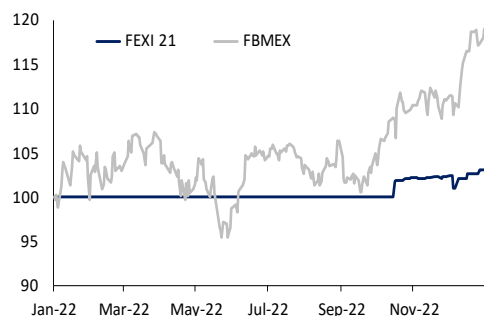


# FEXI21: Initiation of Coverage

## Mexico's largest independent highway concession Fibra E

FEXI 21	BUY
Target Price (MXN\$)	\$ 24.50
Expected Dividend	\$ 0.78
Current Price (MXN\$)	\$ 19.60
Min / Max (L12M - MXN\$)	\$ 19.00 - 19.60
Total Return	29.0%
Mkt Cap (Mn of MXN)	22,859
CBFI's Outstanding (Mn)	1,166.3
Float	100.0%
ADTV (6M - MXN\$ Mn)	3.1



### INVESTMENT THESIS

We are initiating coverage on Fideicomiso Irrevocable de Emisión de Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura No. 5073 ("FEXI21") with a BUY recommendation and 12-month target price of MXN\$24.50 per Energy and Infrastructure Investment Trust Stock Certificate (CBFE).

**Attractive mature and resilient portfolio of long-term road concessions.** FEXI21 has a portfolio of 5 road assets that include "Autovía Querétaro, S.A. de C.V." (AQSA, expiration in 2043), "Consorcio del MAYAB, S.A. de C.V." (MAYAB, 2050), "ICA San Luis, S.A. de C.V." (ICASAL, 2047), the Río Verde Service Provision Contract, "Libramiento ICA la Piedad, S.A. de C.V." (LIPSA, 2054) and "Túneles Concesionados de Acapulco, S.A. de C.V." (TUCA, 2034).

**High growth potential.** We expect FEXI21 concessions' revenues and EBITDA to grow at an average annual rate of 12% and 14%, respectively, during the 2023-2028 period, due to a combination of increased traffic, **inflation-indexed rates** and higher profitability resulting from the efficiencies and operation at cost of Operadora Quantum, the concession operator.

**Possibility of acquisitions.** FEXI21 has the mechanisms and is structuring additional financing to carry out acquisitions of road assets that meet the Fibra E requirements. Recently, the Holders Assembly authorized a Program of MXN\$25 billion in CBFE's and MXN\$5 billion in domestic bonds (CEBURES).

January 31<sup>st</sup>, 2023

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**Attractive tax benefits.** As a result of the acquisition of the concession assets during the IPO, FEXI21 has attractive tax attributes that will allow it make capital reimbursements (without fiscal friction) during the following 5 fiscal years.

**Recognized sponsor.** Mexico Infrastructure Partners (MIP), FEXI21’s sponsor, is the leader and main manager of infrastructure funds in Mexico and Latin America.

**Development of a secondary market:** To date, FEXI21 is the only FIBRA E in the market that has a Buyback Fund and operates with a Market Maker. As a result, FEXI21 certificates have an average liquidity level (94<sup>th</sup> place out of 180) according to the Liquidity Index of the Mexican Stock Exchange.

**Growing distributions.** FEXI21 proposed to pay distributions, without this being a commitment, amounting to MXN\$0.78 per CBFE in 2023 (4.1% dividend yield), which is expected to reach 15.6% in 2028, compared to the MXN\$19.00/CBFE price of the 2021 initial public offering, according to the prospectus of that transaction.

**Strong corporate governance.** The Technical Committee is composed of 9 directors, of which 5 are independent. In addition, the Fibra has an Audit Committee and a Conflicts Committee, both of which are made up of 3 independent directors. FEXI21 is managed by Mexico Infrastructure Partners F1, S.A.P.I de C.V.

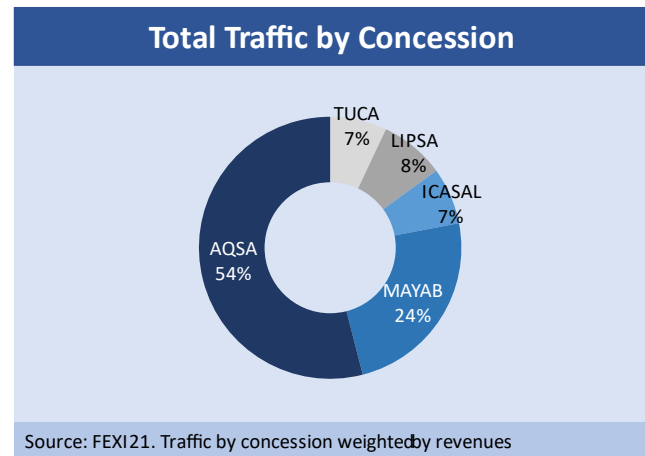
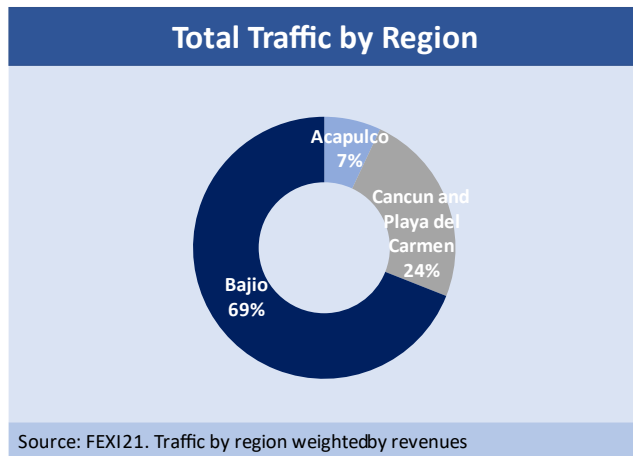
**Valuation.** We consider that the valuation of FEXI21 certificates is low as they trade at a 24% discount to their Net Asset value (“NAV”), which means that it is Mexico’s cheapest Fibra E.

**Target price.** We set a MXN\$24.50/CBFE target price through a discounted flow model that includes the following variables: i) an 11.6% WACC; and, ii) a 2.3% perpetuity growth rate in nominal terms. We used a Beta of 0.72 against the S&P / BMV IPC index which we calculated from the average Beta of the public road concession companies (deleveraged and re-leveraged with the financial structure of FEXI21). This Beta is more conservative than the original 0.001 Beta of the Fibra.

**The main risks include:** i) changes in government policies related to federal and state highway assignments; ii) modifications in the Fibra E’s fiscal or legal regime; iii) macroeconomic volatility; iv) changes in the management team, and; v) early termination of the Rio Verde CPS.

