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**MEXICO VALUE**  
PARTNERS



**Q PINFRA**

# A High Value Company



## Value Contributors

- PINFRA's management has demonstrated over the years success in capital allocation, by transforming a falling construction business into a concession operator with a remarkable cash generation.
- A net cash position with over P\$9 billion, that can provide the opportunity to invest in a country with urgent need for infrastructure (Mexico).
- PINFRA is considered as a defensive investment as the deeds of concession are a form of risk management that is designed to protect the investors from any potential losses. They are structured in such a way that the investor is given a certain level of protection in the event of any market downturns, providing a wide margin of safety due to restrictions on the use of proceeds and the amount of debt that can be taken on.

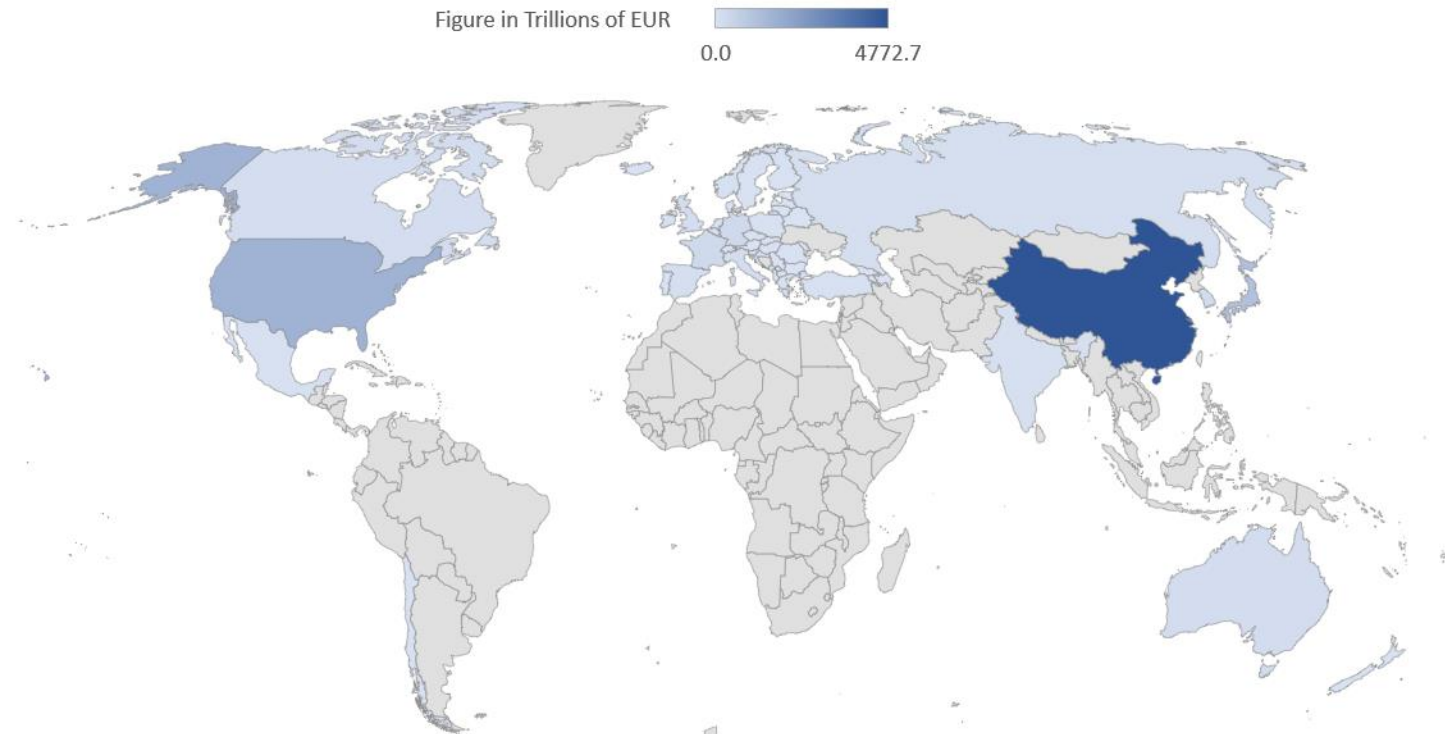
# Mexico's Infrastructure

## The Current Situation

According to the World Economic Forum, Mexico's infrastructure sits in the 64th place out of 125 countries. Towards 2030, Mexico aims to be in the top 20% global infrastructures which could be a deep investment opportunity for the private sector.

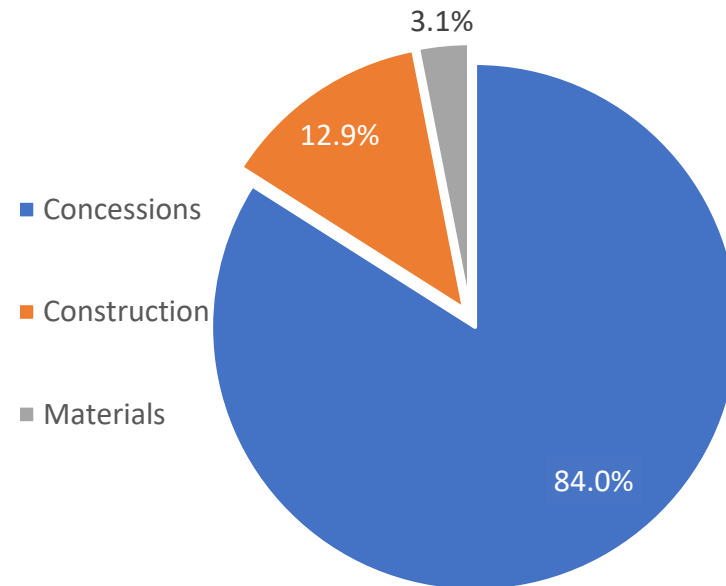
An improvement of infrastructure is key to set a strong foundation for economic growth, it promotes competitiveness by facilitating the efficient movement of people as well as goods and services across the country. Moreover, improvement in infrastructure could attract foreign investment and facilitates access to international markets.

