

## Participants

- Francisco Medina Elizalde - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CEO
- Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director
- Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP
- Martín Lara - Miranda Global Research - Partner

## Presentation

- **Operator - -**

Ladies and gentlemen, thank you for your patience in holding, and welcome to the Grupo Hotelero Santa Fe's First Quarter 2021 Investor Relations Call. (Operator Instructions) It is now my pleasure to introduce our first speaker, Mr. Maximilian Zimmermann, Investor Relations Director of HOTEL. Please go ahead, sir.

- **Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director**

Good afternoon, and thank you for joining us today. My name is Max Zimmermann, Investor Relations Director of HOTEL, and I would like to welcome you to the company's earnings webcast for the first quarter of 2021. On the line, we have Francisco Zinser, Executive Vice President; Francisco Medina, our CEO; and Alberto Santana, our Administration Director.

The presentation slides we will follow during this call are available on our webcast, which you can find on the Investor Relations section of our website. Before we begin, I would like to remind you that this call is being recorded and that the information discussed today may include forward-looking statements regarding the company's financial and operating performance. Our projections are subject to risks and uncertainties, and actual results may differ materially based on a number of factors. Please refer to the detailed notes in the company's press release regarding forward-looking statements.

At the end of the presentation, we will open the call to any questions you may have. We will now begin the presentation, and I will pass the call to Francisco Zinser, our Executive Vice President.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

Thank you, Max. Good morning, everybody. Thank you for joining our call. Well, as we all know, it's been a challenging first quarter and particularly more challenging in the

months of January and February.

March showed some light at the end of the quarter. And basically, what has hit our business in a more significant way has been the cancellation of all flights coming from Canada, just at the moment where we need them the most, which is the winter season, and that's when they travel. So that has had a big impact; and also, the U.S. recommending and warning not to travel to Mexico, and just recently, a couple of days ago, reinforcing that statement.

Also, what has complicated it is the introduction of COVID-19 tests for U.S. travelers returning to the U.S. This has also been a deterrent for travel. However, in the month of March, we returned to the levels of occupancy we saw in December 2020 in our resorts. This drove our positive EBITDA result in the quarter, which we are very proud of, and we think is the beginning of the sequential recovery that I'm sure will bring us into better horizons soon.

One of the most important pillars of the recovery has been domestic travel. Fortunately, Mexico has 85% of domestic travel of all the travelers, 85% are Mexicans, and that has been very, very strong, particularly in road access destinations, which is the case of Puerto Vallarta, which is the case of Acapulco, which is the case of Ixtapa, and other destinations, including the Riviera Maya and Cancun for the southern part of country.

During the quarter, our portfolio improved its operational breakeven point and generated positive EBITDA, continuing the trend of the fourth quarter of 2020. Paco Medina will provide more detail in a second. Financially, we continued with a variety of initiatives implemented last year to preserve our working capital and lower our operating expenses. We were able to lower our costs and expenses by 34% year-on-year. The measures we have implemented include the reduction of nonpriority expenses, lowering operational costs and expenses and deferring on nonessential CapEx. Avoiding any impact on the guest experience, that is clearly something that we take care of because that's the bread and butter of our business.

To conclude, I would like to reiterate that we will remain focused on prudently navigating through this unprecedented environment posed by the pandemic, which means monitoring the full implementation of the health and safety measures we are giving at our resort destinations with international travel, complimentary COVID-19 antigen tests, and also a tight control, as mentioned, on expenses that are continually monitored.

To wrap up, I would like to mention that none of these achievements would have been possible without the support of our dedicated employees, our associates, experienced management team and the confidence that you, our investors, have placed in us. Now I will pass the call to Francisco Medina.

- **Francisco Medina Elizalde - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CEO**

Thank you, Pancho. And as you mentioned -- first of all, good morning to everyone, and let me start saying that, as Pancho mentioned, we are happy to say that we have

positive EBITDA during this first quarter. That is really important for us.

