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Latin America
Real Estate
Company Note
27 October 2021

Planigrupo

3Q21: Solid Q3 operating results - recovery continues

Adjusted EBITDA rose 36% YoY and 15% QoQ to P$226m, (6% above estimate)

Planigrupo reported double-digit growth across all its key metrics. Revenues rose 18% YoY to P$377m (+5% above our estimate), explained by higher rental revenues (+18% YoY), parking income (35% YoY), and management fees (10% YoY). Sequentially, rental revenues saw growth of +10%, parking +4%, and management fees -21%. Reflecting higher rents, NOI of P$295m (+28% YoY, +4% QoQ) was 1% above our estimates; NOI margin of 78% was below our 82% projection, mainly explained by an uptick in administrative expenses (+21% YoY) that was partially offset by lower provisions for doubtful accounts (P$12.5m vs P$28.3m in 3Q20). Adjusted EBITDA of P$222m (excluding changes in reasonable value of investment properties and other income) was 5% above our estimate on a sequential 354bps margin expansion to 59.9% given that SG&A only increased 7% YoY on continued expense containment measures. Sequentially, EBITDA rose 13% during the quarter.

FFO of P$61m was down YoY on the impact of deferred interest expense

FFO of P$61m and AFFO of P$58m fell by 36% and 37% as cash financing charges grew significantly. 3Q21 cash net interest expense of P$146m (vs P$65 in 3Q20 and P$124 in 2Q21) reflects the payment of interest expense that was deferred in 2020 (in response to the pandemic, in 1H20 Planigrupo reached an agreement with its creditors to defer its debt service obligations, payments on the deferrals began in 1Q21); LTV remained stable QoQ at 40%. In 3Q21, Planigrupo reported maintenance capex of P$2.6m vs P$7.6m in 2Q21 driving AFFO of P$58m up 18% QoQ (but 35% down YoY).

Traffic continues to recover, but is still 31% below 3Q19

Foot traffic grew to 24m in 3Q21from 21m in 2Q21, up 35% YoY and 16% QoQ, but still 31% below 3Q19. Importantly, however, cinemas' operations are beginning to normalize, and more films are being released for the screen, which should contribute to additional traffic going forward.

Valuation	12/2019	12/2020	12/2021E	12/2022E	12/2023E
RoIC (EBIT) %	10.1	3.2	11.3	14.0	15.1
EV/EBITDA	9.8	28.9	7.8	12.6	5.9
P/E	13.5	(56.8)	32.6	16.4	12.8
Net dividend yield %	0.0	0.0	0.0	0.0	5.2

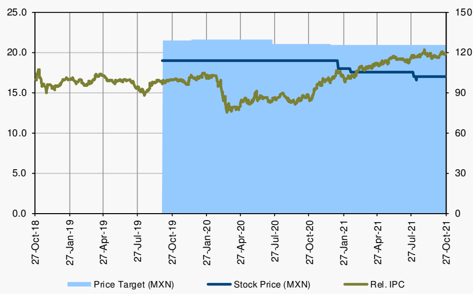
Financials (MXNmn)	12/2019	12/2020	12/2021E	12/2022E	12/2023E
Revenues	1,515	1,293	1,305	1,386	1,483
EBITDA	1,203	382	687	846	913
Net Income	448	(106)	165	327	420
EPS (MXN)	1.41	(0.33)	0.52	1.03	1.32
Net DPS (MXN)	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(5,779)	(5,008)	0	(5,293)	0

Source: Company reports, Bovespa, BTG Pactual S.A. estimates. / Valuations: based on the last share price of the year; (E) based on a share price of MXN16.90, on 26 October 2021.