Data from OECD World Infrastructure Investment in Roads 1995 - 2020



- PINFRA is one of the main concession operating companies in Mexico. The Company has 22 concessions, made up of 29 road sections (25 of which are in total operation, 2 of them in the construction stage and 2 of them suspended), a terminal port, a bridge operation contract and an operation contract for the electronic collection of FONADIN highway electronic tolls.
- The company has three segments, Concessions that represent the 84% of the total revenues, Construction with 12.9% of the revenues and Materials with 3.1%.
- The concessions division by separating that 84%, 73% is derived from the operation of highway concessions and operation of the bridge, while the remaining 11% comes from the port concession. The 29 toll roads have a total length of 1,089 km and are located strategically and mainly in areas of high population density, with a TPDV of 255,255 as of December 31, 2021. During the year 2021, more than 97.5 million vehicles transited through the Company's concessions.

Divisions % of Revenues



## Construction/Materials

### PINFRA Construction

- The construction and maintenance division primarily works for the company's governmental concessions and on timely occasions third party businesses.
- This segment primarily works for the construction of new highways and infrastructural developments as well as the maintenance of them.



### PINFRA Materials

- Through the material and supplies segment the company owns and operates one of the biggest asphalt plants in the metropolitan area of Mexico city.
- Additionally, they operate other plants that specialize in the extraction and commercialization of stone material that are used in urban projects and the building of roads.

# From Bankruptcy to Cash Creator - Effective Management

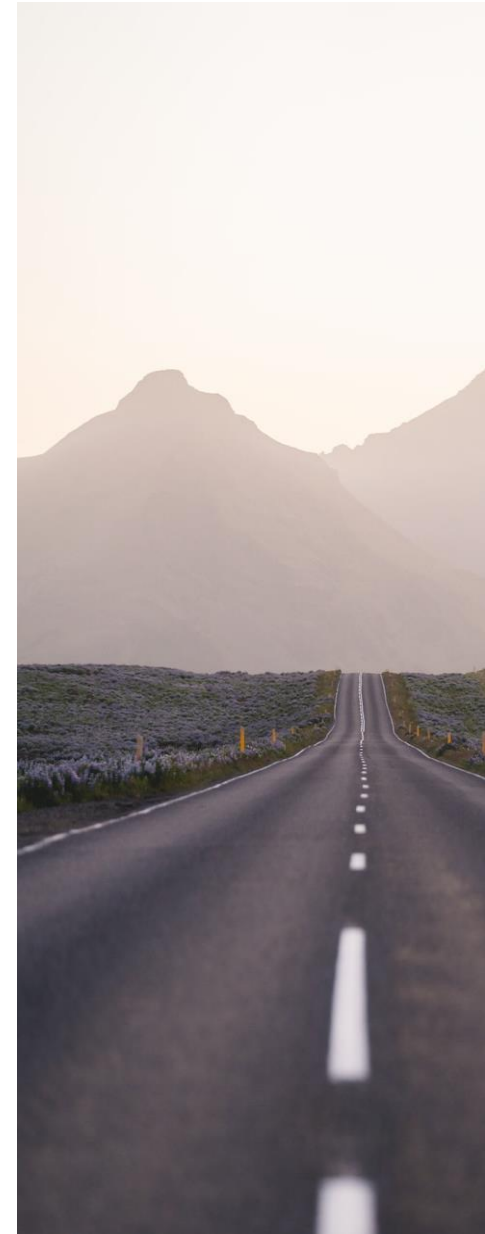
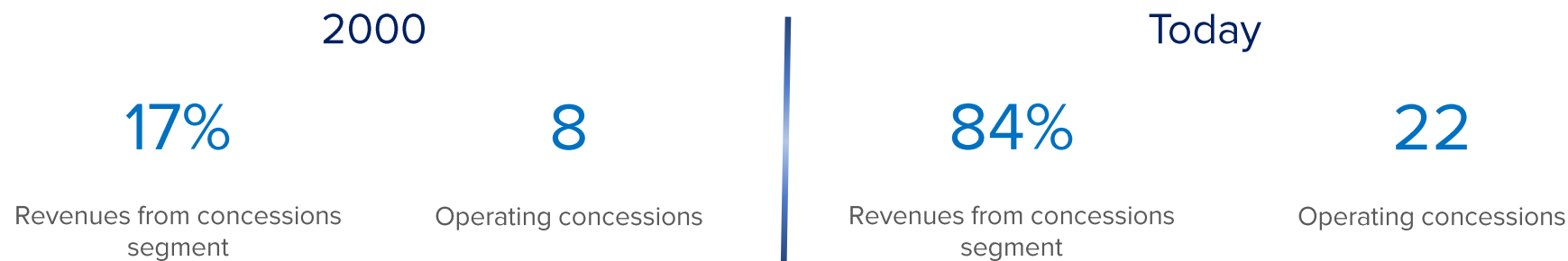
## A Struggling Past

During the end of the 90's, the company was in financial trouble because of rising interest rates. This situation guided to an involuntary bankruptcy from 2001 – 2004. During this period, the stock got suspended from trading at the Mexican stock exchange in 2001 because of legal accusations to its former CEO.

