

Fibra Nova 2Q25 Earnings Call Transcript

Moderator: Good afternoon, everyone. Welcome to Fibra Nova's second quarter 2025 earnings conference call. Joining us today is Luis Carlos Piñón, Chief Financial Officer, who will walk us through the key strategic, financial, and operational highlights of the quarter.

Before we begin, please note that this call is being recorded and will be available for replay on Fibra Nova's investor relations website at www.fibra-nova.com. We would also like to remind you that forward-looking statements made during this call are subject to risks and uncertainties, and Fibra Nova is under no obligation to publicly update them. Without further ado, I turn the call over to management. Please go ahead.

Luis Piñón, CFO: Hello, good afternoon. Thank you for joining us for Fibra Nova's Q2 2025 earnings call. As usual, I'll start by giving you an overview of the market, the status of our ongoing developments, and our outlook for the rest of the year.

As outlined in our recent report, we are pleased to announce that we have successfully leased all the buildings we had available in Ciudad Juárez. We secured a lease agreement with multinational company Vistaprint for the last two remaining industrial buildings in our Ciudad Juárez Park. This completes the placement of our entire inventory in that location.

This now allows us to begin Phase 2 of the industrial park development, on a land reserve of more than 37 hectares, which already has full infrastructure in place for our tenants, including electricity, water, sewage, natural gas, and high-speed internet.

In Chihuahua, we also announced a letter of intent for our speculative building in the Parque Norte. We expect to confirm its lease in the coming weeks. With this, we would finalize the only speculative building we had in that park. Following the lease of these three buildings, we will be left with just one inventory property, located in Chihuahua. Its lease would allow us to launch Phase 2 of Parque Norte as well, where we have already made significant progress in urbanization.

As you may recall, this site covers over 53 hectares, of which nearly 50% of the gross leasable area has already been committed by tenants such as Emerson, ATI, and the new letter of intent. This positions us for a strong close to the year, with full inventory placement and the start of new development phases in Chihuahua and Ciudad Juárez.

As we've mentioned in previous quarters, these leases are with multinational companies, signed under triple-net contracts in U.S. dollars, with an average cap rate of 11–11.5% yield on cost. Additionally, they include corporate guarantees from parent companies. This

sets the stage for strong growth in 2026, as many of these leases will contribute full 12-month income starting next year.

Another important update is the renewal of leases with Grupo Bafar, which were extended for 10 more years. These leases were originally set to expire at the end of this year. This move increased the average remaining life of our current lease portfolio to over 8 years. We also see positive prospects for renewals on upcoming expirations in early 2026.

With these actions, we expect to maintain 100% occupancy across our buildings through year-end. This makes us confident that 2026 will be a year of consolidation for the investments we've made over recent months.

On the market side, we continue to see interest from foreign investors in Mexico's industrial real estate sector. However, tenant arrivals are proceeding more slowly than we'd like, due to some lingering uncertainty around Mexico's service offering in this space. That said, because we have ready-to-go properties with infrastructure in place, we continue to be invited to bid for new contracts. Even though the pace is not ideal, this participation reassures us that future projects on our land reserves are likely to be leased in the months ahead.

We feel confident continuing our investment strategy, which remains around the historical average of 2 billion pesos annually.

Now, moving on to the financial results for Q2 and the first half of the year:

We had a strong Q2 2025. Total revenue exceeded 392 million pesos, with 380 million coming from lease income—representing a 27% increase compared to the same period last year. This growth was driven primarily by the start of leases for various properties, including ZF and Breakparts in Ciudad Juárez, Verity's second building with us, and ATI in Chihuahua.

Operating expenses, mostly related to property management, totaled just over 11 million pesos, while other expenses for Fibra Nova were close to 28 million pesos. This keeps our profitability margins in line with historical levels.

Thanks to last year's capital infusion, interest expense was down about 34% year-over-year. We did, however, record a 50 million peso currency exchange loss. This was offset by a 468 million peso revaluation gain on investment properties.

As a result, net income for the quarter reached over 771 million pesos, compared to just 30 million a year ago—driven largely by currency exchange loss from last year effects and revaluation gains from this year.

For the first half of 2025, total revenue was 779 million pesos, up more than 27% versus 2024. This was mainly due to new lease contracts and a more favorable exchange rate during some months. Operational expenses were higher but profitability margins remained above 90%.

Financial expenses decreased as well, following the restructuring of our liabilities in 2024. The cumulative revaluation effect was also higher than last year.

Net income for the first six months was 1,349 million pesos, double the amount from the same period in 2024. This increase was due to a 95% reduction in currency exchange losses and higher revaluation gains.

