

## **HOTEL – Conference Call Transcript – 1Q23**

### HOTEL Participants

- Enrique Martínez - CFO
- Maximilian Zimmermann - Director of IR & Sustainability

### Q&A Participants

- Martín Lara - Miranda Global Research
- Carlos Alcaraz - Apalache Análisis

### **Operator**

Good day, everyone, and welcome to today's Grupo Hotelero Santa Fe First Quarter 2023 Investor Relations Call. Please note that this call may be recorded. It's now my pleasure to turn today's program over to Mr. Max Zimmermann, Investor Relations Director of Grupo Hotelero Santa Fe.

### **Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

Good afternoon, everyone, and thank you for joining us today. My name is Max Zimmermann, Investor Director Investor Relations Director of HOTEL, and I would like to welcome you to the company's earnings webcast for the first quarter of 2023. On the line, we have Enrique Martinez, CFO; and Alberto Santana, our Administration Director. 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, our risks -- 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.

Now I will ask -- now I will continue the -- so please move to Slide 1. We posted a strong quarter driven by the growth of the tourism industry in Mexico and the incorporation of the Mahekal Beach Resort into our portfolio. Resort hotels continue to perform better than urban hotels and were an important factor for a strong EBITDA generation in the (inaudible). Urban hotels also have been posting better results month after month, and we estimate that occupancy in this part of the portfolio will continue improving for the rest of the year, reaching pre-pandemic levels by this time.

Our last 12 months' EBITDA as of March 31, 2023 was MXN 879 million. And therefore, our net debt to last 12 months EBITDA ratio was 3.4x, in line with our expected range.

Room revenue increased 50% to MXN 435 million in 1Q '23 compared to 1Q '22. Food and beverage revenue increased 63% to MXN 355 million in 1Q '23 compared to 1Q '22. And other income, which includes, among other items, event room rentals, parking, laundry, telephone and leasing of commercial spaces, decreased 16% to MXN 45 million in 1Q '23 compared to 1Q '22. Vacation club income increased 46.7%, reaching MXN 20 million and third-party hotel management fees were MXN 24 million, which were up 30% in 1Q '23 compared to 1Q '22.

Now please move to the next slide. Moving on to our key operational metrics. On a consolidated level this quarter, we posted a 9.9 percentage point increase in occupancy, reaching 68.9%, combined with an ADR increase of 13% to MXN 1,837. RevPAR in the quarter was MXN 1,265, which was 30% higher than in the first quarter of 2022.

Now please move to the next slide. EBITDA in the quarter increased 77% to MXN 299 million compared to MXN 169 million in the first quarter of last year. This result was driven by higher revenues. Moving on, operating income increased 116%, reaching MXN 214 million compared to MXN 99 million in the first quarter of 2022. In terms of net income, we went from MXN 105 million in the first quarter of last year to MXN 233 million by the first quarter of 2022. The higher result was driven by higher operating income, combined with a lower financial cost.

Please move to the next slide. Net debt was MXN 2,955 million at the end of the first quarter of 2023, which represented a total debt-to-EBITDA last 12-month ratio of 3.4x. Total debt is mostly U.S. dollar-denominated, 80% to be exact, and this tranche of debt has an average cost of 7.8%, while the remaining portion of 20% of total debt is peso-denominated with an average cost of 14%, having an overall debt mix of 9%. Additionally, I would like to mention that over 85% of debt maturities are long term. Our short U.S. dollar position by the end of the quarter was \$136 million, equivalent to MXN 2,465 million.

Now please move to the next slide. Lastly, I would like to highlight and express our gratitude to the more than 3,400 associates who have supported the company unconditionally. As always, we are especially thankful for the trust and support of our shareholders in these times, and again, to all our tremendously professional and cooperative teams.

With that, I would like to open the call for Q&A.