**FEXI21’S MAIN ADVANTAGES**

**Attractive mature and resilient portfolio of long-term road concessions.** FEXI21 has a portfolio of 5 road assets that include Federal Concessions, which are "Autovía Querétaro, S.A. de C.V." (AQSA, maturity in 2043), "Consortio del MAYAB, S.A. de C.V." (MAYAB, maturity 2050), "ICA San Luis, S.A. de C.V." (ICASAL, maturity 2047), the Río Verde Service Provision Contract and "Libramiento ICA la Piedad, S.A. de C.V." (LIPSA, expiration 2054) and a State Concession, which is "Túneles Concesionados de Acapulco, S.A. de C.V." (TUCA, maturity 2034). FEXI21’s assets are located in the country’s fastest growing regions of the main economic, industrial and tourism corridors. The concessions are long-term with remaining terms ending between 2034 and 2054.



**Rates in line with inflation.** FEXI21’s concessions have an inflation-indexed rate scheme that allows it to maintain its revenues in real terms. Historically, the authorities have authorized such rate increases in line with inflation which are unlikely to be modified in the remaining term of the concessions.

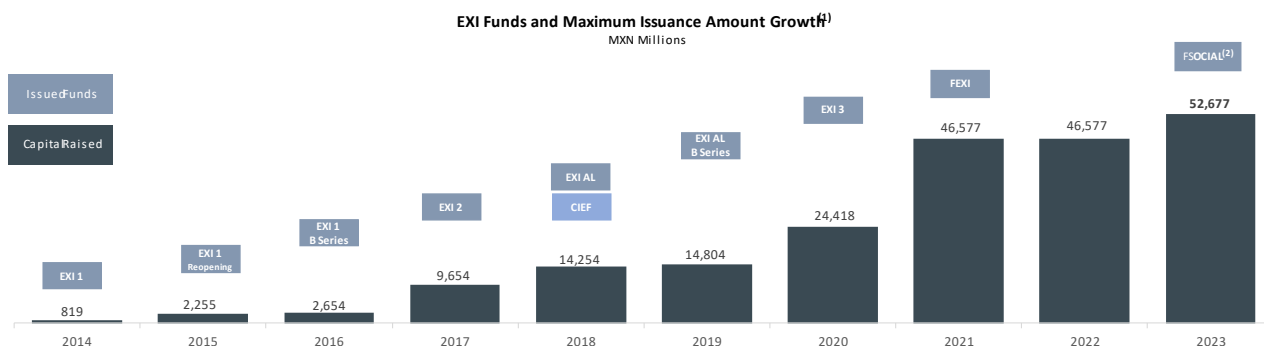
**Possibility of acquisitions.** FEXI21 plans to carry out acquisitions of new road assets, provided they meet the Fibra E requirements. It has a call option on 24.99% of MAYAB, ICASAL, LIPSA and TUCA currently held by ICA Tenedora, S.A. In addition, it has an available MXN\$500 million credit line with BBVA and the Holders Assembly approved in November last year a MXN\$30 billion dual program of stock certificates, which includes MXN\$25 billion of equity (CBFEs) and MXN\$5 billion of debt (CEBURES).

**Recognized sponsor / Experienced management team.** Mexico Infrastructure Partners (MIP), FEXI’s sponsor, is Mexico and Latin America’s largest infrastructure funds manager, and the 62nd largest globally, according to "Infrastructure Investor".

Between 2014 and 2020, MIP has issued four funds in Mexico (EXI, EXI 2, EXI 3 and EXI AL) and one fund in Colombia (CIEF), all focused on various infrastructure and energy assets, successfully investing in more than 26 high-impact projects. In 2021, it issued the first Fibra E (FEXI21) and is in the process of issuing a second Fibra E focused on social projects. Currently, MIP has US\$2.6 billion in assets under management.

## Mexico Infrastructure Partners (MIP) and EXI Funds

MIP has gained its investors' confidence through its value creation strategies



(1) Cumulative Maximum Issuance Amounts per vehicle For CIEF, FX USD/COP as of the end of August 2022.

(2) Estimated issuance date February 2023.

FEXI21's Administrator main executives are as follows:

- **Guillermo Fonseca Torres.** CEO of MIP F1 and Member of the Technical Committee. He holds a degree in Civil Engineering from the Universidad Iberoamericana and an MBA from Stanford Graduate School of Business. Mr. Fonseca has been Chief Financial Officer of MIP and its affiliates since joining the group in 2013. He has 20 years of experience in the development, investment, financing, management, operation and divestment of energy and infrastructure projects in Mexico, Latin America, Europe and Asia. In the last 8 years, he has structured various limited resource financings in transactions whose added value exceeded US\$5 billion in diverse sectors such as transportation, P3, treatment plants, gas pipelines, multimodal ports, ultra-deep platforms, military installations, airports, and real estate assets, among others.
- **Ramon Gerardo Colosio Cordova.** Director of Operations of MIP F1. He studied Economics at the Instituto Tecnológico Autónomo de México (ITAM). Over the past 10 years, Mr. Colosio has structured and issued 4 funds for infrastructure and energy in Mexico and 1 for Colombia. Mr. Colosio has extensive experience in the hydrocarbon sector in Mexico, from the exploration and production of crude oil and natural gas and in industrial transformation. Until December 2012, he served as Deputy Director in the Undersecretariat of Hydrocarbons at the Ministry of Energy.
- **Raúl Daniel Martínez Chávez.** CFO of MIP F1. He holds a degree in Economics from the Instituto Tecnológico Autónomo de México and an MPP from Macquarie University in Sydney, Australia. He has 15 years of experience in credit, financial and business development analysis. He previously served as CFO at Micros LAFIN and CCO at Banco Nacional de Crédito y Servicios Financieros.

**Significant synergies with Operadora Quantum.** Operadora Quantum is responsible for the operation, legal aspects, human resources, and corporate treasury of FEXI21's different concessions. It operates under a cost center scheme without any margin or profits. Therefore, it has generated a 25% reduction in costs and expenses of the concessions it operates. We believe that the Operadora Quantum platform will allow FEXI21 to generate additional synergies in the future, if current concessions continue to grow and the Fibra carries out acquisitions of road assets, as we expect.

Operadora Quantum's top officials have an ample experience in the infrastructure sector:

- Andrés Alija, CEO. He was concessions CEO at IDEAL. Previously, he was CFO, COO, IRO and Director of Business Development at IDEAL. He has more than 15 years of experience in the Administration, Management and Financing of Projects in the infrastructure sector;
- Pablo García, CFO. He was Executive Director of Administration and Finance at Grupo Kaluz. He previously held the Corporate Director of Finance and Treasury position at Empresas ICA. He has more than 20 years of experience in administration, management and financing of projects in the infrastructure sector;
- José F. Chavarría, Director of Highways. He was Director of Road Operations at ICA. Previously, he was Deputy Director of Infrastructure and Maintenance at OMA. He has more than 20 years of experience in the development and management of concessions in all its phases.

**Solid corporate governance.** The Technical Committee has 9 directors, of which 5 are independent. In addition, Fibra has an Audit Committee and a Conflicts Committee, which in both cases are made up of 3 independent directors.

