

## 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

## Conference Call Participants

- Martín Lara - Miranda Global Research - Partner
- Jorge Lagunas - Apalache Análisis - Co-Director of Research

## Presentation

- **Operator - -**

Ladies and gentlemen, thank you for your patience in in holding. We now have your presenters in conference. (Operator Instructions)

It is now my pleasure to introduce today's first presenter, Mr. Max Zimmermann, Investor Relations Director of Grupo Hotelero Santa Fe. Please go ahead, sir.

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

Thank you, operator. 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 fourth quarter of 2020.

On the line, we have Francisco Medina, our CEO; Enrique Martinez, our CFO; and Alberto Santana, our Administration Director. The presentation slides we will follow during the call are available on our webcast section, which you can find in our Investor Relations website.

Before I 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 Medina, our CEO.

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

Thank you, Max, and good afternoon, everyone. The year 2020 was a complicated one worldwide with profound impacts on the global tourism industry. Although Mexico was no exception, the slight uptick in the second and third quarters continued in the fourth quarter 2020. During the quarter, all of our properties were open. So we had 3 full months of operation, although most of our hotels have imposed, limits on occupancy due to the government's regulation.

Occupancy for the fourth quarter was 36%, as we continue to see incremental week-over-week improvement in occupancy and were able to increase our ADR slightly compared to third quarter 2020. During the quarter, our portfolio exceeded its operational breakeven point and generated positive EBITDA, in line with our expectations. Financially, we implemented a variety of initiatives to preserve our working capital and lower our operational expenses.

In fourth quarter '20, we were able to lower our cost and expenses by over 27% year-over-year. The measures we have implemented includes the reduction of nonpriority expenses, lowering operational costs and expenses and deferring all nonessential CapEx. We have also reprofiled our cash flow, thanks to the support of the banks we work with, assuring adequate working capital level.

Also in November -- sorry. Also in November, we concluded our capital increase for MXN 500 million, where 100% of the shares issued were successfully subscribed and pairing. In our quarterly results, revenue totaled MXN 2,889 million, down 49% compared to quarter -- fourth quarter '19. EBITDA was MXN 5.9 million during this quarter, a consequence of lower revenues due to pandemic.

Regarding company-owned hotels, RevPAR decreased by 52% due to a 12% decrease in ADR and 28% point decrease in occupancy.

Simply put, I want to reiterate that we will remain focused and prudently navigating through the unprecedented environment caused by the pandemic. That is by monitoring the full implementation of the health and safety measures against COVID-19 at our properties and keeping a tight control on expenses to preserve the liquidity level and continuing the (inaudible) operational and financial opportunities to ensure long-term sustainability of our business.

Now I will pass the call back to Max.

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

Thank you, Paco. Now let me get into our quarterly operational results. Please move to Slide 2. Revenues totaled MXN 289 million, down 49% compared to the fourth quarter of last year. EBITDA was MXN 6 million in the quarter, a consequence of lower revenues due to the pandemic. Regarding company-owned hotels, RevPAR decreased by 52% due to a 12% decrease in ADR and a 28-percentage point decrease in occupancy.

Room revenue decreased by 52%. Food and beverage revenue decreased 49%. And other income, which includes, among other items, event room rentals, parking, laundry, telephone and leasing of commercial spaces, decreased 31%. Third-party hotel management fees decreased by 51%.

Now please move to Slide 3. Moving on to our key operational metrics. On a consolidated level this quarter, we posted a 48% decrease in RevPAR, which is comprised of an ADR decrease of 11% and the decrease in occupancy of 26 percentage points.

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

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

Thank you, Max. EBITDA in the quarter was MXN 6 million compared to MXN 161 million in the fourth quarter of last year. We were able to lower costs and expenses by over 27%, which result in a slightly positive result as revenue were still low.

Moving on, operating income was negative MXN 71 million, compared to the MXN 87 million in the fourth quarter of 2019. In terms of net income, we went from a gain of MXN 57 million in the fourth quarter of the last year to a gain of MXN 250 million in the fourth quarter of 2020. This was mainly driven by a positive foreign exchange effect of our U.S. dollar-denominated obligations arising from a stronger Mexican peso.