## Management Turnaround

In 2001, David Peñaloza was appointed as CEO and the company's restructuring began. After chapter 11 proceedings ended in 2004, PINFRA was born with new strategies that turned the company around.

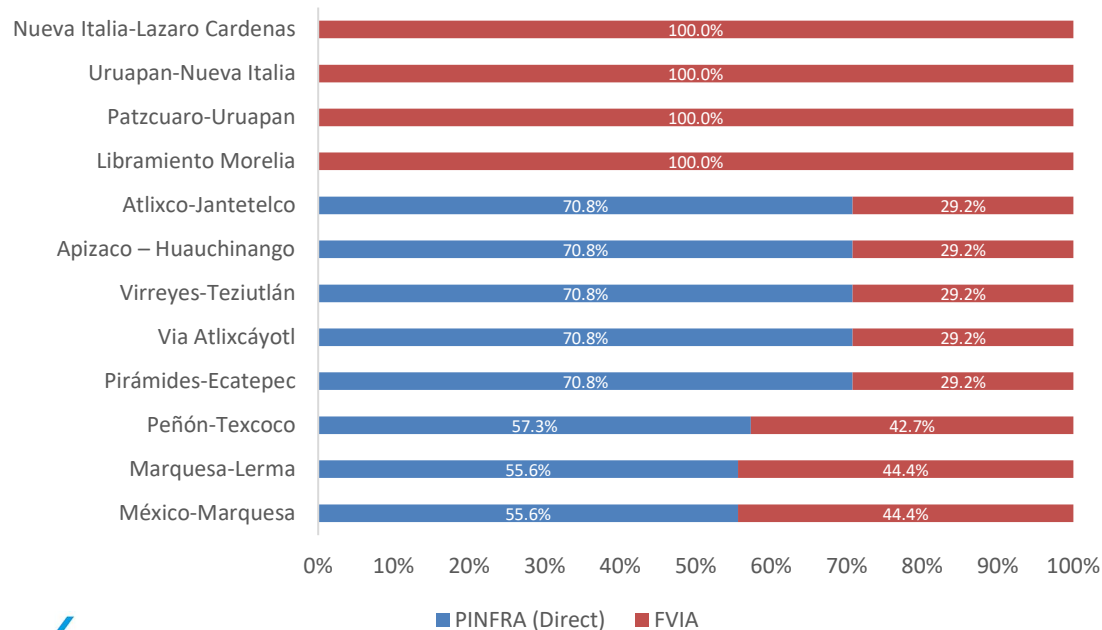
These new strategies included a focus in concessions rather than construction, specifically in the highway sector. The strategy also had an effective leverage usage for an asset base expansion and ceased projects Latin America, focusing on Mexico to better its financial situation.



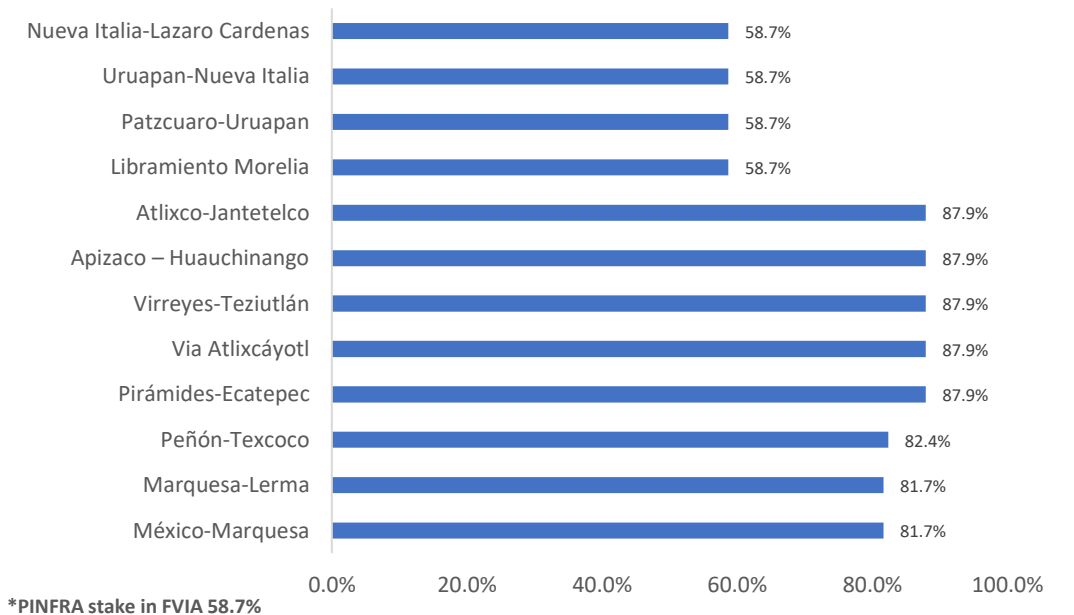
## Mexico's first FIBRA-E - (FVIA)