Technical Committee			
Name	Position	Sex	Age
Guillermo Fonseca Torres	Director	Masculine	53
Andrés Alija Guerrero	Director	Masculine	40
Ramón Gerardo Colosio Córdova	Director	Masculine	34
Jesús Agustín Velasco Suárez	Director	Masculine	39
Luis Alberto Ibarra Pardo	Independent Member	Masculine	55
Verónica Baranda Sepulveda	Independent Member	Masculine	56
José Manuel Fernández	Independent Member	Masculine	73
José Luis Guerrero	Independent Member	Masculine	77
Jamie Ian Morton	Independent Member	Masculine	54

Source: FEXI21

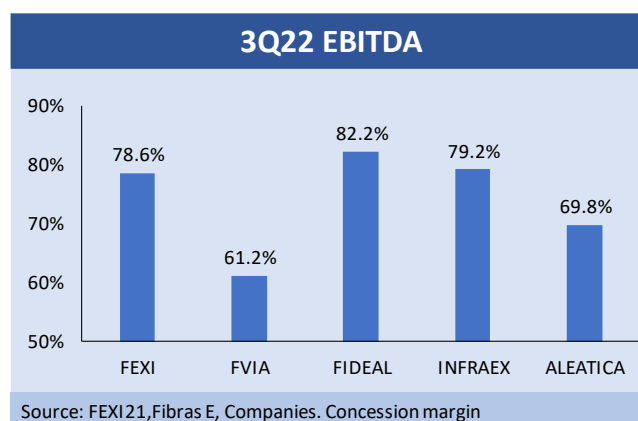
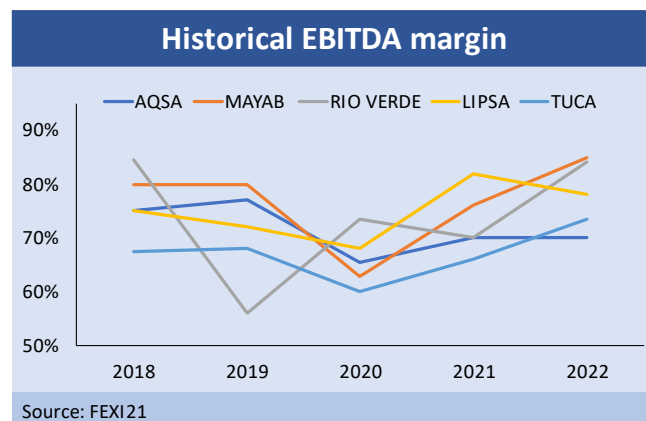
FEXI21 is externally managed by Mexico Infrastructure Partners F1, S.A.P.I. de C.V., which receives a fixed and one-time annual compensation of approximately MXN\$104 million plus VAT. Such compensation may be adjusted for inflationary effects.

In addition to the aforementioned Administration Fee, the Administrator may receive an "Excess Yield Right", once FEXI21 has covered 100% of the "Minimum Distribution Amount" to its holders. Such compensation scheme is similar to that of the other Fibra E's that currently exist in the country.

Corporate Governance of Fibra E's					
	FEXI21	FCFE 18	Fideal 20	Fvia 16	Infraex
Administration	External (Sponsor)	External (Sponsor)	External (Sponsor)	External (Sponsor)	External (Sponsor)*
Technical Committee Members	9	10	8	4	8
Independent Committee Directors	5	6	5	3	5
% Independent Directors	56%	60%	63%	75%	63%
Female Technical Committee Directors	1	1	2	0	0
Female Independent Directors	1	0	1	0	0
Committees	Audit, Conflicts	Audit, Conflicts		Conflicts	Conflicts
Performance Distribution / Commission	Yes	No	No	Yes	Yes

\* PROINFRA subsidiary; PROINFRA owns 49.41% of Fibra Infraex

**High margins.** As a result of the relationship with Operadora Quantum, FEXI21 concessions have historically generated high margins, similar or higher than those of the other Fibra E's specialized in roads and/or companies participating in this market segment.



**EBITDA Margin**

	2018	2019	2020	2021	9M22
AQSA	75.00%	77.00%	65.50%	70.00%	70.10%
MAYAB	80.00%	80.00%	62.80%	76.00%	84.90%
RIO VERDE	84.50%	56.00%	73.50%	70.00%	84.20%
LIPSA	75.00%	72.00%	68.00%	82.00%	78.00%
TUCA	67.50%	68.00%	60.00%	66.00%	73.50%

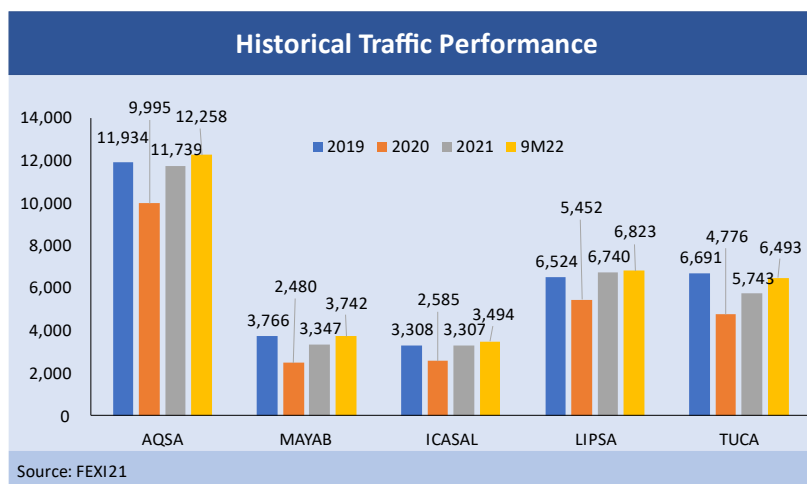
Source: FEXI21

**Growing distributions.** FEXI21 proposed to pay a "Dividend Yield", without this being a commitment, of MXN\$0.78 per CBF E in 2023 (4.1% yield), which is estimated to reach 15.6% in 2028, compared to the MXN\$19.00/CBF E price of the initial public offering that took place in 2021, according to the prospectus of such transaction.

**FEXI21 FAVORABLE PROSPECTS**

We believe that FEXI21's outlook is favorable due to the combination of higher traffic, inflation-indexed rates and synergies with Operadora Quantum. This should translate into increases of 12% in concession revenues and 14% in EBITDA during the 2023-2028 period.

Traffic has experienced a significant recovery in all concessions as it is above pre-pandemic levels.