Now please move to Slide 5. Net debt was MXN 2,245 million at the end of the fourth quarter of 2020, which represented a total debt-to-EBITDA last 12 months ratio of 47.8x, to a very low EBITDA in the 2020 driven by the pandemic. Total debt is mostly U.S. dollar-denominated, 95% to be exact. And this range of debt was -- has an average cost of 3.4%, while the remaining portion of 5% of total debt is peso-denominated, with an average cost of 7.5%, covered a competitive overall debt mix of [3.6%]. Additionally, I would like to mention that over 92% of debt maturities are long term. Our short U.S. dollar position by the end of the quarter was \$130 million, equivalent to MXN 2,591 million.

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

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

Thank you, Henry. Lastly, I would like to highlight and express my gratitude to the more than 2,800 associates we have, supported the company unconditionally. And not only the economic contribution but with their tremendous attitude that goes 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 tremendous professional and competitive team.

With that, I would like to open the call for questions and answers.

## Question And Answers

- **Operator - -**

**A.** (Operator Instructions) And our first question comes from Jorge Lagunas with Apalache Análisis.

- **Jorge Lagunas - Apalache Análisis - Co-Director of Research**

**Q.** I have two questions. The first one is regarding the announced contract of SLS Cancun. What will be your approximate income added to the top line?

And the second question is with the liquidity available, are you continuing the progress with expansion projects, such as the higher (inaudible)? Or are you postponing that CapEx to preserve liquidity?

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

**A.** Thank you, Jorge, and thank you for your question. In terms of the SLS in Cancun, as you know, this is a third-party hotel. And yes, we started operating it at the beginning of February. And since then, we received management fees to do so. So as you know, in our other income line, we will have an additional component from managing this hotel.

But keep in mind that this is a relatively small hotel. And the other income is not what -- is not something that moves the boat too much in terms of our revenues. However, operating the SLS, which is a very high end hotel and brand, does bring us to the next level of hotel management in Mexico.

And in terms of your second question, just to understand it right, you were asking if we

are going to be using the money from our capital rate -- capital increase for projects such as 724 or if we will -- or if we will be using that for something else, correct?

- **Jorge Lagunas - Apalache Análisis - Co-Director of Research**

Q. Yes, that's right.

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

A. So in that -- on that sense, I would tell you that what we are doing in 724, I think we are looking to get a bank loan to finish the project. We are currently in construction, in line with our expectations of the time line in order to be able to finish that hotel for the second half of 2022, probably in the fourth quarter. And in terms of the bank loans, we are looking good. And I think we're in the final negotiations with some banks. And as soon as we have some news on that, we'll update it.

And in terms of our capital increase, the idea is to have that in our pipeline. In the -- yes, it would mean more to say in our pocket for when -- I mean to use it in case it's necessary, but also to use it as a war chest, in case some interesting opportunities come up. So the idea is not to use that for that project, which will be self-funded with the loan we get and see if there could be interesting opportunities going forward.

- **Operator - -**

A. (Operator Instructions) Our next question comes from Martín Lara with Miranda Global Research.

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

Q. So I have two questions. The first one is, how do you see the occupancy rate and ADR for this year? And the second one is, how were you able to reach positive EBITDA during the quarter with a 50% decrease in revenues?

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

A. Thank you, Martín. Basically, what we are seeing right now is that in the first and second quarter, we will maintain basically the same that we have experienced in the last quarter of 2020. And what we are seeing right now, as you know, we have very low visibility in terms of tourism demand.

So we are expecting to have a better second semester. And that is basically what we are seeing right now. And obviously, every week, we will be continuing to move the numbers because of the visibility we have and the hotel demand all over the country. And that is in the case of occupancy.

In the case of ADR, it's not moving. It's not moving so much. We are maintaining basically very close to the ADR that we had in 2020. And then the idea is to maintain the trend for the rest of the year. And the NDA that we reached in the fourth quarter, it was basically because we were very -- as we explained in the beginning, we were very strict. And based on the use of the sources of expenses for the operational costs and capital expenses and all that. So that was the main reason we, at the end, were able to reach the positive level because we reduced the expenses in a very high way.

