



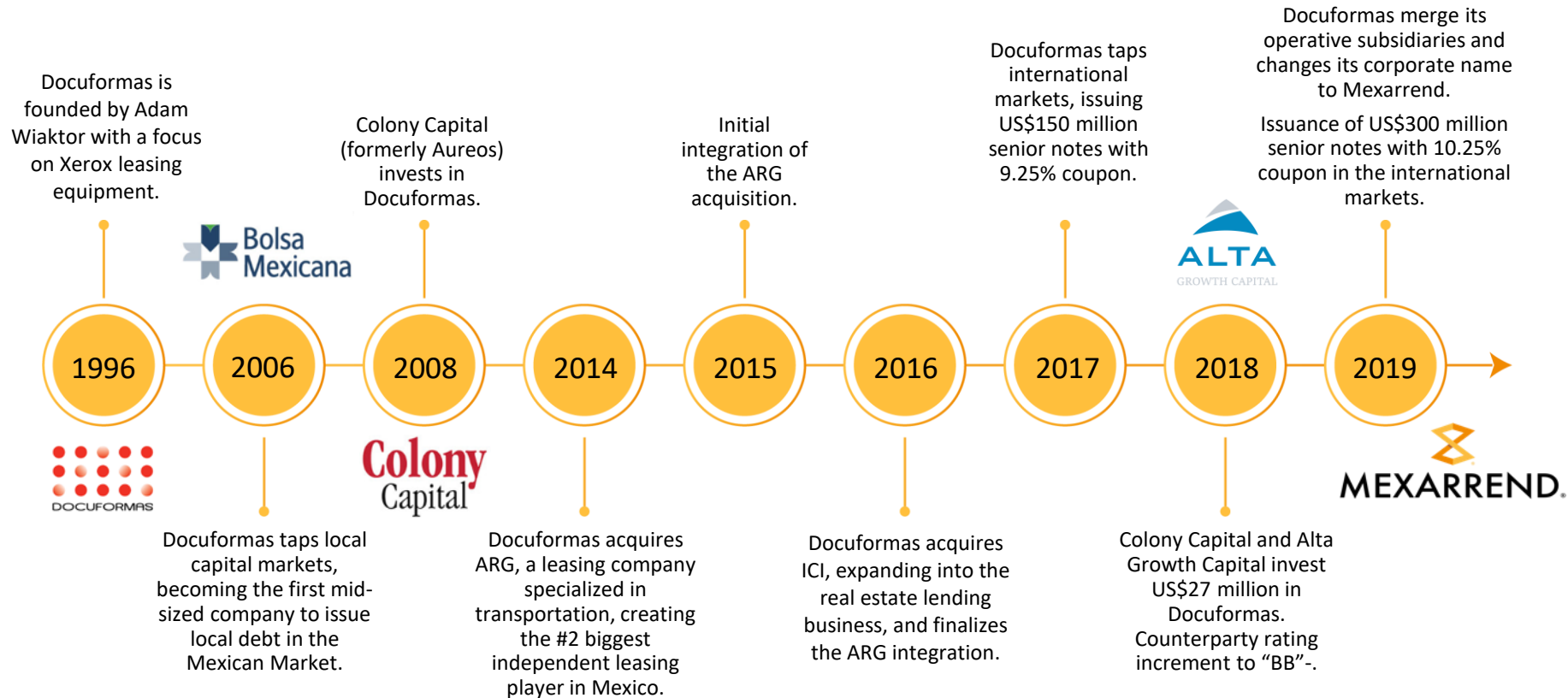
# MEXARREND®

## Corporate Presentation 3Q20 Results



**EMPRESA  
SOCIALMENTE  
RESPONSABLE**

## Mexarrends' Key Milestones



## 2020' Milestones



### Centeo

Mexarrend announced the launch of Centeo, a fintech platform that through technology provides fast, flexible credits with a superior customer experience. Mexarrend maintains 51% of Centeo's shareholding through a joint venture with Zinobe, a leading fintech in the Colombian market.



### DFC's Loan

In October 2020, a US\$45 million loan, with a 10 years tenor, from the US International Development Finance Corporation ("DFC") was announced. The approval of this facility shows the robustness in Mexarrend's systems, controls, processes and origination capacity, in addition to the clear vocation to strengthen ESG processes and financial inclusion in the Mexican market.