- In 2016, PINFRA listed FVIA on the Mexican Stock Exchange, by monetizing 44.4% of the Mexico-Toluca highway; in 2017 acquire stake in Peñon-Textcoco, Ecatepec and Oriental Packages; In 2018 acquire 100% of the Michoacan Package. As a result of the transactions, PINFRA currently holds a 58.7% interest in the asset.
- The Irrevocable Trust No. F/2886, is an energy and infrastructure investment trust (“FIBRA E” or “FVIA”), which qualifies to be treated as a transparent entity in Mexico for purposes of the Income Tax Law. Therefore, all income from the conduct of the Trust's operations is attributed to the holders of its CBFEs and the Trust is not subject to Income Tax in Mexico.
- Fibra-E allows public and private companies to receive investments and/or monetize their shareholding in energy and infrastructure projects and/or assets, as well as take advantage of certain tax benefits (cash inflow tax free), with a view to encourage investment in the sectors of energy and infrastructure.

**Ownership**



**PINFRA Direct & Indirect**



\*PINFRA stake in FVIA 58.7%

# Top Tier Concessions

## México – Toluca

19% of highway revenues

Stakes: 81.7%

Concession Maturity: 2049

1. México – Marquesa
2. Marquesa – Lerma



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## Ecatepec Highways

