Fibra Uno

Historical News

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FUNO (Outperform): Recovery On Track, And Accelerating

Delivered another positive quarter, exceeding our and the market expectations. It reflected a strong sequential recovery bearing in mind the suspension of activities in Mexico during Jan. and early Feb., when the second wave of the pandemic had its peak in the number of infections. This 1Q-2021, the net top line Covid-19 effect was basically neutral, which resulted in a solid +3.4% QoQ growth, +3.2% ahead our forecast. It did bring a moderate setback at the office front, with a 2 p.p. QoQ decline in occupancy at constant properties (-4.9 p.p. vs. 1Q-2020); however, it was something already expected given the lagging negative pandemic impact on this segment, which we foresaw to be observed mostly during 1H-2021. We anticipate a brighter outlook for office space following the Covid vaccination process in Mexico, which would lead to a return to “normal” (not necessarily to a “new reality”), with a full office recovery during 2022. Net, this Q-report reinforces our positive view on FUNO’s recovery, which has been accelerating more than previously expected. On the back of that, we reiterate our ‘Outperform’ rating on this name. Full report here

February 26, 2021

FUNO (Outperform): A Stronger Than Expected Recovery In 4Q20

We were positively surprised by FUNO’s stronger than expected operating performance. It was a solid 4Q-2020 from different angles. First, it brought a remarkable +14.5% sequential top line recovery (vs. +2% QoQ forecast), maintaining a very healthy 93.1% total occupancy. Second, it delivered a stronger 20.7% QoQ expansion in NOI to P$4,112.5 M (+3% YoY), with a 79.2% margin to total revenues (+4 p.p. vs. 3Q20), basically to pre-pandemic levels. And third, still in a recovering phase, FFO per share (FFOPS) is already at 81% of pre-Covid levels. This metric rose +61.3% QoQ to P$0.4726. It also caught our attention that FUNO decided to cut the dividend payout to the minimum required by law, reason why this quarter, the DPS of P$0.3119, represented 65.7% of FFO, or 56.7% of AFFO. FUNO aims at maximizing value on a per share basis, by using the most efficient source of cash for: 1) the repurchase of own CBFIs; and 2) the repayment of debt. It makes perfect sense to us, and we find it as a positive move for FUNO’s shareholders, if temporary. Full report here

January 14, 2021

Commercial RE: Constructive On Industrial Names For 2021

We maintain a constructive view on the local industrial real estate segment for 2021, supported by manufacturing, logistics (/e-commerce), and a low interest rate environment in the country.

We are upgrading our ratings on FIBRAMQ and FIBRAPL to 'Outperform', from 'Market Perform', leaving the 3 industrial names under coverage, including TERRA, as Outperformers relative to our MEXBOL (S&P/BMV IPC) index expected return for YE2021 (+8%).
Full report here

December 11, 2020

Commercial Real Estate: Amended CNBV Regulation For FIBRAs

The Mexican regulator CNBV, made public the amendments to the securities laws (Issuers Rules) governing FIBRAs on the Official Newspaper of the Federation. Note that the last regulation changes were released on May, 2014. Overall, the new (modified) dispositions of the law are positive for Mx Real Estate (RE) FIBRAs as they provide them with greater flexibility for the efficient use of capital, eliminating the regulatory leverage limits and enabling them so that they are determined by their CBFI Holders' General Assembly. Please refer to our complete note here.

December 9, 2020

FUNO (Outperform): Completes 2020's Asset Sales Plan

Fibra Uno announced that it completed the previously announced asset disposition plan amounting to US$98.8 M, in 2 different transactions. The first one announced together with the trust's 3Q20 results (Oct. 26th), including 2 industrial facilities and land (located in Ciudad Juarez & Reynosa) for a total US$38.8 M (sold to an institutional developer), at 1.32x BV (gain of US$9.6 M); and the second package announced on Dec. 8th, including another industrial property (Ramos Arizpe, Coahuila) for an additional US$60.0 M (sold to a global financial institution). The 3 properties have a combined GLA of 89,945 SQM, while the 3 plots of land encompass 409,525 SQM. Regarding profitability, the trust mentioned that, considering acquisition-to-sale price, the exit multiple was 1.70x; while, considering book value, the total sale was executed at 1.33x price to NAV (i.e., a 33% premium). As disclosed by FUNO since late July, 2020, the implied sale cap rate was 7.25%, being the price US$974 pSQM (~US$90.5 pSQF) and the aggregated avg. IRR 28%. As part of its strategy, proceeds will be used 60% for the repurchase of own CBFIs and 40% for the repayment or repurchase of own debt. Lastly, FUNO mentioned that, during 2020, it has repurchased 77 M own CBFIs (2.0% of total) and repaid ~US$18.5 M in debt. Net, it is positive news for FUNO. We reiterate our positive long-term stance on this name.

October 27, 2020

FUNO (Outperform): A Gradual Sequential Improvement In 3Q20

It was good news to see a sequential improvement in FUNO's

3Q20 results, net, with dividend per share (DPS) coming basically in-line with consensus at P$0.3170 (+12.8% QoQ). However, it did come well below our forecast as we were anticipating a lower impact from reserves for doubtful accounts. We now expect rent reliefs & reserves to continue over the next quarters. At the operational front, FUNO's results showed resiliency and were in-line with our forecasts. FUNO announced a 91% AFFO dividend payout ratio, which included a P$200 M gain from asset sales. In terms of FFO the payout was 108%, closer to the 110% from 2Q20. DPS was P$0.3170, +12.8% QoQ, which we expect to maintain its gradual upward trend. FUNO is trading at an implied 7.4% annualized 3Q20 div. yield (vs. 6.3% in 2Q20), at a 6.9% FFO yield (vs. 6.0% in 2Q20), at a -60% discount to NAV (BV), and at a -36% discount to a very conservative current mkt. NAV. To our 2021E DPS, it trades at a sound 11%+ yield. FUNO's is significantly undervalued, even when assuming a highly-stressed scenario. We reiterate our long-term 'Outperform' rating. Full report here

October 8, 2020

Commercial Real Estate: No Damage From Hurricane "Delta"

Fibra Uno (FUNO) and Fibra HD (FIBRAHD) announced no structural damage from hurricane "Delta" to its properties in Quintana Roo. It is worth noting that in both cases, the properties are insured for natural disasters; FUNO has an additional coverage for potential loss of rental income. We highlight FUNO's (Top Pick) prudence in placing all the necessary safeguards to strengthen future cash-flow resiliency.

