

Corporate Participants

- Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP
- Maximilian Zimmermann Canovas - Grupo Hotelero Santa Fe, S.A.B. de C.V. - IR Director

Conference Call Participants

- Martín Lara - Miranda Global Research - CEO & Founding Partner

Presentation

- **Operator - -**

Excuse me, everyone. We now have our speakers in conference. (Operator Instructions). I would now like to turn the conference over to Max Zimmerman, Investor Relations Director for Grupo Hotelero Santa Fe. Please go ahead, sir.

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

Thank you. Good afternoon, 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 2021. On the line, we have Francisco Zinser, Executive Vice President; and Alberto Santana, our Administration Director. The presentation slides we will follow during this call are available on our webcast, which you can find on our Investor Relations section of our website.

Before we begin, I would like to remind you that this call is being recorded, and the 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.

We will now begin with the presentation. I will pass the call to Francisco Zinser, our Executive Vice President.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

Hello, everyone. Good morning, and thank you very much for joining us. 2021 was the year of the beginning of the recovery of the pandemic. As you can see in our results,

we show a significant improvement versus the previous year. And the overall tourism industry is picking up, not only in Mexico but worldwide. Performance is mainly driven by resort properties, by resort hotels. Resort destinations have reached and, in many cases, increased their sales and their performance versus 2019, not so with the urban hotels that are in the route of recovery, but at a very slower pace, nothing comparable to the resort properties. So the underlying factor for our strong EBITDA was the performance of resorts. And you can see that the EBITDA generation was 8.5x higher than 2020.

Occupancy was, as I mentioned, 58.1% basically driven by the resorts, and we were able to increase ADR substantially 27.4%. During the quarter, we exceeded our operational breakeven point and generated these strong numbers. The trend was also very good in the fourth quarter. I would like to reiterate that we will remain focused on prudently navigating through these continued unprecedented environment by the pandemic. So we will be monitoring the full implementation of health and safety standards at our properties and offices, complementary antigen tests of COVID at all our resorts and continue a tight control on expenses, so we can continue to perform even better every quarter.

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

Now I would like to turn the microphone to Max, so he can go through the report.

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

Thank you, Pancho. Let me get into our quarterly operational results. And now please move to Slide 2. Revenues totaled MXN 546 million compared to MXN 289 million in the fourth quarter of last year. Room revenue was MXN 285 million. Food and Beverage revenue was MXN 220 million and the other income, which includes among other items, event room rentals, parking, laundry, telephone and leasing of commercial spaces, was MXN 22 million. Third-party hotel management fees were MXN 19 million.

Now please move to Slide 3. Moving on to our key operational metrics. On a consolidated level this quarter, we posted a 22 percentage point increase in occupancy, combined with an ADR increase of 27%. RevPAR in the quarter was MXN 900.

Now please move to Slide 4. EBITDA in the quarter was MXN 165 million compared to MXN 6 million in the fourth quarter of last year and even higher than MXN 161 million, which was the number for 2019. So this is actually the first quarter since the beginning of pandemic, where we post a higher EBITDA than the same comparable quarter of 2019. This result was driven by higher revenues combined with operational efficiencies.

Moving on. Operating income was MXN 29 million compared to negative MXN 133 million in the fourth quarter of 2020. In terms of net income, we went from MXN 160

million in the fourth quarter of last year to MXN 77 million in the fourth quarter of 2021. This was partly attributed to a negative FX effect on our dollar-denominated obligations arising from a slightly weaker Mexican peso.

Net debt was like -- yes, please move to Slide 5. Net debt was MXN 2,565 million at the end of the fourth quarter of 2021, which represented a total debt-to-EBITDA last 12-month ratio of 6.4x. As you can see, this ratio improved from 10.4x from the last quarter. And this was partially due to a lower -- I mean, this number is still a little bit high because we still have a lower EBITDA in the first 4 months of 2021, driven by the pandemic. Starting in April or May, our numbers improved very much.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

As well as the nonperforming revenue debt which is in the case of Insurgentes property.

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

Yes, of the Insurgentes property, which we will be inaugurating at the end of the year and which will -- which should be generating some strong EBITDA in 2023 and going forward. Total debt is mostly U.S. dollar-denominated, 84% to be exact, and this tranche of debt has an average cost of 3.3%, while the remaining portion of 16% of total debt is peso-denominated with an average cost of 8.9%, having a competitive overall debt mix of 4.2%.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

I think it's important to mention, Max, that out of our revenues, around 32% are dollar denominated for the period. So we have basically come back to what we used to have pre-pandemic levels, which was around 35%.

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

That is correct. Additionally, I would like to mention that over 92% of debt maturities are long term. Our short U.S. dollar position by the end of the quarter was \$121 million, equivalent to MXN 2,473 million.

Now please move to Slide 6, and I will pass the call back to Pancho for closing remarks, and then we will open for Q&A.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

One more time. And once again, I would like to express my gratitude to our more than 3,200 associates that have supported the company unconditionally, with tremendous attitude and we -- beyond the call of duty. Always, we want -- as always, want to thank and are especially thankful for the trust and support of our shareholders in these times. And again, of all the tremendous professional and corporate teams. I would like to open the floor to Q&A. So let's go forward.

Question And Answers

- **Operator - -**

A. (Operator Instructions) At this time, I am showing no one in the queue, sir.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Thank you, operator. Actually, I do think that we normally do have like 2 or 3 people that ask questions. Maybe they're not able to connect. So it's just *1?