16% of highway revenues

Stake: 82.4%

Concession Maturity: 2053

1. Peñón – Texcoco & Ecatepec – Peñón

Stake: 87.9%

Concession Maturity: 2051

1. Pirámides – Ecatepec



## Top Tier Concessions

### Puebla Highways

11 % of highway revenues

Stake: 87.9%

Concession Maturity: 2042

1. Vía Atlixcáyotl
2. Virreyes – Teziutlán
3. Apizaco – Huachinango
4. Atlixco - Jantetelco



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### Michoacan Highways

10 % of highway revenues

Stake: 58.7%

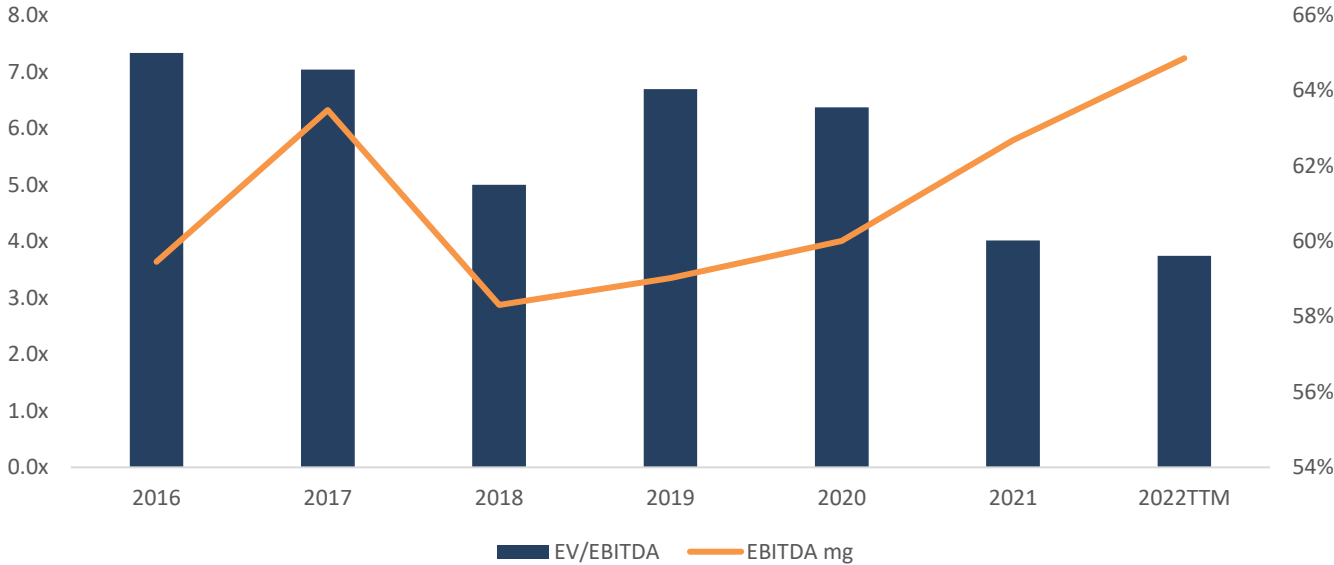
Concession Maturity: 2042

1. Libramiento Morelia
2. Pátzcuaro-Uruapan
3. Uruapan-Nueva Italia
4. Nueva Italia-Lazaro Cárdenas



# PINFRA EBITDA Margin

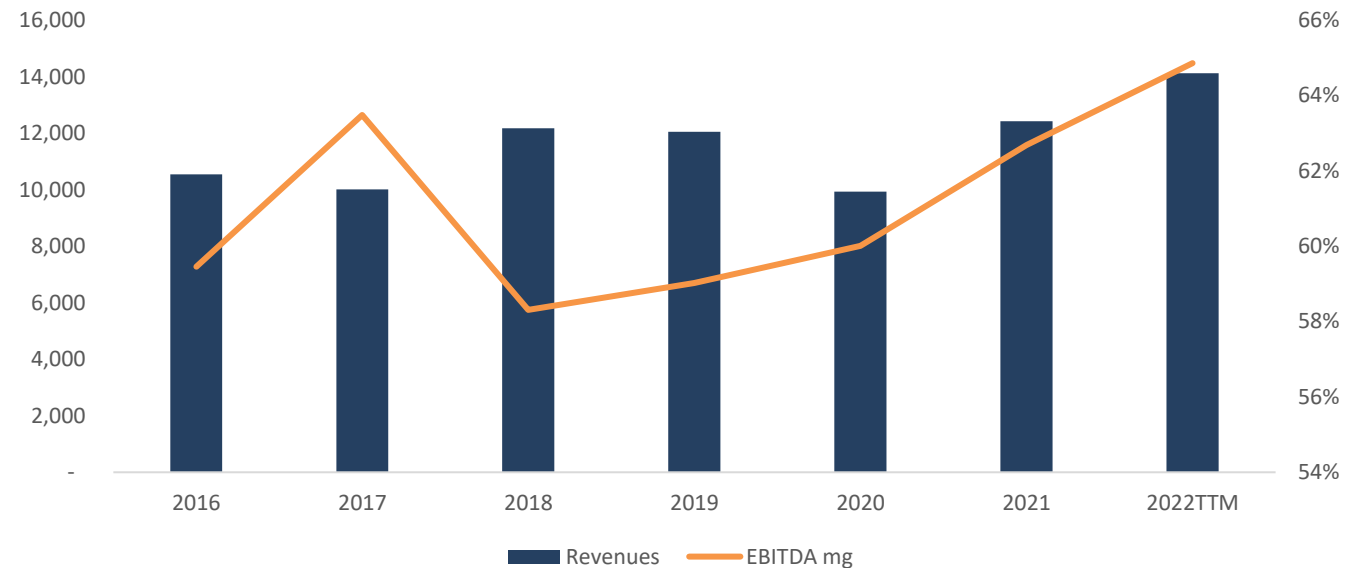
### EV/EBITDA vs EBITDA Margin



- EV/EBITDA Going down & EBITDA margin heading other direction.
- Lowest EV/EBITDA since 2016.
- EBITDA hikes by FVIA.
- PINFRA runs eight of the ten most profitable highways in Mexico in terms of EBITDA margins.

- Recovered revenues from COVID-19 fall.
- Mexico is the 4th country with most cars per highway kilometer (96).
- Increase in population's disposable income led to a dramatic spike in the number of cars in the country. Therefore, the hike of revenues.