Now let me go into our quarterly operational results. Please go to Slide 2. Revenues totaled MXN 268 million, down 54% compared to the first quarter of last year. EBITDA was MXN 4 million in the quarter, a consequence of lower revenues due to the pandemic regarding the company of HOTEL. RevPAR decreased by 50% due to a 10% decrease in ADR and a 26 percentage point decrease in occupancy.

Room revenue decreased by 50%. Food and beverage revenue decreased 60%. And other income, which includes, among other items, event room rental, parking, laundry, telephone and leasing of commercial spaces, decreased 51%. Third-party HOTEL management fees decreased by 50%.

Now please go to Slide 3. Moving on to our key operational metrics. On a consolidated level, this quarter, we posted a 45% decrease in RevPAR, which is comprised of an ADR decrease of 4 -- of 8% and decreasing occupancy of 24 percentage points, having an occupancy of 35.8%.

Now please move to the Slide 4, and I will hand the call over to Max Zimmermann.

- **Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director**

Thank you, Paco. EBITDA in the quarter was MXN 4 million compared to MXN 156 million in the first quarter of last year. We were able to lower cost and expenses by over 34%, as Pancho mentioned, which resulted in a slightly positive result as revenues were still low.

Moving on, operating income was negative MXN 65 million compared to MXN 86 million in the first quarter of 2020. In terms of net income, we went from a loss of MXN 606 million in the first quarter of last year, to a loss of MXN 185 million in the first quarter of 2021. This was largely attributed to a lower negative FX effect on our dollar-denominated obligations arising from a stronger Mexican peso.

Now please move to Slide 5. Net debt was MXN 2,391 million at the end of the first quarter of 2021, which represented a total debt-to-EBITDA last-12-months ratio of minus 22.7x due to a negative EBITDA in the last 12 months driven by the pandemic. We believe that this is going to be our lowest last-12-months EBITDA because it includes the 2 quarters where we were close, plus the fourth quarter and first quarter where we have been recovering.

Total debt is mostly U.S. dollar-denominated, 95% to be exact, and this tranche of debt has an average cost of 3.4%, while the remaining portion of 5% of total debt is peso-denominated, with an average cost of 7.3%, having a competitive overall debt mix of 3.6%. Additionally, I would like to mention that over 93% of debt maturities are long-term. Our short U.S. dollar position by the end of the quarter was USD 130 million, equivalent to MXN 2,674 million.

Now please move to Slide 6, and I will pass the call back to Pancho, who will finish up the call.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

Thank you very much. Before finishing up the call, I would like to open the call for questions and answers. So if anybody has any question or answer, we'll be glad to address them.

## Question And Answers

- **Operator - -**

A. (Operator Instructions) And our first question comes from Carlos Alcaraz with Apalache.

- **Operator - -**

A. I have 3 questions. The first one is how is the performance of March against what was expected by HOTEL at the beginning of the year? Do you think that we will continue to see that positive trend in April and possibly for the rest of the first semester? The second one is have you seen interesting in organic growth opportunities being generated in the sector? And the last one question is have you, as operators, seen in your reservations that your tourists have been rebooking?

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Okay. Well, Paco, if you would like to answer the first one and the last one?

- **Francisco Medina Elizalde - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CEO**

A. Carlos, thank you for your question. Yes. First of all, let me just say, as we mentioned, that during the quarter, March was a very important one because of the circumstances Pancho explained about the Canadian and the American market. And I will add that, in February, most of the main states of Mexico were in red light, so that's also the travel trend in -- we had in the last quarter of last year. So at the end of the story, I would say that March was, as a very good month, better than we expected. And as you know we cannot give you looking-forward numbers, but I will say that we feel very positive for the next quarter.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Very good. Regarding your question on organic growth, there are opportunities out there. The truth is that since all the banks have been giving some kind of COVID aid, if

you want to call it that way, the pressure is still not at the point of people having to take tough decisions. I believe the second semester will have a different outlook in that sense because the COVID-19 help from banks is going to start to get more complicated. And that we've all seen, in the media, the authorities, the national authorities and the banking authorities, are starting to look very closely into the situation of the lenders that are seriously compromised.

So I think that the second semester will be a semester where we will start to see opportunities, and we are ready for them. As you all remember, we did the capital increase recently. And we have a good position to take opportunities within our hands.