October 1, 2020

AMEFIBRA: Fibra Day 2020

We had the opportunity to attend the virtual event "Fibra Day 2020" of the AMEFIBRA. It was relevant to learn the short and long-term perspectives of the Fibras for each one of the segments they operate (shopping malls, lodging, office, industrial, and others), which covered their operations and business strategies during the Covid-19 pandemic. Fibras with industrial operations will maintain a high resilience towards 2021, while hotels and shopping centers will face a longer recovery process (24 months). Offices, on the other hand, fall somewhere in the middle, with great challenges and opportunities ahead. The health crisis has brought major changes to the Mexican real estate sector, many of which will remain in the 'post-crisis'. We maintain our positive stance on the commercial real estate sector after the event, particularly in industrial Fibras. Currently, FUNO, FMTY, and TERRA are part of our Equity Model Portfolio.

August 6, 2020

FUNO (Outperform): Goes Ex-Dividend; Annualized 6.1% Yield

Today (August 6th) FUNO goes ex-dividend on a P$0.2810 / share distribution (6.1% annualized yield over FUNO's last price), corresponding to the 2Q-2020 earnings results; the payment will be made on August 10th. We strongly reiterate our long-term positive stance on FUNO, considering its highly diversified operations, outstanding execution of its management team, and strong financial position (P$14.9 Bn in cash & P$48.6 Bn available resources).

July 24, 2020

FUNO (Outperform): Solid 2Q20 Results, Matching Our Forecasts

The awaited 2Q20 FUNO's report, finally landed, so we now have a much better understanding & clarity regarding the impact of the Covid-19 pandemic on the trust's operations, particularly on those where more noise has been created: retail & office segments. Overall, we were positively surprised that revenues, NOI & EBITDA, came-in exactly as we expected (less than +/- 1%), which, given the complexity of the quarter, was already positive news and gave us more confidence on the resiliency of FUNO's highly diversified operations & outstanding execution of its mgmt. team. It maintained a strong financial position with P$14.9 Bn in cash & a total P$48.6 Bn available resources. LTV at 44.5% (42.9% after ST debt repayments). Net, we reaffirm our long-term positive stance on FUNO. Full report here

July 16, 2020

FUNO (Outperform): Successfully Raises US$650 M; LT Bond Issuances

Announced it has successfully raised US$650 M through long-term international bond issuances. The first one, amounting to US$275 M, has a coupon rate of 6.39% (6.25% yield) and matures on January 15th, 2050. The second one amounts to US$375 M with a coupon rate of 4.869% (4.95% yield) and a maturity date on January 15, 2030. We highlight that this issuance was oversubscribed 3.4x, which allowed FUNO to raise US$150 M more than originally planned. This also shows the confidence investors have in Mexico and the Trust. Finally, these bonds have a credit rating of 'Baa2' (Stable perspective) by Moody's and 'BBB' (Negative perspective) by Fitch.

June 24, 2020

FUNO (Outperform): No Damage From Earthquake; Properties Insured

Announced that none of its properties suffered damage from the earthquake that hit Mexico City yesterday morning. FUNO also stated that its properties are insured against natural disasters, as well as from a loss of rental income, which proves once again the defensive nature of this name. We reiterate our Outperform rating after the announcement.

May 04, 2020

FUNO (Outperform): 1Q20 Earnings Conference Call Highlights

At the M&A front, the trust is in final negotiations to sell 3 portfolios. The aggregated proceeds from dispositions would be US$100-150 M (all above NAV). The Hercules acquisition is the only one moving ahead as it is committed. Regarding rent negotiations with tenants, FUNO will continue analyzing thoroughly case-by-case given that all tenants are experiencing different situations. Most of requests have come from the retail segment; however, there are also some industrial & office cases. Turning to the change in the dividend policy (50% payout ratio), FUNO finds prudent & responsible to privilege liquidity at this particular time. It will go back to the previous 100% payout once the situation normalizes. It is not closed to consider paying part of the dividend with shares in coming quarters. Lastly, as a mean to reduce expenses at the Fibra level, it is also considering a deferment of asset mgmt. expenses (fees). However, it emphasized that the focus and time-consuming priority for now is at the tenants' front. Full report here

April 30, 2020

FUNO (Outperform): Positive 1Q20 Results; Div. Payout Reduced By 50%

The Q-report was threefold: 1) the 1Q20 results 'per se', which were positive driven by consistently solid operations (in-line with our forecasts); 2) the short-term strategic measures to face the ongoing Covid-19 crisis (with a clear "cash is king" focus); and 3) the post-crisis positioning. Since late 2017, it seemed that FUNO was already taking additional steps to shield its balance sheet ahead of a near-term potential downturn in the economic & real estate (RE) cycles. It has now materialized. At the operational front, it has been the way FUNO's mgmt. does business in RE, through its competitive rents, highly diversified portfolio, strategically located premium assets, and a solid tenant base with solid long-term (LT) relationships. The key takeaway from the report: FUNO, defensive by nature & with a vast experience, is one of the most prepared names to navigate this unprecedented crisis, in our view. LT "Outperform" reiterated. Full report here

April 8, 2020

FUNO (Outperform)
Strengthens debt & liquidity profile even further

Fibra Uno (FUNO) announced the withdrawal of P$6,750 M (US$205 M) from a revolving line of credit (LOC), which strengthens its already solid debt and liquidity profile. To put this into perspective, FUNO is coming into this pandemic with no relevant debt maturities over the next two years (weighted average maturity of 11.7 years), 92% of total debt is unsecured, and a cash position of P$9,793 M that dwarfs many of its peers. The effect on the Trusts loan-to-assets (LTA) ratio is a minor increase of 145 bps to 39.3%, which continues to be a sound and perfectly manageable level. Keep in mind that the objective of withdrawing these funds is to be better prepared for uncertainty. By increasing its financial liquidity, FUNO is in a stronger position to support its tenants and suppliers. It is worth mentioning that in case of an emergency, the Trust still has US$795 M (P$19,478 M) of available LOCs and can even cut its dividend payout ratio to practically 0% (extreme case), considering FX losses. We strongly reiterate our “Market Outperform” rating.

February 27, 2020

FUNO (Outperform, PT P$33.20)
Closing a strong 2019, with new milestones; a Positive 4Q19, meeting our expectations

In a highly uncertain and volatile 2019, FUNO was able to deliver a 6.3% growth in DPS to P$2.34 (7.7% yield over last price), meeting our forecast. It represented a 100% adjusted funds from operations (AFFO) payout ratio. Such growth was achieved still with the partial contribution of the TITAN portfolio (closed on Nov. 19th) and ramping up projects. For a challenging 2020 we are already anticipating a 7.3% YoY growth in DPS to P$2.51 (which may turn out conservative), equivalent to a sound 8.3% yield, just through its existing projects. At the operational front, we found positive that FUNO was able to maintain its consolidated portfolio’s occupancy at 94.5%, while achieving positive lease spreads and a 6.4% YoY increase in same-store rents (above inflation). Funds from operations (FFO) came-in with no surprises at P$2,475.6 M, up 11.5% QoQ (+0.6% vs. forecast). This quarter there were no repurchases of CBFIs nor asset dispositions. Thus, adjusted FFO (AFFO) was equivalent to P$0.6302 / CBFI (8.3% annualized AFFO yield). The quarterly DPS, paid on February 11, 2020, was P$0.5899 (7.8% annualized dividend yield). We remain optimistic on FUNO following this Q-report, and reiterate it as our top pick from our coverage universe, particularly amidst the ongoing environment and the easing cycle of interest rates in Mexico.
Full repor here