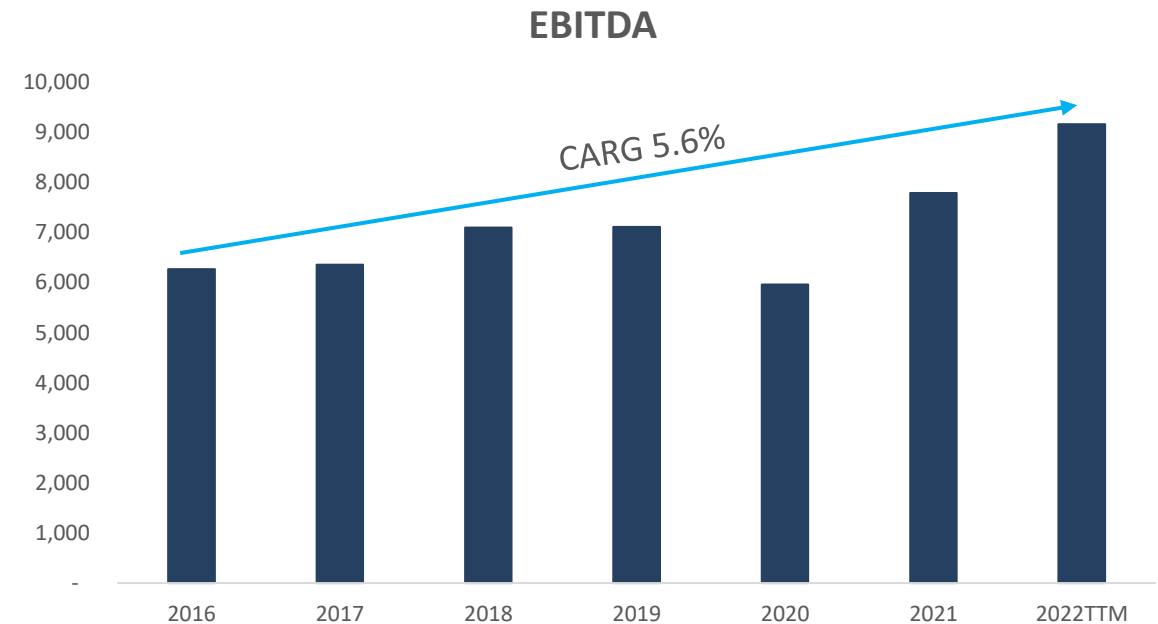
### Revenues vs EBITDA Margin

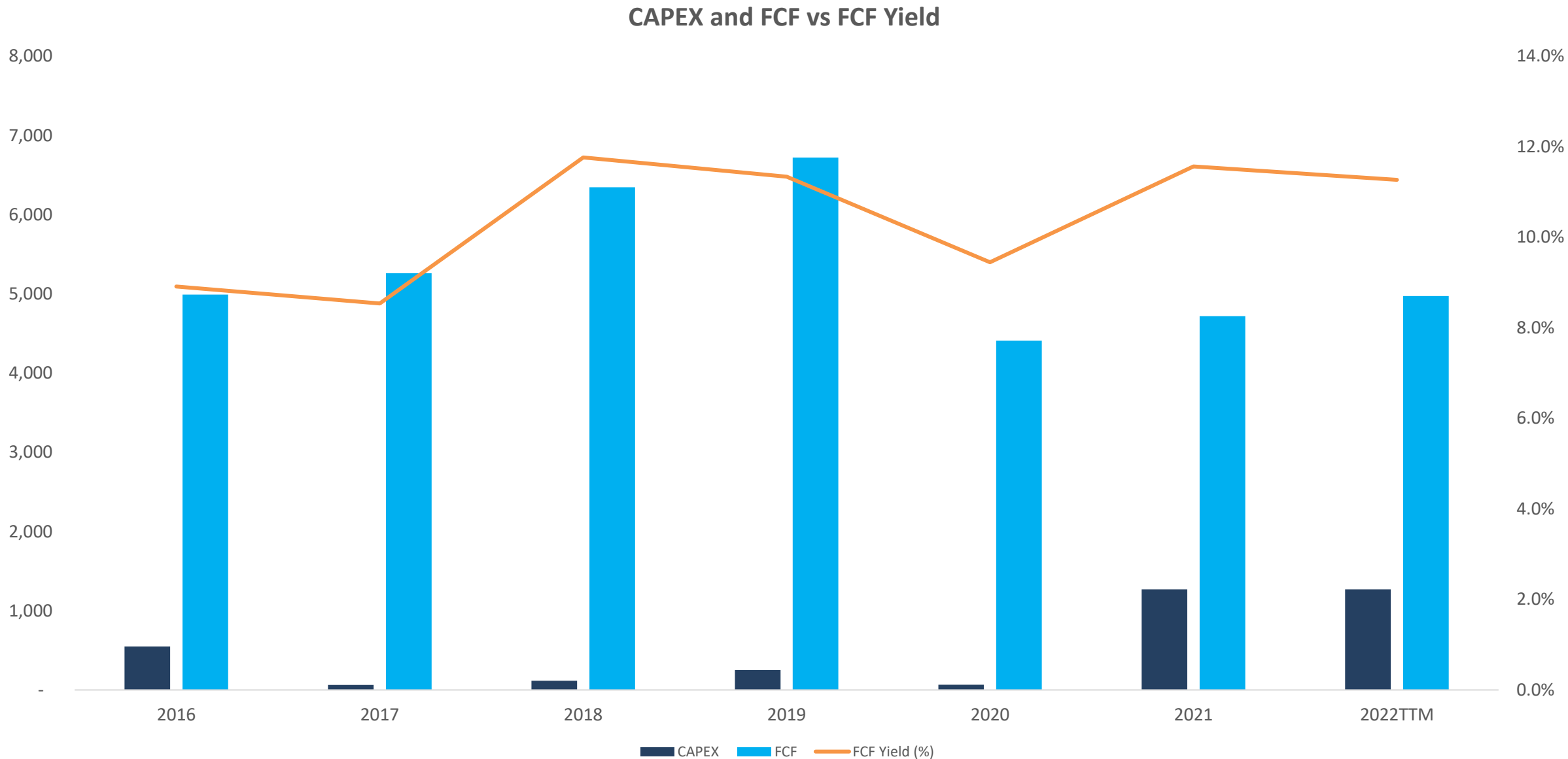


## PINFRA Trading Multiples

	2016	2017	2018	2019	2020	2021	2022TTM	Average 2016-2021
<b>EV/EBITDA</b>	7.3x	7.0x	5.0x	6.7x	6.4x	4.0x	<b>3.7x</b>	6.1x
<b>P/FCF</b>	11.2x	11.7x	8.5x	8.8x	10.6x	8.6x	<b>8.9x</b>	9.9x
<b>P/BV</b>	1.7x	1.5x	1.2x	1.2x	0.9x	0.7x	<b>0.8x</b>	1.2x
<b>P/E</b>	11.7x	14.1x	10.3x	13.0x	17.5x	7.3x	<b>7.5x</b>	12.3x
<b>Net Debt/ EBITDA</b>	-1.6x	-2.7x	-2.6x	-1.6x	-1.5x	-1.2x	<b>-1.1x</b>	-1.9x
<b>ROCE</b>	32.5%	24.5%	25.9%	21.8%	16.8%	20.5%	<b>25.6%</b>	23.7%

