

Operator

Good day, everyone, and welcome to today's Grupo Hotelero Santa Fe Q3 '22 Investor Relations Call. (Operator Instructions) Please note that this call may be recorded (Operator Instructions). It is now my pleasure to turn the conference over to Max Zimmermann, Investor Relations Director of HOTEL. Please go ahead.

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

Thank you so much, operator, and good afternoon, and thank you for joining us today, everyone. 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 third quarter of 2022.

On the line, we have Francisco Medina, our CEO; and (inaudible). The presentation slides we will follow during this 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 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. Now I will pass the call to Francisco Medina, our CFO. Go ahead, Paco.

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

Good afternoon, and welcome, everyone. We posted a strong quarterly results, driven by recovery of the tourism industry in Mexico and worldwide. (inaudible) continued to perform better than the Tier 1 hotels were an important factor for our strong EBITDA generation in the quarter. (inaudible) is also trending over, and we estimate that performance in this part of the portfolio will continue to improve over the rest of the year. Our last 12-month EBITDA as of September 30, '22, MXN 699 million, and our net debt to last 12 months EBITDA ratio was below 4x, which is a range we feel more comfortable with over the long term.

Turning to (inaudible) results. Revenue totaled MXN 652 million, up 41% compared to third quarter '21. EBITDA was MXN 172 million in this quarter, a consequence of the higher revenues. RevPAR of the company-owned hotels increased 34.5% comprised of a 10% increase in ADR and 11.4 percentage point expansion in (inaudible). I would like to reiterate that we will remain focused entirely (inaudible) expenses to preserve liquidity levels and continue to search for operational and financial opportunities to ensure the long-term sustainability of our business.

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

Now I will pass the call back to Max, who will get into our quarterly operational results. Please go ahead, Max.

Thank you, Paco. Let me get into the operational results. And also please move to Slide 2. Group revenue increased 35% to MXN 320 million in 3Q '22 compared to 3Q '21. Food and beverage revenue increased 32% to MXN 245 million in 3Q '22 compared to 3Q '21. And other income, which includes, among other items, (inaudible) room rental, parking laundry, telephone and leasing of commercial spaces, increased 31% to MXN [55] million in the quarter. Vacation club income was MXN 10 million in the quarter and third-party (inaudible) management fees were MXN 22.6 million, which were up 53% in the quarter.

Now please move to Slide (inaudible). Moving on to our occupancies and ADRs. On a consolidated level, this quarter, we posted a 12-percentage-point increase in occupancy, reaching 67% -- I am sorry, reaching 64%, combined with an ADR increase of 10% to MXN [1,570]. RevPAR in the quarter was MXN [1,050], which was 50% higher than in the third quarter of '21. This is the first quarter we reached a 4-digit RevPAR at Grupo Hotelero.

EBITDA in the quarter increased 66% -- I am sorry, please move to Slide 4. EBITDA for increased 66% to MXN 172 million compared to MXN 103 million in the third quarter of last year. This result was driven by higher revenues combined with operational efficient. Moving on, operating income more than doubled, reaching MXN 99 million compared to MXN 43 million in the third quarter of 2021. In terms of net income, we went from MXN 62 million loss in the third quarter of last year to a MXN 51 million gain in the third quarter of 2022.

The higher result was driven by higher operating income combined with a lower FX loss than in the third quarter of 2021.

Now please move to Slide 5. Net debt was MXN 2,301 million at the end of the third quarter of '22, which represented a total debt-to-EBITDA last 12 months ratio of 3.3x, which is below 4x, a range we feel more comfortable with over the long term. Please consider that this number is lower than last quarter, both because EBITDA is higher and also because we have a higher cash position due in part to our -- to the rights offering that our capital increase that we are currently holding.

Total debt is mostly dollar-denominated, 78% to be exact, and this tranche offset has an average cost of 6.8%, while the remaining portion of 22% is peso denominated with an average cost of 12.5%, having an overall debt mix of 8.1%. Additionally, I would like to mention that over 90% of debt maturities are long term. Our U.S. dollar position by the end of the quarter was \$99 million, equivalent to MXN 2,008 million. Now please move to Slide 6, and I will pass the call back to Paco, who will finish up the call.

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

Thank you, Mark. Lastly, I would like to highlight and express my radio to the more than 3,200 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 of our tremendously professional and comparative teams. With that, I would like to open the call for questions and answers.

Q&A

Operator

Our first question will come from Edson Mungia with GlobalCap

Edson Murgía - GlobalCap

Can you comment on your accounts receivable

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

quarter to quarter of how things have been improving and definitely with better, let's say, better speeds than we had imagined. In terms of your question of our accounts receivable, as you mentioned, if it went up 16%, and this is relatively normal because, also, if you look at our business, if you look at revenues, they are -- they have been up importantly 40%. So this means we have more activity at the hotel. And when we have more activity, we are buying more things and also selling more packages, and therefore, we have accounts receivable also on that side. So I think the main takeaway here is, even though we've increased revenue 40% in the quarter, accounts receivables just jumped 16%. So I think that's a healthy trend.

