

# FCFE

## Quarterly Report

October 30, 2020

### Economic resumption supports a recovery

- The restart of activities in key industries for the energy sector was reflected in sequential advances in the demand for electricity, pointing to a gradual recovery
- Expected better performance in electricity transmission volumes anticipates the continuation of attractive cash distributions going forward (\$0.86e for 4Q20)

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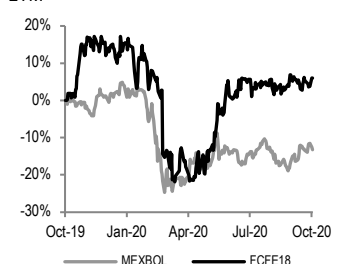
**Defensive results to the situation.** The 3Q20 FIBRA E CFE report continued to reflect a resilient performance in the face of the current scenario, derived from the resumption of activities in key productive sectors for the economy, coupled with a greater electricity transmission volume due to the sector's seasonality. In this way, and according to an approximation of demand, it would have shown an annual fall of around 5.0%, slightly better than our estimate of -7.0% y/y. It should be remembered that the approved increase in the regulated tariff is 1.0% for 2020. Thus, transmission revenues showed a 3.4% y/y increase, due to the accounting of 5 weeks in September 2020 vs. 4 weeks in the same period in 2019, considering that payments are received every Wednesday. Excluding this effect, revenues would have shown a 6.1% annual reduction. On the positive side, the amount of reimbursements made by the promoted trust registered a 12.4% y/y decrease. With this, the FIBRA income stood at \$930 million, equivalent to a 4.5% annual fall, in line with our estimate. On the other hand, a 33.6% decrease in the management fee -main expense-limited the decreases in EBITDA and FFO of 3.8% and 4.0%, respectively, and with this, margins managed to expand 0.7pp and 0.5pp to 98.8% and 99.0%.

**The sector would continue to be resilient.** We believe that demand could still show a sequential improvement, which would be reflected through a lower 2.5% annual decline in 4Q20, which would make our expectation of a 3.0% average decline for all of 2020. Nevertheless, the FIBRA results would be defensive, allowing it to continue to provide attractive distributions to investors (4Q20 cash distribution of 13.6%e annualized).

#### BUY

Current Price	\$25.77
<b>PT 2020</b>	<b>\$26.50</b>
Distribution payment	
20e	\$0.86
Distribution payment(%)	3.4%
Upside Potential	6.2%
Max – Min LTM (\$)	28.98-17.53
Market Cap (US\$m)	1,404.03
CBFEs Outstanding (m)	1,138
Float	75%
Daily Turnover (\$m)	10.4
<b>Valuation metrics LTM</b>	
FV/EBITDA	8.7x
P/E	8.7x
<b>MSCI ESG Rating*</b>	<b>N.A.</b>

#### Relative Performance to MEXBOL LTM



#### Financial Statements

MXN, million	2018	2019	2020E	2021E
Revenues	2,997	3,212	3,503	3,610
EBITDA	2,932	3,108	3,428	3,518
EBITDA Margin	97.8%	96.8%	97.8%	97.5%
FFO	2,940	3,122	3,435	3,523
FFO Margin	98.1%	97.2%	98.1%	97.6%
Total Assets	23,403	25,530	26,117	27,161
Cash	1,074	45	45	45
Total Liabilities	0	0	0	0
Debt	0	0	0	0
Common Equity	23,403	25,529	26,117	27,161

Source: Banorte

#### Valuation and financial metrics

	2018	2019	2020E	2021E
FV/EBITDA	9.6x	9.4x	8.5x	8.3x
PIFFO	9.6x	9.4x	8.5x	8.3x
P/VL	1.0x	1.6x	1.3x	1.3x
ROE	12.6%	12.2%	13.2%	13.0%
ROA	12.6%	12.2%	13.2%	13.0%
Cap rate	10.4%	10.6%	11.7%	12.0%

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Document for distribution among public

