

Fibra Prologis

July 20, 2021 | Quarterly Results

Another Positive Quarter, As Anticipated

2021 Set To Be The Best Year For Mexico Logistics RE

Key Highlights. Fibra Prologis delivered positive 2Q21 results on the back of the continued acceleration in demand across its main industrial markets, led by e-commerce in Mexico City. We did observe a slight sequential moderation in occupancy to 96.4% (-30 bps QoQ and -70 bps vs. 4Q20), however, it is quite remarkable that it is still above 96% and that prospects remain solid for the foreseeable future. In that regard, it caught our attention that, entering into the second half of the year, the trust's management mentioned that 2021 might be the best year to date for Mexico logistics real estate, having as key fundamental drivers the following: i) the recovery of the U.S. economy; ii) nearshoring (relocation from China); iii) evolution of e-commerce; and iv) rebuilding of inventories by the companies. That being said, market vacancy should remain close to current levels (at 4%), which would consequently send rental rates higher.

Leasing Activity. The Fibra recorded a total 2.0 M SQF leasing volume, from which 66% corresponded to renewals. New leases were signed with an avg. term of 5.6 years. It was also relevant that, for the remainder of the year, expirations now account for 4% of total. In terms of rates, FIBRAPL registered a sound 7.7% increase in net effective rents on rollover, following +4.0% in the prior quarter; this time led by Tijuana, Mexico City, and Monterrey. Same store cash NOI rose 16.4%, boosted by a lower FX rate, fewer concessions granted and annual rent increases.

The Quarterly Results. Meeting our expectations, Fibra Prologis registered P\$1,202.9 M of total revenues in the quarter (just -0.2% vs. our estimate), basically unchanged QoQ (-0.5%). At the trust level, net operating income (NOI) came in at P\$1,038.7 M (US\$51.4 M), -2.4% vs. 1Q21, and -1.3% vs. our forecast. Adjusted EBITDA generation was P\$899.2 M (US\$44.4 M), +0.3% vs. estimate, resulting in a 74.8% EBITDA margin. At the bottom line, FFO was P\$732.4 M (US\$36.0 M), equivalent to P\$0.8625 /CBFI, marginally down QoQ (P\$0.8681 in 1Q21). Adj. FFO was P\$598.5 M (US\$29.4 M), up 3.1% against the positive surprise we had on the previous quarter (on lower-than-expected straight-lined rents). AFFO /CBFI was US\$0.0346. Thus, having the DPS guidance unchanged at US\$0.1075 for FY2021, the AFFO payout ratio remained at 78%. This quarter, the annualized dividend yield is 4.8% over FIBRAPL's last closing price (and FX at P\$20.17 /US\$).

Quarterly Capital Deployment Activities. During the quarter, the trust closed a US\$9.6 M (P\$192.7 M) acquisition in Mexico City, corresponding to a Last Touch® property. The stabilized cap rate was 7.6%. Note that this type of facilities represents sound growth opportunities given the structural changes of e-commerce. Changes in consumer habits require more efficient supply chains, with higher logistics capacity, and closer locations to the end customer (reduction in delivery times), which are being addressed through these facilities. Moreover, on July 20th, the Fibra announced a US\$19.1 M additional acquisition of a Class A property with 242,643 SQM of GLA located in Ciudad Juarez, developed by its sponsor, Prologis. The space is fully leased to a leading multinational company in the home furniture industry, evincing demand from nearshoring. With those acquisitions, it has deployed a total of US\$45.7 M, so, we would anticipate a stronger activity during 2H-2021. Recall that the Fibra's guidance for the FY2021 assumes acquisitions between US\$100-200 M and dispositions of US\$20-30 M.

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FIBRAPL

Outperform

Local Ticker:	FIBRAPL14
Last Price:	P\$ 45.04
Price Target 2021:	P\$ 46.20
Expected Return:	2.6%
Dividend Yield 2021E:	4.8%
Total Return (Remainder 2021E):	5.0%

Liquidity:	Medium
Market Cap. (P\$ M)	38,247
Enterprise Value (P\$ M):	54,447
52-Week Price Range (P\$):	(40.72 - 46.90)
Free Float:	42.8%
Avg. Daily Trade (P\$ M):	24

CBFI Price vs. MEXBOL (IPC)

