3Q 2019 Results

October 24, 2019

Ferromex · Ferrosur · Florida East Coast · Imex · Raven · Texas Pacífico

GRUPOMEXICO TRANSPORTES

Third Quarter Highlights

- **Operating Metrics**
  - ✓ Solid improvement & stability in main operating metrics.

- **External Challenges that impacted Volume**:
  - ✓ Hurricane Dorian that struck Florida forced us to close our operations for 6 days, impacting overall volume.
  - ✓ Lower volume of steel and mineral movement due to a client facing financial problems.
  - ✓ Decreasing international coal prices affected volume in the energy segment.

- **Financial Challenges during the Quarter**:
  - ✓ Recognition of a loss by our affiliate, Ferrocarril Terminal del Valle de México, S.A. de C.V.
  - ✓ One-time costs associated with fleet contracts and labor reductions.

- **Reduced financing costs**:
  - ✓ Cost of capital reduction by replacing two banking institutions loans with stock certificates.
  - ✓ P$7.80 billion in two tranches, a fixed 10-year certificate with an 8.17% yield and a 4-year floating certificate with a 8.34% yield. Over-subscription of 2.2x with 65 positions from a diversified investor base.

- **Investments**
  - ✓ Approved a record Investment Program of US$466 million for 2020.

Financial Highlights

Million MXN

- Volume & Revenue:
  - ✓ Net Ton-Km up 3.0%
  - ✓ Revenue increased 8.9%
- EBITDA:
  - ✓ P$5,384 million up 6.9%
- Net Income:
  - ✓ Decreased 13.5%
- Earnings per Share (EPS):
  - ✓ Decreased 13.6%
- Current Dividend Yield: 4.98%
- Cash Dividend: MXN$0.30 Cents per share

	3Q 2019	2019
Revenue	$12,480 8.9%	$35,552 6.8%
Operating Profit	$3,697 15.2%	$9,952 9.4%
EBITDA	$5,384 6.9%	$15,744 8.9%
Net Income	$1,402 (13.5%)	$4,320 (18.6%)
EPS	$0.3417	$1.0533
Dividend Yield	4.98%	

Revenue
Million MXN

3Q 2019

Revenue
(Millon MXN)
$12,480
+8.9%

Volume
(Carloads) *(NTK)*
481,940 17,113
(2.6)% +3.0%

Rev / Carload
(Thousand MXN)
$26
+11.7%

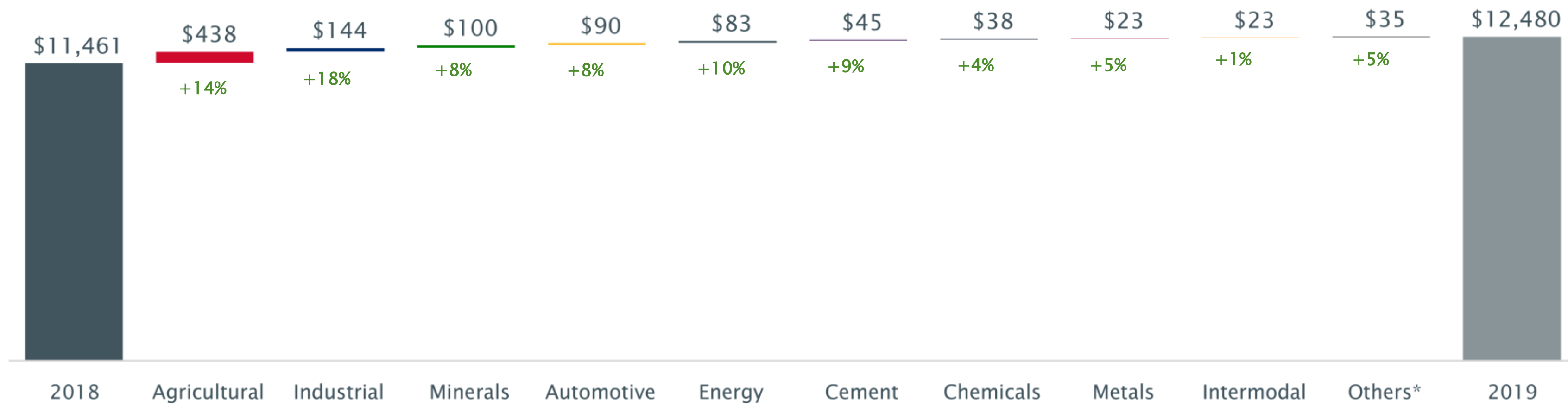
Rev / NTK
(Cents MXN)
$0.73
+5.7%

Revenue, Carloads, and NTK

Million MXN

Revenue 3Q

8.9%
vs 2018



NTK 3Q

3%
vs 2018

Total 2018	Agricultural	Industrial	Minerals	Automotive	Energy	Cement	Chemicals	Metals	Intermodal	Total 2019
16,615	7,073	661	2,569	601	1,057	966	1,213	1,058	1,915	17,113
% Var vs 2018	16%	3%	-6%	-10%	-5%	0%	-11%	-9%	1%	3%

