

FCFE

Quarterly Report

July 29, 2021

Greater transported volume boosts results

- FCFE recorded solid growth, in line with expectations, supported by a significant demand increase and improved economic performance, although with slight pressures on profitability
- Expectations of greater dynamism in key sectors for the transmission industry, in our view, should continue to drive the REIT's figures. We reiterate our Buy recommendation

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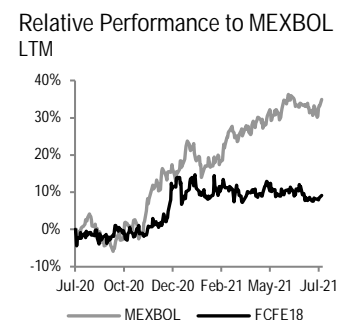
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Positive quarter, although with slight profitability pressure. FIBRA E CFE's 2Q21 results showed good annual increases, in line with our expectations, mainly reflecting a greater activity reactivation, recalling that in 2Q20 there was a shutdown of relevant industries for the energy sector in the country due to the pandemic. Thus, transmission demand could have registered a significant 11.3% y/y advance. The above, coupled with the approved average rise in the regulated tariff in 2021 of 2.04% y/y, led to a 13.3% y/y upturn in energy transmission revenues. This, together with a slight increase of 1.1% y/y in the amount of reimbursements to CFE Transmisión, resulted in a 16.0% of the annual budget being exercised vs. 18.1% in 2Q20. As a result, the REIT's revenues amounted to MXN 907 million, a 11.5% y/y growth. EBITDA and FFO showed year-over-year increments of 11.1% and 11.0%, to MXN 884 million and MXN 885 million, respectively. Maintenance expenses were higher by 28% y/y, driven by a 21% y/y rise in the management fee (the main expense), leading to a marginal 0.3pp decline in EBITDA margin to 97.5% and a 0.4pp fall in FFO margin to 97.6%.

BUY	
Current Price	\$28.00
PT	\$32.50
Distribution payment	\$1.64
Distribution payment(%)	5.9%
Upside Potential	22.0%
Max - Min LTM (\$)	30.25-24.10
Market Cap (US\$m)	1,593.02
CBFEs Outstanding (m)	1,138
Float	75%
Daily Turnover (\$m)	6.2
Valuation metrics LTM	
FV/EBITDA	9.6x
P/E	9.6x
MSCI ESG Rating*	N.A.

More favorable outlook for the transmission sector confirmed. We believe that the solid demand presented in the quarter should underpin good growth going forward, supported by the [recovery](#) environment. Furthermore, with the results, P/FFO stood at 9.6x, which compares favorably with the sector average of 10.7x, despite having the highest LTM distribution, for which we reiterate Buy.



Financial Statements				
MXN, million	2019	2020	2021E	2022E
Revenues	3,212	3,353	3,507	3,585
EBITDA	3,108	3,283	3,421	3,500
EBITDA Margin	96.8%	97.9%	97.6%	97.6%
FFO	3,122	3,291	3,426	3,505
FFO Margin	97.2%	98.1%	97.7%	97.8%
Total Assets	25,530	26,117	27,161	28,248
Cash	45	259	45	45
Total Liabilities	0	0	0	0
Debt	0	0	0	0
Common Equity	25,529	26,117	27,161	28,248

Valuation and financial metrics				
	2019	2020	2021E	2022E
FV/EBITDA	10.2x	9.0x	9.7x	8.9x
P/FFO	10.2x	9.0x	9.6x	8.8x
P/VL	1.6x	1.6x	1.6x	1.6x
ROE	12.2%	13.5%	12.1%	12.8%
ROA	12.2%	13.5%	12.1%	12.8%
Cap rate	9.8%	11.1%	10.4%	11.2%

