

Corporate Participants

- Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO
- 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

Conference Call Participants

- Martín Lara - Miranda Global Research - Partner
- Carlos Alcaraz Pineda - Apalache Análisis - Manager of Analysis

Presentation

- **Operator - -**

We now have our presenters in conference. (Operator Instructions) I would now like to turn the conference over to Max Zimmermann, Investor Relations Director for Grupo Hotelero Santa Fe.

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

Good afternoon, everyone, 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 second quarter of 2021. On the line, we have Francisco Zinser, Executive Vice President; Francisco Medina, our CEO; Enrique Martínez, our CFO and myself.

The presentation slides we will follow during the call are available on our webcast, which you can find in our 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 with 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**

Hello, everyone. Good morning, and thank you for joining our quarterly call. And, well, I would like to start by indicating as you've probably seen that we had a very good second quarter, better than expected originally. Our occupancies improved sequentially, but I would say, accelerated to the highest levels we have been -- we have seen since the beginning of the pandemic. This drove -- evidently, this drove our strong EBITDA generation.

Occupancy for the second quarter was 53.3%, driven by resort hotels mainly that they have recovered at a faster pace, and it's interesting to mention that the recovery has come more through domestic travel than international travel for obvious reasons. Urban hotels are recovering but at a lower pace, at slower pace. So we were able to increase our ADR sequentially by 5.1% during the quarter, and our portfolio exceeded its operational breakeven point, generating the strong EBITDA that I mentioned and that Paco and Enrique will talk about as we go with the presentation.

Turning to our quarterly results, revenues totaled MXN 484 million, the highest results since the pandemic started. And EBITDA was MXN 128.1 million for the quarter.

To conclude, I would like to reiterate that we will remain focused on prudently facing the unprecedented environment posed by the pandemic, which is still very much present in the world. We are monitoring full implementation of health and safety measures. We are also keeping a tight control on expenses to preserve liquidity levels, and we continue to search for operational and financial opportunities to ensure the long-term stability of our business.

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

Now I would like to pass the presentation to Paco Medina.

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

Thank you, Pancho. Good morning, everyone. Now let me get into our quarterly operational results. Please go to Slide 2. Revenues totaled MXN 484 million, as Pancho mentioned, compared to MXN 16 million in the second quarter of last year.

Room revenue was MXN 215 million. Food and beverage revenue was MXN 169 million and other income, which includes, among other items, event room rental, parking, laundry, telephone and leasing of commercial spaces, was MXN 85 million. Third-party HOTEL management fees was MXN 14 million.

Now, please go to Slide 3. Moving on to our key operational metrics. On a consolidated level, this quarter, we posted a 45 percentage point increase in occupancy, combined with an ADR increase of 25%.

RevPAR in the quarter was MXN 706.

Now please move to Slide 4, and I will hand the call over to Enrique Martínez, which will guide you through our financial results.

- **Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO**

Thank you, Paco. EBITDA in the quarter was MXN 128 million compared to negative MXN 87 million in the second quarter of last year. This result was driven by higher revenues combined with operational efficiencies.

Moving on, operating income was MXN 62 million compared to negative MXN 152 million in the second quarter of 2020. In terms of net income, we went from a loss of MXN 43 million in the second quarter of last year to a gain of MXN 139 million in the second quarter of 2021. This was largely attributed to a positive FX effect on our dollar-denominated obligations arising from a stronger Mexican peso in this quarter.

Please move to Slide 5. Net debt was MXN 2,259 million at the end of the second quarter of 2021, which represented a total debt-to-EBITDA last 12 months ratio of 20.6x due to lower EBITDA in the last 12 months driven by the pandemic.

Total debt is mostly U.S. dollar-denominated, 87% to be exact, and this tranche of the debt was -- has an average cost of 3.3%, while the remaining portion of 13% of total debt is peso-denominated with an average cost of 7.6%, having a competitive overall debt mix of 3.8%. Additionally, I would like to mention that over 90% of debt maturities are long term. Our short U.S. dollar position by the end of the quarter was \$126 million, equivalent to MXN 2,487 million.

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

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

Thank you very much, Enrique. Lastly, I would like to highlight and express my gratitude to the more than 2,800 associates who have supported the company unconditionally, not only with their economic contribution, but with their tremendous parity that goes way beyond the call of duty. As always, we are especially thankful for the trust and support of our shareholders in these times and, again, to all of our tremendously professional and cooperative teams.

With that, I would like to open the call for Q&A. So Max, let's go forward with that, please.

