

Fibra MTY

July 28, 2021 | Quarterly Results

An Active & Positive 2Q; Making Significant Strides

Improving Office Outlook & FY2021 DPS Projections

Key Takeaways. It was a highly active 2nd quarter for Fibra MTY at different fronts, including: leasing, investment, financing & ESG; all at which it made significant strides. At the operational side, we believe this 2Q would become FMTY's inflection point for the office segment (lowest point of the Covid pandemic), from its current 76.1% occupancy (-12 p.p. YoY), and that a recovery would follow until reaching more "normalized" levels by 4Q21-1Q22e; sooner than we were previously anticipating. Supporting this view, FMTY mentioned that, as of today, it is negotiating ~50% of its vacant office space, equivalent to the aforementioned ~12% YoY contraction. From the quarterly financials we highlight that AFFO per CBF (AFFOPS) of P\$0.2190 came in-line with our forecast, even slightly above (+1.9% vs. P\$0.2150e). **Net, all-in-all it was a positive quarter for FMTY; from which we would expect a higher FY2021 DPS, surpassing the previous P\$0.83 guidance by at least +P\$0.05 from "La Perla's" (office) acquisition, to P\$0.87-0.88 (7.4% yield).** Note that there is additional upside potential on that figure if we were to account for the use of US\$150 M resources from additional debt (program facility) the trust could raise without exceeding its internal leverage limit of 35% (LTV). Assuming the acquisition of an industrial portfolio for that amount, AFFOPS would go up to P\$0.96 (8.1% yield). **We reiterate our long-term positive stance and our 'Outperform' rating on FMTY.**

Leasing. Expanding on the expected recovery of the office segment, the trust's management mentioned that it is on track to reach an 83% retention on leases maturing over the next 12 months, as it already has signed 73% and the remaining portion (10%) is expected to be so in the coming weeks. It was also relevant that FMTY has not been sacrificing rental rates as such renewals have been arranged at "reasonably similar rent levels", which given the ongoing market conditions (and mkt's perception) is positive news.

Investments. During the 2Q, FMTY completed the acquisition of "La Perla", a Class A office complex with 43,624 SQM of GLA, located in Zapopan, Jalisco. The price was P\$1,435 M for the 81% leased space and CapEx. Considering its annual NOI generation of P\$133.3 M (N12M), the implied entry cap rate was 9.3%. It represents 12% of the trust's current (2Q) annual NOI. Additionally, FMTY monetized (sold) the "Casona Los Mochis" property for P\$70 M, value determined by its independent appraiser. Recall that this property was acquired in 2015 and was fully leased to a single tenant (auto sector) with a triple net (NNN) peso-denominated contract. The transaction is part of the Fibra's portfolio restructuring strategy and its resources will be used for the expansion of an existing building located in Saltillo, Coahuila.

Financing. This quarter was also important for FMTY as it successfully reopened its US\$115 M long-term debt (maturity: October 2027) certificated program (FMTY20D) at a 3.73% fixed rate. This placement was relevant as it reduced the average cost by 20 bps to 4.13% (from 4.34%) and it provided the trust with higher financial flexibility (avg. maturity 4.7 years). Now, FMTY has 100% of its debt US\$-denominated, at a fixed rate, and unsecured. The regulatory LTV stands at 24.6%, with P\$878 M of cash on hand.

Quarterly Results. Just to point out that there were specific accounting (IFRS) non-cash effects that, apart from the significant -14% YoY change in the FX-rate, sent revenues down -16.5% YoY to P\$300 M (-6% vs. our est.), including: i) the early termination of AXTEL's lease (P\$12.1 M impact); and ii) grace periods accrued on an accelerated basis (P\$8.2 M). Pro-forma, revenues would have been -0.4% vs. our est. Net, AFFOPS came in-line.

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FMTY

Outperform

Local Ticker:	FMTY14
Last Price:	P\$ 11.90
Price Target 2021:	P\$ 14.00
Expected Return:	17.6%
Dividend Yield 2021E:	7.3%
Total Return (Remainder 2021E):	20.7%

Liquidity:	Low
Market Cap. (P\$ M)	11,542
Enterprise Value (P\$ M):	14,747
52-Week Price Range (P\$):	(8.98 - 18.54)
Free Float:	21%
Avg. Daily Trade (P\$ M):	3.4

CBFI Price vs. MEXBOL (IPC)