### Sustentability

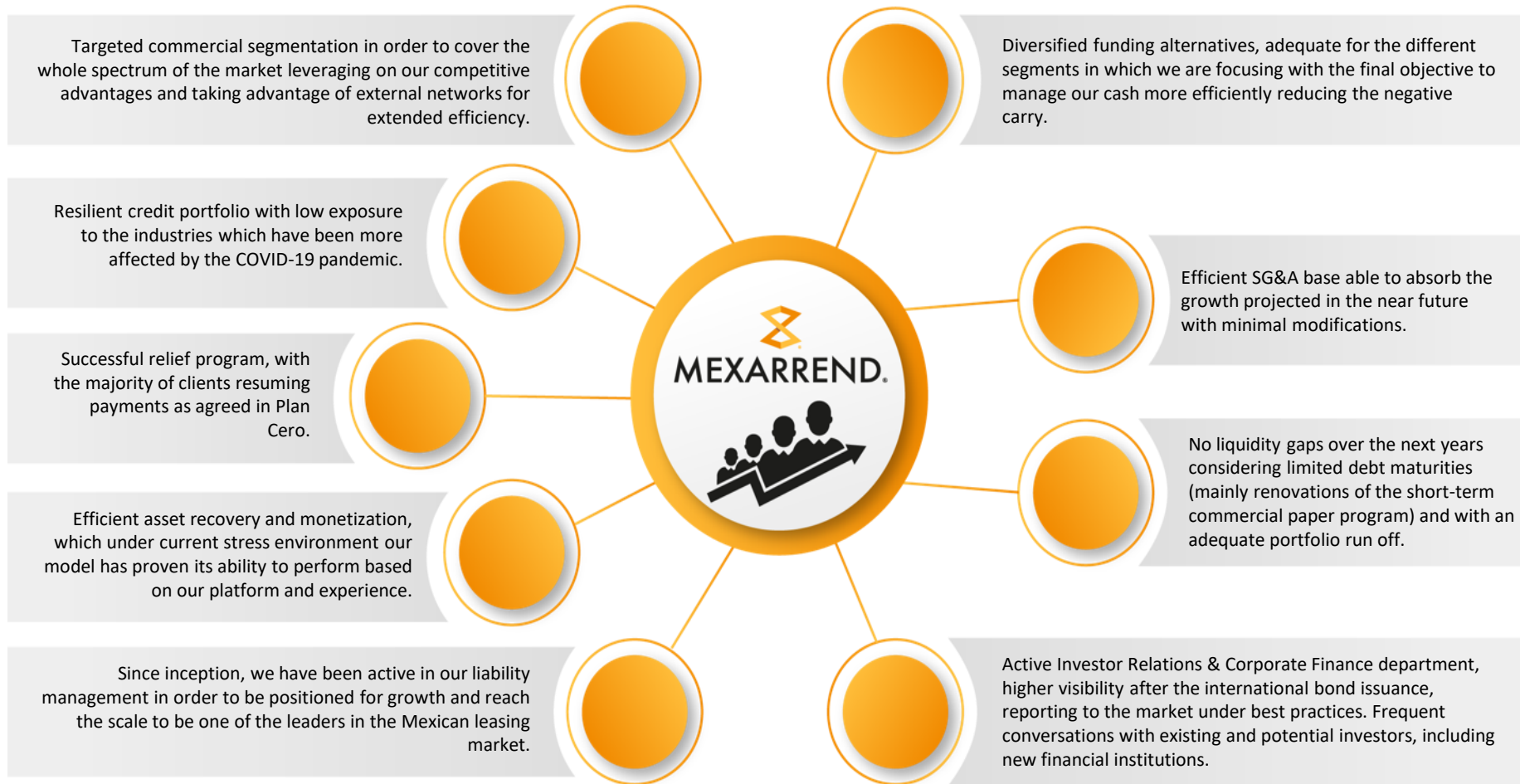
As part of our Sustainability Initiatives, Mexarrend obtained the distinction of a Socially Responsible Company from the Mexican Center for Philanthropy (CEMEFI, in Spanish). It also joined the initiatives of the UN Global Compact. The above denotes the Company's commitment to operate under the best international practices.

## Mexarrend 360° Unique Proposition to Cover the Mexican Market

Asset – based lender covering the entire relevant market through four specialized divisions:



## Opportunities Under a New Reality



## Mexarrend at a Glance

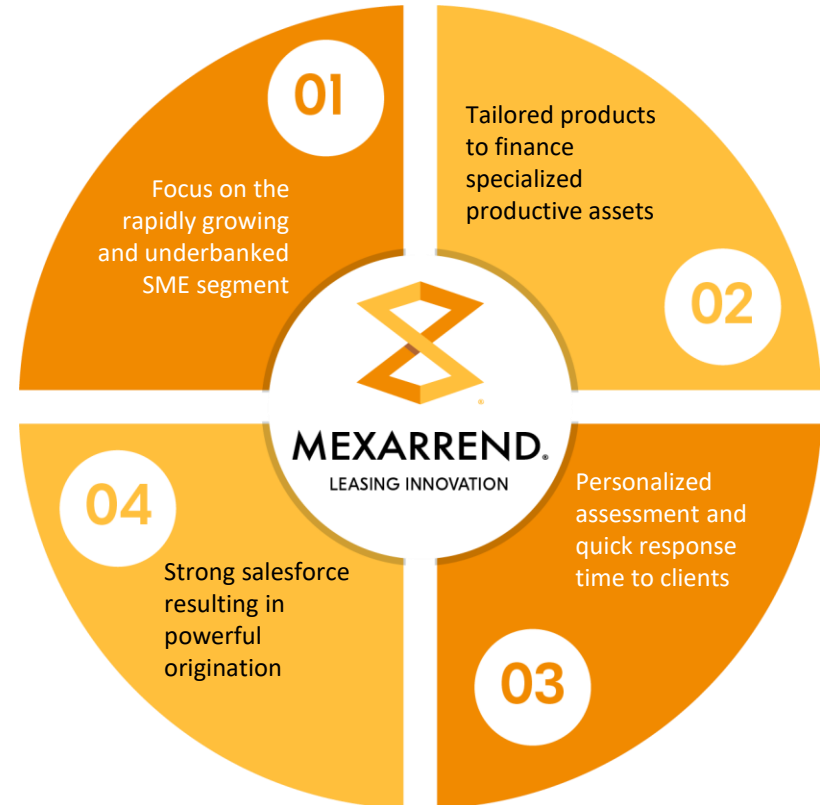
### Competitive Advantages

- Leading independent leasing company in Mexico, providing specialized financing including leases, loans and factoring.
- Experienced management team, focused on profitable growth, robust risk management and compliance with high governance standards.
- We target the rapidly growing and under-banked SME segment.
- Tailored products to finance specialized productive assets.
- Personalized assessment and quick response time to clients.

### Portfolio Presence



- Geographic reach extends beyond physical presence.
- Presence in 30 states, over 93% of the country.