Question And Answers

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

A. (Operator Instructions) We'll take our first question from Carlos Alcaraz with Apalache Análisis.

- **Carlos Alcaraz Pineda - Apalache Análisis - Manager of Analysis**

Q. I have 2 questions. The first one is (inaudible) from an increase in contingency in the beach tourist destinations. Have you registered [occupations] in the level of reservations? And the second question is, given the resumption of flights to Mexico by the Canadian government and important advances in vaccination in the U.S.A., when do you consider that international tourist -- sorry, to recover its pre-pandemic levels?

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

A. Yes. Thank you very much, Carlos. Paco, can you please answer both questions?

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

A. Sure. Thank you, Carlos, for that interesting 2 questions. First of all, let me say that the people have already decided to continue with their life in terms of trips and vacations. And even though, as you are saying, we are seeing a new growth of -- new step of COVID. We haven't had any cancellations, and we are seeing a very good next quarter based on the increase of the occupancy and including also the increase in ADR. So we haven't -- at the end, we haven't received any cancellations. And I think the people have decided to continue with their life and just follow the protocol of the safety. And also, the company has put very, very small details in having all protocols being taken care in our hotel.

And the second question about the Canadian market. We have confirmation from our tour operators that they will start to fly in the end of August. And basically, what normally starts the program when the big production of these Canadian market starts in November. So, so far, we think that we will have a very good production in this start of November. And I think at the end of December, beginning of January of next year, we will start to look some numbers not back from pre-pandemic 2019 production.

- **Operator - -**

A. We'll take our next question from Martín Lara with Miranda Global Research.

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

Q. Congratulations for the strong results. What can we expect in terms of average daily rates during the rest of the year in owned hotels, especially after a 22% increase in the quarter?

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

A. Paco, do you want to take that?

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

A. Thank you for the question. What we have seen in the past 2 months, we have, as you say and as we reflected, a very good increase of 25% compared to 2020, but which is more interesting is that we are getting very close in terms of ADR of the numbers of 2019. And as I mentioned before July, the number looked very strong. And I think we will continue with the same level of increase -- good increase in the next quarter in terms of ADR.

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

Q. Okay. Perfect. And with respect to your cash position, it increased compared to the first quarter. So what are the potential uses of that cash?

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

A. Well, what -- thank you, Martín. What we have in mind with the cash, obviously, is, first of all, to finish the construction of our Insurgentes project, which is way ahead and very advanced in terms of the construction schedule and to have cash in case opportunities show up, which we believe could be the case, and we want to be in a position to take advantage if the opportunities are good enough.

- **Operator - -**

A. (Operator Instructions) We'll take our next question from [Edson Norgea] with [Suma Cap].

- **Operator - -**

Q. I have a couple of them. Probably I will start with this last remarks from Francisco saying about using of cash. So let me just understand a little bit more. So you're planning to use part of your cash as the CapEx for those properties that are in construction. Am I getting correct?

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

A. I'm sorry, I didn't hear you very well.

- **Operator - -**

Q. Yes. My question is regarding on using cash, you mentioned that probably you're taking advantage in the construction process that you have been doing since a couple of years ago. Maybe the good example is Hyatt Regency in Mexico City. So I want to understand a little bit more on that. So you're planning to use part of this cash as a capital expenditure for the rest of 2021 and maybe 2022?

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

A. Yes. The cash that we have, as you can remember, we did have an increase of capital of MXN 500 million recently, and we also have the facility of a loan that was granted by Banorte and Sabadell to finish 724. If you look at it, that's the name we gave to the project in the Hyatt Regency. So basically, what we did in the past was used our own resources to finance the construction. And now that the banks have given us the loans, we are going to finish up with those proceeds from financing. And the rest of the cash is cash we want to have at hand in case opportunity show up, which we believe will be the case.

- **Operator - -**

Q. Okay. So regarding on the capital expenditure, we see an increase like almost MXN 60 million if you compare to second quarter '20. However, this quarter, the capital expenditure was MXN 68 million around like that. So are we expecting similar numbers for the following quarters in 2021?

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

A. Yes. So to answer the first part of that, yes, the CapEx is higher than the second quarter of 2020. You have to remember that, that's when the COVID was started completely for us, and there was no CapEx spent there. And basically, the CapEx that you see in terms of construction in our press release is basically for the 724 project. And the total investment is around MXN 1,100 million.

- **Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO**

A. MXN 1,400 million.

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

A. MXN 1,400 million. Okay.

- **Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO**

A. MXN 1,400 million.

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

A. Yes, that's the total.

- **Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO**

A. It's the total investment.

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

A. MXN 1,400 million is the total investment. Remember, it's a 50%-50% investment with private investors. And of that, Enrique how -- like what percentage have we already...

- **Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO**

A. Well, we reported MXN 900 million already.

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

A. MXN 900 million already. So we still are going to invest another MXN 500 million in the total project. A part of us will come from the investors, a part will come from us and from the bank.

