

Grupo Hotelero Santa Fe 4Q22 Earnings Call

Corporate Participants

- 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. - Director of IR & Sustainability

Conference Call Participants

- Martín Lara - Miranda Global Research - Partner
- Carlos Alcaraz Pineda - Apalache Análisis - Manager of Analysis

Presentation

Operator

Good day, everyone, and welcome to today's Grupo Hotelero Santa Fe 4Q '22 Investor Relations Call. (Operator Instructions) Please note, this call is recorded. It is now my pleasure to turn the conference over to Max Zimmermann.

Maximilian Zimmermann Canovas

Hi. 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 2022.

On the line, we have Francisco Medina, our CEO; and Alberto Santana, our Administration Director. The presentation slides will follow during this call are available on our webcast, which you can find under 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 CEO. Go ahead, Paco.

Francisco Medina Elizalde

Good afternoon, everyone. I'm glad to say that the company had a great year in 2022, and the fourth quarter was no exception.

In our annual results, we posted solid revenue and EBITDA growth of 51% and 87%, respectively compared to the 2021. In terms of our operating indicators, our company-owned hotels, we increased our RevPAR by 27%, driven by 14.2% increase in ADR combined with 14.6 percentage point increase in occupancy. We posted MXN 749 million of EBITDA in 2022, which was 50% higher than in 2019.

At the end of the year, we announced 2 strategic transactions. First, we signed an agreement for the sale to Barceló Hotel Group of the Hilton Guadalajara for \$59 million, which we expect it to close in the coming months. The second transaction is the acquisition of the Mahekal Beach Resort in a 50% partnership with a group of Mexican investors.

The hotel has 195 rooms, which includes 4 restaurants and bars, and is located in Playa del Carmen, one of the most popular destinations in Mexico, which is internationally recognized for its connectivity to the European, North and South American markets. The value of the transaction was \$56 million, of which 50% was financed with debt.

Lastly, I would like to mention that none of these achievements would have been possible without the support of our dedicated staff members, experienced management team, and the confidence placed in us by our investors.

Now I will pass the call to Max Zimmerman, who will get into quarterly operational results. Go ahead, Max?

Maximilian Zimmermann Canovas

Thank you, Paco. Room revenue increased 29% to MXN 367 million in 4Q '22 compared to 4Q '21. Food and Beverage revenue increased 34% to MXN 295 million in the fourth quarter of '22 compared to the same quarter of last year. And other income, which includes, among other items, event room rentals, parking, laundry, telephone and leasing of commercial spaces, increased 1% to 36 million in the fourth quarter of '22.

Vacation club income was MXN 20 million and third-party hotel management fees were MXN 23 million, which were up 24% in the quarter.

Now please move to Slide 3. Moving on to our key operational metrics. On a consolidated level this quarter, we posted a 9 percentage point increase in occupancy, reaching 67% combined with an ADR increase of 6% to MXN 1,645. RevPAR in the quarter was MXN 1,098, of which -- which was 22% higher than in the fourth quarter of last year.

Now please move to Slide 4. EBITDA in the quarter increased 30% to MXN 215 million compared to MXN 165 million in the fourth quarter of last year. This result was mainly driven by higher revenues.

Moving on, operating income increased 21%, reaching MXN 35 million compared to MXN 29 million in the fourth quarter of 2021. In terms of net income, we went from a MXN 74 million gain in the fourth quarter of last year to a MXN 5 million loss in the fourth quarter of '22. The lower results was driven by a variety of factors, but one of the important ones was a higher tax effect.

Now please move to Slide 5. Net debt was MXN 3,136 million at the end of the fourth quarter, which represented a total debt-to-EBITDA last 12 months ratio of 4.2x. Total debt is mostly 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, which had an average cost of 14%, having an overall debt mix of 9%.

Additionally, I would like to mention that over 89% of debt maturities are long-term. Our short U.S. dollar position by the end of the quarter was \$121 million, equivalent to MXN 2,682 million.

Now please move to Slide 6. And we will move on to questions. Operator?