- **Operator - -**

A. Our next question comes from [Edson Murja] with [E&CF Capital].

- **Operator - -**

Q. I have a couple of them. The first one is regarding your net debt level. Despite of the fact that you have a positive income and the reason that you have a high multiple, it's because of lower EBITDA. I was wondering if you can give us more color about if you have a refinance strategy? Because it seems for us that you are paying, on average, a high cost of the debt, even it is in U.S. dollars or even in Mexican pesos.

The second one is regarding on what are your expectation of the recovery on traveling, despite of the fact that most likely to be local tourism or local business. What are your thoughts about that?

And the last one is regarding to the changes in the Board. On December 18, you report that 2 Board members were stepping down. And I was wondering, is there any concern from the management about this?

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

A. Thank you, thank you Edson. Let me touch on the first question you have. In terms of our net debt, if you look at the cost that we have for that, which is, as you well mentioned, greatly U.S. dollar-denominated. I think paying below 4% interest rate is, I think, one of the best deals that you're going to get on the market, especially now. So from that side, I would say that we are not worried.

And yes, of course, we are continually working with our -- with the banks -- with our banks in order to restructure our debt. We did some restructuring of the debt this year. And we did get some -- with the case basically with all banks, where we're able to only pay interest and no capital for different periods of time. For some banks, it was 6 months; for some banks, it was 12 months; for some banks, it was 18.

So we still have some restructuring to do to extend some of these periods in order for our cash flows to look better. But this is something that we are currently working on.

And we should have all of that done before the end of the first half of the year. So as we work on this, we will let you know.

In terms of your second question for the expectation of the travel. I'll let Paco talk about that.

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

A. Thank you, Edson, for your question. As you know, we have been ruled by the likes of the cities. In this case, fortunately, Mexico City, if you are in Mexico, now it's in orange and Cancun turned yellow. So basically, what we are seeing that we continue to maintain in that color.

I will say, we will have attendance of recovery sooner than we expected. And the other very important driven point in the recovery will be the vaccine. The vaccines that, as you know, they are reaching a level of 50 million in the U.S. and expecting to have 80% in May. And probably by July, most of the American people will be already with the vaccine, give us a very good expectation to have a second semester, [that is] recovering compared to the second semester of 2020.

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

A. And in terms of your third question, Edson, in terms of the Board members. As you know, the we made that announcement at the end of last year, and the Board members were also part of Walton Street Capital, which as you know, is one of the large funds that was one of the founders of Grupo Hotelero Santa Fe.

But sometimes, these funds have dates to cover and have certain internal rules for that. So I think it has to do more with a decision from Walton Street Capital than something from Grupo Hotelero Santa Fe.

So from that side, I would tell you that we are not worried at all, and management is not worried. And you have to -- and I think what that what bet gives us detail on that is that we were able to raise MXN 500 million at the end of last year in November, and it was 100% subscribed from current shareholders. So I think that, that tells you the strength that we have from our current shareholder base.

And additional to that, I would say that in our bylaws, we can have from 10 to 21 Board members. So currently, after having 12 and now having 10, we are still in line with our internal policies. And even better, if you look at our Board composition, you're going to see that we have a very high level of independent board members. So I think that's good news.

- **Operator - -**

**Q.** Okay. Thank you, Max. And the last one on the follow-up of the SLS property. This new contract, it's -- I know it's for management, the property. But I was wondering if you are planning to expand this line of business, not only in Cancun, but maybe in other locations like [Nuevo Vallarta] or Los Cabos. So in regarding to (inaudible). Pardon me?

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

**A.** You mean with the brand, SLS?

- **Operator - -**

**Q.** Exactly.

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

**A.** Yes, Edson, we are foreseeing different designations that might be perfect for the SLS [Light Tide], deluxe brand that will be, obviously, the ones that are great for that type of [Altarama] brand, which is La Riviera Maya, Punta Mita, Los Cabos, and in some point, the [indiscernible] area, basically.

- **Operator - -**

**A.** At this time, we have no other questions. So I'll turn it back to Mr. Zimmermann for closing comments.

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

**A.** Thank you. We would like to thank you for the trust that you have placed in us, and we affirm our commitment to maximize our investments. We also would like to thank all of our associates for their constant efforts. Have a great day, everyone.

- **Operator - -**

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