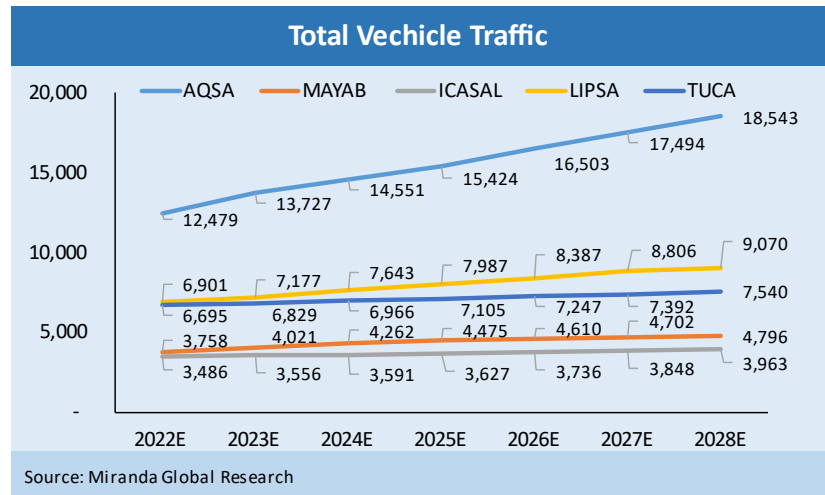


We expect total FEXI21 traffic to record a 4.7% average annual growth over the 2023-2028 period driven primarily by AQSA, LIPSA and MAYAB.

In the case of AQSA, on October 3<sup>rd</sup>, 2022, the Ministry of Infrastructure, Communications and Transport and the Municipality of Querétaro formalized a Municipalization Agreement for the road section between kilometer 207 and kilometer 212 of the Mexico Querétaro Federal Highway. Such Agreement allows the Municipality to implement an Urban Traffic Regulation that limits the transit of freight transport on that road section. We estimate that this Agreement will boost AQSA's freight traffic by around 10-15% during 2023. For the coming years, we expect traffic to continue to rise due to higher industrial activity, growing exports and an increase in population. This will translate into an average annual increase of 6.8%. Worth mentioning that the formalization of the Municipalization Agreement of the road section is identified as the fulfillment of a relevant milestone in the Administrator's business plan.

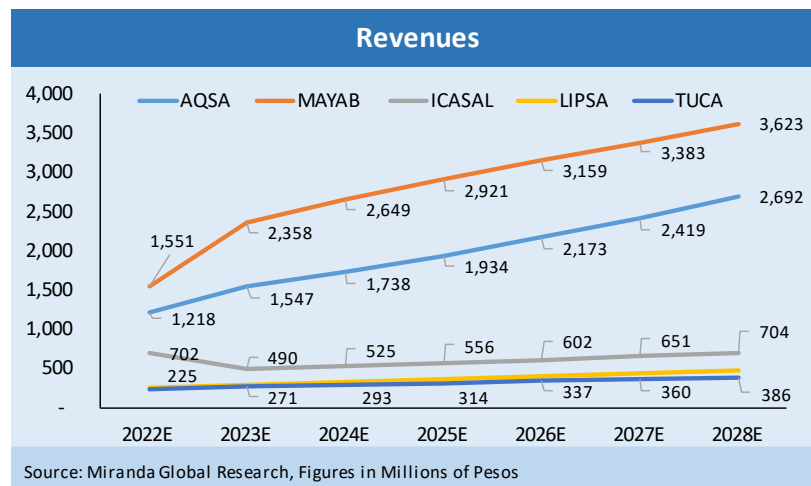
In the case of MAYAB, we estimate that this concession will benefit from a higher tourism activity in the region. Additionally, it is worth noting that traffic levels have consistently exceeded expectations and no temporary traffic interruptions have been detected so far. The annual growth rate will be 4.1%, slightly higher than the historical performance.

At LIPSA we anticipate an average 4.7% annual rate deriving from greater economic activity in the Bajío area and the "nearshoring" trend. On the other hand, we estimate that ICASAL and TUCA traffic will be up 2.2% and 2.0%, respectively, on average per year.



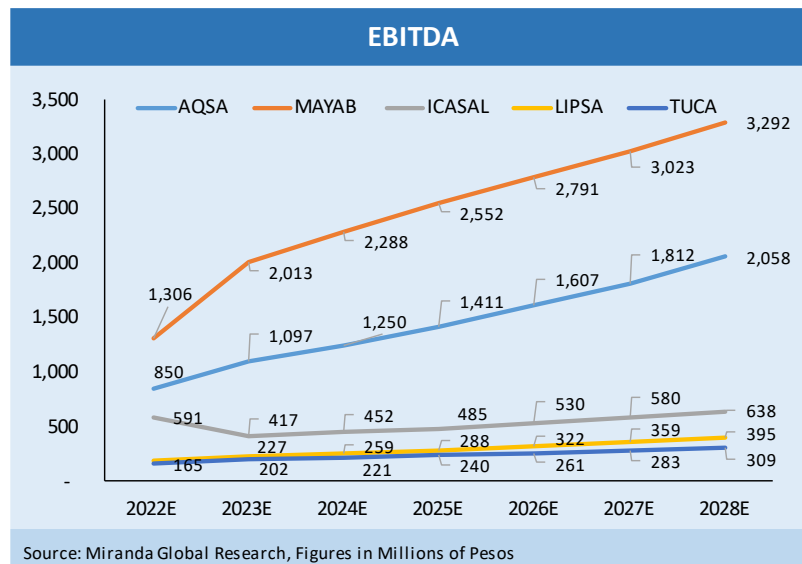
We project that rates for all FEXI21 concessions will remain in line with inflation, as stipulated in the concession. We do not expect the Federal Government to adjust rates downwards, as FEXI21’s assets are not maintenance, rehabilitation and operation (MRO) concessions. In addition, FEXI21 is the only one that faces the traffic risk, not the federal or state governments.

As a result, we estimate that concession revenues will increase at a 12% average annual rate during the 2023-2028 period, also driven primarily by AQSA, MAYAB and ICASAL.



The main concession expenses include operation, minor maintenance, the fee paid to the Infrastructure, Communications and Transport Ministry (SICT) which in all cases represents 0.5% of revenues, major maintenance and Capex. We estimate that the EBITDA margins of FEXI21's concessions should gradually improve to reach 85.0% in 2028, from the 78.7% level that we project in 2022, as a result of synergies with Operadora Quantum, mainly in terms of operating expenses.





EBITDA Margin	2022E	2023E	2024E	2025E	2026E	2027E	2028E
AQSA	69.8%	70.9%	71.9%	72.9%	73.9%	74.9%	76.4%
MAYAB	84.2%	85.4%	86.4%	87.4%	88.4%	89.4%	90.9%
ICASAL	84.2%	85.2%	86.2%	87.2%	88.2%	89.2%	90.7%
LIPSA	77.4%	78.3%	79.3%	80.3%	81.3%	82.3%	83.8%
TUCA	73.4%	74.4%	75.4%	76.4%	77.4%	78.4%	79.9%
Total	76.5%	74.6%	75.7%	76.6%	77.5%	78.5%	79.8%
Concessions	78.7%	79.8%	80.8%	81.8%	82.7%	83.6%	85.0%

Source: Miranda Global Research

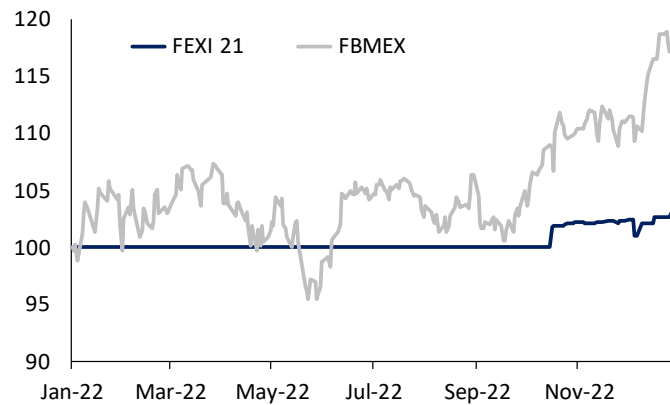
FEXI21's leverage will remain below the 55% maximum level that was established by the Shareholders' Assembly, despite the fact that the book value of assets will decrease every year as a result of the amortization of concessions.