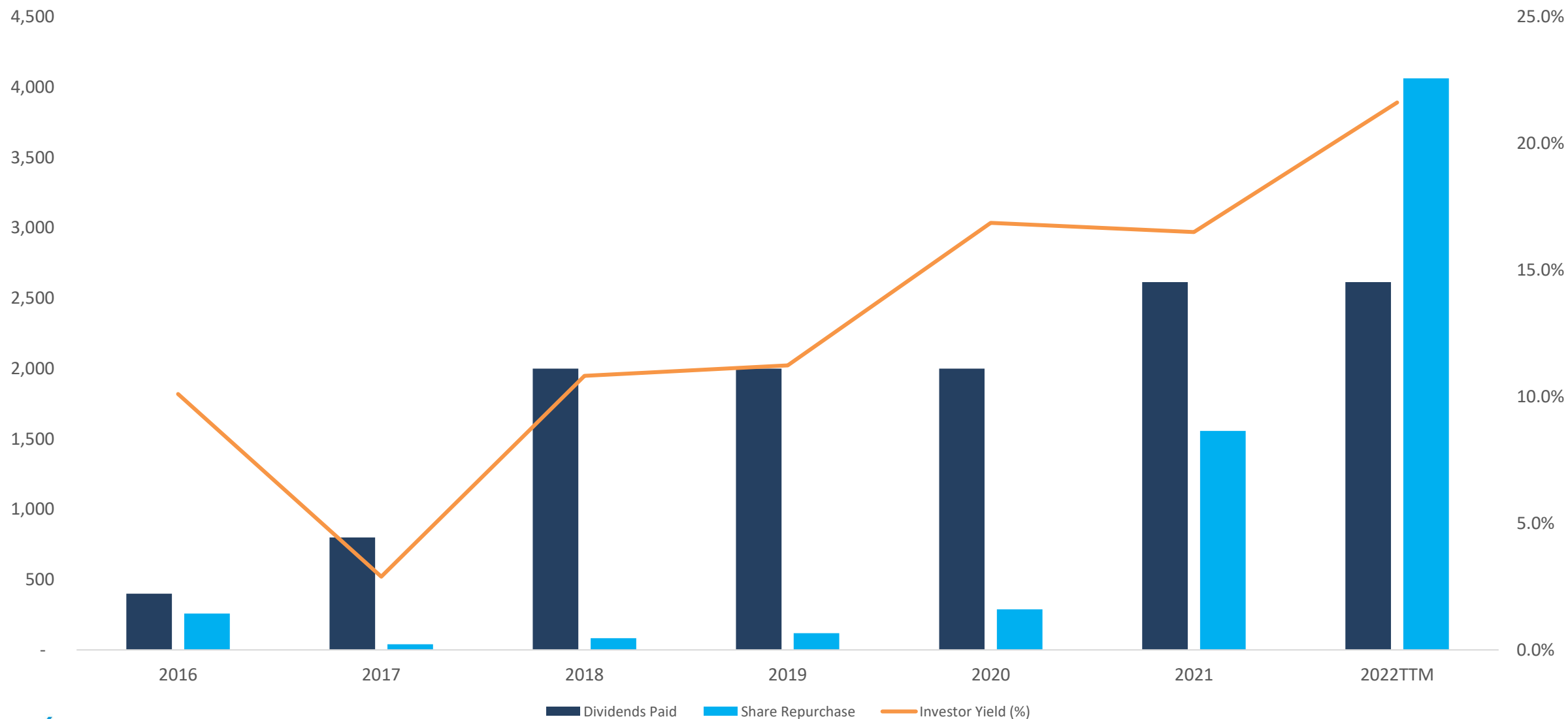
- PINFRA strong multiples make the company attractive for many investors.
- Cash King: PINFRA will not need to seek refinancing to meet its obligations for rate upswing.
- Growth Prospects.
- High returns of Capital Employed.
- PINFRA “L” stands as one of the most discounted assets.





\*Free Cash Flow: Operating Income - Interest Paid - Cash Taxes – Capex + Depreciation & Amortization

## Dividends Paid & Shares Repurchase vs Investor Yield



# PINFRA Concession Segment vs National Toll Road Operators



	PINFRA	IDEAL	ALEATICA	RCO
# of Highways	29	14	8	8
Kms.	1,089	1,425	413	876
2021 AADT*	255,255	170,071	161,137	138,664
2021 Concession Revenues (MXN Million)	10,147	15,999	7,768	10,974
2021 Net Debt (MXN Million)	(9,821)	38,948	31,881	40,199
2021 Concession EBITDA %	76%	56%	64%	84%

\*AADT (Average Annualized Daily Traffic)