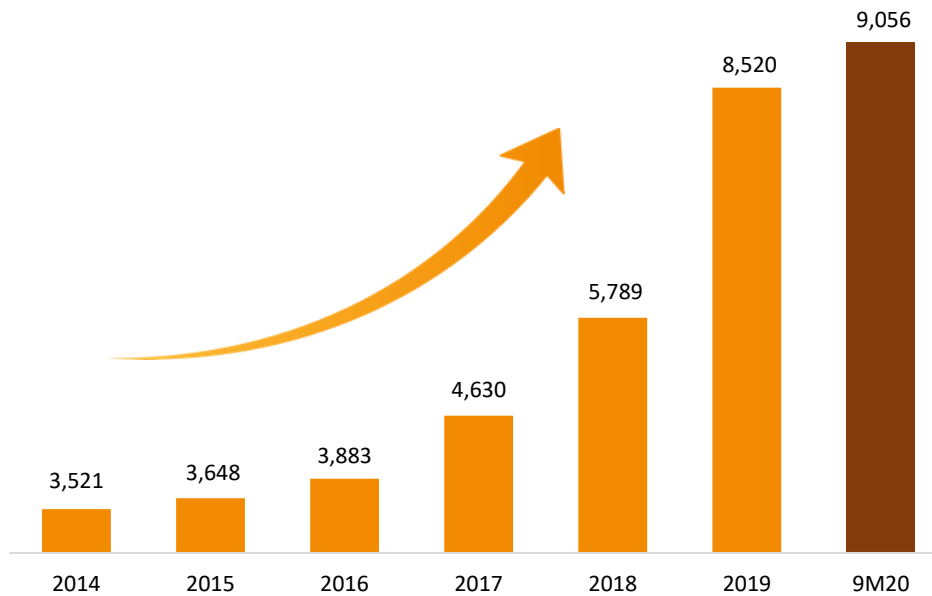


## Diversified Portfolio

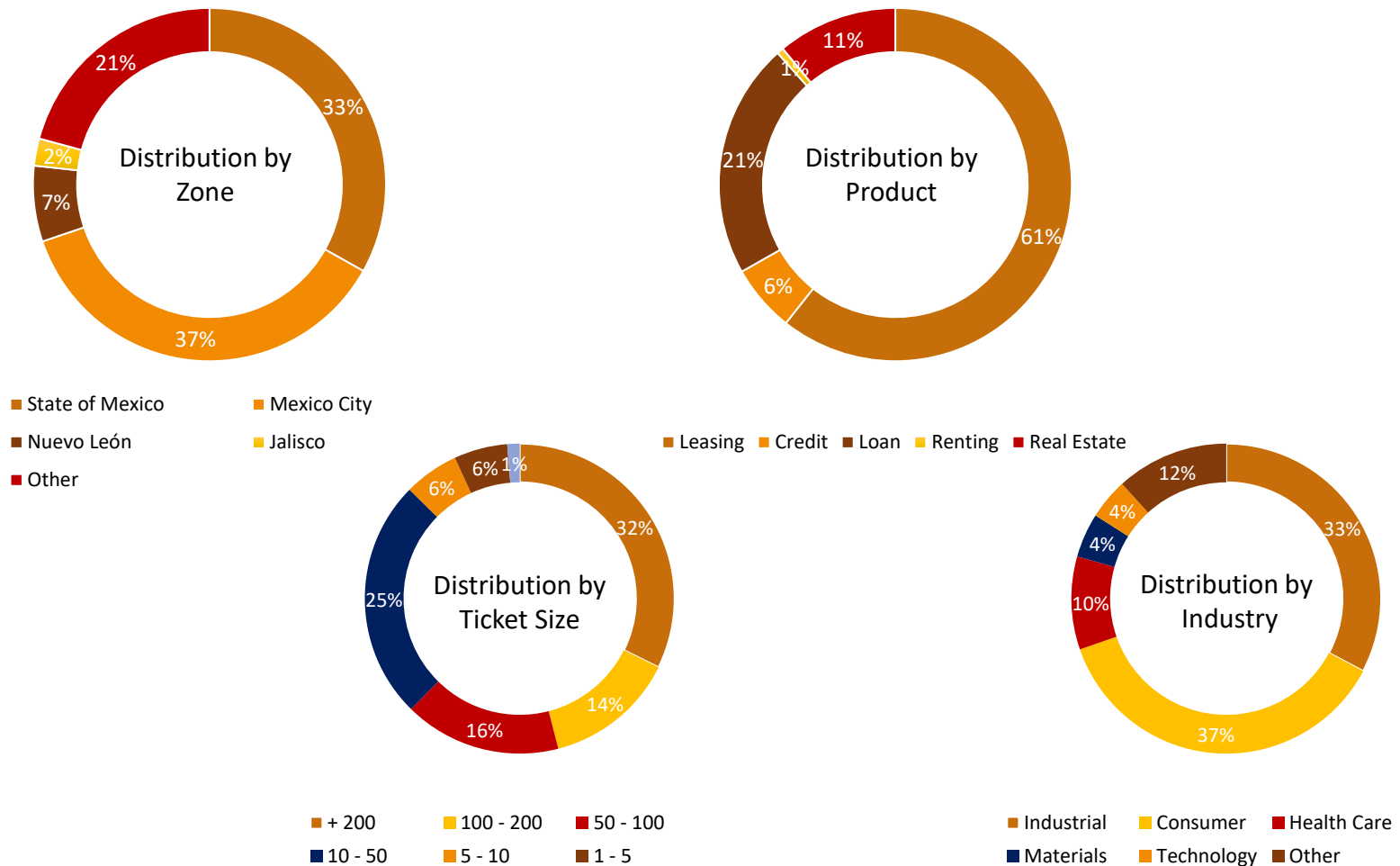
### Total Portfolio

MXN MM

CARG 2014 – 9M20: +17.1%



## Diversified Portfolio Across Clients and Industries







## Leading and Established Leasing Specialist

-  **1. Diverse product strategy.**