Carloads 3Q

(3%)
vs 2018

Total 2018	Agricultural	Industrial	Minerals	Automotive	Energy	Cement	Chemicals	Metals	Intermodal (Containers)	Total 2019
494,593	82,599	34,807	47,934	36,313	25,955	27,479	19,753	17,399	189,701	481,940
% Var vs 2018	6%	7%	-8%	-5%	-7%	-5%	-5%	-18%	-3%	-3%

GRUPO MEXICO TRANSPORTES

Main Variations

Revenue 3Q 2019

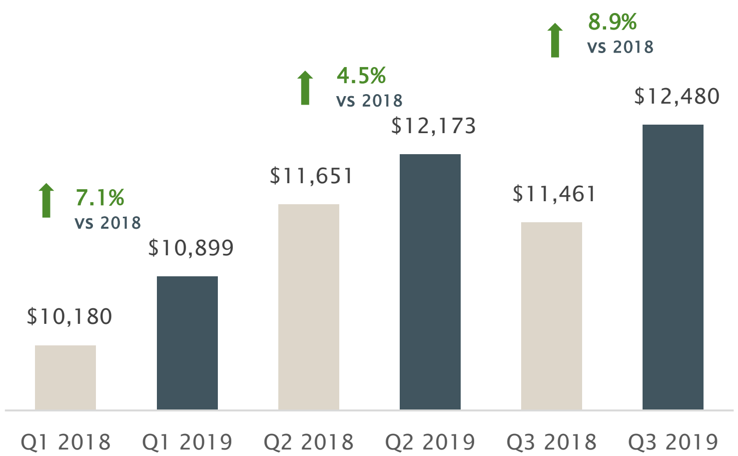
▲ % Revenue Growth

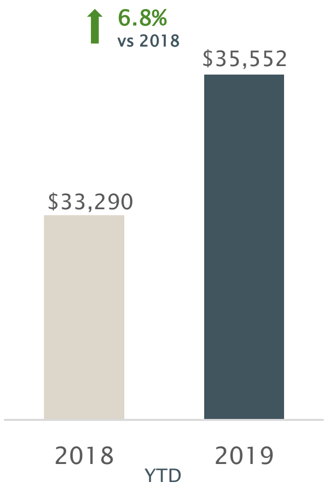
Growth	% of Mix	3Q Δ	
High	33%	18%	**Industrial:** Higher exports of finished goods to the US.
		14%	**Agricultural:** Strong increase of imports into Mexico and local crop movements.
		10%	**Energy**: Strong increase in volume through longer routes of imported refined products which offset reductions of coal volume.
Medium	67%	9%	**Cement:** New US infrastructure projects.
		8%	**Minerals**: Recovered and increased iron ore volumes and improved copper imports.
		8%	**Automotive:** Mix improvement and contract renegotiation.
		5%	**Metals**: Higher import volumes.
		4%	**Chemicals**: Increased fertilizer imports with double digit growth of market share. Recovered chlorine routes.
		1%	**Intermodal:** Slight recovery of Cross Border traffic, increase of domestic traffic.

Quarter Comparison

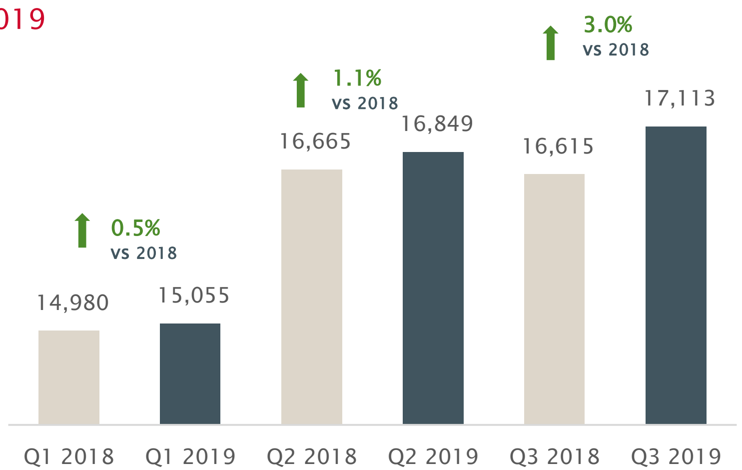
- We lost some routes due to external factors, not losing them would have represented 5.3% increase in NTK for the year´s traffic.