## VALUATION

### Performance vs. FBMEEX

FEXI21 CBFEs have underperformed the FBMEEX index over the past twelve months we believe due to their medium but increasing liquidity. However, we expect them to outperform this index going forward due to their attractive valuation and FEXI21's favorable outlook. In addition, we anticipate that the certificates' liquidity will gradually improve as a result of the efforts made by the Administrator resulting in an increased investor interest.

**FEXI21 vs. FBMEX**



Source: Bloomberg

To date, FEXI21 is the only Fibra E that has a comprehensive liquidity development scheme (buy-back fund and market maker). Its certificates have a medium liquidity (94th place out of 180) according to the Liquidity Index of the Mexican Stock Exchange. We believe this is a significant differentiator with respect to the liquidity levels of other Fibras E.

**Comparison with Fibras E**

FEXI21's CBFEs trade at a 24% discount to their Net Asset Value ("P/NAV"), which means it is Mexico's cheapest Fibra E. We believe such discount is not justified given its excellent prospects, which offset the fact that its dividend yield is lower than that of some of the other Fibra E's resulting from its recent creation.

	Price	Change (P\$)		Mkt Cap	EV	Dividend	Price /	Price /	
	26-ene.-23	5D	YTD	(MXN\$ Mn)	(MXN\$ Mn)	Yield	NAV	BV	LTV
Fexi 21	\$ 19.60	0.5%	2.1%	22,859	42,908	3.5%	0.76x	0.8x	43.7%
Fideal 20	\$ 108.00	0.0%	0.0%	41,049	56,057	1.7%	4.11x	4.1x	60.2%
FCFE 18	\$ 27.16	2.5%	3.8%	30,897	30,846	8.9%	1.03x	1.0x	0.0%
Fvia 16	\$ 25.50	0.0%	0.0%	31,402	37,134	5.4%	0.93x	0.9x	15.6%
Fibra Infraex	\$ 18.50	0.0%	0.0%	8,745	8,308	13.6%	0.90x	0.9x	0.0%
Fibra Orion	\$ 929.90	0.0%	0.0%	3,178	3,122	17.1%	0.90x	0.9x	0.0%
<b>Total / Average</b>				<b>138,130</b>	<b>178,478</b>	<b>5.6%</b>	<b>1.18x</b>	<b>1.2x</b>	<b>27.6%</b>

Source: Fibras; n.a.= not available

**Discounted Cash Flow Model**

We set a 12-month target price of MXN\$24.50/CBFE through a discounted cash flow (DCF) model that includes the following variables: i) an 11.6% WACC; and, ii) 2.3% perpetuity growth rate in nominal terms. We used a Beta of 0.72 against the S&P / BMV IPC which we calculated from the average Beta of public road concessionaires (deleveraged and re-leveraged with the financial structure of FEXI21). This Beta is more conservative than the Fibra's original 0.001 Beta.

### Discounted Cash Flow Model

(Figures in Millions of Pesos)						
Source: Miranda Global Research	2024E	2025E	2026E	2027E	2028E	Perp.
OPERATING PROFIT (NOPLAT)	2,807	3,314	3,852	4,401	5,037	5,155
Working Capital Changes	-339	-346	-355	-395	-375	-383
Depreciation and Amortization	1,705	1,705	1,705	1,705	1,705	1,745
CAPEX	-60	-66	-72	-78	-84	-86
FCFF	4,114	4,608	5,130	5,633	6,283	6,431
Perpetuity Growth Rate (Nominal)						2.3%
PV of Explicit Period (2024 - 2028E)						18,332
Perpetuity Value						69,335
PV of Perpetuity Value						35,861
Enterprise Value						54,192
Net Debt						17,911
Minorities						7,713
Market Value						28,569
CBFE's Outstanding						1,166
Target Price						P\$ 24.50
Current Price						P\$ 19.60
Return Incl./ Dividends (2023E)						28.9%
After Tax Cost of Debt						9.9%
Cost of Equity						13.0%
Market Risk Premium						6.0%
Risk Free Rate						8.6%
Beta						0.72
% Total Debt						43.7%
% Capital						56.3%
WACC						11.6%

Source: Miranda Global Research

### DESCRIPTION

FEXI21 is a Fibra E whose main objective is to invest in shares of companies eligible under the Fibra E tax regime. It currently owns 99% of AQSA, 51% of MAYAB, 51% of ICASAL, 51% of LIPSA, and 51% of TUCA. In addition, it has a buy option on a 24.99% equity stake of MAYAB, ICASAL, LIPSA and TUCA which is currently owned by ICA Tenedora S.A. de C.V. (ICATEN). If it finds interesting investment opportunities, the Trust may carry out acquisitions, as long as they meet the Fibra E specifications.

The Trust's Administrator is Mexico Infrastructure Partners F1, S.A.P. I. de C.V. ("MIP F1") whose primary functions include identifying investment opportunities, managing such investments, and implementing divestitures. Mexico Infrastructure Partners F1, S.A.P.I de C.V. is 99.99% owned by Análisis y Servicios Para Infraestructuras, S.A.P.I. de C.V., a Mexican corporation that promotes equity investments.

Concession					
Asset	AQSA	MAYAB	ICASAL	LIPSA	TUCA
Type of Asset	Toll Road	Toll Road	Toll Road and PPS tranche	Toll Road	Toll Road
Location	Querétaro and Guanajuato	Yucatán and Quintana Roo	SLP	Michoacán	Guerrero
Type of Contract	Concession	Concession	Concession and CPS	Concession	Concession
Grantor	Federal Govt.	Federal Govt.	Federal Govt.	Federal Govt.	State of Guerrero
Initiated Operations	May 2017	December 1991	November 2012	November 2012	November 1996
End of Concession	February 2043	December 2050	August 2047	January 2054	May 2034

Source: FEXI21



**Palmillas Concession (AQSA)**

On February 28<sup>th</sup>, 2013, Mexico’s Federal Government granted a concession to Autovía Querétaro, S.A. de C.V. (AQSA), to build, operate, exploit, conserve and maintain the Palmillas – Apaseo el Grande highway during a 30-years period. It is located in the states of Querétaro and Guanajuato where it connects Mexico City with the main cities of the Bajío region such as Guadalajara, León, Irapuato and Celaya.