November 27, 2019

Real Estate
Reducing FIBRAMQ & TERRA; finding a more appealing investment opportunity on FUNO

We are reducing our ratings on FIBRAMQ (to Underperform) and TERRA (to Market Perform). The former, trading at an implied dividend yield of 6.4% 2019 and 7.0% 2020E, has already exceeded our yearend 2020 price target of P$27.50. FIBRAMQ has delivered a total return of +64.0% year-to-date (YTD), mostly driven by strong operating conditions in the industrial real estate (RE) markets (particularly those linked to the manufacturing and export markets in the northern region) as well as by the easing interest rate cycle in Mexico. In terms of net asset value (NAV), its implied discount has narrowed from -42% at the beginning of 2019 to -15% current (partially justified by its externally-advised structure & termination penalty that prevent the full recognition of its NAVPS). In the case of TERRA, we highlight that it is currently trading at implied dividend yields of 7.6% for 2019 and 6.6% for 2020E (accounting for a reduction in the trust's dividend payout ratio to 85% of AFFO). At current price levels, TERRA offers a meager +1.0% potential capital appreciation to our yearend 2020 price target of P$33.20 /CBFI. YTD it has delivered a 53.0% total return. It is also trading closer to its NAVPS of P$33.10E. The trust's solid operations (96%+ occupancy), debt refinancing program, and positive prospects regarding the USMCA ratification over the following months, have already been incorporated in TERRA's current valuation, in our view. Trading at an implied discount to NAV of 18%, with a 2020E dividend yield of 8.6%, we find a more attractive investment opportunity on FUNO (Outperform, PT P$33.20). Note that we maintain our positive stance on the Mexican Real Estate sector, particularly on industrial and diversified FIBRAs (including FMTY (Outperform, PT P$14.80) as well). We believe this asset class will continue outperforming the MSE performance given its more defensive nature and attractive yields amidst an uncertain global and local environment, in our view.

November 21, 2019

FUNO (Outperform, PT P$33.20)
Announced the official closing of the "Titan" portfolio

Fibra Uno (FUNO) has officially closed the previously announced (November 14th) "Titan" portfolio acquisition for a total amount of US$841 M, including the land bank of ~1,000,954 SQM located in 6 strategic cities for a US$19.4 M price. Recall that this portfolio includes 74 industrial properties with a total gross leasable area (GLA) of 1,262,457 SQM, leased to AAA tenants. The assets, 90% dedicated to light manufacturing, are located in the northern region of Mexico. It was a sound transaction representing ~31% of FUNO's total industrial GLA and ~7.4% of its properties value. The properties were acquired at US$60.5 pSQF and at an accretive 8.1% gross NOI cap rate, considering a US$66.3 M net operating income for 2020. We reiterate our Outperform rating.

November 15, 2019

FUNO (Outperform, PT P$33.20)
To acquire the US$822 M "Titan" Portfolio; accretive transaction representing an 8.1% NOI Cap Rate

FUNO announced that it has signed a binging agreement to acquire the "Titan" portfolio comprising of 74 industrial properties, for a total US$822.0 million price. It is a premium stabilized portfolio (95.1% occupancy), with 1,262,457 SQM of gross leasable area (GLA), leased to AAA tenants. The assets, 90% dedicated to light manufacturing, are located in the northern region of Mexico. Moreover, the Fibra acquired a land bank of ~1,000,954 SQM located in 6 strategic cities for a US$19.4 M price. The combined US$841.0 M investment will be fully paid in cash over the next days. FUNO has enough available resources to close the transaction. It is a sound transaction representing ~31% of FUNO's total industrial GLA and ~7.4% of its properties value. The properties would be acquired at US$60.5 pSQF and at an accretive 8.1% gross NOI cap rate, considering a US$66.3 M net operating income for 2020. Note that FUNO is currently trading at an implied 7.7% NOI cap rate to its productive assets. The portfolio is coming as part of the natural divestment process of a FINSA-Walton Street Capital CKD (development vehicle), which was placed in the MSE in 2012. It is worth recalling that, in year-end 2013, FUNO acquired a 34-property industrial portfolio from FINSA, at an ~8.0% gross NOI cap rate, at a time when the 10-year local sovereign bond was at 6.2% (today at 7.0%).Net, it is a positive transaction taking into account the following: i) it is a stabilized portfolio; ii) it is a sound & accretive acquisition that would bring an AFFO per share increase to FUNO's shareholders; iii) strengthens FUNO's position in the industrial real estate segment in Mexico with premium properties; iv) it is a long-term dollarized portfolio. We reiterate our Outperform rating on FUNO following the news.

October 28, 2019

FUNO (Outperform, PT P$33.20)
A positive 3Q19; DPS at P$0.585, 7.9% Ann. Yield

Fibra Uno (FUNO) delivered another strong quarter with solid operations, even when the economic and political backdrop in Mexico remains uncertain. Leasing spread in pesos for retail and industrial properties were 410 bps and 820 bps above inflation, respectively, while for office space, this figure was 160 bps below inflation. Contracts in U.S. dollars with a positive spread against inflation was only realized in the office segment (+400 bps); retail (-110 bps) and industrial (-90 bps) were both below. In terms of constant properties, the rental price per SQM rose 340 bps above inflation. Total occupancy for the quarter was a solid 94.9% (-30 bps QoQ); if we consider Centrumpark's recent incorporation, occupancy was 94.3%. Moreover, significant progress was made commercializing "in-service" properties (Torre Cuarzo, Midtown Jalisco, Guanajuato, and Mariano Escobedo), rising 16 p.p. QoQ to 81%. FUNO's total revenues increased 0.4% QoQ to P$4,756 M and net operating income (NOI) came in at P$3,775 M (+0.7% QoQ), both slightly below our estimates. We highlight the trust's NOI per CBFI performance (+10.3% YoY) in such a challenging environment. At the EBITDA level, FUNO generated P$3,545 M (+0.5% QoQ) with a 74.5% margin, amount that was 4.7% below our forecast. Although net interest expense came in-line, the funds from operations (FFO) missed our forecast by 8.1% at P$2,220 M (+0.6% vs. 2Q19). Considering the realized gain of P$10.6 M on the sale of a plot of land in Queretaro (a portion of "Corredor Urbano"), the adjusted funds from operations (AFFO) was P$2,230 M (+1.1% QoQ). Finally, FUNO's dividend per share (DPS) for the quarter was P$0.585 (AFFO payout of 103%), just 1.6% below our forecast and 0.2% above last quarter's distribution; this represents a 7.9% yield to the Fibra's last price. We reiterate our Outperform rating after this report.