And in the case, Paco, of the trend of bookings...

- **Francisco Medina Elizalde - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CEO**

**A.** Sure. Regarding the third question, which is the reservations for the American and Canadian market, I will say that the Canadian market is very important during the winter, which is November to April, and it starts again, November to April. So having that said, right now, the production is minimum and in the main resource areas of Mexico, which is Riviera Maya and Cancun and Pacific and also part of the Cabos.

So what they announced is that they will postpone the flights, itineraries again for June. It was expected for May, but they canceled that and postponed it to June. So what we have heard from the tour operators is that they really expect to come back again around the month of September. So at the end, it's not essential for the results of the HOTEL, and the market, I think, will react until September only.

And in the case of the American market, based on the vaccination process they have, which is very good, we know that it's been recovering -- it's slow, but recovering. And we are just waiting to see the effect of the travel warning we received a couple of days ago, which was a poor-level warning. And we expect that, basically, as I said, the next quarter, it will be a good quarter and will not affect too much. But the trend of the reservation and the recovering of that American market has been positive because of the vaccination process.

- **Operator - -**

**A.** Our next question comes from Martián Lara with Miranda Global Research.

- **Martín Lara - Miranda Global Research - Partner**

**Q.** I have 2 questions. The first one is you have a short-term debt of MXN 280 million. So are you looking to refinance it? That's the first question. And the second one is how much cash do you plan to use during the second and third quarters?

- **Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director**

**A.** Thank you. Thank you, Martián. This is Max. Yes, I guess, you see we have those MXN 260 million. We are currently looking into refinancing with our -- with the different banks. This is -- we're still in the process of doing this. I will tell you that also remember that we did the capital increase recently, so that will help. And we still have some, let's say, COVID benefits from the banks for the next month. So therefore, in the next month, our cash burn will not be too high. And we're -- when we reach a conclusion on the refinancing, we will let you know. But we're looking at this with different banks and are at different levels of the negotiation with each one of them, and we're feeling comfortable. And I think that also answers the question of the cash burn. Thanks so much, Martián.

- **Operator - -**

**A.** (Operator Instructions) Our next question comes from [Edson Norgea] with Suma Capital.

- **Operator - -**

**Q.** I would like to start with this refinancing. And you mentioned a big benefit, but it's my understanding that those benefits already expired from not only the bank's perspective, but from the regulators. So I was wondering if you can give us further details about which benefits the banks are giving you in order to understand better your position with the banks.

I don't know if this is an escape on payments or it's more likely through a deferral program, or it's related to the programs on the 2020. That's the first one. The second one, could you give us a detail or color about what would be the impact from a LIBOR transition? I mean at the end of this year, LIBOR will not be reported anymore. So do you have a risk assessment or a marginal assessment on the U.S.-denominated dollar debt and the possible impact to today's so-called transition? And the third one is regarding to our Phase 2 properties. Well, I don't want to say properties, the Phase 2 hotels that they depart to this first quarter. And so I'm referring to the exit -- pardon me?

- **Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director**

**A.** Okay. No -- sorry, no, we can hear you. We heard you a little far, but I think you were talking about the exit of the 2 hotels from the portfolio?

- **Operator - -**

**Q.** Yes. That was the third question. Could you give us more detail about the reason of this? I think it's more related to the age or maybe that you're managing the hotel. But I am not sure I understand better the main reason why these specific hotels departed from the portfolio.

- **Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director**

A. Thank you, [Edson]. Let me take the first 2. In terms of the refinancing, we can't talk about the terms because they are confidential. But I would tell you that the loans we have don't necessarily obey the regular benefits that were given from the banks and from the regulation. It was different things were negotiated. It depends on the bank and the contract and the loan, but some were 12 months, some were 18 months and other conditions. So we do still have a little bit of benefits there for the following months, which still gives us a little bit of time for the refinancing.

In terms of the LIBOR, it's a good question, and you asked it a couple of quarters ago. We have a little bit more of detail. This is something that we have talked about with all our banks. And at the end, it's still not exactly decided what will be the reference rate that will be used. But what I can tell you is that all the banks and all the people that have loans, of course, need to have a rate that is very much in line with what LIBOR is.