-  **2. Rapid origination.**
-  **3. Diversified portfolio.**
-  **4. Efficient operating platform.**
-  **5. Prudent leverage policy.**
-  **6. Consistent revenue growth & profitability.**
-  **7. Highly experienced team.**

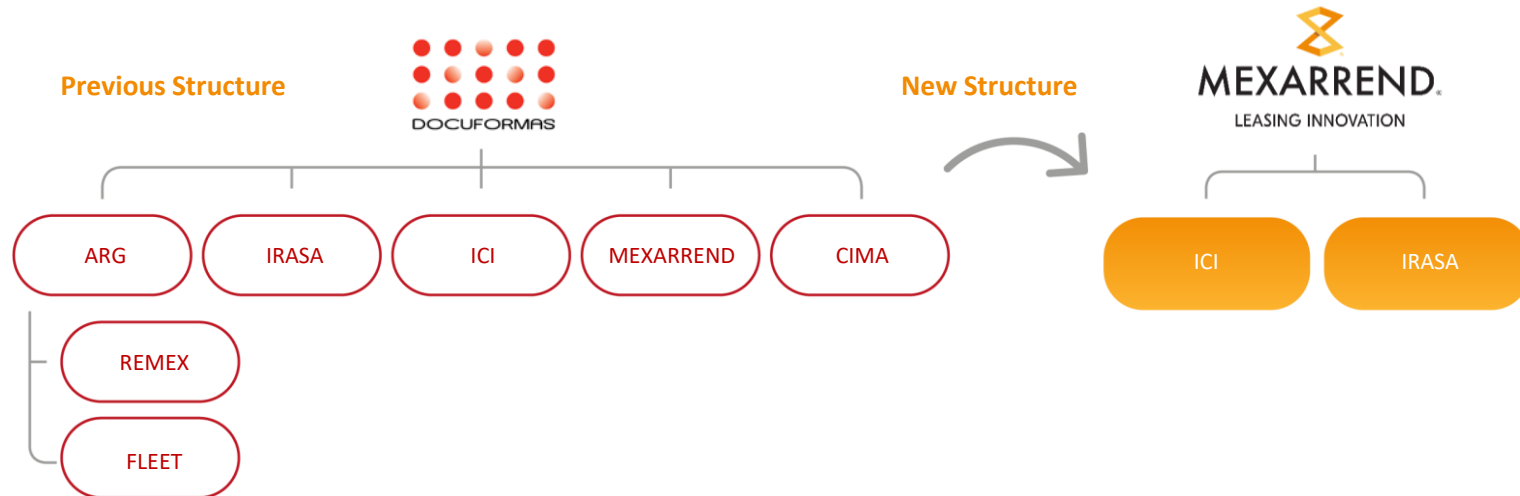
### A differentiated and established platform