**Kantunil Concession (MAYAB)**

The Kantunil-Cancun highway is the only toll road that connects the states of Yucatan and Quintana Roo. It has a total length of 294 kilometers. The concession is valid for 30 years that will end in 2050. The highway is part of the road corridor that connects the city of Merida with the cities of Cancun, Playa del Carmen and Holbox, which are important tourist centers and are part of the Riviera Maya, one of the country’s main tourist corridors.

### **Río Verde Concession (ICASAL)**

In August 2007, the Federal Government granted a concession to ICA San Luis, S.A. de C.V. (ICASAL) to: i) operate, conserve, maintain, modernize and expand section 1, Rioverde-Rayón with a length of 36.60 km; ii) build, operate, exploit, conserve and maintain section 2, Rayón-La Pitahaya with a length of 68.58 km, and; iii) operate, conserve, maintain, modernize and expand section 3, La Pitahaya-Ciudad Valles with a length of 8.0 km, from the Río Verde-Ciudad Valles federal highway with a length of 113.18 km, in the State of San Luis Potosí. The initial term of the concession was 20 years and included the exclusive right to sign the long-term service provision (CPS) contract with the Federal Government. Likewise, the right of way, works, constructions and other goods and accessories that make up the road were also included.

On August 26<sup>th</sup>, 2014, the first modification of the concession title was carried out to extend the period of section 2, Rayón-La Pitahaya for 20 more years, which resulted in a new expiration date on August 8<sup>th</sup>, 2047, and an additional 4 years for sections 1, Rioverde-Rayón and section 3, La Pitahaya-Ciudad Valles, with which the new expiration of these sections will be August 8<sup>th</sup>, 2031.

ICASAL also has to provide availability services and road services to the Infrastructure, Communications, and Transportation Ministry (SICT) through the Río Verde Service Provision Contract (CPS Río Verde). We estimate that such contract represents around 40% of ICASAL's total revenue.

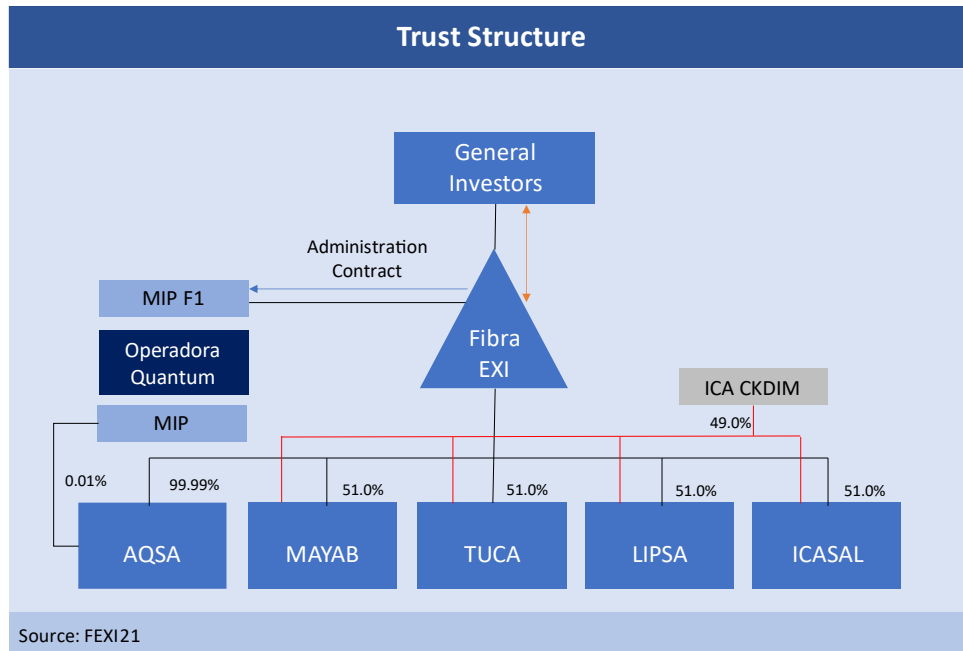
### **La Piedad Concession (LIPSA)**

On January 20<sup>th</sup>, 2009, the Federal Government awarded a concession with the right and obligation to build, operate, exploit, conserve and maintain the "Libramiento La Piedad" with a length of 21.4 km, from km 75 + 797 to km 697 + 186, where it intersects with Federal Highway 110.

The initial term of the concession was for 30 years. On September 27<sup>th</sup>, 2013, the first modification of the concession title was carried out in which the term was extended for an additional 15-year period, which will expire on January 20<sup>th</sup>, 2054.

### **Acapulco Tunnel Concession (TUCA)**

On May 20<sup>th</sup>, 1994, the Government of the State of Guerrero granted Túneles Concesionados de Acapulco, S.A. de C.V., (TUCA) a concession to build, operate, exploit, conserve and maintain the Acapulco-Las Cruces access tunnel in the State of Guerrero, for a 25-year period. In November 2022, the State of Guerrero granted a 15-year extension, so the expiration date will be May 20<sup>th</sup>, 2034.



**Distributions**

Given its nature as Fibra E, FEXI21 must distribute among its holders at least 95% of its fiscal result of the previous year, at least once a year and no later than March 15<sup>th</sup> of the following year. It can carry out distributions of less than 95% of the fiscal profit, provided that these are approved by the Holders Meeting. Worth mentioning that FEXI21 registers tax losses since its creation, so it cannot pay dividends. However, it can make capital distributions.

The Trust has so far distributed MXN\$664.8 million (MXN\$0.57/CBFE) on March 7<sup>th</sup>, 2022 and MXN\$145.4 million (MXN\$0.1246/CBFE) on August 15<sup>th</sup>, 2022. The combined yield of these two distributions was 3.7% compared to the IPO price, slightly higher than the proposed 3.3% yield.

**Excess Yield Right**

The Trust Administrator may receive distributions as an incentive ("Excess Yield Right") provided that: i) the Holders have received distributions equal to or greater than the "Minimum Distribution Amount" for that year, and ii) there are no pending amounts to be distributed as part of the "Minimum Distribution Amount". The following table includes the formula for calculating the "Excess Yield Right".