October 8, 2019

FUNO (Buy, PT P$31.30)
Announced cancellation of 67.4 M CBFIs; 1.7% of total outstanding.

Fibra Uno (FUNO) announced the cancellation of 67,403,773 CBFIs, which correspond to the 77,403,773 acquired during 2018. Recall that the Trust is authorized to purchase up to 5% of its total CBFIs and has 1 year after the repurchase begins (March 28, 2018) to initiate the cancellation process (January 28, 2019) with the CNBV. The remaining 10 M CBFIs will be canceled before its 1-year period ends.

September 24, 2019

FUNO (Buy, PT P$30.90)
Included in the DJSI Emerging Markets Index; remains in the DJSI MILA Index.

Fibra Uno (FUNO) announced its inclusion in the Dow Jones Sustainability Emerging Markets Index, becoming one of the 7 best in-class real estate companies on Environmental, Social, and Governance (ESG) performance in emerging markets. The DSJI monitors and evaluates sustainable practices and performance of large companies around the world. This is positive news for FUNO because it provides additional access to ESG investors. Moreover, FUNO remained in the MILA market index for the second year in a row.

August 22, 2019

FUNO (Buy, PT P$30.90)
Gas leakage near Mitikah Project not caused by the trust; under control

Fibra Uno stated in a press release that a gas leakage near the Mitikah project was not caused by the Trust or any related company to the project. The incident occurred on Xocatitlan street, where another company excavating a trench left a gas pipe exposed to loads that ended up damaging it. Mitakah workers, however, took control of the situation in order to prevent damages to homes in the area. Mitikah is in constant communication with neighbors and authorities to help with anything they can.

July 26, 2019

FUNO (Buy, PT P$30.90)
A positive 2Q19, driven by organic growth; dividend brings a sound 9.5% annualized yield

FUNO brought another solid quarterly report, meeting our forecasts. To highlight: i) the trust's total occupancy above 95% (94.3% in the case of constant properties); ii) the outstanding +10.2% YoY growth of same-store (SS) rents; iii) the 4.6% increase in SS rental rates on top of inflation (spread); and iv) the sound rent changes (leasing spreads) captured in all segments. This is proof of the positive real estate (RE) dynamics in the country, as well as of FUNO's operating capacity. We reiterate our Buy rating following the report. The quarterly dividend per CBFI (DPS) came-in exactly as we forecasted (+0.06% vs. estimate), at P$0.5836, just +0.5% QoQ but keeping the uptrend, which we expect to continue in 2H19 and accelerate during 2020. The quarterly distribution represents an appealing 9.5% annualized dividend yield.
Full report here

July 1, 2019

FUNO (Buy, PT P$30.90)
Sound Funding Capacity. Model Update

We have updated our FUNO's earnings model, incorporating the trust's recent (June 25, 2019) US$1.0 billion issuance of senior unsecured notes in the global markets. Of the total amount,US$600 M have an outstanding 30-year term (maturing on January 15, 2050) with a 6.390% coupon; while US$400 M have a 10-year maturity (due January 15, 2030) with a 4.869% coupon. The issuance was rated Baa2 / BBB by Moody's and Fitch respectively, both with stable outlooks. From the offering we highlight that the book was highly oversubscribed, 4.5 times, which allowed the Fibra to increase the deal size from US$800 M to US$1.0 Bn. All-in-all it was a positive deal, reflecting FUNO's creditworthiness and its long-term positive prospects within the Mexican real estate sector. Note that the use of the proceeds include the potential acquisition of properties and the repayment of debt. So, given that there has not been an official announcement on the execution of the offering's net proceeds, we are just accounting for the issuance in our model. In terms of leverage, FUNO's LTA ratio increased from 33.6% in 1Q19 to 37.8% pro-forma, having 92%e of its debt unsecured, 75%e with a fixed rate, 46% in U.S. dollars (1.24x US$-income to interest expense), and 64% expiring beyond 2025. Its liquidity increased significantly, reaching available cash sources of ~P$40 Bn. The net result in our earnings model was an increase in our DPS of 1.0% in 2019 to P$2.3382 and of +1.6% in 2020 to P$2.5377 vs. our previous forecasts. Our price target for year-end 2019 changed from P$30.50 to P$30.90 per CBFI. Trading at an implied 9.1% dividend yield 2019E and at a 21% discount to its current market-NAV, we reiterate our Buy recommendation on FUNO.

June 13, 2019

Towers, Malls & Boxes (June 2019)
"Cross Racing". Mid-Year 2019 Update; Migration Deal, "Ready"… USMCA & Rates Cut, Set?...

The CRE sector has had a positive performance during the first half of 2019. Excluding the lodging sector, share prices of our covered names have increased 11% YTD on avg., delivering a total return (including dividends) of 16%. The 4 largest (FUNO, FIBRAPL, FIBRAMQ, and TERRA) having a superior +30% total return. So far, it has been a challenging, volatile, and uncertain year. However, our key

investment highlights have prevailed: i) USMCA ratification (expected in the next couple of months); and ii) the awaited local interest rate cut by Banxico (foreseen in 4Q19). These two catalysts, part of the central scenario of our Economics team, were confirmed with the U.S.-Mexico “Migration deal”, which also reduced significantly a potential ST local recession risk. This, coupled with the sharp decline in the U.S. 10-YR treasury bond (to 2.1%) following Fed’s Powell suggestion that rates could be cut soon (if appropriate to sustain the expansion on trade concerns), sent the local sovereign 10-YR bond (MBONO 10) to 7.7% (-94 bps YTD), a level not seen since August 2018 (previous to the cancellation of Mexico’s new Texcoco airport).
Full report here

April 30, 2019

FUNO (Buy, PT P$31.40)
A Positive 1Q19 Bringing a 1% QoQ Growth In DPS; Strong Demand Dynamics Observed Across The Board

FUNO delivered a positive quarterly report, with a sequential 0.9% growth in dividend per CBFI (DPS) to another record-high level of P$0.5806, despite the softer nature of the 1Q (lower variable rents at retail segment) and lower M&A activity. Total occupancy was 95.4% (+10 bps QoQ), and leasing activity remained strong, reflecting solid demand dynamics for real estate (RE) space at the trust’s three segments. FUNO registered a same-store revenue growth of 12.2% (+9% industrial, +11% retail, and +18% office) and a 9.1% expansion (+6.8% industrial, +9.8% retail, and +5.7% office) in the avg. rental rate per square meter (pSQM). This trend was also observed in lease spreads, which were 330 bps on top of inflation in peso terms, and +100 bps in U.S. dollars. At this front, retail showed the strongest performance, as new lease contracts from this segment registered increases of 11.1% in pesos and of 5.3% in dollars.
Full report here