- 24 years of experience meeting the needs of SMEs in Mexico.
- Tailor-made systems and technology.
- Mix of third-party and in-house IT solutions.
- Robust and efficient origination and collections processes.
- Purchasing power with equipment manufacturers, dealers and suppliers.
- Access to multiple, reliable and competitive funding sources.
- Focus on employee development.

The industry is characterized by "barriers to scaling" rather than barriers to entry, where players' lack of access to financing stands out.

## Merger and Brand Change

- The change of image seeks to leverage on the reputation that Docuformas has in the market, but seeking to improve our products and processes, adapting the best practices in the market.
- The merger process was carried out to simplify the corporate structure of the Company, once the integration of the acquisitions was made in last year.

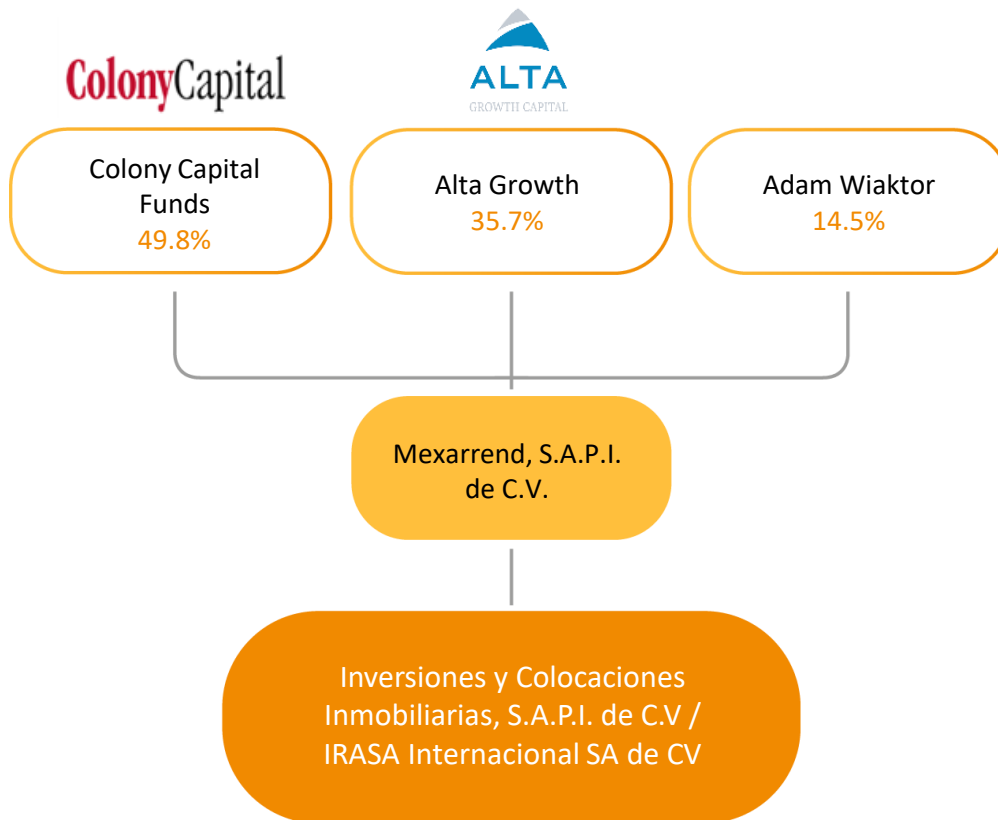






## Corporate Structure and Experienced Management Backed by High Profile and Committed Shareholders

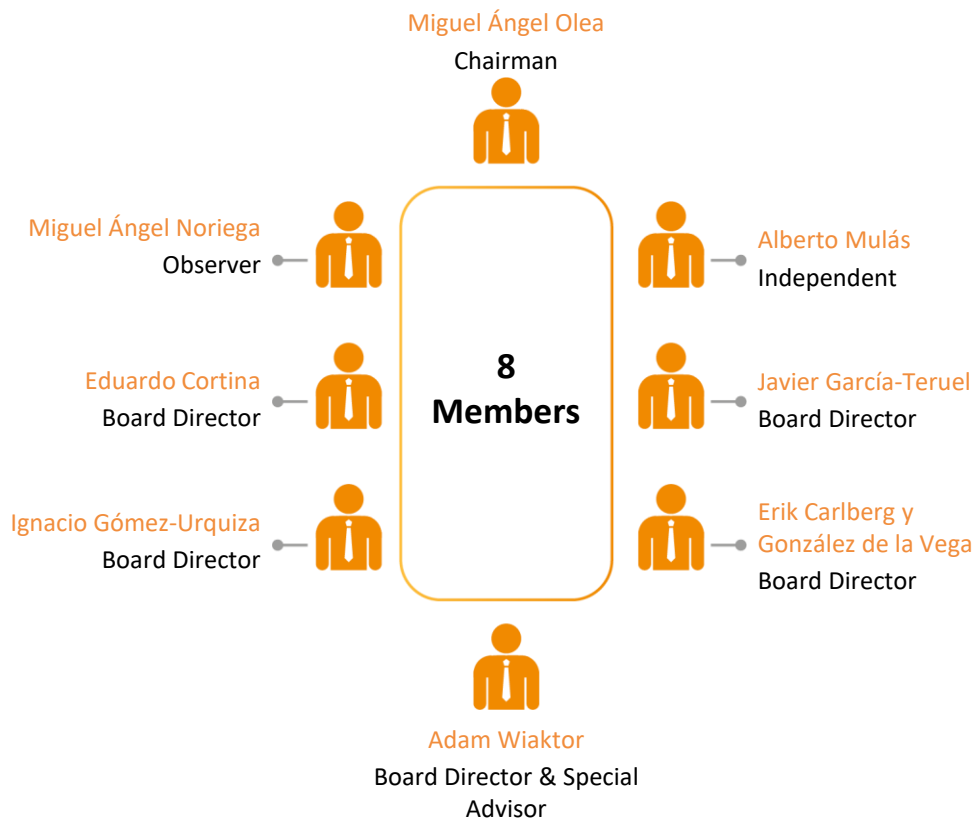
### Corporate Structure



- At the end of 2018, a capital injection of US\$27 million was received by Colony Capital and Alta Growth.
- New management team was introduced with Alejandro Monzó as CEO and Abelardo Loscos as CFO.
- Adam Wiaktor remains a shareholder and board member.

## Corporate Structure and Experienced Management Backed by High Profile and Committed Shareholders (Cont'd)

### Highly Qualified and Renowned Board of Directors with Strong Investors



#### ColonyCapital




- ✓ US international investment firm.
- ✓ +27 years of practical investment experience.
- ✓ ~ US\$43 Bn of Assets Under Management.



#### ALTA GROWTH CAPITAL

- ✓ Mexican middle market Private Equity fund.
- ✓ +10 years of investment experience.
- ✓ ~ US\$350 MM of Assets Under Management.

## Well-Designed and Flexible Product Offering

Product Type		Description		Tenor Range & Indicative Amounts Range
	Leasing	Capital	Product lease with option to purchase at the end of the term.	24-36 months MXN\$1 – 40 MM
		Equipment	Product lease without option to purchase at end of the term.	
		Real Estate	Sale and lease back of real estate assets.	5-7 years MXN\$15 – 60 MM
	Renting	Renting	Equipment leasing with supplies, service and maintenance.	12-36 months MXN\$1 – 10 MM
	Financing	Cash	Secured and unsecured cash loans as non-asset-based lending.	24-36 months MXN \$1 – 40 MM
		Equipment	Purchase and resale or lease of equipment with financing. Equipment serves as collateral.	