Source: Banorte

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FCFE – Results 2Q21

MXN, million

Concept	2Q20	2Q21	Var%	2Q21e	Var% vs. Estim.
Revenue	813	907	11.5%	892	1.6%
EBITDA	795	884	11.1%	872	1.3%
FFO	797	885	11.0%	873	1.3%
Margins					
EBITDA Margin	97.8%	97.5%	-0.3pp	97.7%	-0.3pp
FFO Margin	98.0%	97.6%	-0.4pp	97.9%	-0.3pp
CBFE Distribution	0.698	0.773	10.6%	0.773	NA

Income Statement

Year	2020	2021	2021	Variation	Variation
Quarter	2	1	2	% y/y	% q/q
Revenue*	813	465	907	11.5%	95.0%
Trust expenses	18.0	32.6	23.0	27.6%	-29.6%
EBITDA	795	432	884	11.1%	104.4%
EBITDA Margin	97.8%	93.0%	97.5%	-0.3pp	0.0pp
Interests earned	2	3	2	-15.3%	-43.5%
FFO	797	435	885	11.0%	103.5%
FFO Margin	98.0%	93.6%	97.6%	-0.4pp	4.1pp
CBFE distribution	0.70	0.58	0.77	10.6%	34.3%

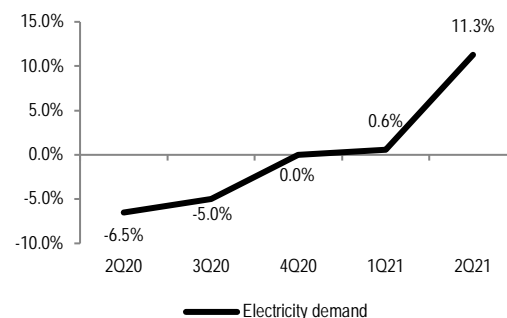
Balance Sheet

	2020	2021	2021	Variation	Variation
				% y/y	% q/q
Total Assets	23,980	25,803	26,626	11.0%	3.2%
Cash & equivalents	46	43	46	0.0%	8.3%
Financial instruments	23,931	25,760	26,576	11.1%	3.2%
Total Liabilities	0	0	0	0.0%	0.0%
Debt	0	0	0	0.0%	0.0%
Total Equity	23,980	25,803	26,626	11.0%	3.2%

Source: Banorte. *Revenue comes from the tenancy of 6.78% of collection rights from the promoted trust.

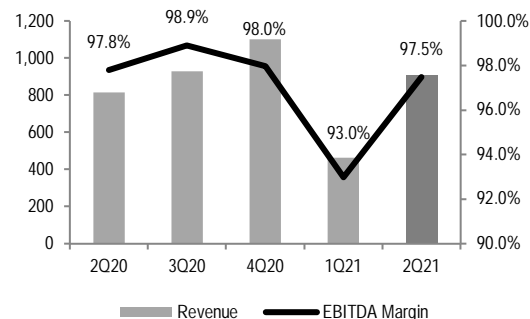
Electricity demand

Var. a/a



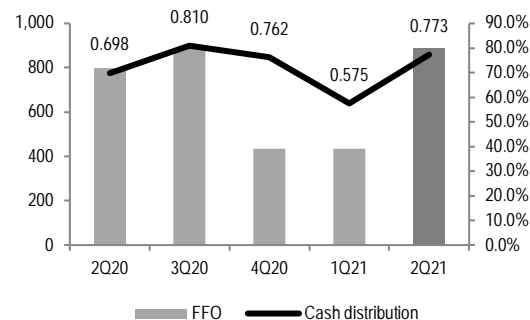
FCFE – Revenue & EBITDA Margin

MXN, million



FCFE - FFO / Cash distribution

MXN, million / pesos



Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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History of PT and ratings

Stock	Date	Recommendation	PT
FCFE18	01/03/2021	BUY	\$32.50
FCFE18	28/07/2020	BUY	\$26.50
FCFE18	21/04/2020	BUY	\$22.50

MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD			AVERAGE		LEADER	

*The MSCI ESG Rating is an indicator that evaluates companies in Environment, Society and Governance (ESG) metrics.

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