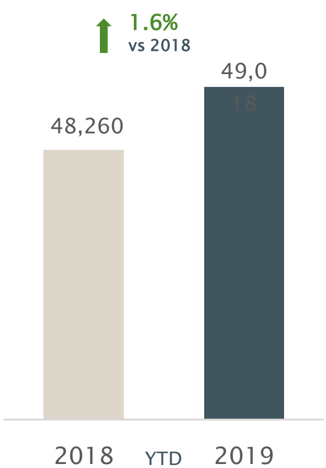
Revenue 2019
(000) MXN





NTK 2019
Millions





Financial Breakdown

3Q 2019 vs 3Q 2018
Million MXN

Cumulative YTD

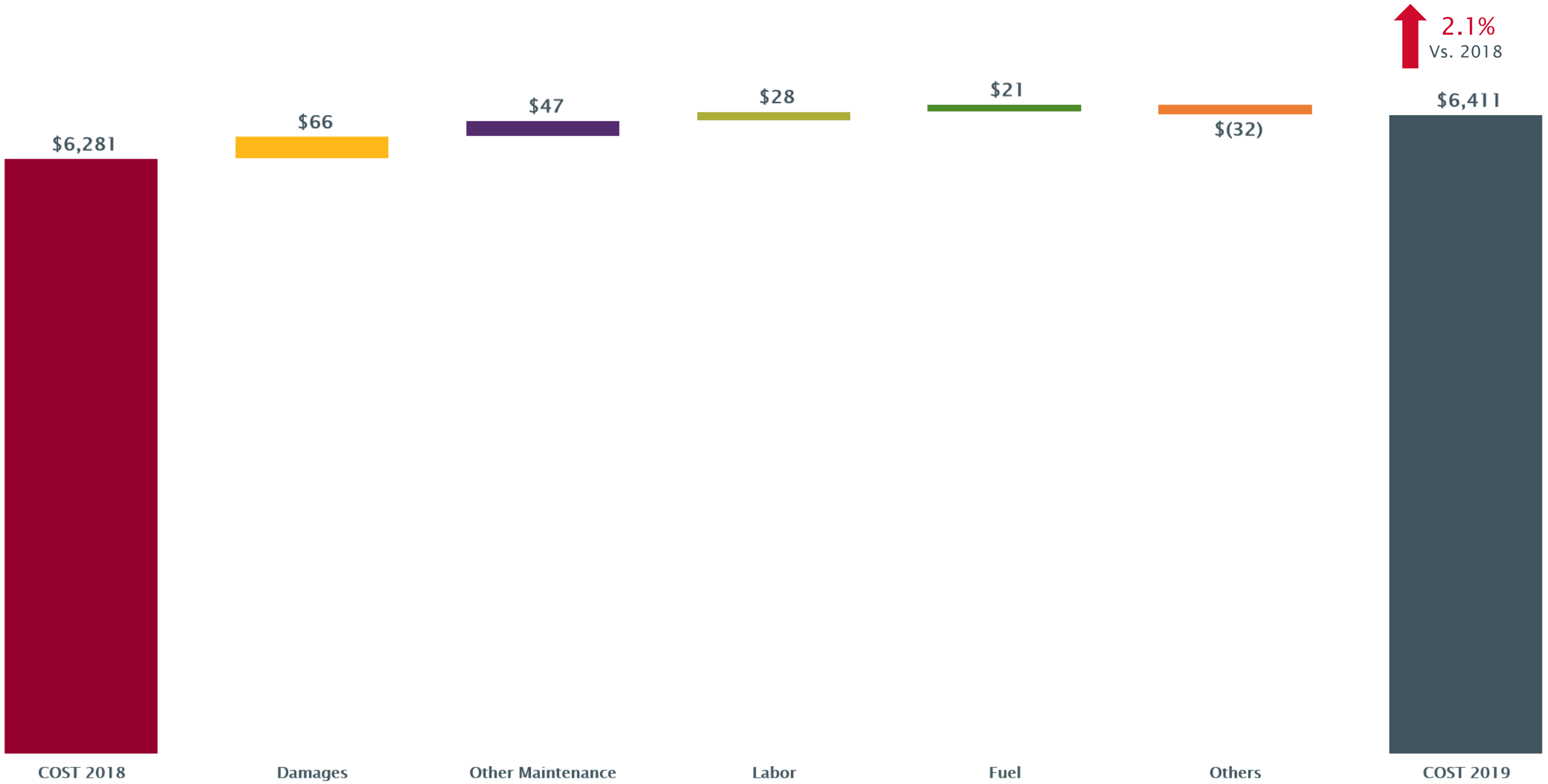
Concept	GMXT		Variation	
	2019	2018	$	%
Revenues	$ 35,552	$ 33,290	$2,262	6.8%
Operating cost	18,610	18,498	112	0.6%
Administrative expenses	2,049	2,069	(20)	(1.0)%
Other (income) expense	(89)	(105)	16	(15.2)%
Total operating cost	$ 20,570	$ 20,462	$ 108	0.5%
Adjustments	762	1,628	(866)	(53.2)%
EBITDA	$ 15,744	$ 14,456	$1,288	8.9%
EBITDA margin	44.3%	43.4%		

