

Planigrupo

4Q21: Marching towards recovery...

Revenues recovered 9% YoY and 4% QoQ – 3% above estimate

Revenues recovered 9% YoY to P\$394m (3% above estimate), owing to increases of 6% in rental revenues and 10% in management fees; despite lower parking income (-68%). Sequentially, parking saw a decline of 72%, but rental revenues grew by 2% and management fees by 54%. Reflecting higher revenues and an expansion of 155bps in NOI margin to 79%, NOI of P\$311m increased +11% YoY (also 2% above expectations). The margin expansion was explained by a significant decline of 59% YoY in provisions for doubtful accounts and 7% lower operating costs as Plani continues exercising its cost-savings plan. EBITDA of P\$222m increased by +6% YoY as a decline in operating expenses and other income (-3% and -30% YoY, respectively) were offset by negative non-operating expenses P\$74m vs. P\$18m in 4Q20. Compared to 4Q19, revenues are down only by 1%, but NOI and EBITDA remain 6% and 14% below pre-pandemic levels, respectively.

AFFO was impacted by debt service deferrals, but we expect to see normalized interest expense in 2022

Interest expense climbed 13% YoY to P\$138m (but declined 6% YoY), reflecting the 1H20 agreement between Planigrupo and its creditors to defer 2020 interest expense. However, we expect to see normalized interest expense in 2022 as management confirmed that the interest deferral plan concluded in 4Q21. Higher interest expense, partially offset by lower taxes (P\$14m vs. P\$27m in 4Q20), resulted in FFO of P\$62m, down 26% YoY and well below forecast. AFFO of P\$40m was below forecast as maintenance capex increased significantly in 4Q21 (P\$22m) compared to the figures registered during the year, which averaged P\$4m. In 2021 the company recorded maintenance capex of P\$35m, 24% up YoY.

Traffic continues to recover but it is still 20% below 4Q19

Foot traffic in Plani properties grew to 27m in 4Q21, rebounding 12% QoQ and 14% YoY. However, traffic was still 20% below 4Q19 levels. Plani's traffic recovery was positively impacted by a rebound in movie theaters sales, as the release of new films attracted more visitors.

Valuation	12/2019	12/2020	12/2021E	12/2022E	12/2023E
RoIC (EBIT) %	4.7	2.0	6.0	6.7	7.2
EV/EBITDA	10.0	31.4	15.5	13.2	11.8
P/E	13.5	(56.8)	31.2	17.6	9.3
Net dividend yield %	0.0	0.0	0.0	0.0	0.0

Financials (MXNmn)	12/2019	12/2020	12/2021E	12/2022E	12/2023E
Revenues	1,515	1,293	1,367	1,449	1,551
EBITDA	1,203	382	720	819	879
Net Income	448	(106)	172	305	581
EPS (MXN)	1.41	(0.33)	0.54	0.96	1.83
Net DPS (MXN)	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(6,009)	(5,976)	(5,802)	(5,472)	(5,037)

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 25 February 2022.

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4

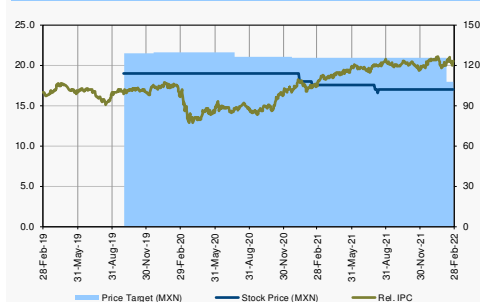
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Rating	Neutral
12m Price Target	MXN17.90/US\$0.88
Price	MXN16.90/US\$0.83
RIC: PLANI, BBG: PLANI*	

Trading Data and Return Forecasts

52-wk range	MXN17.46-16.50/US\$0.88-0.77
Market cap.	MXN5,371m/US\$263m
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	+5.9%
Forecast dividend yield	0.0%
Forecast stock return	+5.9%

Stock Performance (MXN)



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4Q21: Marching towards recovery...

Stabilized occupancy now considers Plaza Ciudadela and Paseo Hipódromo

Stabilized occupancy of 91.8% (flat QoQ and -30bps YoY) now incorporates Urban Village Ciudadela (the remodelling for which is now complete) and Paseo Hipódromo (which was in the final stages of stabilization). Renovation works in Urban Ciudadela in Guadalajara reduced its GLA, shrinking Plani's total portfolio GLA to 780k from 814k sqm. As for occupancy, Urban Village Ciudadela reached 95% vs. 85% in 4Q20 (benefitted by the GLA reduction). On its part, Paseo Hipodromo's occupancy rose to 87% from 83% in 4Q20. Reflecting significantly lower rent discounts granted during the quarter, implied rents of P\$172/sqm came 3% above forecast and were up 3% QoQ. Management commented that special rent agreements on the back of the pandemic are largely finished.