Q&A

Operator

We'll take our first question from Carlos Alcaraz with Apalache Análisis.

Carlos Alcaraz Pineda

Q. Congratulations for the remarkable results. I have 2 of this. The first one is related to the Hyatt Regency hotel in Mexico City. What is the progress of this project? And the last one is about the Secrets Hotel in Tulum. Is there any update for the opening?

Francisco Medina Elizalde

A. Thank you, Carlos. This is Francisco Medina. Now we would like to say that we are planning to open Hyatt Regency Insurgentes in the middle of March, and we are expected to have a very good response from the client, since all the comments have been very successful about the quality of the brand, product and there will be having the first branded Hotel in Insurgentes with a beautiful space for meetings and conventions besides the beautiful rooms and restaurants and bars that we have.

And in the case of Tulum. We are running up to finish the 1st of June and open in July. Basically, what we want to be to take advantage of domestic and vacations. And we expect to have a tremendous success in this hotel since the property is gorgeous with beautiful spaces, more than 50,000 square meters with different activities under the umbrella of Secrets brand for the area of Tulum.

Maximilian Zimmermann Canovas

A. And Carlos with -- when the hotel is ready, if anyone else wants to come with us, it is spectacular. We were there this week with Pancho, looking at the hotel and the residential and the commercial. And it's a really amazing building. It's almost ready. So it's really worth it.

And Tulum, not even to mention, I think it's one of the most impressive projects in Tulum by far that have been made up to now. Thank you, Carlos.

Operator

A. And we'll take our next question from Martín Lara with Miranda Global Research.

Martín Lara

Q. Congratulations for these results. I have 2 questions. The first one is what is the CapEx that you expect in 2023? And the second one is, if you plan to continue focusing on beach destinations and sell the urban hotels?

Maximilian Zimmermann Canovas

A. Thank you, Martín. Let me take your first question in terms of CapEx. So we believe that the CapEx -- let's say, ordinary CapEx for the year should be around MXN 125 million. And maybe that number could go up to around 175, if we include some, let's call it, extraordinary CapEx that we're planning to do in the Mahekal hotel, which we're going to do some interesting things there and some last touches on 724 on [Insurgentes] on Hyatt. So that's basically what we are expecting.

Martín Lara

Sorry, can you give the figure?

Maximilian Zimmermann Canovas

A. Yes, of course. So 175 of CapEx, of which 125 will be ordinary and around 50 should be extraordinary somewhere in those lines.

Francisco Medina Elizalde

A. Thank you, Martín. This is Francisco Medina. Talking about the growth expectations of the company and the pipeline, yes, we are focusing more in resource areas, where we know that if you compare the results we had in 2022 to 2019, we did a better performance also including the comparison 2019 in our release a lot better than compared to 2021.

So that makes us the line to follow in the same direction, looking for opportunities and the main resource such as Riviera Maya, Cabos, Nuevo Vallarta, et cetera, we will be more focusing in those areas.

Maximilian Zimmermann Canovas

A. Thank you, Paco. And also, I would like to mention on the Mahekal Resort, I'm sure we're going to give some more information in our quarterly presentation, but the hotel is absolutely gorgeous.

ADRs are very interesting, some of the highest that we have in the group. And it's a very unique experience of hotel. So if you get have chance, also, please, let us go with you, if you have time to go. And that it would be glad to join you.

Operator

A. We have no more questions in the queue at this time. I will now turn the program back over to our presenters for any additional or closing remarks.

Francisco Medina Elizalde

A. Thank you, operator. Thank you, Max. Lastly -- this is Francisco Medina. Lastly, I would like to highlight and express my gratitude to the more than 3,800 associates we have supported the company and conditionally.

As always, we are especially thank you for the trust and support of our shareholders in this time and again, to our tremendously professional corporate lead teams. Thank you very much.

Maximilian Zimmermann Canovas

Have a great afternoon, everyone.

Operator

That concludes today's teleconference. Thank you for your participation. You may now disconnect.