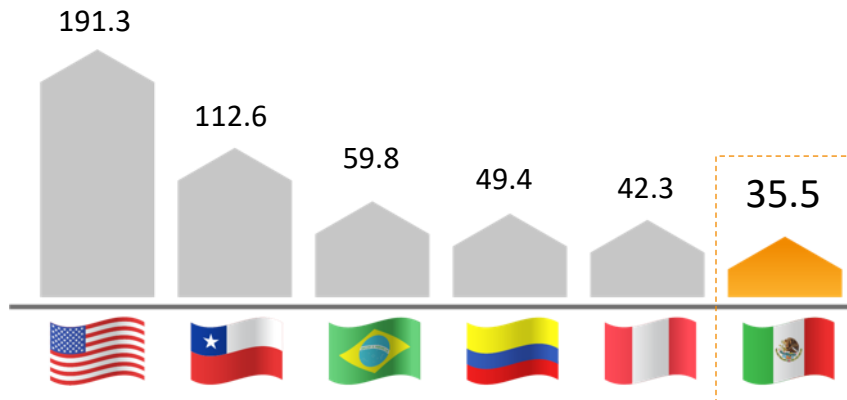
## Underserved Mexican SMEs

### Why are SMEs' clients underbanked?

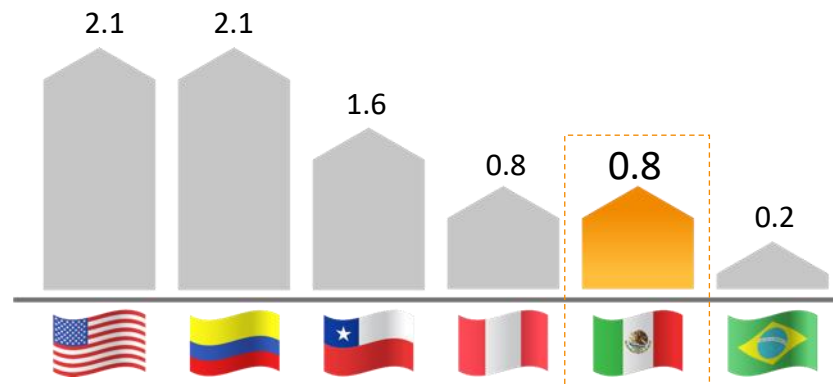
- Banks are not set up to cater to SMEs' needs.
- Banks have heavy fixed cost structures that make SMEs unattractive clients due to smaller "ticket size".
- Banks' reputational and legal risk burden makes KYC requirements onerous.
- Banks have stricter reserve and capitalization requirements.

Source: INEGI, CNBV, and the World Bank.

### Domestic credit to the private sector (% of 2017 GDP)



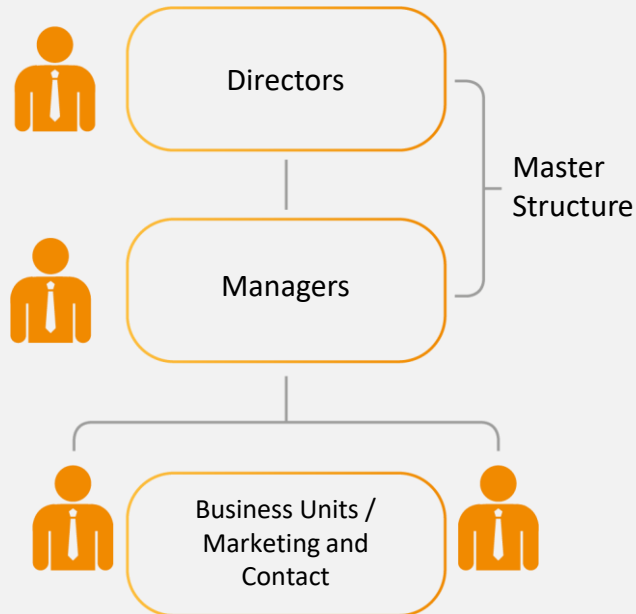
### Opportunity for financing, particularly in the leasing space % leasing volume (as of 2017 GDP)



## Effective Direct and Indirect Sales Forces

### Direct Sales Force

60 employees



Salesforce platform engaged in the whole process from origination to collection

### Indirect Sales Force

Vendors



Others (+25)

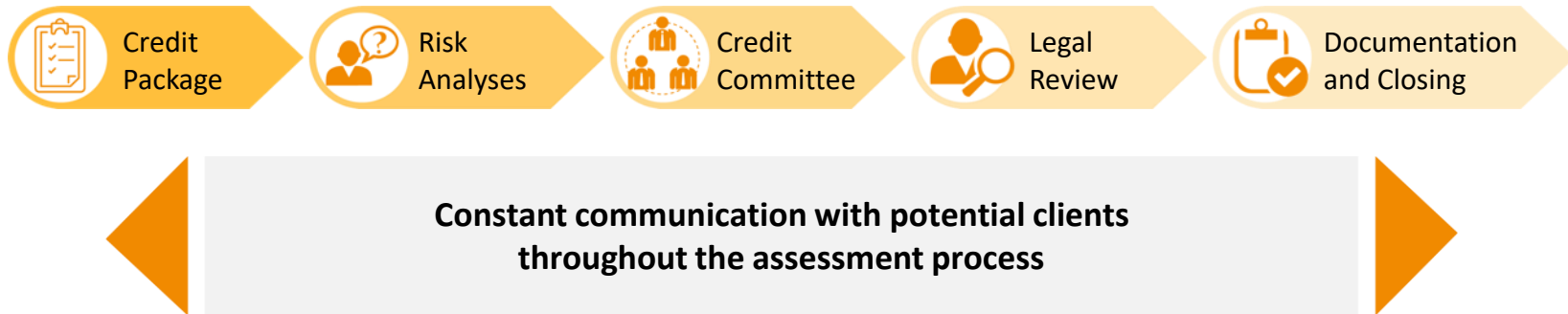
Brokers



External  
Brokers (+51)