So we do not see an impact of suddenly the rate of LIBOR going from where it is today to increasing basis points. So we see something that's going to be in line. I think this is something that affects everyone. So we talk to all our creditors, and none of them said that we should worry about this because there is going to be a very gradual transition to this. And now regarding...

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Regarding your question on the 2 hotels, the AC and the Courtyard, as I'm sure you know, this is -- was a management contract, the same owner of the 2 properties. And we managed them for approximately 2 years. Unfortunately -- a little less than 2 years. And unfortunately, more than half the time of that has been the COVID pandemic. So that has clearly generated a much complicated scenario for our hotels, particularly, I can't disclose the conditions of the contract, but there was a commitment by the owner to fully remodel the hotel in Puebla, the Courtyard, because the hotel has shown some age.

And when we agreed the management contract, we agreed that there would be a substantial investment, by his part, to -- for the property. And unfortunately, due to the reasons that I just mentioned, that there was not the availability of cash and the owner changed his mind about, at this point, investing a significant amount of money in the hotel. And in the provisions that we had, should he not comply with that obligation, we had the right to mutually cancel our relationship.

It's important to mention that the economic impact is very, very marginal. You know they are management contracts. It's 200-and-something keys. And unfortunately, as I said, most of the 65%, 70% of the time, during the COVID pandemic. They were closed for some time during the same -- for the same reason. So -- and I think it's a good -- in a way, it's good because we focus on more profitable properties, and we avoid

distractions on assets that are not necessarily going to bring us the returns that we want.

- **Operator - -**

**Q.** Okay. A quick 2 follow-ups. On reporting of credible taxes, this quarter, the management mentioned that they increased 14.7%. So I was wondering if you can give us more detail about what happened and this worried constant relationship with tax authorities. And then the second one is regarding to the Hyatt Regency Insurgentes. Could you give us an update of what's going on in that property? Because if I remember correctly, there was a period on management transition that the hotel has literally stopped the construction, and then what happened? So what is the phase of the property right now?

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

**A.** Okay. Let me press the second question. Things are going very well. We are already at this -- today, we are doing the 13th floor above ground. We have 8.5 floors below ground, so that would make it 21 floors, including the parking and what's over the street level. The hotel is doing -- is under the program. It has been under construction for more than 7, 8 months now. And we are picking up on the program, and we believe that we will have the hotel open by the second semester of next year.

- **Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director**

**A.** And in terms of your question of the credible taxes, we increased that 14.7%, and it's basically because of purchases that our purchase department made. And this is VAT that we have not paid yet. So when we pay, it will be VAT that we pay, and the number should be pretty similar to what you saw in March of 2020.

- **Operator - -**

**A.** At this time, we have no further questions. I'll turn it back to our speakers for closing comments.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

**A.** Okay. Well, again, I would like to thank and express my highest gratitude to all of our associates, almost -- more than 2,800 associates, who have shown us a tremendous support for the company, unconditional, not only through their efforts and their daily work, but through the economic contribution and the tremendous attitude that has gone way beyond the call of duty.

And once again, I would like to thank and trust the support of our shareholders in these

times and again, to all of our -- the people that joined the call today. So thank you, everyone. Thank you for participating, and have a great weekend.

- **Operator - -**

**A. Ladies and gentlemen, that concludes today's presentation. You may disconnect your phone lines, log off your webinars, and thank you for joining us this morning.**

## **Preliminary Transcript**

Redline edits can not be made to a preliminary transcript. Final Transcripts are typically available within 2-24 hours

Grupo Hotelero Santa Fe SAB de CV - HOTEL.MX - Earning Conference Call/Presentation

## **Corporate Participants**

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## **Conference Call Participants**

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## **Presentation**

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## **Question And Answers**

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Q1 2021 Grupo Hotelero Santa Fe SAB de CV Earnings Call

MEXICO, D.F. Apr 23, 2021 (Thomson StreetEvents) -- Preliminary Transcript of Grupo Hotelero Santa Fe SAB de CV earnings conference call or presentation Friday, April 23, 2021 at 5:00:00pm GMT