Rating	Neutral
12m Price Target	MXN20.90/US$1.04
Price	MXN16.90/US$0.84
RIC: PLANI, BBG: PLANI*	

Trading Data and Return Forecasts	
52-wk range	MXN19.00-16.50/US$0.96-0.81
Market cap.	MXN5,371m/US$266m
Shares o/s (m)	317.8
Free float	29%
Avg. daily volume('000 Shares)	0
Avg. daily value (MXN m)	0.0
Forecast price appreciation	+23.7%
Forecast dividend yield	0.0%
Forecast stock return	+23.7%

Stock Performance (MXN)



Gordon Lee
New York – BTG Pactual US Capital LLC
gordon.lee@btgpactual.com
+1 646 924 2473

Alvaro Garcia
New York – BTG Pactual US Capital LLC
alvaro.garcia@btgpactual.com
+1 646 924 2475

Mariana Cruz
Mexico - BTG Pactual - Estrategias de Inversión
Mariana.Cruz@btgpactual.com
+52 55 3692 2517

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4

3Q21: Solid Q3 operating results - recovery continues

Occupancy deteriorated slightly sequentially but it remains healthy at 92%

Stabilized occupancy (which excludes Urban Village Ciudadela, which is being redeveloped, and Paseo Hipódromo, which is in the process of being stabilized) of 91.7% came in line with our estimate and was only down slightly from 3Q20's 92.5% and 2Q21's 92.2%. The decline reflects slight occupancy declines across all shopping malls (especially Paseo Santa Catarina, Plaza Lincoln, and Plaza Real Saltillo in the Northern part of the country). Positively, Paseo Hipodromo's occupancy rose to 82% from 55% in 3Q20. Reflecting lower rent discounts granted during the quarter, implied rents grew by 20% in 3Q21.

Conference call notes:

- Despite the fact that the third wave of COVID infections restricted some activities during 3Q21, a rebound in economic activity favored the recovery in Plani's key financial metrics recovery.
- Plani's traffic recovery was favored by the full opening of a movie theaters chain in 3Q21 and the release of new films that attracted more visitors. Management mentioned a movie theater as an example of this recovery, in which variable sales represented 3x the minimum rent.
- COVID-19 support granted to movie theater tenants is set to expire in the coming months.
- By the end of 3Q21, only three states remained in orange, which is contributing to traffic recovery in October.
- Traffic in recent weeks is still 20-25% below 2019 levels, but management estimates that if the government's traffic light continues to be green for most of Plani's states, traffic could soon reach 90% of 2019 levels and 100% by 2022.
- In 3Q21 Plani normalized most of the leasing contracts with tenants.
- Rent collection levels are practically at pre-pandemic levels.
- Plani continues exercising its cost-savings plan. If traffic continues at the same rate it is performing so far; management expects to see pre-pandemic EBITDA margins in 2022.
- Regarding ESG initiatives, in 3Q21 Planigrupo concluded its materiality analysis.
- In 3Q21 Plani completed most of the interest payments rescheduling. Management expects to complete the plan in 4Q21 and see normalized interest expense in 2022.

- Management commented they are in conversations with creditors to refinance 2022 maturities (and could announce final agreements in the coming weeks) and mentioned that a significant part of 2022 maturities has an option to extend the maturity for one year more.

We maintain our Neutral rating on Plani shares

As we have argued since we initiation on Plani in 2019, there are many things we like about the company: management's track-record in a number of challenging periods (which is coming in particularly handy at a moment like the present), corporate structure, institutional ownership, geographic diversification, and segment focus. However, low stock liquidity, concerns globally around brick-and-mortar retail, increasing worries around future mobility restrictions as a result of Mexico's ongoing third COVID wave, and valuations (2021E 1.0x P/NAV, 8.9% implied NOI cap rate, and 5.1% FFO yield) that seem fair in the context of some heavily-discounted peers, lead us to stick to our Neutral rating.

