

FCFE

Quarterly Report

May 4, 2021

Resilient demand despite a complex year start

- **Significant quarterly declines due to the revenue mismatch in 4Q20, combined with an expense growth that affected the REIT's profitability**
- **Faced with a challenging start to the year, the transmission sector proved resilient, with a 0.6% y/y increase in demand, supporting better performance going forward as the economy recovers**

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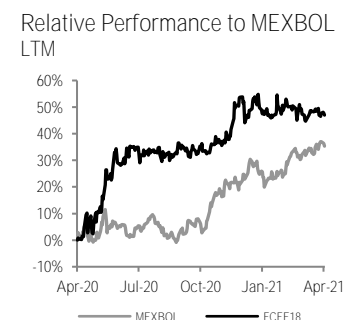
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Transported volumes showed a defensive performance, although profitability declined. FCFE recorded annual reductions, slightly higher than anticipated. This is mainly due to the recognition of MXN 212.4 million revenues corresponding to this quarter in 4Q20, as a fiscal strategy to comply with the minimum distribution by law. Nevertheless, and despite a complicated beginning of the year, demand would have increased marginally by 0.6% y/y, highlighting that a positive annual variation unseen since 1Q20 has already been registered, and it should be remembered that the average y/y increase of the regulated tariff is 2.04% in 2021. That being said, electricity transmission revenues grew 2.6% y/y. However, the amount of reimbursements to CFE Transmisión rose 5.1% y/y, resulting in 18.5% of the annual budget being exercised. Taking into account the above, FCFE revenues amounted to MXN 465 million, a 37.4% y/y drop, in line with expectations. On the other hand, a 29.0% y/y rise in maintenance expenses (mainly due to auditors' fees) exacerbated the larger-than-estimated declines in EBITDA of 39.7% y/y and FFO of 39.5% y/y to MXN 432 million and MXN 435 million, respectively. Thus, margins contracted y/y by 3.6pp and 3.3pp to 93.0% and 93.6%, each.

BUY	
Current Price	\$28.00
PT	\$32.50
Distribution payment	\$2.42
Distribution payment(%)	8.6%
Upside Potential	24.7%
Max – Min LTM (\$)	30.25-17.53
Market Cap (US\$m)	1,596.15
CBFEs Outstanding (m)	1,138
Float	75%
Daily Turnover (\$m)	11.7
Valuation metrics LTM	
FV/EBITDA	9.2x
P/E	9.2x
MSCI ESG Rating*	N.A.

Higher growth is expected going forward. On a simpler comparative basis, from 2Q21 onwards we will see improved demand performance (+3.4% y/y in 2021), which will also be driven by increased economic dynamism. This would support the continued generation of attractive cash distributions (1Q21 distribution of 8.2% y/y). Therefore, we reiterate our Buy recommendation.



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	9.6x	9.3x	9.1x
P/FFO	10.2x	9.6x	9.3x	9.1x
P/VL	1.6x	1.6x	1.6x	1.6x
ROE	12.2%	12.6%	12.6%	12.4%
ROA	12.2%	12.6%	12.6%	12.4%
Cap rate	9.8%	10.4%	10.8%	11.0%

Source: Banorte

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FCFE – Results 1Q21
MXN, million

Concept	1Q20	1Q21	Var%	1Q21e	Var% vs. Estim.
Revenue	743	465	-37.4%	487	-4.5%
EBITDA	717	432	-39.7%	460	-6.0%
FFO	719	435	-39.5%	461	-5.6%
Margins					
EBITDA Margin	96.6%	93.0%	-3.6pp	94.5%	-1.5pp
FFO Margin	96.8%	93.6%	-3.3pp	94.7%	-1.1pp
CBFE Distribution	0.634	0.575	-9.3%	0.575	NA

Income Statement

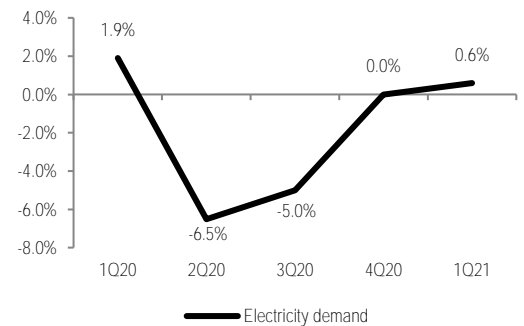
Year	2020	2020	2021	Variation	Variation
Quarter	1	4	1	% y/y	% q/q
Revenue*	743	1,100	465	-37.4%	-57.7%
Trust expenses	25.3	22.2	32.6	29.0%	46.7%
EBITDA	717	1,078	432	-39.7%	-59.9%
EBITDA Margin	96.6%	98.0%	93.0%	-3.6pp	0.0pp
Interests earned	2	2	3	45.9%	46.5%
FFO	719	1,080	435	-39.5%	-59.7%
FFO Margin	96.8%	98.1%	93.6%	-3.3pp	-4.6pp
CBFE distribution	0.63	0.76	0.58	-9.3%	-24.6%

Balance Sheet

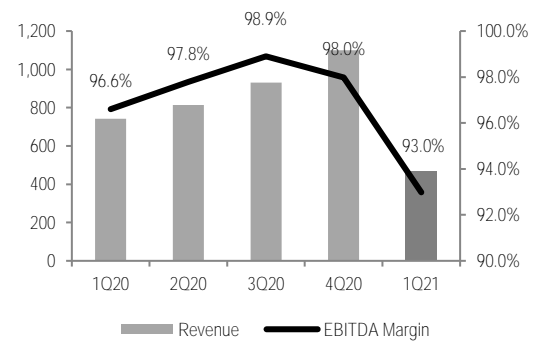
	2020	2020	2021	Variation	Variation
				% y/y	% q/q
Total Assets	25,530	25,530	25,803	1.1%	1.1%
Cash & equivalents	45	45	43	-5.3%	-5.3%
Financial instruments	25,484	25,484	25,760	1.1%	1.1%
Total Liabilities	0	0	0	0.0%	0.0%
Debt	0	0	0	0.0%	0.0%
Total Equity	25,529	25,529	25,803	1.1%	1.1%

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

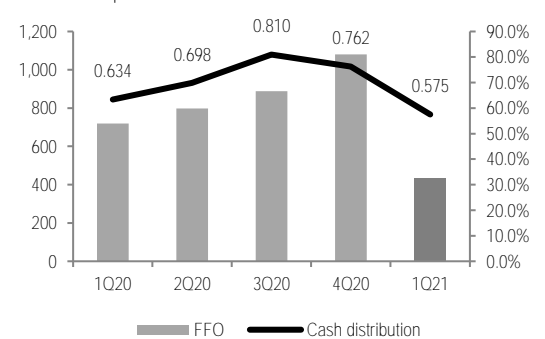
Electricity demand
Var. a/a



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, Valentín III Mendoza Balderas, 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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	Reference
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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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