TEXT version of Transcript

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Corporate Participants

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- \* Francisco Medina Elizalde  
Grupo Hotelero Santa Fe, S.A.B. de C.V. - CEO
- \* Francisco Alejandro Zinser Cieslik  
Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP
- \* Maximilian Zimmermann Canovas  
Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director

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Conference Call Participants  
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\* Martín Lara  
Miranda Global Research - CEO & Founding Partner  
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Presentation  
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Operator [1]  
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Ladies and gentlemen, thank you for your patience in holding, and welcome to the Grupo Hotelero Santa Fe First Quarter 2021 Investor Relations Call. (Operator Instruction) It is now my pleasure to introduce our first speaker, Mr. Maximilian Zimmermann, Investor Relations Director of HOTEL. Please go ahead, Sir.  
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Maximilian Zimmermann Canovas, Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director [2]  
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Good afternoon, and thank you for joining us today. My name is Max Zimmermann, Investor Relations Director of HOTEL, and I would like to welcome you to the company's earnings webcast for the first quarter of 2021. On the line, we have Francisco Cieslik, Executive Vice President; Francisco Medina, our CEO; and Alberto Santana, our Administration Director.

The presentation slides we will follow during this call are available on our webcast, which you can find on our Investor Relations section of our website. Before we begin, I would like to remind you that this call is being recorded under information discussed today may include forward-looking statements regarding the company's financial and operating performance. Our projections are subject to risks and uncertainties, and actual results may differ materially based on a number of factors. Please refer to the detailed notes in the company's press release regarding forward-looking statements.

At the end of the presentation, we will open the call to any questions you may have. We will now begin the presentation and I will pass the call to Francisco Cieslik, our Executive Vice President.  
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Francisco Alejandro Zinser Cieslik, Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP [3]  
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Thank you, Max. Good morning, everybody. Thank you for joining our call. Well, as we all know, it's been a challenging first quarter and particularly more challenging the months of January and February.

March showed some light at the end of the quarter. And basically, what has hit our business in a more significant way, has been the cancellation of all flights coming from Canada, just at the moment where we need them the most, which is a working season, and that's when they travel. So that has had a big impact. And also, the U.S. recommending and warning not to travel to Mexico. And just recently, a couple of days ago, reinforcing that statement. Also, what has complicated is the introduction of COVID-19 tests for U.S. travelers returning to the U.S. This has also been a deterrent for travel. However, in the month of March, we returned to the levels of occupancy we saw

in December 2020 in our resorts. This drove our positive EBITDA result in the quarter, which we are very proud of, and we think it's the beginning of a sequential recovery that I'm sure will bring us into better horizons soon. One of the most important pillars of the recovery has been domestic travel. Fortunately, Mexico has 85% of domestic travel of all the travelers, 85% are Mexicans, and that has been very, very strong, particularly in port access destinations, which is the case of Puerto Vallarta, which is the case of Acapulco, which is the case of and other destinations, including the Riviera Maya and for the southern part of . Turnover quarter, our portfolio improved its operational breakeven point and generated positive EBITDA. Continuing the trend of the fourth quarter of 2020. Paco Medina will provide more detail in a second. Financially, we continued with a variety of initiatives implemented last -- last year to preserve our working capital and lower our operating expenses. We were able to lower our costs and expenses by 34% year-on-year. The measures we have implemented include the reduction of nonpriority expenses, lowering operational costs and expenses and deferring on nonessential Capex. Avoiding any impact on the guest experience. That is clearly something that we take care of because that's the bread and butter of our business.

To conclude, I would like to reiterate that we will remain focused on prudently navigating through these unprecedented environment posed by the pandemic, which means monitoring the full implementation of the health and safety measures, we are giving at our reserve destinations with international travel complementary COVID-19 antigen tests and also a type of role as mentioned on expenses that are continually monitored.

To wrap up, I would like to mention that a lot of these achievements would have been possible without the support of our dedicated employees, our associates, experienced management team and the confidence that you, our investors have placed in us. Now I will pass the call to Francisco Medina.