As for our balance sheet, we ended the quarter with 468 million pesos in cash. Working capital remained healthy, with accounts receivable at 42 million pesos—mostly from triple-net contracts and tenant improvement reimbursements. Recoverable taxes (mainly VAT) totaled 73 million pesos.

Our investment properties were valued at 22,479 million pesos as of June 30, including 1,834 million in properties under development in Chihuahua, Ciudad Juárez, and La Piedad, Michoacán. We invested over 1,119 million pesos during 2025.

Debt stood at 5.656 billion pesos in bank loans, all in U.S. dollars, with a weighted average cost of 5.12%. Financial indicators remain strong, with a loan-to-value ratio of just over 24%, debt service coverage at 18x, and leverage at 1.36x.

Between April and June, we returned 329 million pesos to investors via capital reimbursement, or 55 cents per certificate.

In terms of guidance, we expect full-year revenue growth of over 24%, with margins above 91%. Our dividend policy remains unchanged, distributing 80% of generated cash flow. Total investment in properties is expected to reach 1.9 billion pesos for 2025.

We are also watching for potential interest rate cuts, which would improve funding conditions. The recent lease-ups mean full-year contributions in 2026. We also continue to prioritize lease renewals with current tenants.

That concludes my remarks, and I turn the call back to the operator.

Moderator: Ladies and gentlemen, if you would like to ask a question, please use the “raise hand” function in your blue toolbar. Our first question comes from Carlos Alcaraz at Appalachia Research. Go ahead, Carlos.

Carlos Alcaraz: Hi, good afternoon. Thanks for the call and for taking my questions. First, regarding the recent FX volatility and the expectation that it will persist—are you considering diversifying your debt structure toward instruments denominated in pesos?

This would be to balance out the portion of your income that's dollar-denominated. And as a follow-up on this topic, are you planning to issue debt or expand credit lines, possibly to take advantage of any market opportunities amid the slowdown you've mentioned? Thank you.

Luis Piñón, CFO: Thank you, Carlos. Regarding your first question on diversifying the debt portfolio away from dollars—honestly, no. The technical committee has given us a clear mandate to continue investing primarily in dollars. We see that financing rates in dollars remain much more competitive than those in pesos.

As we've discussed in the past, we are a REIT focused on profitability. So, we aim to maximize the spread between our funding costs and the cap rates of our leases. As long as there's a meaningful gap between peso and dollar funding costs, dollar-denominated leases will remain the better option, especially because cap rates in pesos aren't as attractive.

On your second question about issuing debt—this is something we evaluate regularly. While we do consider these options, we continue to prioritize profitability. As long as bank financing remains more attractive in terms of rates, we'll stick with that. However, we're not ruling out a debt issuance. That said, I think doing it this year is unlikely due to timing, but it's something we constantly monitor.

Carlos Alcaraz: Got it. Thanks. And given what you mentioned, Luis Carlos, how are you viewing speculative development for the second half of the year? Or even the possibility of expanding your land reserves? Is that something on the table, or are you holding off until market conditions become clearer?

Luis Piñón, CFO: As I mentioned earlier, yes—we're planning to begin Phase 2 development in both Chihuahua and Ciudad Juárez. Our goal was to fully lease our existing inventory, and we're basically there now.

So yes, we're planning to start construction in the coming months on one building in Ciudad Juárez and another in Chihuahua as part of our expansion strategy. We are also participating in several build-to-suit competitions. These projects don't require us to have a speculative building available; our tenants invite us to develop from scratch in our industrial parks.

So, our growth will be driven by a mix of speculative development—essentially one building per city—and build-to-suit projects. As for acquiring additional land, we're not planning any near-term purchases. We feel comfortable with our current land reserves in both Chihuahua and Ciudad Juárez. However, we're always looking at opportunities in other markets where profitability metrics are attractive. We are occasionally invited to bid in locations outside of our two core cities, but so far, returns in those markets don't compare to what we're seeing in Chihuahua and Juárez.

Carlos Alcaraz: Perfect. Thanks, Luis Carlos, and congratulations on the results.

Luis Piñón, CFO: Thank you, Carlos.

Moderator: Our next question comes from Martín Lara of Miranda Research. Go ahead, Martín.

Martín Lara: Good afternoon, Luis Carlos. Congratulations on the results. I have a couple of questions. You mentioned industrial demand—are you seeing gradual improvement, or is it still weak compared to previous quarters?

And my second question: rental rates per square foot in the industrial segment increased 2.6% this quarter, but previously they had been growing at double-digit rates. Could you explain the reason for that and what you're seeing going forward?

Luis Piñón, CFO: Thanks, Martín. Yes, we've seen a slight improvement in demand compared to what we discussed last quarter. We're getting invited to more bid processes, which is a good sign of a market rebound. However, we still don't see the level of activity we would expect based on all the nearshoring announcements we've heard in recent months.