April 25, 2019

Retail Real Estate Sector
Morena’s Initiative To Eliminate Parking Fees; Stressing Models Under A Worst-Case Scenario

Senators of the Morena’s party, led by Ricardo Monreal, will present an initiative to establish that the parking service provided in a broad range of public and private establishments, including shopping malls, be offered free of charge to consumers, arguing that "it represents a significant expense for millions of Mexicans who require this service". Note that it is still a proposal that must be first approved by the Chamber before becoming a law, however, it is an issue that should be followed closely given the relevance it has in Fibras and real estate (RE) companies with exposure to the retail real estate (RE) segment, including: Fibra Uno (FUNO), Fibra Danhos (DANHOS), Fibra Shop (FSHOP), and Grupo GICSA (GICSA). If approved, the implementation of this law will prove to be difficult since it opposes to certain corporate and constitutional rights, in our view. RE developers have faced this type of initiatives at the state level during the last 3 years, on which they have sought to legally protect themselves and won the resolutions, although having short-term negative impacts due to the inability to charge in the parking lots during the process. Thus, these companies would act likewise if the initiative moves forward. Even if we were to consider a worst-case scenario, RE players would then be forced to take other measures, like transferring parking rents to their tenants. So even in that case, we would find a limited and short lived negative impact on retail RE operations. In this note we present sensitivity scenarios for each player, assuming that 100% of the income coming from parking lots would be lost. Full report here

February 28, 2019

FUNO (BUY, PT P$29.30)
A 4Q18 Supporting Our Positive Stance On FUNO; Incoming Stronger DPS Growth On Developments

It was a positive quarter for FUNO from which we highlight: i) the soft opening of Midtown Jalisco and the additional contribution from ramping-up projects; ii) the acquisition of 21% of Torre Mayor (reaching a 70% stake in the complex); iii) the benefits from the trust's aggressive share buyback program (35.2 M additional CBFIs in 4Q18); and iv) the accretive asset recycling strategy (Reforma 155 pent-house sold this quarter at P$117.7 M; +71.6% vs. NAV; P$49.1 M gain). The quarterly results, which came just in-line with our previous forecasts, reinforces our view that FUNO is just crossing the inflection point towards a stronger growth in DPS through the incremental NOI generation from development projects, including those recently delivered (under stabilization) and under construction. This year the Fibra expects to complete Mariano Escobedo, La Isla Cancun II and La Viga, representing 29% of total developments (in terms of TEI). To put it into perspective, juts those 3 projects along the marquee asset Midtown Jalisco, will add P$890 M NOI to FUNO, that is 6% more against its current level. We reiterate our Buy recommendation on this name. Thus, FUNO's DPS of P$0.5755 (8.7% annualized yield), announced since January 29, 2019, was additionally explained by the trust's repurchase of shares and the asset sale, which together represented +P$0.02 vs. our P$0.5588 forecast. Still without the effect from the asset sale, normalized, the dividend reached its highest level on record at P$2.25 annualized. It is also worth recalling that FUNO initiated the process to cancel 77.4 M accumulated repurchased shares as of January 23, 2019, which, funded with proceeds generated through asset dispositions (significantly above NAV), creates value and brings anti-dilutive benefits to its investors. Full report here

January 30, 2019

FUNO (BUY, PT P$29.3)
A Positive Surprise; 4Q18's DPS Up 3.7% QoQ; 9.2% Ann. Yield

Fibra Uno brought positive news with the announcement of a P$0.5755 dividend per CBFI (DPS) (+3.7% QoQ), corresponding to the trust's 4Q18 results, which sends the total annual distribution to P$2.20 (+7.1% vs. 2017). 4Q's DPS shows a clear acceleration during 2H18, evincing: i) a stronger cash-flow generation from completed development projects; ii) an active repurchase of own shares; iii) the trust's asset recycling strategy. The Fibra's management mentioned that it expects FFO /CBFI and AFFO /CBFI for the full-year 2018 to rise 10.5% and 12%, respectively, above our forecasts. The trust also mentioned that the annual distribution will represent 98% of AFFO. FUNO's 4Q18's DPS, representing a solid 9.2% annualized yield, will be paid on February 8, 2019. The trust will release its 4Q18's earnings results on February 27, 2019. We strongly reiterate our Buy recommendation on FUNO ahead of the results.

January 24, 2019

FUNO (Buy, PT P$29.3)
Initiates Process To Cancel 77.4 M CBFIs

Fibra Uno announced it has initiated the regulatory process with the CNBV to cancel 77.4 million CBFIs (1.95% of outstanding CBFIs), as part of a broader strategy focused on reducing its share discount to net asset value (NAV). This announcement will be accretive for investors, not only because of its anti-dilutive effect, but also because the trust is acquiring these CBFIs at a significant discount to NAV. We reiterate our Buy recommendation on this name.

December 5, 2018

FUNO (Buy, PT P$29.3)
Opening Of Midtown Jalisco

Fibra Uno announced that it will open its largest and most iconic mixed-use development project 'Midtown Jalisco' next Thursday, December 6, 2018. With a total investment of P$4,368 million (~US$213 M), this project is comprised of 105,000 square meters (SQM) of gross leasable area (GLA), including: the Hilton Guadalajara Midtown hotel with 225 rooms and 819 SQM of space dedicated to meeting rooms; a Luxury Fashion Mall with ~72,000 SQM of GLA and 3,500 parking lots, anchored by tenants like Grupo Axo (others include Old Navy, Steve Madden, Parfois, and Swarovski); and an office tower with 27 floors and 26,824 SQM of GLA, leased to tenants such as Deloitte, WeWork, and Santander. For the project, representing 28% of FUNO's total ongoing developments (exc. Mitikah), the Fibra expects to reach a 13.3% stabilized revenues' yield, equivalent to an 11.6% cap rate to net operating income (NOI), according to our projections. We expect it to add 4% more NOI to the trust's current generation of P$13.8 Bn. With its delivery coming slightly sooner than previously anticipated (1Q-2019), it is positive news that reinforces our long-term positive stance on FUNO. Full report here

December 5, 2018

FUNO (Buy, PT P$29.3)
Consolidates Its Stake In Torre Mayor To 70%

FUNO announced that, on November 29, 2018, it acquired an additional 21% of the Torre Mayor complex (TMC) for US$54.9 million (cash equity payment), with which the trust is consolidating its participation in one of the most iconic office towers in Mexico to 70%. FUNO expects the TMC to generate a total net operating income (NOI) of US$29 M with a 99% occupancy (currently at ~97%). Accounting for annual debt service of US$8 million at the property-level, TMC generates US$21 M of net cash flow, which implies an 8% cash-on-cash (CoC) yield(2) for the 21% stake acquired. It is an accretive transaction with which the Fibra consolidates its stake in a flagship asset. It is also relevant to highlight that FUNO remains active in the repurchase of its own CBFIs, currently trading 34.5% below its market net asset value (NAV). We reiterate our long-term Buy recommendation on FUNO following this positive news. Full report here

October 26, 2018

FUNO (BUY, PT P$33.8)
3Q18's Dividend Yields An Annualized 9.3%; Positive Operations, In-Line With Our Forecasts

A positive report at the operational front, driven by developments, a solid 95.4% occupancy (+80 bps QoQ), a same store (SS) rent growth of 7.5% YoY (+290 bps above inflation), and positive lease spreads of 9.1% in pesos and 4.1% in US$. Total revenues, NOI(1), and EBITDA increased 3% vs. 2Q18, slightly better (+2%) than our expectation. Overall, the 3Q18 came to reaffirm our forecasts and optimistic longer-term (LT) view on FUNO. We strongly recommend to Buy FUNO at current CBFI price levels (-22% discount to current NAV(1); 9.1% dividend yield 2019E).