AADT Growth 2%	Toll Growth 5%	WACC 12.15%	Eff Tax Rate 15%
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Road	Stake	Start	End	AADT	Toll	Revenues	EBITDA	EBITDA %	Perpetuity	NPV	NPV TO PINFRA
<b>Autopistas Concesionadas FIBRA E</b>						<b>3,972</b>					
México-Marquesa	81.7%	1990	2049	53,945	\$ 94.4	1,858	1,629	87.7%	26,863	19,475	15,906
Marquesa-Lerma	81.7%	2016	2049	16,559	\$ 58.7	355	276	77.8%	4,552	3,300	2,695
Peñón-Texcoco	82.4%	1994	2053	37,090	\$ 51.4	695	586	84.3%	9,665	7,313	6,026
Pirámides-Ecatepec	87.9%	1991	2051	24,113	\$ 120.9	1,064	993	93.3%	16,370	12,145	10,675
<b>Autopistas Concesionadas FIBRA E con Financiamiento</b>						<b>2,369</b>					
Vía Atlixcáyotl	87.9%	2012	2042	23,456	\$ 46.8	400	347	86.8%	5,732	3,696	3,249
Virreyes-Teziutlán	87.9%	2012	2042	4,682	\$ 145.6	249	179	71.8%	2,947	1,900	1,670
Apizaco – Huauchinango	87.9%	2012	2042	3,835	\$ 145.4	204	132	65.0%	2,183	1,408	1,238
Atlixco-Jantetelco	87.9%	2003	2066	5,029	\$ 192.9	354	278	78.6%	4,592	3,752	3,298
Libramiento Morelia	58.7%	2015	2042	5,892	\$ 68.0	146	112	76.5%	1,846	1,191	699
Patzcuaro-Uruapan	58.7%	2012	2042	12,766	\$ 92.0	429	328	76.5%	5,413	3,490	2,049
Uruapan-Nueva Italia	58.7%	2012	2042	9,166	\$ 120.0	401	307	76.5%	5,069	3,269	1,919
Nueva Italia-Lazaro Cardenas	58.7%	2012	2042	5,237	\$ 97.0	185	142	76.5%	2,341	1,510	886
<b>Autopistas Concesionadas con Financiamiento</b>						<b>1,443</b>					
Tenango-Ixtapan de la Sal	100.0%	1995	2054	8,276	\$ 105.7	319	233	73.0%	3,845	2,935	2,935
Armería-Manzanillo	100.0%	1991	2050	9,939	\$ 216.8	787	691	87.8%	11,390	8,357	8,357
Santa Ana-Altar	100.0%	2006	2035	5,132	\$ 180.3	338	266	78.9%	4,395	2,276	2,276
<b>Autopistas Concesionadas sin Financiamiento</b>						<b>2,097</b>					
Zitácuaro-Lengua de Vaca	100.0%	2007	2037	3,985	\$ 45.7	66	51	76.9%	843	472	472
Morelia-Aeropuerto	50.0%	2008	2037	2,713	\$ 41.8	41	26	62.6%	427	239	120
San Luis Río Colorado-Estación Doctor	100.0%	2009	2038	792	\$ 110.2	32	14	43.3%	227	132	132
Tlaxcala-Puebla	100.0%	2015	2045	11,031	\$ 53.9	217	176	81.1%	2,905	1,986	1,986
Tlaxcala-San Martín Texmelucan	100.0%	2010	2041	5,427	\$ 92.5	183	147	80.5%	2,432	1,532	1,532
Siglo XXI	51.0%	2018	2043	2,734	\$ 230.4	230	136	59.3%	2,250	1,482	756
Viaducto Elevado de Puebla	49.0%	2016	2046	13,429	\$ 137.0	672	421	62.6%	6,936	4,821	2,362
La Gloria-San Fernando	100.0%	2020	2047	10,558	\$ 151.6	584	488	83.5%	8,047	5,679	5,679
Puente El Prieto	100.0%	2008	2068	4,068	\$ 47.8	71	62	87.8%	1,028	846	846
<b>En Construcción</b>											
Ecatepec-Peñón	87.9%	2015	2051	2,395	\$ 48.6	29	21	72.1%	346	346	304
Libramiento Uruapan	58.7%		2042								
Libramiento Poniente Aguascalientes	100.0%	2020	2050	5,102	\$ 104.5	195	169	86.9%	2,789	2,046	2,046
Viaducto La Raza-Indios Verdes	55.0%		2046								
Real del Monte-Huasca	100.0%		2052								
<b>Concesion Portuaria &amp; Otros</b>											
Puerto de Altamira	100.0%	1996	2056			1,305	657	50.4%	10,841	2,461	2,461
Otros						17	10	57.2%			
<b>Total</b>				<b>287,352</b>		<b>11,427</b>	<b>8,857</b>		<b>146,276</b>	<b>98,062</b>	<b>82,576</b>

<b>NPV Concesiones</b>	<b>82,601</b>
EBITDA Construcción	97
Implicit multiple	6.0x
<b>Construcción</b>	<b>583</b>
EBITDA Materiales	97
Implicit multiple	7.0x
<b>Materiales</b>	<b>682</b>
<b>Construcción y Materiales</b>	<b>1,265</b>
Total Debt	15,951
Cash	25,772
Net Debt	(9,821)
<b>Implicit Value</b>	<b>74,045</b>
Current Market Cap	44,119
Shares	420
Current Price	\$ 105.00
<b>Price Target</b>	<b>\$ 176.22</b>
Upside %	67.8%

## Final Consideration

- PINFRA offers an attractive potential upside, with a considerable margin of safety.
- PINFRA's net cash position makes it an outstanding competitor against its national peers.
- The current situation regarding the need for infrastructure in Mexico could allow PINFRA to develop in new projects. Given that Mexico has invested 60% less than the world average in road infrastructure.
- PINFRA has demonstrated over the years a great performing of the company with great margins and outstanding trading multiples.
- Outstanding shareholders compensation through dividends and buybacks.
- PINFRA is trading at record-low valuation multiples, which makes it a very attractive investment case.

\*The data considered throughout the entire thesis were based on the "L" share series, whose only difference from ordinary shares is the right to vote. However, this series represents a higher discount.





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