## **Q&A Session**

### **Operator**

A. (Operator Instructions) Our first question comes from Carlos Alcaraz from Apalache Research.

### **Carlos Alcaraz - Apalache Análisis**

Thank you very much for the call and congratulations for the results. I have a couple of questions. The first one question is about the high inflation. During this year, will you be looking for a relevant increase in rates?

Now regarding the Hyatt Regency Hotel in Mexico City, what is the status of this hotel? And finally, how long do you estimate it will take to stabilize this property? Thank you.

### **Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

Thank you for your questions, Carlos. Sure. So definitely, it's in our plans in 2023 to increase our rates. As you well mentioned, inflation is high. So we will continue to take -- to increase rates as we see possible. Obviously, this depends on market conditions, on our competition and our customers. But it is in our plans and our bucket.

About your question about the Hyatt Regency in Mexico City, we're very happy to share that we opened the hotel last week, and it's been great. We had the first customers. We had our inauguration of the hotel, and it's going very well. The apartments will also be delivered in the following months, and the commercial space is also being finalized by our tenants. So we should see more activity in the second half of the year.

And in terms of the hotel stabilization, normally it takes us around 3 years to completely stabilize a hotel. As you know, during the first 12 months, we look to increase our occupancy up to certain levels. After that, we increase our profitability. And then we reach higher occupancies and higher profitability.

So this should be taking us 3 years for us to call it completely stabilized. However, since this is a landmark hotel, maybe we could do it slightly [better]. Let's see how this hotel works out during the first couple of years, and we'll give you an update on that.

**Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

Thank you very much, Max, and congratulations again.

**Operator**

Our next question comes from Martin Lara for Miranda Global Research.

**Martín Lara - Miranda Global Research**

Good evening, congratulations for these quarterly results. I have some questions. The first one is how do you see the tourism activity in Mexico in the next few quarters? The second one is, could you please give us an update on the Tulum Resort & Spa? And the third one is if you feel comfortable with your current cash levels.

**Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

A. Sure, Martin. Addressing the first one, the tourism activity in Mexico, it should continue to be as good as we saw in the first quarter of the year. We've seen very good occupancy in resorts and also increasingly in urban destinations. So this should be helping our results. As you know, tourism activity in Mexico has been doing very well, and we see no reason why this should change in the next few quarters.

In terms of your second question about the Tulum, the Secrets Tulum Resort & Spa, this hotel is -- should be opening in the second half of the year. As we get closer, we can give you an update on the exact date. But the construction is looking great. We're already over 90%, 95% in terms of construction, and we're already working together with AMResorts in order to have everything ready for opening. It's going to be an impressive hotel, the largest hotel in Tulum. And we are very happy about this hotel, which should be opening in the second half of the year.

And in terms of our cash level, yes, we feel comfortable with our current cash levels. Also keep in mind that we announced in December of last year that we were in process of selling our hotel in front of the Expo in Guadalajara, which is now already under the Barceló brand. However, this transaction should close in the next weeks or months once we receive the authorization from the

authorities in Mexico. So that should also be helping our cash levels going forward, but we feel pretty comfortable. Thank you, Martin.

**Martín Lara - Miranda Global Research**

Now to you, Max. Could you please remind us how much money do you plan to raise with that sale?

**Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

Yes. So, if you remember the press release that we put out, it's going to be \$56 million, and...

**Enrique Martínez - CFO**

\$59 million.

**Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

Sorry, \$59 million. And we're going to be repaying the debt of that hotel, which is going to be a fraction of that, which is around \$9 million?

**Enrique Martínez - CFO**

\$9 million.

**Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

\$9 million, So we're going to also have some additional cash.

**Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

(Operator Instructions) With no further questions, I would like to turn the call to the management for the close of this conference.

**Maximilian Zimmermann - HOTEL - Director of IR & Sustainability**

Thank you, everyone. We would like to thank you for the trust that you've placed in us and we affirm our commitment to maximize your investment. We would also like to thank all of our associates for their efforts. Have a great day, everyone. And if you need to catch up with me personally, please give me a call. Thank you, and have a great day. Thank you very much.

**Operator**

You may disconnect.