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Francisco Medina Elizalde, Grupo Hotelero Santa Fe, S.A.B. de C.V. - CEO [4]  
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Thank you, Pancho. First of all, good morning to everyone. And let me start saying that, as Pancho mentioned, we are happy to say that we have positive ADR and this risk that is really important for us. Now let me go into our quarterly operational results. Please go to Slide 2. Revenues totaled MXN 2 68 million, down 54% compared to the first quarter of last year. EBITDA was MXN 4 million in the quarter. A consequence of lower revenues due to the pandemic regarding company on hotels. RevPAR decreased by 50% due to a 10% decrease in ADR and a 26 percentage point decrease in occupancy.

Room revenue decreased by 50%. Food and beverage revenue decreased 60%, and other income, which includes, among other items, event room rental or Parking, laundry, telephone and leasing of commercial spaces decreased 51%. Third-party hotels management fees decreased by 50%.

Now please go to Slide 3. Moving on to our key personal metrics. On a consolidated level, this quarter, we posted a 45% decrease in RevPAR, which is comprised of an ADR decrease of 4.8% and decreasing occupancy of 24 percentage points, having an equipment of 35.8%.

Now please move to the Slide 4, and I will hand the call over to Max Zimmermann.

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Maximilian Zimmermann Canovas, Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director [5]  
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Thank you. EBITDA in the quarter was MXN 4 million compared to MXN 156 million for the quarter of last year, and we were able to lower cost and expenses by over 34%, as Pancho mentioned, which resulted in a slightly positive result as revenues were still low. Moving on, operating income was negative MXN 65 million compared to MXN 86 million in the first quarter of 2020. In terms of

net income, we went from a loss of MXN 606 million in the first quarter of last year, to a loss of MXN 185 million in the first quarter of 2021. This was largely attributed to a lower negative FX effect on our dollar-denominated obligations arising from a stronger Mexican Peso.

Now please move to Slide 5. Net debt was MXN 2,391 million at the end of the first quarter of 2021, which represented a total debt-to-EBITDA last 12 months ratio of minus 22.7x, due to a negative EBITDA in the last 12 months driven by the pandemic. We believe that this is going to be our lowest last 12 months EBITDA because it includes the 2 quarters where we were close the fourth quarter and first quarter where we have been recovered.

Total debt is mostly U.S. dollar denominated, 95% to be exact, and this tranche of debt has an average cost of 3.4%, while the remaining portion of 5% of total debt is Peso denominated, with an average cost of 7.3%, having a competitive overall debt mix of 3.6%.

Additionally, I would like to mention that over 93% of debt maturities are long term. Our short U.S. dollar position by the end of the quarter was USD 130 million, equivalent to MXN 2,674 million. Now please move to Slide 6, and I pass the call back to Pancho who will finish the call.

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Francisco Alejandro Zinser Cieslik, Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP [6]

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Thank you very much. Before finishing up the call, I would like to open the call for questions and answers. So if anybody has any question or an answer, we'll be glad to address them.

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Questions and Answers

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Operator [1]

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(Operator Instructions) First question comes from Carlos Alcaraz with Apalache.

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Unidentified Analyst, [2]

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Hello. Good afternoon, everyone. Thank you very much for the call. I have 3 questions. The first one is, how is the performance of March against what was expected by HOTEL at the beginning of the year? Do you think that we will continue to see that positive trend in April and possibly for the rest of the first semester? The second one is have you seen interesting organic growth opportunities being generated in the sector. And the last one question is have you seeing your reservations that you tours have been retubed?

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Francisco Alejandro Zinser Cieslik, Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP [3]

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Okay. Well, if you would like to answer first -- the first one.

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Francisco Medina Elizalde, Grupo Hotelero Santa Fe, S.A.B. de C.V. - CEO [4]

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First of all, leasing, as you mentioned, that during the quarter, March was a very important one because of the circumstances I just explained about the Canadian and the American market. And I will add that in February, most of the main states of Mexico and red light.

So also the travel trend we have in the last quarter of last year. So at the end of the story, I would say the March was at a very good month, better than we expected. And as you know we cannot give you looking forward numbers, but I would say that we feel very positive for the next quarter.