October 2, 2018

FUNO (Buy, PT P$33.7)
Incorporating P$9.2 Bn Debt Issuance; PT 2019 Set At P$33.7 /CBFI

We are resuming our coverage following the trust's P$9.2 Bn debt issuance of September 14, 2018. As previously disclosed, P$4.8 Bn will be used to refinance short-term debt maturities, while the remaining P$4.4 billion will be used to fund new investment opportunities, which we are not accounting for in our earnings projections. Net, our model delivered new dividends per CBFI (DPS) forecasts of P$2.12 for 2018 (+3.2% YoY), P$2.17 for 2019 (+2.5% YoY), and P$2.53 for 2020 (+16.5% YoY). The latter showing a stronger contribution from the trust's development projects, which will represent ~16%E of the Fibra's current NOI at stabilization. Recall that 67% of developments are expected to be delivered before the end of 2018. Moreover, we are introducing FUNO's 2019 price target of P$33.70 per CBFI, based on a new blended

valuation that better accounts for long-term (LT) value creation (i.e., growth in NAV /CBFI), and short-term (ST) cash flow generation (i.e., distribution capacity). Please refer to the following link for more detail.
Full report here

August 14, 2018

Commercial Real Estate (CRE)
Glossary Of CRE Terms And Definitions August 2018

We are presenting our "Glossary of Commercial Real Estate (CRE) Terms and Definitions", developed with specific notes by us on most of the concepts therein. This reference guide is aimed at providing our clients with an additional tool for their analyses and investment decisions. This Glossary will be included in our monthly Towers, Malls & Boxes product from now on. Full report here

July 26, 2018
FUNO (BUY, PT P$34.30)
Announces Changes In Its VP Of Finance Office

FUNO announced changes in its Vice President of Finance office. After 4 years serving as FUNO's VP of Finance, Mr. Gerardo Vargas Ateca is leaving this position to act as an External Advisor to FUNO's CEO, Mr. André El-Mann. At the same time, the trust announced that Mr. Fernando Alvarez Toca is becoming Fibra Uno's new VP of Finance. Mr. Fernando Alvarez was the CFO of MIRA (Macquarie Infrastructure and Real Assets) since December 2017. Prior to that position, he held several positions at Banco Compartamos (Gentera), where he worked for 12 years. As part of his experience at the financial institution, Mr. Alvarez acted as CFO and CEO. He was responsible of the IPO of Banco Compartamos, as well as of the company's first debt issuance and subsequent debt placements in the Mexican market. He also played a key role in driving Gentera's international expansion through M&As.

July 25, 2018

FUNO (BUY, PT P$34.3)
Steady As It Goes; DPS Reaches P$0.54 In 2Q18; Buy Reiterated Trading At A 25% Discount To NAV

FUNO's 2Q18 report brought two main positive surprises: 1) the repurchase of 29 million own CBFIs for P$838.6 M;

and 2) an announced dividend per CBFI (DPS) of P$0.5401, which came-in 3.2% ahead our forecast, basically explained by a P$87.2 M profit generated from the sale of land in Apodaca, Nuevo Leon. Such DPS, representing an annualized yield of 7.8% over FUNO's last price, is the trust's highest onrecord, but it is still distant from our expected DPS of P$2.3429 for 2019E. Apart from that, the trust's operations showed a marginal sequential progress, with no relevant news regarding the additional contribution from development projects (key drivers of DPS growth going forward). Total revenues reached P$4,215.2 million (+2.1% QoQ and –0.2% vs. our estimate) and net operating income (NOI) amounted to P$3,349.5 M (+2.1% QoQ and –0.5% vs. our forecast), with a stable margin at 79.5%.That being said, we would anticipate a marginal positive short-term reaction in FUNO's CBFI price on the report per se. For the long-term we reiterate our Buy recommendation on FUNO, trading at a 24.6% discount to current net asset value (NAV), at an 8.6% implied NOI cap rate, and at the aforementioned 7.8% dividend yield.

April 30, 2018

FUNO (BUY, PT P$37.60).
Moderately Positive 1Q18; FFOPS +3.5% QoQ

FUNO delivered a moderately positive 1Q18 report, which brought a sequential operational improvement that met our expectations, driven mostly by the full-quarter contribution of the Apollo II and Turbo portfolio acquisitions (December 2017). Property revenues rose 12.5% vs. 4Q17. When looking at total revenues, we saw a lower growth pace of 5.8% QoQ, explained by the one-off commissions on the sale of property from the Apollo II transaction recognized in 4Q17's top line. Moreover, a change in the accounting policy related to capitalized interest expenses (IAS 23) caught our attention as FUNO decided to calculate distributions (D) over an AFFO basis instead of over a FAD basis. Put differently, the AFFO-D differential will come from non-operational sources from this quarter on. Already with that effect, AFFOPS remained stable at P$0.5087, also due to a lower extraordinary distribution coming from the gain of an asset sale (P$22.9 million in 1Q18 vs. P$83.8 M in 4Q17). DPS was announced at P$0.5294 (+3.7% QoQ), representing a 104% AFFO payout ratio. Note that the normalized FADPS was P$0.4644, in-line with our expectations. So, even when DPS was enhanced through non-operational and extraordinary items, normalized FADPS maintained its anticipated improvement towards our expected P$2.18 level for 2018. On the back of that, we reiterate Buy.

March 21, 2018

FUNO (BUY, PT P$37.60)
Announced The Sale Of A Property In Guadalajara For P$664.6 M

Fibra Uno announced the sale of a property (163,000 SQM of GLA; 100% occupancy rate) leased to an academic institution in Guadalajara for P$664.6 M (5% above the property's book value); FUNO acquired this property in September 2013 for P$580 M. Note, the trust mentioned in the last CC that they are not in selling mode; however, a deal can be reached on a property if the price makes sense (above book value). Moreover, FUNO will use 100% of the proceeds to purchase its CBFIs (~0.6% of total CBFIs outstanding given FUNO's last price), which currently trades at a deep discount of 22.4% vs. its NAV. We reiterate our Buy rating on this name.