Edson Murgía – GlobalCap

Okay. Okay. Makes sense. And last, do you have any color or maybe can you give us a little bit more information about the asset purchase eminent happened in this quarter? Or it's still early to understand what type of assets, cost, or how do you going to pay for that asset?

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

Yes. Well, here, it's difficult for us to give more information also because of how these deals are and confidentiality and so forth. But as soon as we have news, we will contact you. And I can say that things are moving in the right direction. But with these type of deals, you never know.

Operator

(Operator Instructions) Our next question will come from Carlos Alcaraz with Apalache Analisis

Carlos Alcaraz Pineda, Apalache Análisis

Congratulations on the results. I have 2 questions. The first 1 is about the city hotels. Do you expect a positive trend in occupancy to continue? And given the good results, in the operation of third-party hotels, will you be looking to increase the number of rooms under management?

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

Thank you, Carlos. Great to see you. Paco, do you want to take the first 1 in terms of the trends that we are seeing and expecting in the cities?

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

Yes. Thank you, Carlos. Yes, we have a good news because we have been expressing the city hotels are improving every quarter. And we think, this last quarter, we will see a very strong recovery in terms not only of demand, which is occupancy, but also in terms of ADR, which was very affected by the pandemic situation. And as I said before, the beginning of the year will be a lot stronger compared to 2022 since we started it with the (inaudible) of micron in 2022. And right now, what we see in booking pace is that we have a lot of companies coming back with projects and coming back to their offices and they start to travel more and more, and also the segment of meeting incentive conventions and events is recovering very fast and very strong.

So we see a very good recovery in that segment, which is very important for our big hotels.

Answering your question about third-party hotels. The answer is, yes. We continue to see different opportunities. We have several requests from third-party owners that we are analyzing now that we are coming back in a strong way in the cities. And you will see and you will receive some good news in the next reports about different projects that we are receiving to continue with the third-party management contracts.

Operator

(Operator Instructions) Our next is a follow-up from Edson with Summit Cap.

Carlos Alcaraz Pineda, Apalache Análisis

Just a quick follow-up on Insurgentes 724. Can you give us an element of update about the property, please?

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

Yes. I'm sorry, just an update on the project in general?

Carlos Alcaraz Pineda, Apalache Análisis

Yes, when -- because if I remember correctly, last quarter, you mentioned that (inaudible) will happen (inaudible) quarter. So I'm not sure if it's undergoing the construction or you can share more or maybe expecting to happen later?

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

Sure. Sure. Let me give you an update on that. So the project is very much advanced in terms of the construction, definitely above 90%. So we should be finishing that in the next couple of months. And we expect the opening date to be the -- it should be in January towards mid- to end of January, and that's also more because of the logistics that have to do with Hyatt and to set a date and December is complicated. So it should be opening by then, a soft opening and eventually a larger inauguration some months after that, but it's going in the right direction definitely.

Operator

Our next question will come from Martín Lara with Miranda Global Research.

Martín Lara, Miranda Global Research - CEO & Founding Partner

Congratulations for the strong results. I have 2 questions. The first 1 is, how to see the performance of tourism activity under the current environment with high inflation rates and high interest rates? That's the first question. And the second 1 is, what do you -- what are your plans with respect to the maturities that you face in 2023?

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

Okay. Thank you, Martín. I will take the first question about the inflation and interest rates. Basically, what we have seen and we have a department inside Grupo Hotelero Santa Fe who is every month checking about the increased index in the operational expenses. And what we have seen is that the 8% announced by the government, it's not 8%, it's around 12% and the reality. So what we have done is react immediately in all the different markets with the packages and rates and menus and this and that, increasing our prices in a range of 12% to 15%. And the market has understood that, that should be necessary in order to maintain the same quality and same delivering of (inaudible) service. So -- and we have been very successful in that, and the market is accepting those increases based on the reality of what the country is living as we have seen in the -- throughout the year.

And based on the interest rate, what we are doing is -- and Max can tell you more about it. But basically, what we have done is, our valuations and our projects are including those new increases in interest and tax rates. And we have -- we are considering that increase in order to do projects that reach up over that level of increase basically.

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

Thank you, Paco. That is correct. And in terms of the maturities, Martín, that's a good question. We have the numbers is a bit different from other quarters because we have a balloon payment coming up for 1 tranche of a credit from 1 hotel, and this will be refinanced. We've already spoken with the bank, and that should be done sooner rather than later. I would hope that, that could be ready in the first quarter, and if not, the second. The maturity of that is, I think, in the second quarter of next year. So we are already working with that with the bank and that should normalize things again.

Operator

It appears we have no further questions at this time. I will now turn the call back over to Francisco Medina Medina for any additional or closing remarks.

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

Thank you, operator. Well, we would like to thank you for the trial and as you have place enough and reaffirm our commitment to maximize your investment. We also would like to thank you all of our soft for their content effort. And we wish to have you a great day, everyone. Thank you very much.