So, while it's not where we'd like it to be, demand is definitely better than what we saw last quarter.

As for rental rates per square foot, that depends on several factors. One of them is the type of building being leased. Some are designed for manufacturing and require a higher investment on our part. In many cases, tenants are opting to handle the building

improvements themselves, which keeps rental rates lower compared to fully fitted-out buildings.

However, we focus more on overall project profitability, particularly the cap rate or yield on cost, rather than just rental rate per square foot. As long as the profitability metrics meet the thresholds set by our technical committee, we consider the lease to be viable. That said, we still believe we offer some of the most competitive rental rates per square foot in the market, which translates into strong project returns.

Martín Lara: Got it. One last question: the renewals covering 110,000 square meters and the new Vistaprint contracts—do they carry rental rates in dollars that are similar to your existing contracts, or were they higher?

Luis Piñón, CFO: Good question. The renewals with Grupo Bafar are in pesos—they're part of our peso-denominated portfolio. These leases were extended for 10 more years under the same terms: triple-net, guaranteed by a public company, and indexed to inflation.

The Vistaprint leases are different. Those are in U.S. dollars, also for 10 years, under the same triple-net terms we typically use, with corporate guarantees and indexed rents. Since these involve two buildings, we also expect significant tenant investments in the interiors, which makes us confident that these leases will likely be extended well beyond 10 years in the future.

Martín Lara: OK, thank you very much.

Luis Piñón, CFO: Thanks, Martín.

Moderator: As a final reminder, if you would like to ask a question, please use the Zoom “raise hand” feature. Our next question comes from Jorge Vargas Cuadra of GBM. Go ahead, Jorge.

Luis Piñón, CFO: We can't hear you, Jorge—are you on mute?

Jorge Vargas: Can you hear me now?

Luis Piñón, CFO: Yes.

Jorge Vargas: Great. Hi, everyone. Thanks for taking my questions and congratulations on the results. I have two questions.

First, what portion of the GLA under development do you expect to deliver in the second half of 2025? And how much of that space is already under contract?

Second, given that your year-to-date CAPEX is already around 1.1 billion pesos, how much more do you expect to invest during the remainder of the year? That's all from my side. Thank you.

Luis Piñón, CFO: Thanks. As I mentioned, we currently have a 120,000-square-foot building in the Parque Norte in Chihuahua under a signed letter of intent. We also have a speculative building in Chihuahua of just over 7,000 square feet. We expect both of these to be leased before year-end.

In addition, we're competing for several build-to-suit projects in both Chihuahua and Ciudad Juárez. If we win those contracts, we'll be developing additional GLA from our land reserves.

As for CAPEX, as I mentioned in our guidance, we expect to invest another 800 million pesos during the rest of the year, bringing total investment close to 1.9 billion pesos.

That estimate does not include any unplanned build-to-suit contracts we might land, which would accelerate investment.

Jorge Vargas: Perfect. Thank you.

Luis Piñón, CFO: Thanks, Jorge.

Moderator: Our final question comes from Antón Mortencóter, also from GBM. Please go ahead.

Antón Mortencóter: Hi, hope you're doing well. Can you hear me?

Luis Piñón, CFO: Yes, hello, Antón. Go ahead.

Antón Mortencóter: Great. Quick question—considering the strong performance of your developments and the high-quality assets you build with long lease terms and attractive rental rates; have you received any offers from funds or buyers interested in acquiring stabilized assets from your portfolio?

Luis Piñón, CFO: Yes, we've received some offers and invitations from funds and brokers—especially in recent years, we've seen major family offices coming into Mexico looking to buy stabilized portfolios.

However, as we've discussed in previous calls, while sale cap rates might be attractive—especially for AAA properties like ours with high-quality tenants—rebuilding that same portfolio today would be difficult. Construction costs are high, financing is expensive, and inflation has affected materials and labor.

So, selling would reduce our ability to replicate those same return metrics. Plus, our business model is focused on building and maintaining a top-tier portfolio. Most of our properties are newly built by us and leased to high-quality tenants under long-term agreements.

So currently, we don't see any properties in our portfolio that meet the criteria for a sale. None of the offers we've received have provided the return profile that would make sense for us.

Antón Mortencóter: Got it. Very clear, thank you.

Luis Piñón, CFO: Thank you, Antón.

Moderator: As there are no further questions, I'll now return the call to management for closing remarks.

Luis Piñón, CFO: Thank you all very much for joining us for Fibra Nova's second quarter earnings call. As you know, we're available via email for any additional questions you may have regarding what we've discussed today or for a deeper analysis of the report we released a few days ago. We're happy to assist. Thank you again.

Moderator: This concludes our call for today. You may now disconnect.