



Fibra Inn Announces Business Strategic Vision for Future Growth

Monterrey, Mexico, May 21, 2018 – Deutsche Bank Mexico, S.A., Banking institution, Trust Division F/1616 or Fibra Inn (BMV: FINN13, ADR OTC: DFBRY) (“Fibra Inn” or “the Company”), a Mexican real estate investment trust internally managed specializing in the hotel industry serving the traveler with global brands, announced its strategic business vision, on which it aims to base the Fibra’s future growth.

Fibra Inn has analyzed investments in international –brand hotels in the *Luxury* and *Upper Upscale* categories in destinations such as Mexico City, Guadalajara, Monterrey, the central territory of Mexico, Cancun, Riviera Maya, Los Cabos and Riviera Nayarit. Currently, Fibra Inn has a pipeline of negotiations of over 15 properties, including six projects that are in the advanced stages and are valued at over Ps. 10 billion. On average these could be structured with 60% equity and 40% debt at the project level. These investments will allow the Fibra to balance its portfolio of properties and reduce the revenue seasonality that the business hotels experience. Additionally, it is important to mention that the hotels that fall under these categories charge dollar rates and have the better cap rates.

This pipeline also includes a purchase option for a beachfront property located in Playa del Carmen and four term sheets for projects located in central Mexico, Guadalajara, Los Cabos and Riviera Nayarit. These are in addition to the previously-announced JW Marriott Monterrey, Westin Monterrey Valle and Marriott Monterrey Aeropuerto agreements. Approximately 40% of the above hotels are in operation and are subject to potential expansions.

Fibra Inn’s capital participation in these investments could reach up to 50% of the property value; the remainder will be shared with third-party partners that would be structured under the Hotel Factory model. Some of these properties will be developments, but others will be for repositioning of properties that include brand conversions.

Fibra Inn considers that this category is a great opportunity as the internal rate of return is of over 20% and the development cap rates range between 13% and 14%, including the fees that Fibra Inn will receive from the Hotel Factory versus the 12% obtained from traditional hotel real estate developments.

The Hotel Factory allows the Company to acquire or develop hotels together with third parties, which means that the Company is not required to make an initial investment for the total amount of the project and allows the Company to maximize its resources for other opportunities in the Company’s growth pipeline.

This business model, whereby Fibra Inn receives fees from the Hotel Factory is only possible following the internalization. For the moment, Fibra Inn is the only Fibra that does not pay Advisor fees; and also generates additional revenues. Furthermore, the internalization aligns the interests of all the shareholders; therefore, there is no need to acquire properties in order to reach fee generation due to the acquisition or the asset management to other entities.

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The fee structure established by Fibra Inn for the Hotel Factory is as follows:

- Project Structuring: Fibra Inn will receive fees of between 1.0% – 1.5% over the total investment in the project.
- Development Management: Fibra Inn may receive fees of between 2.5% – 3.5% over the total project investment.
- Supervision of Development: The Fibra could charge a fixed monthly amount of Ps. 50,000; in the event that the Fibra is not the Development Manager and acts as supervisor verifying the work related to the conditions for the delivery of the hotels in accordance with the established project.
- Asset Management: Fibra Inn will charge the equivalent of between 2.0% and 2.5% of the hotel's revenues.

Within this framework, Fibra Inn signed a joint co-investment agreement with one of the largest CKDs in the country related to a third-party institutional fund, who will become the first strategic partner in the Hotel Factory model whereby each party will invest 50% of the project.

The agreement includes the general investment conditions for an undetermined number of future hotels, according to the profile and locations previously mentioned. This agreement specifies the committed capital for the current projects:

- a. JW Marriott Monterrey – Fibra Inn will contribute up to Ps. 400 million, the partner will contribute up to Ps. 400 million and the remaining Ps. 533 million, will be financed with the resources obtained from bank loans, to reach a total value up to Ps. 1,333 million. ⁽¹⁾
This project was initially signed and the Technical Committee has approved the changes in the scope of the project (Fibra Inn's participation amount and additional investments), which represent approximately 30% RevPar growth, following one year of stabilization, over the original project assumptions, representing important additional benefits for Fibra Inn and its strategic partner.
- b. Westin Monterrey Valle – Fibra Inn will contribute up to Ps. 305 million, Fibra Inn's partner will contribute up to Ps. 305 million and Ps. 147 million will be financed with bank loans that could represent up to 40% of the total amount that is Ps. 757 million. ⁽¹⁾

⁽¹⁾ Total investment amounts were reviewed considering the leverage levels of the projects, a higher participation of Fibra Inn and the updated assumptions with variations in square footage, inflation, exchange rate, occupancy and hotel rates

Fibra Inn will have the right to exercise the option to acquire the remaining stake of the properties, according to their operating performance and based on the NOI for the last twelve months, upon reaching operating stabilization.

It has been agreed that both properties will be operated under a hotel operating contract with Gestion de Activos Prisma, S.A.P.I de C.V., a related Fibra Inn's company; which will be formalized once the investment vehicles under this agreement framework have been formed.

Fibra Inn will evaluate various third-party hotel operators in order to assign the best ones to the future properties. Due to the specialization that is required at these properties, particularly the beach hotels, we expect that these will be operated directly by the selected brands while the related party operator could operate the hotels located in cities. The strategic partners for each project will approved the hotel operators together with Fibra Inn.



“The formalization of this agreement is very important to Fibra Inn as it is the culmination of several months of work together with our institutional partner. As is also the case with the international hotel chains, this will be a long-term strategic relationship that will be a key component for the Fibra’s future growth. Undoubtedly, the benefits of the internalization, as well as the corporate governance improvements in this important stage of the Company’s life will be reflected in higher levels of investor and partner confidence in us as a result of its financial benefits,” stated Oscar E. Calvillo Amaya, Chief Executive Officer.

About the Company

Fibra Inn is a Mexican trust formed primarily to acquire, develop and rent a broad range of hotel properties in Mexico aimed at the traveler. The Company has signed franchise, license and brand usage agreements with international hotel brands for the operation of global brands as well as the operation of national brands. Additionally, the Company has development agreements. These hotels enjoy some of the industry’s top loyalty programs. Fibra Inn trades its Real Estate Certificates (Certificados Bursátiles Fiduciarios Inmobiliarios or “CBFIs”) on the Mexican Stock Exchange under the ticker symbol “FINN13”; its ADRs trade on the OTC market in the U.S. under the ticker symbol “DFBRY”.

www.fibrainn.mx

Note on Forward-Looking Statements

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management’s current view and estimates of future economic circumstances, industry conditions, Company performance and financial results. Also, certain reclassifications have been made to make figures comparable for the periods. The words “anticipates”, “believes”, “estimates”, “expects”, “plans” and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.