February 23, 2018

FUNO (BUY, PT P$37.60)
Strong 4Q17 Showing No Post-FO Dilution

FUNO delivered what we found to be the first quarterly results from the expected turnaround towards higher DPS growth rates. FUNO was able to expand its total GLA to 8,447.8 million, +9.2% vs. 3Q17, through the incorporation of sound acquisitions and completed developments. Despite having conducted its P$12,802 M follow-on in the quarter, FUNO showed no dilution in terms of FFO per CBFI, as it increased 3.4% QoQ to P$0.4858, still 2.1% above our forecast. It was a strong close of 2017 that give us greater certainty that FUNO is going through what we have denominated as its point of inflection towards a higher growth in DPS going forward (P$2.18 for 2018E and P$2.56 for 2019E), with the highest on record implied dividend yields (8.1% for 2018E and 9.5% for 2019E). FUNO is now trading at a 24.2% discount to its 4Q17 NAV. We reiterate our Buy recommendation.

February 9, 2018

FUNO (BUY, PT P$37.6)
Announces 4Q17 DPS Of P$0.5107

Fibra Uno announced the payment of a P$0.5107 dividend per CBFI (3,956.8 million outstanding) corresponding to the trust's 4Q-2017 financial results, for a total amount of P$2,020.7 million. It will be paid on February 12, 2018. The dividend implies an annualized yield of 7.4% over FUNO's last price of P$27.54; its highest yield on record. So, with this 4Q dividend, the total for 2017 reached P$2.05 per CBFI, which we expect to increase 6.2% in 2018 to P$2.18 (7.9% yield), excluding acquisitions pending to be closed. Also worth noting that, despite the dilutive effect from the last follow-on of September 2017 (+13% CBFIs outstanding), the 4Q17 dividend declined just 1.1% QoQ. On that, we would expect some positive news on the investments' front, including developments, in the trust's quarterly report. Current market volatility has further distanced FUNO, as well as other Fibras with solid fundamentals, from its intrinsic value, in our view. We find unjustified the deep undervaluation of names like FUNO, so the recent spike in global volatility offers a new opportunity to buy. FUNO is among our favorite names for 2018.

November 17, 2017

FUNO (Buy, PT P$37.60)
Signs Binding Agreement For Apollo II, Acquires Office Building In Mexico City, And Provides Full Potential 2020 Outlook

FUNO announced the signing of a binding agreement for the acquisition of the Apollo II portfolio for a total investment of P$9,442 million, which includes 16 stabilized shopping centers and an additional shopping center of approximately 60,391 SQM planned for development. The stabilized portion of the portfolio has a GLA of 237,050 SQM and an occupancy rate of 93.2%. The portfolio's stabilized NOI cap rate of 8.65% implies a total investment of P$9,442 million, which is P$1,378 million below the expected amount. The cash portion will be an immediate payment of P$5,299 million, and the additional investment needed to develop the land plot and other soft costs amounts to P$1,568 million. Furthermore, FUNO will assume debt of P$2,575 million to cover the rest. The trust expects to close the acquisition within the next 60 days. Also, an office building with a GLA of 17,087 SQM on the Lomas-Palmas corridor was acquired for US$60 million. Considering a stabilized NOI of US$4.9 million, the implied entry NOI cap rate is 8.2%; the building has 1,700 SQM rented to a financial institution. At the FUNO investor day, management gave their full potential 2020 outlook, indicating total GLA (m2) can grow 27% to 9,832m2. Considering an additional 480 million CBFIs by 2020, NOI / CBFI could increase at an 11.7% CAGR (2017e-2020e) to P$4.29. They also established a high and low end FFO / CBFI (2020e) of P$2.97 and P$2.76, respectively. Finally, the LTV ratio can reach a healthy 26.7% in the same period. We reiterate our Buy recommendation on the back of stronger DPS growth and the current discount of 23% to market NAV.

October 20, 2017

FUNO (BUY, PT P$37.60)
3Q17 Results In-Line. Apollo II And Turbo Are Coming Soon

Highlights from the report: i) FUNO brought a stable NOI generation in 3Q17, despite the negative impact from the peso appreciation against the U.S. dollar (+4% QoQ), and still no additional contribution from the trust's ongoing development projects (most to be delivered during 4Q17); ii) The closing processes for Apollo II and Turbo acquisitions are expected to arrive soon; iii) With FUNO poised for a stronger DPS growth ahead, and trading at an 18% discount to mkt. NAV, we reiterate our Buy rating. FUNO is one of our top picks from the CRE sector. For further information please refer to our complete note released yesterday.

October 18, 2017

FUNO (BUY, PT P$37.60)
Building On Strong Foundations. Fall 2017 Update

Highlights from the report: i) We have updated our coverage on FUNO, introducing our 2018 price target (P.T.) of P$37.60 per CBFI. It offers a 22.0% capital appreciation and a total return of 29.1%; ii) In this report we present our new earnings model, which incorporates the effects from the last P$12.8 Bn Follow-On, as well as updates on the trust's ongoing investment projects; iii) Trading at a ~20% discount to mkt. NAV, we believe it is time to Buy FUNO, particularly in the face of stronger growth to be delivered in DPS (+10% CAGR over the next 3 years). For further information please refer to our complete report.

September 22, 2017

Commercial Real Estate
No Major Damages Reported On The Properties

Up to date, most FIBRAs and CRE companies under coverage have reported no major damages at their properties within the areas affected by Tuesday's 7.1-magnitude earthquake in Mexico. Following initial inspections, Fibra Uno (FUNO) identified minor façade and similar damages on some properties located in Mexico City's metropolitan area (MCMA). Moreover, it mentioned that the trust has insurance policies against natural disasters as well as for loss of revenue for all of its properties. Fibra MTY (FMTY) and Fibra HD (FIBRAHD) also reported no damages at their properties, which continue operating normally. For the time being, Fibra Shop (FSHOP) detected some minor damages in the façade of Plaza los Atrios (State of Morelos), which will be closed to the public just for a couple of days. The rest of the shopping centers are operating normally. Fibra Shop will provide further information once the structural assessments are completed. In the case of Grupo GICSA (GICSA), no damage was reported either in the stabilized portfolio or in the development projects. FIBRA Prologis (FIBRAPL) also mentioned that its Mexico City properties are fully operational with no significant damage after the earthquake. However, property assessments are still underway. Moreover, FIBRA Macquarie (FIBRAMQ) announced that inspections of its 30 industrial and 10 retail properties in MCMA and Puebla have determined that none have major structural damage. A limited number of facilities have minor damage which is not expected to cause any material operational issues for its tenants. Lastly, Fibra Inn (FINN) announced that, following the verifications, the trust detected certain damage on 5 of its hotels that will require minor repairs; therefore they are operating normally. Only the Holiday Inn Coyoacan in Mexico City (representing 5.0% of total lodging revenues) presented enough damage to close the hotel to its guests for a few days. However, it is important to highlight that none of the properties experienced structural damage according to the inspections. We are just pending from the inspection results from Hoteles City Express (HCITY) and Fibra Terrafina (TERRA). In general terms, there are no relevant implications on the CRE sector valuations related to Tuesday's regrettable event in Mexico.

