Income (loss)	95.8	98.7	(85.3)	N.A.	N.A.
Unconsolidated subsidiaries	(1.9)	0.4	0.4	N.A.	-4.4%
Income before taxes	(32.0)	139.5	(62.0)	93.8%	N.A.
Income taxes	(0.0)	0.0	0.0	N.A.	N.A.
Discontinued operations	0.0	0.0	0.0		
Consolidated Net Income	(32.0)	139.5	(62.0)	93.8%	N.A.
Minorities	13.4	33.4	(23.8)	N.A.	N.A.
Net Income	(45.4)	106.0	(38.2)	-15.9%	N.A.
Net margin	-25.4%	21.9%	-8.3%	17.1pp	(30.2pp)
EPS	(0.093)	0.172	(0.062)	-32.9%	N.A.

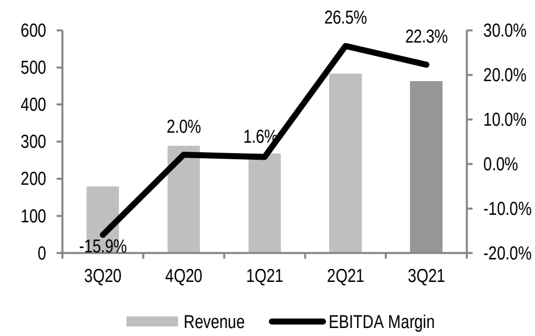
Balance Sheet (Million pesos)					
Total Current Assets	722.3	1,353.1	1,093.9	51.4%	-19.2%
Cash & Short Term Investments	130.6	727.0	531.9	307.3%	-26.8%
Long Term Assets	9,237.3	9,151.5	9,441.3	2.2%	3.2%
Property, Plant & Equipment (Net)	8,554.6	8,485.2	8,583.6	0.3%	1.2%
Intangible Assets (Net)	354.8	345.6	345.6	-2.6%	0.0%
Total Assets	9,959.6	10,504.6	10,535.1	5.8%	0.3%
Current Liabilities	758.9	804.9	807.7	6.4%	0.3%
Short Term Debt	255.2	208.5	235.2	-7.8%	12.8%
Accounts Payable	159.0	152.6	138.7	-12.8%	-9.1%
Long Term Liabilities	3,870.2	3,749.0	3,841.0	-0.8%	2.5%
Long Term Debt	2,986.6	2,874.3	2,898.3	-3.0%	0.8%
Total Liabilities	4,629.0	4,553.9	4,648.7	0.4%	2.1%
Common Stock	5,330.5	5,950.7	5,886.4	10.4%	-1.1%
Preferred Stock	1,094.0	1,150.7	1,128.7	3.2%	-1.9%
Total Equity	4,236.6	4,799.9	4,757.7	12.3%	-0.9%
Liabilities & Equity	9,959.6	10,504.6	10,535.1	5.8%	0.3%
Net Debt	2,973.2	2,259.0	2,501.3	-15.9%	10.7%

Cash Flow (Million pesos)			
Cash Flow from Operating Activities	19.2	116.8	72.6
Cash Flow from Investing Activities	(11.6)	(62.7)	(196.6)
Cash Flow from Financing Activities	(15.9)	191.0	(71.0)
FX effect on cash	(7.4)	(0.1)	(0.1)
Change in Cash Balance	(15.8)	245.0	(195.1)

Source: Banorte, MSE.

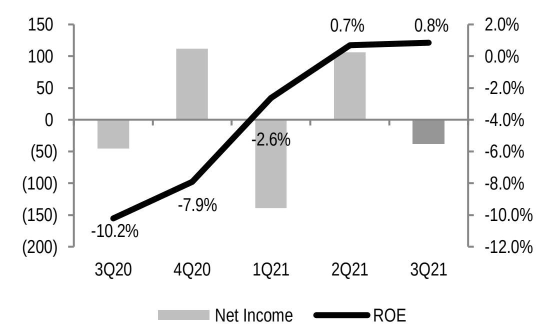
Revenue & EBITDA Margin

MXN, million



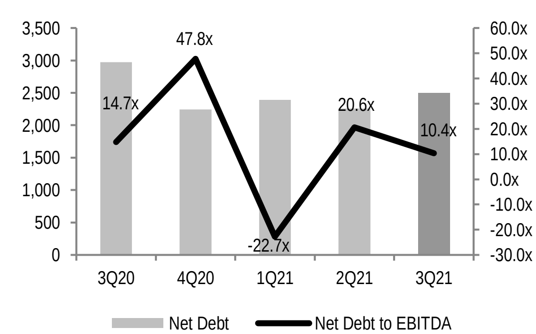
Net Income & ROE

MXN, million



Net Debt & Net debt to EBITDA ratio

MXN, million



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	Reference
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HOLD	*When the share expected performance is similar to the MEXBOL estimated performance.*
SELL	*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
HOTEL*	04/22/2021	Buy	$5.70
HOTEL*	04/24/2020	Under Review	Under Review
HOTEL *	10/24/2019	Hold	$5.50
HOTEL *	07/25/2019	Buy	$6.30

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

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

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