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Francisco Alejandro Zinser Cieslik, Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP [5]  
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Very good. Regarding your question on organic growth. There are opportunities out there. The truth is that since all the banks have been giving some kind of COVID aid, if you want to call it that way. The pressure is still not at the point of people having to take tough decisions. I believe the second semester we will have a different outlook in that sense because COVID-19 help from banks is going to start to get more complicated. And that we've all seen in the media, the authorities, the National authorities and the banking authorities are starting to look very closely into the situation of the lenders that are seriously compromised. So I think that the second semester will be a semester where we will start to see opportunities, and we are ready for them.

As you all remember, we did the capital increase recently. And we have a good position to take opportunities within our hands. And in the case of the bookings. Regarding the third question, which is the reservations for the American and Canadian market. I will say that Canadian market it's very important during the winter, which is November to April and it starts again, November to April. So having that said, right now, the production at minimum in the main resource areas of Mexico, which is the Riviera Maya Cancon, a Pacific and also part of the Cabos. So what they announced is that they will postpone the flights iterate again for June. It was expected for May, but they canceled that, it was pointed to June. So what we have heard from the 2 operators is that they really expect to come back again around the month of September. So at the end, it's not essential for the results of the HOTEL. In the market, I think we'll react until September. And in the case of the American market, based on the connection process they have, which is very good. And we know that it's been recovering -- it's slow, but recovering.

And we are just waiting to see the effect of the we received a couple of days ago, which was a poor level warning. And we expect that basically, as I said, the next quarter, it will be a good quarter and will not affect too much, but the trend of the reservation in recovering of that American market has been possibly because of the destination growth.

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Operator [6]  
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Our next question comes from Martin Lara with Miranda Global Research.  
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Martín Lara, Miranda Global Research - CEO & Founding Partner [7]  
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I have 2 questions. The first one is, you have a short-term debt of MXN 280 million. So are you looking to refinance it? That's the first question. And the second one is how much cash do you plan to use during the second and third quarter -- quarters?

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Maximilian Zimmermann Canovas, Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director [8]  
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Thank you. Thank you, Martin. This is Max. Yes, if you, we have those MXN 2 60 million. We are currently looking into refinancing with the different banks. This is -- we're still in the process of doing this. I would tell you that I also remember that we did the capital increase. So that will help. And we still have some let's say, COVID benefits from the banks for the next month. So therefore, in the next months, our cash burn will not be too high. And we're -- when we reach a conclusion on the refinancing, we will make you know. But we're looking at this with different packs and are at different levels of the negotiation with each one of them, and we're feeling comfortable. And I think that also answers the question on the cash burn.

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Operator [9]  
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(Operator Instructions) Our next question comes from Edson Morila with Sonar capital.  
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Unidentified Analyst, [10]  
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I would like to start with this refinancing. And you mentioned a big benefit but it's my understanding that those benefits already expired from not only the bank's perspective from the regulators. So I was wondering if you think it is for details about which benefits the banks are giving you in order to understand better to position with the banks. I don't know if this is going to escape on payments or it's more likely to a deferral problem or is it related to the problems on the 2020. That's the first one. The second one, could you give us a detail or color about what will be the impact from LIBOR transition? I mean, at the end of this year, LIBOR will not be reported in moment. So we do have a risk assessment or a assessment on the U.S.-denominated dollar debt and the possible impact to today's so good transition. And the third one is regarding to our Phase-2 properties. I don't want to say property to take to wholesale that dated part to this first quarter. Referring to the.

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Unidentified Company Representative, [11]  
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Sorry, no, we can hear you. We heard you a little far, but I think you were talking about the exit of the Toluca from the portfolio?  
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Unidentified Analyst, [12]  
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Yes. That was the third question. Could you give us more detail about the reason of EBIT, I think, is more related to the age or maybe hotel management business -- Hotels. But I know you understand better the main reason why the specific Hotels departed from the portfolio?  
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Unidentified Company Representative, [13]  
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Let me take the first 2. In terms of the refinancing, we can't talk about the terms because they are confidential. But I would tell you that the loans we have don't necessarily abate the regular benefits that were given from the banks and from the regulation. It was -- different things were negotiated. It depends on the bank and the contract, on the loan, but some were 12 months, some were 18 months and other conditions. So we do still have a little bit of of benefits there for the following months, which still gives us a little bit of time for the refinancing.