September 20, 2017

FUNO (BUY, PT P$39.8)
Unaffected following yesterday's earthquake

The company informed that all of its buildings located in Mexico City were undamaged after yesterday's earthquake, and that only three properties in the southern of the Country sustained minor, superficial, damages. The company has comprehensive insurance against earthquake effects and loss of rental income, but at the times seems will not be necessary after yesterday's event.

September 8, 2017

FUNO (BUY, PT P$37.60)
Calls For General Ordinary CBFI Holders' Meeting For The Approval Of A Shelf Registration Program For Up To 1,500 M CBFIs And P$55 Bn Of Debt

FUNO called for a General Ordinary CBFI Holders' Meeting to be held on September 25, 2017 in Mexico City. As the 1ST Point of the Agenda, the trust will propose for approval the establishment of a shelf registration program (SRP) registered in Mexico with the CNBV for the placement of: 1) up to 1,500 million CBFIs; and 2) up to P$55,000 million pesos of debt. The life of the program would be of 5 years. Once the program is authorized, FUNO's Technical Committee (T.C.) will approve all draw-downs under the program. As the 2nd Point of the Agenda, the Fibra will propose the issuance of 1,500 M new CBFIs to be held in Treasury, to be used in: i) public offerings in Mexico under the SRP; ii) private placements internationally (Rule 144A, Regulation S, Regulation D, etc.); and iii) investment in real estate properties in Mexico in accordance with FUNO's Trust Agreement. So, regarding the establishment of a SRP we find significant advantages for CBFI Holders, including the following: i) they mitigate dilution; ii) allow financial flexibility; iii) enable agile issuances; iv) reduce time to market; v) reduce offering costs; vi) enable a more efficient balance sheet management; vii) allow to capture investment opportunities. Moreover, as the next step following the aforementioned approvals of Points 1 and 2 of the Agenda, FUNO disclosed information of what would be the first follow-on (draw-down) of the Program, subject to market conditions. The base offering (local and international under Rule 144A and RegS) would be for up to 500 million CBFIs, with a greenshoe option for up to 20% (100 million additional CBFIs), the total representing 18% of current CBFIs outstanding. The trust also indicated that certain members of the Control Group will subscribe US$200 M as part of the offering and the lock-up will be of 90 days. Regarding the timing, FUNO mentioned that it would be as soon as practicable, determined by market conditions. On that, we would like to note that FUNO is still trading at a relevant 18% discount to its current NAV of P$39.40 per CBFI, so, in our view, it is important that new CBFIs are placed in the market at a price closer to that value, in order to avoid the negative effect of dilution. FUNO's management team will hold a conference call today at 10:00 a.m. Mexico City time, in order to explain and clarify any queries and doubts.

July 21, 2017

FUNO (BUY, PT P$37.60)
Stationary Div. Per CBFI At P$0.5115. AFFO Down 6.7% QoQ

FUNO brought 2Q17 results with still no progress in the contribution from new projects, and higher interest expenses. Net, AFFO per CBFI of P$0.4834 declined 6.7% vs. 1Q17. The annualized AFFO yield of 2Q17 was 5.7%. However, the trust will pay a P$0.5115 div. /CBFI with an implied AFFO payout of 106%. Still the dividend is down 0.8% QoQ. We are adjusting our price target to P$37.60 per CBFI, down from P$41.90 for YE2017. Trading at a 8% discount to current (2Q17) NAV, we maintain our Buy recommendation.

April 28, 2017

FUNO (Buy, PT P$41.90)
Acquires A Class A+ Office Building (Saqqara) In San Pedro

FUNO just announced the acquisition of a Class A+ office building in a prime location within the San Pedro Garza Garcia market in Monterrey's metropolitan area (Vasconcelos Avenue, close to CEMEX International Headquarters). The building consisting of 11,236 sqm of gross leasable area (GLA), is part of a mixed-use complex of 4 towers named Saqqara, developed by the renowned firm Foster + Partners, under world-class technological specifications and in the process of obtaining the LEED Certification by the U.S. Green Building Council. Still under development, at its final stage, 70% of the area (8k sqm) has been leased by a top financial institution that will concentrate its Northeast region operations there. The lease contract was established for a 10-year period, under a double-net arrangement, with an option to lease 5 more years. The tenant already started its improvements and expects to move in October 2017. The purchase price was set at P$702.2 million, plus a P$107.9 million investment for tenant improvements (TIs). The trust has already paid 60% of the price, and will pay 20% more in the next few days and 20% more at the end of May 2017. FUNO expects the property to generate an annual net operating income (NOI) of P$73.3 million fully-stabilized. For a total investment of US$351 per SQF in San Pedro, it was an accretive transaction that will deliver a 9.1% NOI cap rate as expected by FUNO. So this comes as good news for the FIBRA that adds to its positive long-term fundamentals. Trading at a 16% discount to its current NAV (1Q17) we reiterate our Buy recommendation.

FUNO (BUY, PT P$41.90)
Moderate Growth In 1Q17 Meets Expectations

Highlights from the report: i) FUNO's 1Q17 report brought a moderate +1.2% QoQ growth in NOI, meeting our forecast; ii) It was another solid quarter as with basically the same portfolio, FUNO delivered another record-high dividend per CBFI at P$0.5154, +0.7% QoQ (6.5% EoP annualized yield); iii) A higher value creation is set to come for 2017, mostly form Torre Diana, Torre Latino, ramp-ups, development projects, and the just announced acquisition of FRIMAX 1; iv) Also, trading at 0.83x P/NAV, FUNO remains a compelling investment proposition. Buy. For further information please refer to our complete research note.

February 17, 2017

FUNO (Buy, PT P$41.9)
4Q16 Brings A +4.5% QoQ Div. Per CBFI Growth. FUNO Trading At Deep Discount to NAV 2017

Highlights from the report: i) With its previously paid 4Q16 dividend of P$0.5116 (7.2% ann. yield), FUNO reached its highest distribution on record (+69% since IPO). It advanced 4.5% quarter-over-quarter; ii) Properties revaluation on appraisals is far from being recognized in FUNO's CBFI price. With sound development projects for 2017 underway, the market discount to NAV deepens even further; iii) FUNO is trading at a 0.77x price-to-book value and at a 10% discount to NAV if assigning a 7% cap rate to

4Q16's NOI generation (no additional value creation); iv) On the back of that, we remain positive on FUNO and reiterate our Buy recommendation. For further information please refer to our complete note released yesterday.