- **Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO**

A. And from the facilities on the loan. Correct.

- **Operator - -**

Q. Okay. So could you give us an update on other constructions? I'm referring to the AC Hotel Distrito Armida and Curio Zacatecas and Secrets Tulum. Just to figure out in which stage are they and the amount of CapEx that those projects will require and...

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

A. Sure. It's -- remember those 3 hotels are third-party contracts. So these are not hotels that we are investing in, and we are only the operators of those hotels, at least

for the time being. So if you look at the AC by Marriott, that is in Distrito (inaudible) in Monterrey, that has been reactivated, but we still haven't been given a date when it will open. And it's the same thing with the Curio Zacatecas. It is also advancing, but we still don't have the opening dates. And in terms of the Secrets Tulum, let me pass that to Pancho.

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

A. Yes. Well, in the case, it's a third-party hotel, it's an investment by a group of investors, and we have the management contract with the Secrets brand. And there is, at this point, no investment from Grupo Hotelero. So these are hotels that are not going to impact, as of today, our CapEx investments.

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

A. And this hotel should be -- the Secrets, I think, will be opening by the end of next year. Correct?

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

A. Yes. Yes, fourth quarter of next year.

- **Operator - -**

Q. Okay. Really helpful. And regarding on your debt, probably the first question that I have on this is in which level total debt on last 12 months' EBITDA ratio are you comfortable with? Of course, despite of the fact that this second quarter '21 results were solid. And probably, I think one concern in the market and probably you might read in other reports, the concerned market is driven [as a use] of that. Is that the case? Or you are planning to stay on as you are?

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

A. That's a great question. Actually, the -- if you look at our net debt-to-EBITDA ratio, as you well mentioned, it's pretty high. It was 20.6. But also a big improvement versus last quarter where it was actually negative 22. So what is this? You basically have to look at the last 12 months' EBITDA. So you had a very good second quarter. You had a first quarter and the fourth quarter, which were slightly positive, and still a negative EBITDA third quarter.

So as time goes by, EBITDA will be growing and we should be aiming to -- for this ratio, I think we are expecting things to be back to normal for our portfolio by 2023, let's say, to 2019 levels. So by then, we should be under 4% -- 3.5%, 4%...

- **Enrique Gerardo Martínez Guerrero - Grupo Hotelero Santa Fe, S.A.B. de C.V. - CFO**

A. 3.5 to 4x, not percentile.

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

A. Right. Right. 3.5 to 4x, I'm sorry. And you should see an improvement going forward sequentially quarter by quarter until we get to that level. However, once we get 4 good quarters with EBITDA generation, which will be basically by the end of the first quarter of next year, this number will look pretty much better.

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

A. And you have to consider, [Edson], that right now, we have a project which we have 100% of the financing in place and 0 generation of EBITDA. So this is totally distorted by -- in a big part by that project, which is Insurgentes project. So as Max said, we should be leveling as we've been historically under normal circumstances between 3.5 and 4x EBITDA.

- **Operator - -**

Q. Okay. Great. And last, I just want to kind of realize one. Regarding the ADR and inflation, a couple of days ago, Merrill Lynch issued a report about traveling. And one concern is, just from the flying ticket, well, they are pretty high if you compare 2019, and we're expecting basically similar thing in ADRs in travel, no issues. So the question is, are you expecting to increase ADR from only Grupo owned hotels regarding that we are seeing higher inflation rates in Mexico?

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

A. No. What we -- well, it's -- we treat owned hotels and managed hotels exactly the same way. So in both cases, we try to optimize as much as possible. And as Paco just mentioned, we try to optimize the ADR. And we always try to grow 1 or 2 basis -- 1 or 2 points over inflation in normal circumstances. Right now, it's quite difficult to say anything because there's really not a lot of visibility. Although, as Paco said, we are having better visibility. We still don't -- we're not even close to the visibility we used to have. So -- but basically, as a rhetoric answer, what we want to do always is to have a growth that is at least 1 or 2 points above inflation.

- **Operator - -**

Q. Congrats for the second quarter '21 earnings results.

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

A. Thank you.

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

A. Thank you, [Edson], for your participation.

- **Operator - -**

A. And we have no further questions at this time. I would now like to turn the conference back to Max Zimmermann for closing remarks.

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

A. Okay. Well, we would like to thank all of you once again for the trust that you have placed and reaffirm our commitment to maximize your investment. We also would like to one more time thank our associates for their constant efforts. Have a great weekend, everyone. Thank you for joining.

- **Operator - -**

A. Ladies and gentlemen, this concludes today's presentation. You may now disconnect your phone lines and log off of the webinar platform.