ESG efforts – materiality analysis concluded

In 2021, Planigrupo concluded its first materiality analysis, which is expected to be disclosed in 2022. The company is now concentrated on identifying and defining KPIs for the most relevant topics (selected by the company's interest groups).

LTV a bit better at 39.4% - focus on debt refinancing

At 39.4%, LTV was slightly lower YoY, compared to the 39.7% posted in 4Q20. In 4Q21, management concluded negotiations with creditors to refinance a part of 2022 maturities. As a result, the 53% of debt that is due in 2022 (43% in 2023) as of 4Q21 will likely be refinanced into 2023 and beyond. On an annual and sequential basis, the value of properties was down by only 1%.

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 (as was one again demonstrated over the past 24 months), corporate structure, institutional ownership, geographic diversification, and segment focus. However, low stock liquidity, concerns globally around brick-and-mortar retail, and valuations (2022E 0.9x P/NAV, 10.6% implied NOI cap rate, and 8.1% FFO yield) that seem fair in the context of some heavily-discounted peers, lead us to stick to our Neutral rating.

Conference call notes:

- Foot traffic rose by 14% YoY to 27.4m in 4Q21, driven in part by a recovery in cinema attendance.
- Collection levels are very close to 4Q19.
- Total collections over billings in 4Q were 96%, which compares to 97-98% pre-pandemic.
- Urban Center Ciudadela remodelling is now complete, with 95% occupancy.

- ESG strategy continues, with initiatives aimed at education, recycling, and health.
- The company was able to extend most of its 2022 maturities, significantly improving its overall debt maturity profile.
- Operating financial metrics showed YoY increases for both the quarter and the year.
- COVID relief programs for tenants are largely finished.
- GLA was 780K sqm spread over 36 properties, which is 4% decrease to previously reported figures given the remodeling of Urban Center Ciudadela.
- Total occupancy is 92%.
- Rental rates rose 3% YoY to P\$169/sqm; spreads on renewals and new contracts are keeping up with inflation.

Table 1: Planigrupo 4Q21 Summary

	4Q20	3Q21	4Q21E	4Q21A	QoQ Δ%	YoY Δ%	Actual vs. Estimate
Total Revenues (P\$m)	362	377	382	394	4.4%	8.7%	3.1%
Leasing Revenues (P\$m)	358	375	372	387	3.3%	7.9%	4.1%
NOI (P\$m)	281	307	304	311	1.4%	10.8%	2.2%
NOI Margin/1	77.4%	81.3%	79.7%	79.0%	-229bps	155bps	-77bps
EBITDA (P\$m)	209	222	219	222	0.0%	6.2%	1.3%
EBITDA Margin/1	57.6%	58.7%	57.3%	56.3%	-247bps	-129bps	-104bps
Cash Net Interest expense	-122	-146	-123	-138	-6.0%	12.7%	12.3%
Tax	-27	10	-18	-14	-235.2%	-49.2%	-23.2%
Other adjustments	24	-24	0	-8	-	-	-
FFO (P\$m)/2	84	61	78	62	1.8%	-26.1%	-21.0%
Maintenance capex	-23.0	-2.6	-2.3	-22.5			
AFFO (P\$m)/2	61	58	76	40	-32.3%	-35.1%	-48.1%
GLA ('000 sqm)	806	806	806	806	0.0%	0.0%	0.0%
Occupancy	92.5%	91.4%	91.4%	91.8%	45bps	-74bps	45bps
Implied Monthly Rent (P\$ sqm)	160	170	168	174	2.8%	8.7%	3.6%

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%	0%

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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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	25-2-2022

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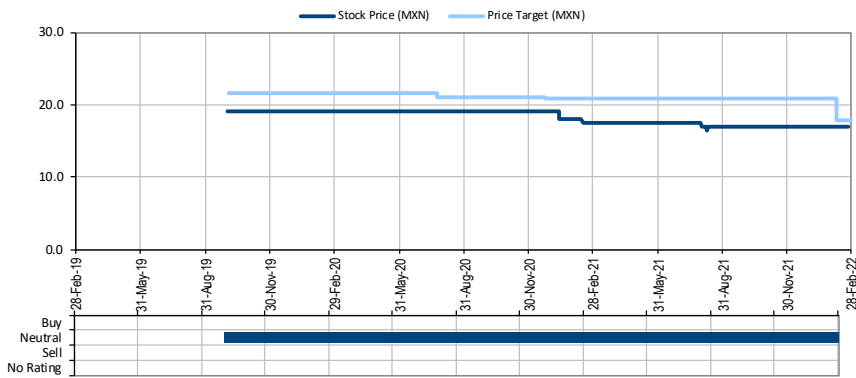
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Planigrupo



Source: BTG Pactual and Economica. Prices as of 25 February 2022

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