Table 1: Planigrupo 3Q21 Summary

	3Q20	2Q21	3Q21E	3Q21A	QoQ Δ%	YoY Δ%	Actual vs. Estimate
Total Revenues (P$m)	319	349	359	377	8.0%	18.3%	5.1%
Leasing Revenues (P$m)	316	344	352	375	9.0%	18.5%	6.4%
NOI (P$m)	231	283	293	295	4.2%	27.7%	0.7%
NOI Margin/1	*72.5%*	*81.1%*	*81.6%*	*78.2%*	*-283bps*	*575bps*	*-339bps*
EBITDA (P$m)	163	197	212	226	14.8%	38.4%	6.5%
Adjusted EBITDA	163	197	212	222	12.7%	36.1%	4.6%
EBITDA Margin/1	*51.2%*	*56.4%*	*59.1%*	*59.9%*	*354bps*	*870bps*	*82bps*
Cash Net Interest expense	*-65*	*-124*	*-122*	*-146*	18.4%	123.8%	20.5%
Tax	*-7*	*-16*	*-17*	*-19*	15.0%	156.1%	14.2%
FFO (P$m)/2	94	57	74	61	7.3%	-35.5%	-17.8%
Maintenance capex	-1.1	-7.6	-9.6	-2.6			
AFFO (P$m)/2	93	49	65	58	18.5%	-37.5%	-9.6%
GLA ('000 sqm)	806	806	806	806	0.0%	0.0%	0.0%
Occupancy	92.5%	92.2%	91.7%	91.7%	*-46bps*	*-84bps*	*-3bps*
Implied Monthly Rent (P$ sqm)	141	154	159	169	9.5%	19.6%	6.4%

Source: BTG Pactual, Planigrupo
Note: All are proportional figures. 1/ Margins calculation excludes management income and allowance for doubtful accounts adjustment

Required Disclosures

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The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results.

BTG Pactual Rating	Definition	Coverage *1	IB Services *2
Buy	Expected total return 10% above the company's sector average.	68%	52%
Neutral	Expected total return between +10% and -10% the company's sector average.	31%	31%
Sell	Expected total return 10% below the company's sector average.	1%	25%

1: Percentage of companies under coverage globally within the 12-month rating category.

2: Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

Absolute return requirements

Besides the abovementioned relative return requirements, the listed absolute return requirements must be followed:

a) a Buy rated stock must have an expected total return above 15%

b) a Neutral rated stock can not have an expected total return below -5%

c) a stock with expected total return above 50% must be rated Buy

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Statement of Risk

Planigrupo Latam [PLANI] (Primary) - Risks include (i) the spillover from the global de-rating in cap rates for B and C assets, (ii) faster than expected e-commerce penetration in Mexico, (iii) dilutive expansions abroad, (iv) low stock liquidity, (v) high leverage levels.

Valuation Methodology

Planigrupo Latam [PLANI] (Primary) - Our price target is derived via a DDM and exit cap rate blend. We use a COE of 10.8% and an exit NOI cap rate in 2025 of 8.5%.

Company Disclosures

Company Name	Reuters	12-mo rating	Price	Price date
Planigrupo [18, 19, 20, 21, 22]	PLANI	Neutral	MXN16.90	26-10-2021

18. As of the end of the month immediately preceding the date of publication of this report, neither BTG Pactual US nor its affiliates or subsidiaries beneficially owned 1% or more of a class of this company`s common equity securities.

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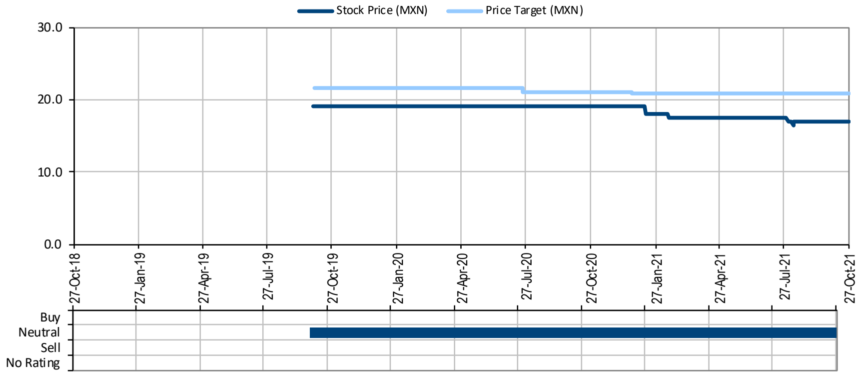
Planigrupo



Source: BTG Pactual and Economatica. Prices as of 26 October 2021

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