3rd Quarter

Concept	GMXT		Variation	
	3Q2019	3Q2018	$	%
Revenues	$ 12,480	$ 11,461	$1,019	8.9%
Operating cost	6,411	6,281	130	2.1%
Administrative expenses	714	743	(29)	(3.9)%
Other (income) expense	(29)	(27)	(2)	7.4%
Total operating cost	$ 7,096	$ 6,997	$ 99	1.4%
Adjustments	–	573	(573)	(100.0)%
EBITDA	$ 5,384	$ 5,037	$ 347	6.9%
EBITDA margin	43.1%	43.9%		

COST Breakdown

3Q 2019 vs 3Q 2018
Million MXN



Increase:

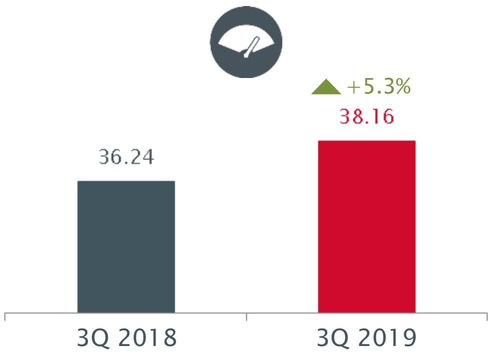
- **Damages:** Cancellation-Excess provision for damage recovery, Insurance recovery in 3Q2018.
- **Other Maintenance:** MOW machinery and Pre-trip repair expenses.
- **Fuel:** Increase in Mexico fuel price offset by fuel efficiencies and US fuel price.

Decrease:

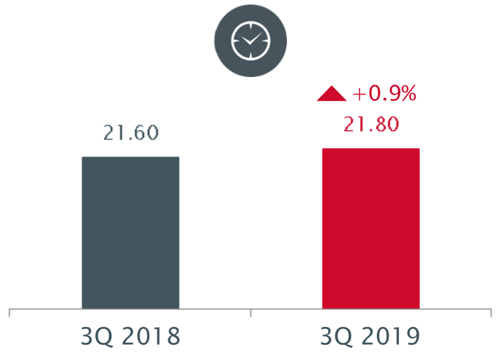
- **Others:** Decrease in Fleet cost, Insurance premiums and Health & Welfare and Materials offset by other indirect cost.

Operating Metrics
3Q 2019 vs 3Q 2018

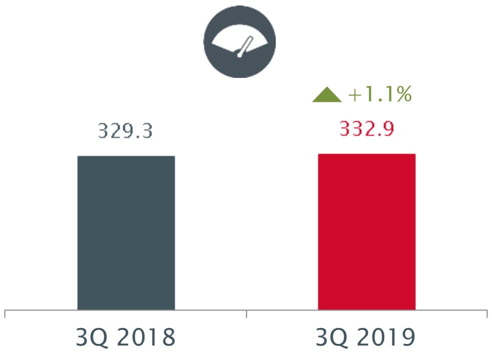
Average Train Speed
(km/hr)



