Equity Research | Actinver

Fibra Uno

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A Positive 2Q21; In Recovery Mode

Net Covid Support On Positive Ground

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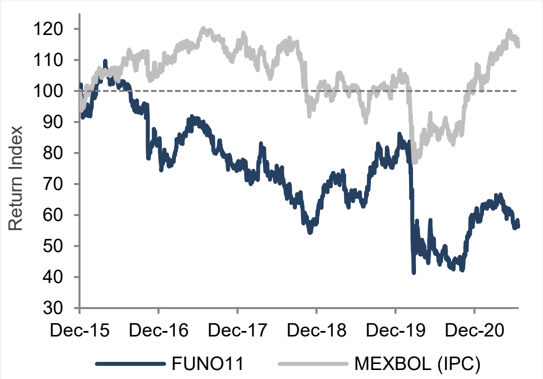
FUNO	Outperform
Local Ticker:	FUNO11
Last Price:	P$ 21.82
Price Target 2021:	P$ 28.80
Expected Return:	32.0%
Dividend Yield 2021E:	7.8%
Total Return (Remainder 2021E):	35.8%
Liquidity:	High
Market Cap. (P$ M)	82,916
Enterprise Value (P$ M):	212,303
52-Week Price Range (P$):	(15.75 - 25.50)
Free Float:	75.6%
Avg. Daily Trade (P$ M):	175

CBFI Price vs. MEXBOL (IPC)



FUNO had a positive 2Q21 from different standpoints: i) it showed that the pandemic recovery remains on track, mainly driven by a strong industrial segment, but also by a relevant turnaround at the retail side; ii) despite a softer performance of the office segment (office occupancy -2 p.p. QoQ to 74.4%), the trust delivered a solid +6.9% sequential FFO per CBFI (FFOPS) expansion to P$0.5730; and iii) ESG initiatives remain as an important long term strategic pillar for FUNO; with further progress being made. **Net, the Q-report reinforces our long-term positive stance on FUNO, particularly trading at a deep -36% discount to our estimated fair value of P$34.10 / CBFI (more conservative P$28.80 price target 2021e) and at a sound 10% annualized AFFO yield (with upside potential).**

The trust's industrial portfolio closed the quarter with a 95.5% aggregated occupancy level; logistics at 94.9% and light manufacturing at 97.1%. It kept its outperformance driven by the U.S. economic recovery, nearshoring, e-commerce dynamics, as well as the under-penetration of 3PLs in Mexico, as highlighted by FUNO's management. Now, the biggest positive surprise for us was the faster than expected recovery of the retail segment, where the trust experienced a reduction in net receivable days, down to 37, closer to normalized "35-day" levels; as well as a turnaround in net Covid supports, which ended on positive ground (+P$70 M, vs. -P$6 M in 1Q21). The latter mainly explained by the reverse of P$376 M in reserves, evincing finalized negotiations with larger tenants during the 2Q, which is very positive news.

The underperformance of the office segment came as no surprise for us, as it was highly expected given its lagging Covid impact as well as the relative oversupply it had since pre-Covid (in MTY, GDL, but mainly in MCMA). Note that, amidst this environment, the average rental rate pSQM at constant properties declined -10.4% YoY, while the overall occupancy fell 7.2 p.p., from 82.2% a year ago. As a result, annual revenues were 13.2% lower. Aligned with FUNO's view, we maintain ours unchanged, anticipating a brighter outlook for office space following the Covid vaccination process in Mexico, which would lead to a return to "normal" (not necessarily to a "new reality"), with a full recovery during 2022. Thus, we are basically seeing medium-term upside potential at this front, not the other way around.

FUNO's financial results came-in even slightly better than anticipated, mainly explained by the aforementioned positive net Covid support and sequentially lower operating expenses due to a lag in the exercise of some lines. Pre-Covid support, total revenues were P$5,215.5 M, -0.07% vs. our forecast (-3.0% QoQ and -0.6% YoY). Post-Covid support, they reached P$5,285.5 M, +1.3% vs. est. and +23% vs. 2Q20. The NOI margin came in 1.6 p.p. QoQ higher to 80.2%, with a NOI generation of P$4,241 M, leading to a 1.6% QoQ NOI growth, +5.6% vs. our forecast. No surprises down to the bottom line, with FUNO registering a P$2,179.7 M FFO, representing an outstanding +117% YoY recovery, equivalent to +P$1,176 M, easy to say, it was quite impressive; getting closer & closer to pre-pandemic levels. Worth noting that AFFOPS at P$2.292, annualized figure, implies a 10.5% yield, which would fully translate to dividend yield once the recovery phase is left behind and FUNO resets its policy back to a 100% payout. Also relevant to point out that AFFOPS performance has been partly enhanced as well by the trust's aggressive buyback activity, now amounting to 149.4 M own shares (4% of total) over the L12M. Lastly, DPS was P$0.3311, representing a 57.8% payout ratio and a 6.1% annualized yield over FUNO's last price.