In terms of the LIBOR, it's a good question, and you asked it a couple of quarters ago. We had a little bit more of detail. This is something that we have talked about with all our banks. And at the end, it's still not exactly decided what will be the reference rate that will be used. But what I can tell you is that all the banks and all the people that have loans, of course, need to have a rate that is very much in line with what LIBOR is.

So we do not see an impact of suddenly the rate of LIBOR going from where it is today to increasing basis points. So we see something that's going to be in line, and I think this is someone that affects. I don't think that affects everyone. So we talk to all our to all our creditors. And none of them said that we should worry about this because there is going to be a very gradual transition to this.  
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Francisco Alejandro Zinser Cieslik, Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP [14]

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Regarding your question on the 2 Hotels, the AC and the Courtyard, as I'm sure you know this was a management contract the same owner of the 2 properties.

And we manage them for approximately 2 years, unfortunately, a little less than 3 years. And unfortunately, more than half the time of that has been the COVID pandemic. So that has clearly generated a much complicated scenario for our hotels, particularly, I can't disclose the conditions of the contract, but there was a commitment by the owner to fully remove the hotel in , the Courtyard because the hotel has shown some age. And when we agreed the management contract, we agreed that there would be a substantial investment by his part to -- for the property. And unfortunately, due to the reasons that I just mentioned, that there was not the availability of cash and the only change is mined about at this point, investing in a significant amount of money in a hotel. And in the provisions that we had should be not comply with our obligation, we have the right to mutually cancel our relationship. It's important to mention that the economic impact is very, very marginal. You know they are management contracts. It's 200 and something key.

And unfortunately, as I said, most of the 65%, 70% of the time during the COVID pandemic, they were closed for some time during the same -- for the same reason. So -- and I think it's a good -- in a way it's good because we focus on more profitable properties, and we avoid distractions on assets that are not necessarily going to bring us the returns that we want.

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Unidentified Analyst, [15]

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Okay. A quick 2 follow-ups. On recording of credible taxes, this quarter in that they increased 14.7%. And so I was wondering if you can give us more detail about what happened and it's a deleted with tax authorities. And then the second one is regarding to the higher rent are in . Could you give us an update of what's going on in that property? Because if I remember correctly, there was a period on government transition that the Hotel was literally stopped the construction and then it happened. So what is the phase of the property right now?

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Unidentified Company Representative, [16]

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Okay. Let me press the second question. Things are going very well. We are already -- at this -- today, we are doing the 13th floor above ground. We have 8.5 floors below ground, so that would make it 21 floors, including the parking and what's over the street level. The hotel is doing is under the program. It has been under construction for more than 7, 8 months now. And we are picking up on the program, and we believe that we will have a hotel open by the second semester of next year.

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Maximilian Zimmermann Canovas, Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director [17]

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In terms of your question of the capital taxes, we increased that 14.7%, and it's basically because of purchases that our purchase department made. This is Pat that we have not paid yet. So when we pay, it will be VAT that we pay and the number should be pretty similar to what you saw in March 2020.

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Operator [18]

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Thank you. At this time, we have no further questions. I'll turn it back to our speakers for closing comments.

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Maximilian Zimmermann Canovas, Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director [19]  
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Okay. Well, again, I would like to thank and express my highest gratitude to all of our associates, almost more than 2,800 associates, who have shown us tremendous support from the company, unconditional, not only through their efforts and their daily work, but through the economic contribution and the tremendous attitude that has gone way beyond the Call of Duty.

And once again, I would like to thank and trust the support of our shareholders in these times. And again, to all of our people that joined the call today. So thank you, everyone. Thank you for participating, and have a great weekend.

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Operator [20]  
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Ladies and gentlemen, that concludes today's presentation. You may disconnect your phone lines. Log off your webinars, and just thank you for joining us this morning.