Calculation of the Excess Yield Right		
	Amount Distributed	Excess Distribution Right
Level 0	Less than the Minimum Distribution Amount	Zero
Level 1	Above the Minimum Distribution Amount But equal or less than the Minimum Distribution Amount * 1.15	20% multiplied by Amount to be Distributed Less Minimum Distribution Amount
Level 2	Above the Minimum Distribution Amount * 1.15 But equal or less than the Minimum Distribution Amount * 1.25	30% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.15 Plus 20% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.15
Level 3	Above the Minimum Distribution Amount * 1.25 But equal or less than the Minimum Distribution Amount * 1.35	40% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.25 Plus 30% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.25 Plus 20% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.15
Level 4	Above the Minimum Distribution Amount * 1.35	50% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.35 Plus 40% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.35 Plus 30% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.25 Plus 20% multiplied by Amount to be Distributed Less Minimum Distribution Amount * 1.15

Source: FEXI21

### 3Q22 Results

*Note: There is no comparison against the previous year since FEXI21 began reporting results from August 4<sup>th</sup>, 2021.*

During the first nine months of 2022, FEXI21 recorded total revenues of MXN\$3.05 billion, which included MXN\$2.313 billion in concession revenues. Such performance was mainly due to MAYAB, which recorded revenues of MXN\$1.0 billion and AQSA with MXN\$676 million. MAYAB is the longest concession, which allowed it to charge an average fee of MXN\$1,501 per vehicle, the highest of all. For its part, AQSA benefited from a high traffic that averaged 12,258 cars per day, much higher than the other concessions, which offset the MXN\$288.45 rate. Revenue per kilometer traveled was MXN\$1.98 in the case of TUCA, MXN\$0.50 at LIPSA, MXN\$0.41 at ICASAL, MXN\$0.37 at MAYAB and MXN\$0.27 at AQSA. Electronic collection accounted for 72.1% of AQSA's total revenue, the highest percentage of all concessions, and 29.1% in TUCA's case, the lowest level.

Concession EBITDA was MXN\$2,226 million cumulatively with a 79.1% margin. MAYAB was the most productive asset with an 85% margin, followed by ICASAL with 84%. On the other hand, AQSA's margin was 70%.

Concept	From January 1st to September 30th, 2022					
	AQSA	MAYAB	ICASAL	LIPSA	TUCA	
Total toll revenues and other concession revenues	\$ 871	\$ 1,015	\$ 588	\$ 181	\$ 159	
EBITDA	\$ 610	\$ 862	\$ 495	\$ 141	\$ 117	
EBITDA Margin	70%	85%	84%	78%	74%	
Cash and cash equivalents (September 22)	\$ 151	\$ 80	\$ 102	\$ 35	\$ 2	
Restricted cash (September 22)	\$ 504	\$ 1,173	\$ 629	\$ 114	\$ 171	
Debt (September 22)	\$ 8,556	\$ 3,742	\$ 4,097	\$ 1,754	\$ 698	

Source: FEXI 21

Concept	Metric	From January 1st to September 30th, 2022					
		AQSA	MAYAB	ICASAL	LIPSA	TUCA	
General information	Total average rate (no VAT)	\$ 288.45	\$ 1,501.21	\$ 352.76	\$ 103.28	For: \$245.40	Res: \$101.72
	Total kilometers	84.00	294.00	68.58	21.39	5.00	
Traffic and revenues	Average annual daily traffic (AADT)	12,258	3,742	3,506	6,823	6,293	
	Revenue per kilometer (MXN\$ / VKT)	\$ 0.27	\$ 0.37	\$ 0.41	\$ 0.50	\$ 1.98	
Security	Accident cost (MXN\$ / VKT)	\$ -	\$ -	\$ -	\$ -	\$ -	
State of assets	Rating in points (2nd sem 2019)	432.67	464.25	448.57	455.94	409.76	
	Kilometers in "Good-Acceptable" state	99.76%	92.85%	100.00%	98.94%	100.00%	
Client service	Electronic payment (% of revenues)	72.09%	49.60%	45.64%	53.17%	29.06%	
	Electronic payment (% of crossings)	53.05%	22.86%	30.95%	42.82%	34.18%	
	Client service (Services / MVKT)	2	0.35	2	1	2	

Source: FEXI21

## Financial structure

FEXI21 total debt amounted to MXN\$2,366 million at the end of 3Q22, of which only 5% is short-term and the rest is long-term. This translates into a 44% leverage (LTV), below the 55% maximum level that was approved by the Holders Meeting. Total cash and cash equivalents were MXN\$673 million while restricted cash amounted to MXN\$2.64 billion.

FEXI21's debt included the following:

- AQSA - Total debt of MXN\$8.6 billion corresponding to a simple loan with Inbursa maturing in 2039 at a fixed interest rate of 5.40%;
- MAYAB - Total debt of MXN\$3.7 billion corresponding to domestic bonds with a 22-year term including: i) MXN\$1.2 million at a fixed rate of 9.67%; ii) MXN\$3.3 billion in Udibonds at a real interest rate of 5.80%;
- ICASAL - Total debt of MXN\$4.1 billion that includes the following joint issues with LIPSA: i) domestic bonds amounting to MXN\$2.0 billion with a 12.6-year maturity and at a fixed interest rate of 5.40%; ii) MXN\$1.8 billion in domestic bonds with a 22.1-year maturity and a real interest rate of 5.95%; iii) domestic binds with a 30-year term with a real interest rate of 8.519%;
- LIPSA - Total debt of MXN\$1.75 billion including joint issuances with ICASAL:



- TUCA - Total debt of MXN\$698 million including a securitization of receivables due in 2031 with an interest rate of TIIE plus 265 bps;
- On February 10<sup>th</sup>, 2022, FEXI21 obtained a MXN\$500 million credit line from BBVA. This was the first ESG credit granted to a Fibra E and is linked to sustainability through energy intensity factors. FEXI21 has not yet made any dispositions.

### **CBFE's Information**

On July 30<sup>th</sup>, 2021, FEXI21 conducted an initial public offering on the Mexican Stock Exchange (BMV) and the Institutional Stock Exchange (BIVA) amounting to MXN\$22.16 billion. It placed 1,166,260,453 CBFE's (which included 981,786,771 CBFE's that were part of the exchange offer for the initial assets) at a price of MXN\$19.00 each. Main investors in the initial public offering were Afores, insurance companies, and other institutional investors.

As part of the formation process, FEXI21 signed the OVT put / call letter agreement under which the Trust may exercise the option to purchase a 24.9% equity stake in MAYAB, ICASAL, LIPSA and TUCA which is currently owned by ICA Tenedora S.A. de C.V. (ICATEN). ICATEN in turn has the option to sell these assets. As of September 30<sup>th</sup>, 2022, this option was valued at MXN\$2.358 billion.

The June 2<sup>nd</sup>, 2022 Holder's Meeting approved the creation of a MXN\$50 million buy-back reserve for the 2022 fiscal year. Subsequently, on November 4<sup>th</sup>, 2022, the Holders Meeting authorized a budget of MXN\$50 million for the 2023 fiscal year.