- **Operator - -**

A. Correct, yes sir. (Operator Instructions).

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Thank you. They are asking me. I mean, they are telling me that it's not working, actually, our 3 analysts that are trying to ask questions. I don't know if you could manually connect them. One of them is Martin Lara, which is appearing as a participant. The second one is (inaudible). And we also have someone from Apalache. I don't know if you can open the line for Martin Lara, which is trying to ask a question, but is not being able to do it?

- **Operator - -**

A. (Operator Instructions). And our first question will come from Martin Lara with Miranda Global Research.

- **Martín Lara - Miranda Global Research - CEO & Founding Partner**

Q. Congratulations for the strong quarterly results. I'll start by these questions. The first 1 is you reported a cash position of MXN 532 million. What are your plans with respect to that cash? The second question is what is the estimated CapEx for 2022 and what are the main investments? And the third question is, could you please give us an update with respect to the Insurgentes 724 project?

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Yes, sure. Thank you. Thank you very much, Martin. Well, as you will remember, we made a capital increase when the pandemic started of MXN 500 million. And this was not only to be in a very solid position if things would go worse than expected, but also to have somewhat of a war chest to be able to capitalize any opportunities that we find in the market. And we are constantly looking at opportunities and probably we'll be able to share some information in the near future. But the -- I mean we definitely feel very comfortable with our cash position, and we definitely want to be prepared should anything come up.

And I'll go with your second question, so Max can -- the third question, so Max can answer the other one. The Insurgentes project is doing very well. We already finished the top off of the building. It's totally constructed and almost all of the (inaudible) is in place, all of the interiors are already finished in terms of walls and doors and now we're just getting into the fine line of equipment. The property is expected to open as mentioned in October, November of this year and this is in line with the plan.

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

A. Thank you, Pancho. And Martin, in terms of your question about CapEx for the year, we are expecting to spend around 4% of revenues, and that's basically for maintenance CapEx for all of our hotels, where during 2020 and 2021, we reduced that maintenance CapEx to the bear minimum. So we do still have Phase II to invest in, but that's basically the CapEx that we expect to invest. Of course, you will still see some CapEx for finishing 724 and to hit the Hyatt Regency. And therefore, you will see a bit of a higher number there. But basically, maintenance CapEx will be 4%.

- **Operator - -**

A. (Operator Instructions). Next question comes from Kazuo Okamoto with Apalache Análisis.

- **Unidentified Analyst, - -**

Q. I'd like to ask a question, if I may. During the third and fourth quarters of 2021, we see significant growth in the ADR. What is the reason for this adjustment? And will we be able to see similar increases this year given current inflation?

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Well, the main reason, as I mentioned at the presentation is the resort market, which due to the high demand, has given us the opportunity to raise rates not so in the urban segment, which is basically keeping same rates or a little higher than what they used to

be. Is this a sustainable path of ADR growth? I don't think so. 27% is a very significant jump. But we do see that we will be growing rates, especially in the Resort segment above inflation.

- **Operator - -**

A. (Operator Instructions). Our next question will come from (inaudible) with Suma Capital.

- **Unidentified Analyst, - -**

Q. I have 2 of them. A follow-up on the Hyatt Regency or Hyatt Place, I remember that the project was a mix between residential findings and new hotel, of course. But I was trying to understand what is the level of the band of the selling of the properties or the residential or even the projects that has changed only to be a hotel?

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. You're getting cut off. We hear you very, very bad.

- **Unidentified Analyst, - -**

Q. Okay. So I have a bit...

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. I got the first part of the question, which was basically what the distribution of the project is, and it has 87 residences, 247 hotel rooms and 2,500 -- around 2,500 square meters of restaurant places where we will lease out space.

- **Unidentified Analyst, - -**

Q. Okay. Very clear. The second question is what will be the trend that you are foreseeing for 2022? Even the recovery path in the hospitality industry, it's on a positive trend. But what will be for the next quarter, in spite of the fact that Omicron hit a little bit this part of the first quarter?

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

A. Thank you. As you know, we normally don't talk about forward-looking statements. I think we can't get into the quarter specifically. But I can tell you that for the trend for the year, what we're expecting is for the resort hotels to continue performing very well as they did in 2021, starting in April or May. However, as we have mentioned before, the urban hotels, since they are basically 90% of local business travel have still been

lagging in occupancy. However, we have seen monthly improvements, month over month since basically midyear 2021. So we would expect that to continue improving.

And therefore, I think for this year, we will see a nice increase in both revenues -- we hope and EBITDA. That's what we're hoping for. However, I think that the full recovery we will see until 2023, including the numbers that we'll see from Insurgentes 724, which will open at the end of this year. So basically rounding up, I would say, a year of recovery and urban hotels doing much -- doing better than they did in 2021.

- **Operator - -**

A. Thank you. At this time, I am showing no further questions. I'll now turn the call back over for closing remarks.

- **Francisco Alejandro Zinser Cieslik - Grupo Hotelero Santa Fe, S.A.B. de C.V. - EVP**

A. Well, once again, thank you for joining and for your continued support for our company. And we hope and we wish you a very good weekend, and we'll get in touch in our next call or if you need anything before that, you know where we are. And Max and I are ready to take care of any questions you would have. Thank you very much, and have a great weekend.

- **Operator - -**

A. Thank you, ladies and gentlemen. This concludes today's conference. You may now disconnect.