### FCFE – Results 3Q20

MXN, million

Concept	3Q19	3Q20	Var%	3Q20e	Var% vs. Estim.
Revenue	974	930	-4.5%	937	-0.7%
EBITDA	956	919	-3.8%	926	-0.7%
FFO	959	921	-4.0%	928	-0.8%
<b>Margins</b>					
EBITDA Margin	98.2%	98.8%	0.7pp	98.8%	0.0pp
FFO Margin	98.5%	99.0%	0.5pp	99.1%	-0.1pp
CBFE Distribution	0.84	0.81	-3.7%	NA	NA

### Income Statement

Year	2019	2020	2020	Variation	Variation
Quarter	3	2	3	% y/y	% q/q
Revenue*	974	813.4	930	-4.5%	14.4%
Trust expenses	18	18.0	11	-38.9%	-39.2%
EBITDA	956	795.4	919	-3.8%	15.6%
EBITDA Margin	98.2%	97.8%	98.8%	0.7pp	1.0pp
Interests earned	3	2	2	-44.0%	-6.7%
FFO	959	797.2	921	-4.0%	15.5%
FFO Margin	98.5%	98%	99.0%	0.5pp	1.0pp
CBFE distribution	0.84	0.70	0.81	-3.7%	15.9%

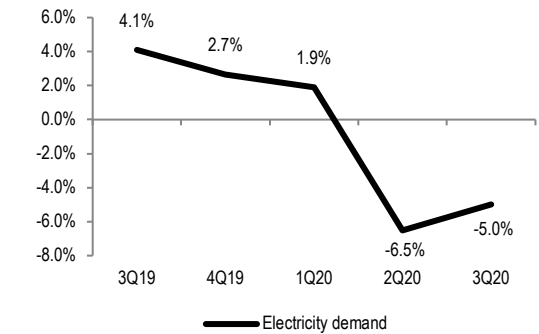
### Balance Sheet

Total Assets	27,973	23,980	24,842	-11.2%	3.6%
Cash & equivalents	42	46	967	>500%	>500%
Financial instruments	27,926	23,931	23,873	-14.5%	-0.2%
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0.0%</b>
Debt	0	0	0	0.0%	0.0%
<b>Total Equity</b>	<b>19,233</b>	<b>23,980</b>	<b>24,842</b>	<b>29.2%</b>	<b>3.6%</b>

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

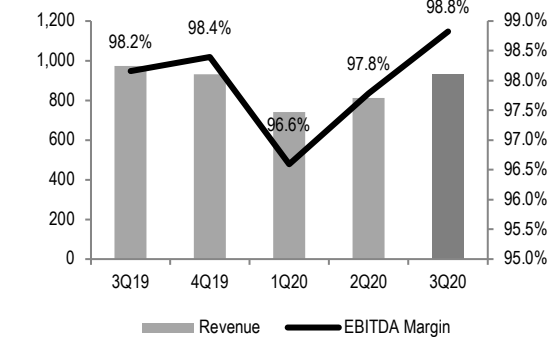
### Power demand

Var. a/a



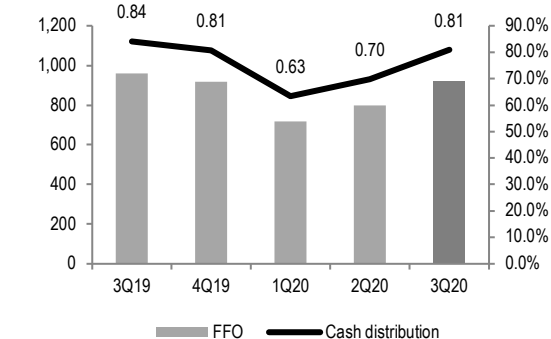
### FCFE - FFO / Cash Distribution

MXN, million / MXN, pesos



### FCFE - FFO / Distribución de efectivo

Cifras en millones de pesos / 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, Tania Abdul Massih Jacobo, 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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<b>BUY</b>	<b>Reference</b>
<b>HOLD</b>	
<b>SELL</b>	
	When the share expected performance is greater than the MEXBOL estimated performance.
	When the share expected performance is similar to the MEXBOL estimated performance.
	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	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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