## MAIN RISKS

**Changes in government policies.** Such changes could have a negative impact on the revenues of the different regions.

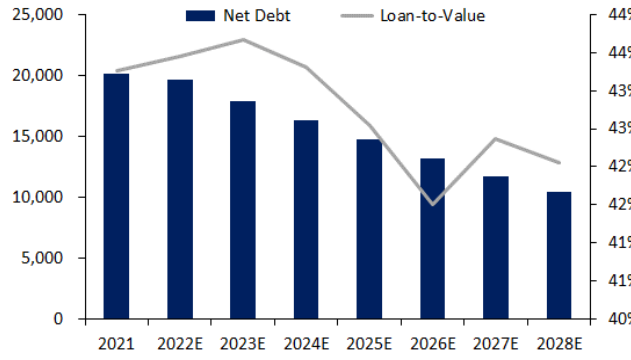
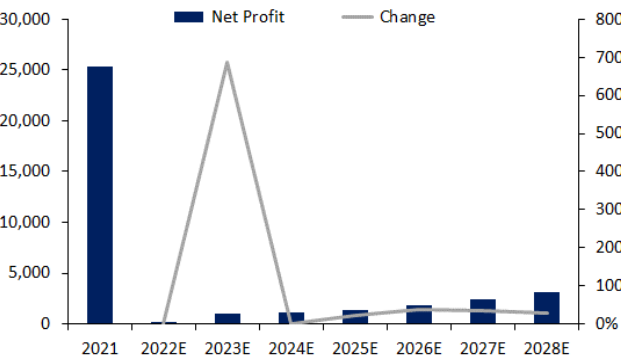
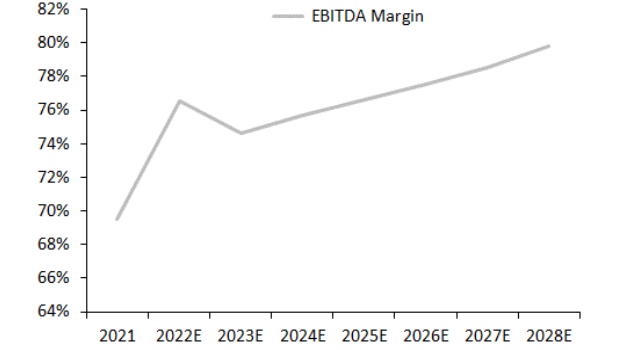
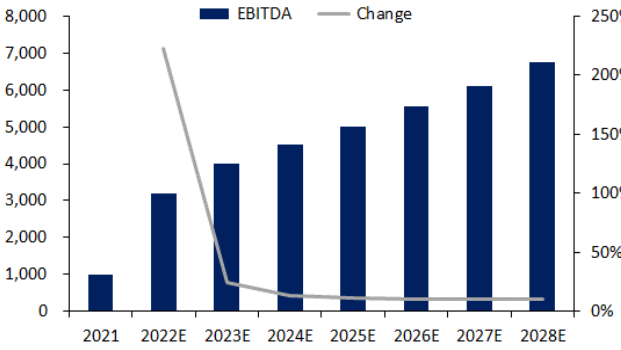
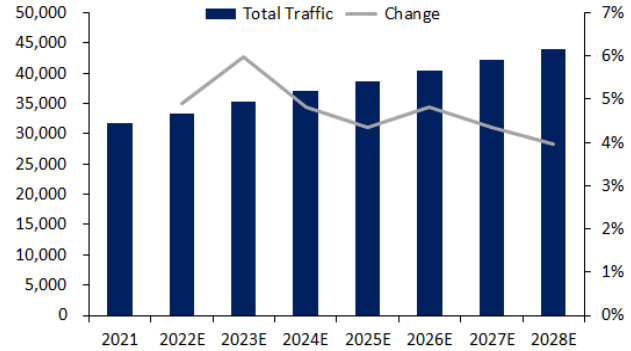
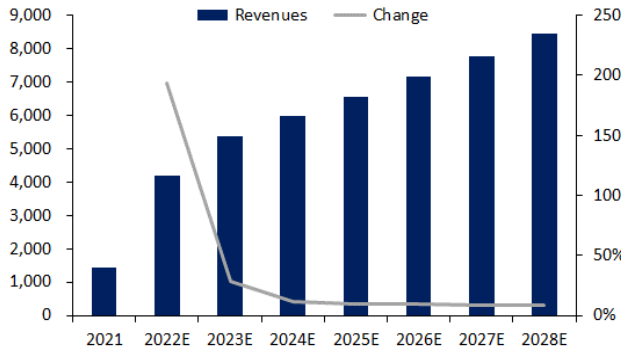
**Tax or legal reforms.** The tax regime applicable to Mexican Fibra E's has undergone some updates in the past. Despite the foregoing, the elimination of the Fibra E regime from the Miscellaneous Tax Resolution is not seen as a real risk.

**Macroeconomic volatility.** A macroeconomic downturn could affect FEXI21's operating performance and/or that of its major customers.

**Changes in the management team.** We believe that a change in the main executives of the Technical Committee and/or the Administrator could have a negative effect on the price of FEXI21 certificates due to their extensive knowledge of the sector, as well as their strong track record of creating shareholder value.

**Early termination of the Río Verde Service Provision Contract (CPS).** The Federal Government may terminate this contract at any time, before its termination date and without any breach. However, ICASAL will be entitled to a voluntary termination payment. We estimate that the CPS represents about 40% of ICASAL's revenue.

(Figures in Millions of MXN\$)



Source: BMV

**FINANCIAL PROJECTIONS**

(Figures in Millions of MXN\$)

<b>INCOME STATEMENT</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
Revenues	1,425	4,182	5,355	5,962	6,554	7,165	7,779	8,446
Maint. & Admin. Expenses (Incl. Depreciation)	-1,159	-2,661	-3,065	-3,154	-3,240	-3,314	-3,378	-3,409
EBITDA	990	3,200	3,996	4,513	5,020	5,557	6,106	6,743
<i>EBITDA Margin</i>	69.5%	76.5%	74.6%	75.7%	76.6%	77.5%	78.5%	79.8%
Financial Gains	26,213	1,228	1,570	1,056	802	651	638	651
Financial Cost	-1,124	-2,613	-2,793	-2,788	-2,802	-2,701	-2,585	-2,533
Net Profit	25,355	136	1,068	1,075	1,314	1,802	2,453	3,156
<b>BALANCE SHEET</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>
TOTAL ASSETS	55,503	53,611	54,250	53,882	52,963	52,089	52,552	51,850
Current Assets	4,654	4,353	6,644	7,921	8,642	9,401	11,492	12,410
LT Assets	50,848	49,258	47,606	45,961	44,321	42,688	41,061	39,440
TOTAL LIABILITIES	24,008	23,294	23,687	23,337	22,527	21,620	22,268	21,809
ST Liabilities	1,209	1,230	1,229	1,229	1,229	1,229	1,229	1,229
LT Liabilities	22,799	22,064	22,458	22,108	21,298	20,391	21,039	20,580
TOTAL DEBT	24,008	23,294	23,687	23,337	22,527	21,620	22,268	21,809
NET DEBT	20,124	19,668	17,911	16,301	14,788	13,140	11,748	10,394
Stockholder's Equity	23,063	22,666	22,850	22,837	22,755	22,780	22,642	22,460
Minority Interest	8,431	7,651	7,713	7,708	7,681	7,689	7,642	7,581

Source: Miranda Global Research

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