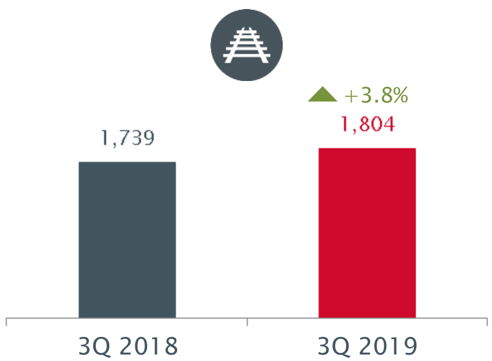
Dwell Time
(hours)



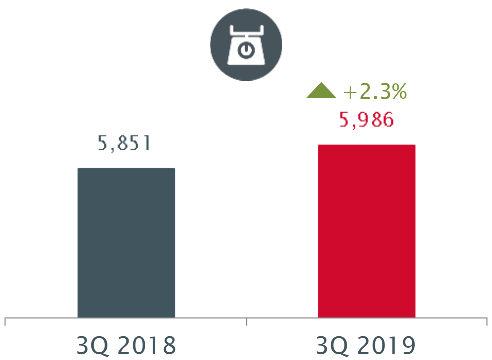
Cars Velocity
(km/ Day)



Average Train Length
(Meters)



Gross Tons per Train
(Tons)



Productivity

Processes

1) Increase Train Length, Network Fluidity and Speed
2) Decrease Dwell Time at Terminals
3) Maximize Horsepower Utilization
4) Balance Trains in each direction
5) Clear Workflow Processes

Target savings on annual basis

- Reduce crew starts
- Fuel efficiency improvement
- Decrease system car fleet
- Reduce active locomotive fleet

→

- MX $ 1,478 Million

CAPEX GMXT 2020

(Million MXN)

Description	CAPEX (MXN)	Main Projects	
MAINTENANCE	$ 3,842.5	▪ New Rail & Ties (1) ▪ Locomotive overhaul ▪ Rail maintenance ▪ Tools and equipment	▪ Bridges ▪ Surfacing ▪ Track Equipment
EFFICIENCY	$1,701.2	▪ Construction and reconfiguration of yards ▪ Construction/extension of sidings ▪ LNG Locomotives conversion	▪ Transportation Management System ▪ Double track Construction ▪ Trip Optimizer Equipment
GROWTH	$ 2,208.6	▪ M&S Project's ✓ Intermodal Terminal (2) ✓ Bajio Shuttle TrainTerminal (3) ✓ Refined Products Terminal (4)	▪ S. Florida Cold Storage Warehouse (7) ▪ Chihuahua –Ojinaga Corridor Rehabilitation
STRATEGIC	$ 1,582.2	▪ Celaya bypass (5) ▪ Monterrey bypass (6)	
	$ 9,334.5		

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Outlook

2019 – 2020

Concept	2019	2020
Volume Growth	2% – 3%	4% – 6%
Revenue Growth	7% – 10%	9% – 11%
Operating Ratio	120 – 150 BP	100 – 200 BP
Capital Expenditures	$ 406 Million USD	$ 466 Million USD

Outlook 2019 – 2020

Outlook	Market	Drivers 2019
Double Digit Growth	Automotive	Increase in market share. This year's re-tooling will be finished during October and November.
Double Digit Growth	Industrial	New bottle and beer domestic routes; increase on paper waste and exports of finished goods.
Double Digit Growth	Agricultural	Slight decrease in imports offset by local crops.
Single Digit Growth	Metals	The industry expects volume to recover, led by exports to the US.
Single Digit Growth	Minerals	Increased exports of copper concentrate. Iron ore movements expected to increase.
Single Digit Growth	Cement	The market contraction will affect investments in Mexico's infrastructure and new traffics.
Single Digit Growth	Chemicals	Traffic recovery for chlorine and resins.
Single Digit Growth	Intermodal	Growth will continue for domestic traffics.
Single Digit Growth	Energy	Refined products movements should continue to increase. Increase of LPG imports.

Outlook	Market	Drivers 2020
Double Digit Growth	Energy	Increase of refined products imports.
Double Digit Growth	Metals	Increase of flat steel imports and new truck to rail conversion.
Double Digit Growth	Intermodal	Market share increase due to intermodal growth strategy.
Double Digit Growth	Chemicals	Fertilizers market share increase.
Double Digit Growth	Minerals	Volume increase of iron ore due to new mine operations.
Double Digit Growth	Industrial	Recovery of consumer products export traffic.
Single Digit Growth	Automotive	New volume due to plants re-tooling.
Single Digit Growth	Agricultural	New shuttle train terminals coming online.
Single Digit Growth	Cement	Slow down in infrastructure projects.