## Fast and Disciplined Credit Approval

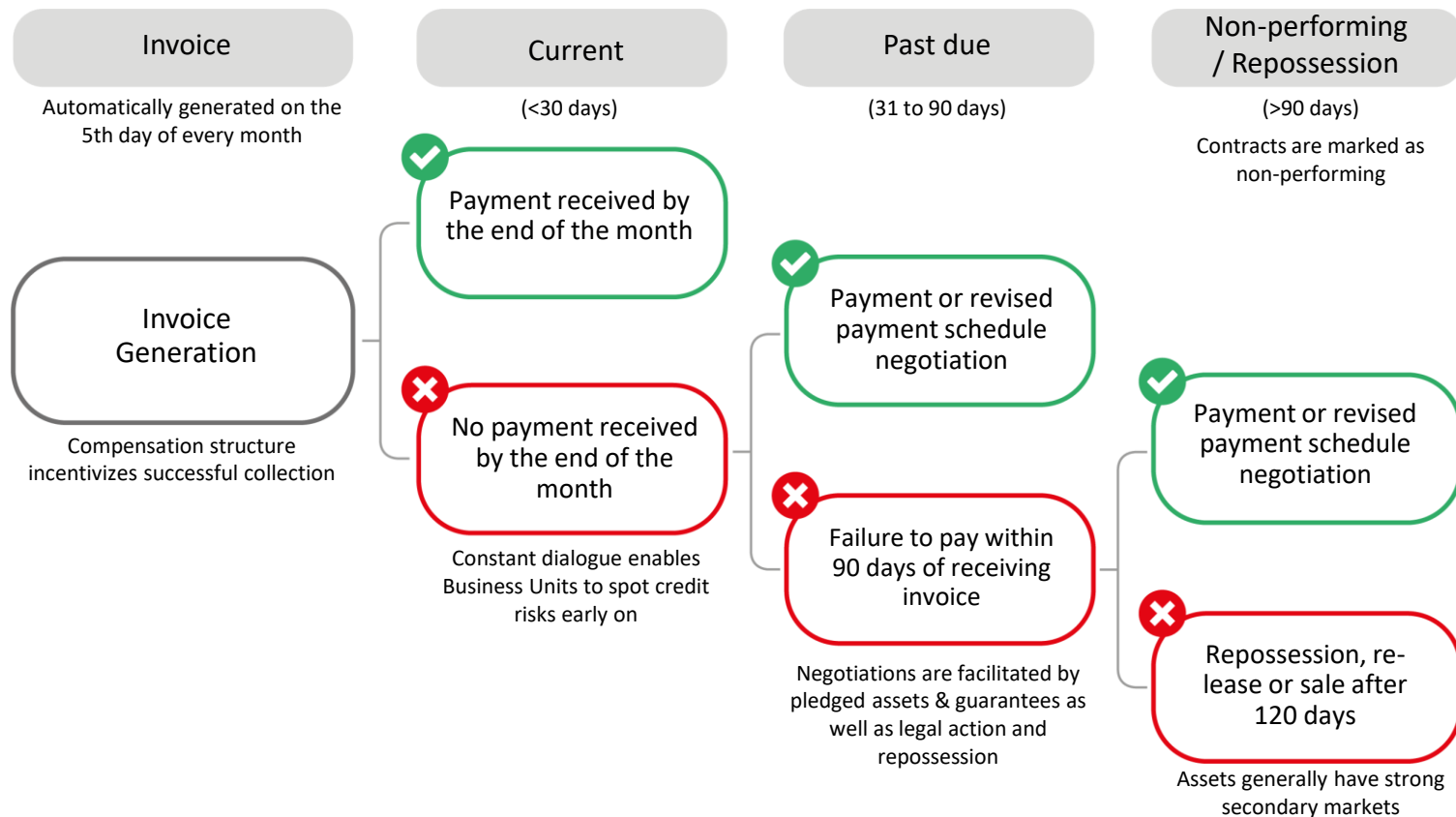
### Credit Approval Process



- Credit process enables turnaround times of 5 to 15 business days, significantly faster than a traditional bank.
- Independent members strengthen the Credit Committee.
- The Company follows strict risk assessment processes incorporating quantitative and qualitative parameters.

## Efficient Collection Process

The collection process is greatly facilitated by Mexarrend maintaining ownership of leased assets



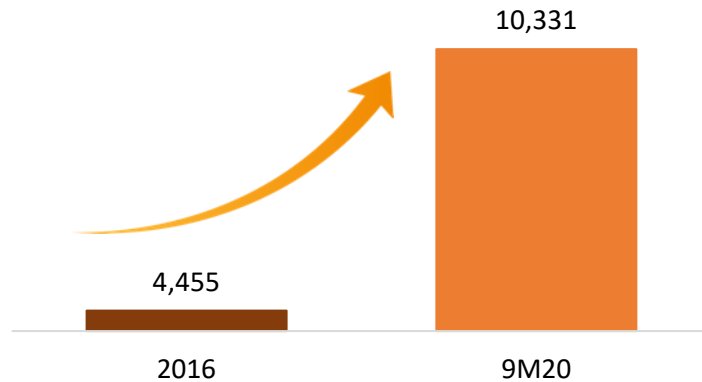


## Origination and Top-Line Growth

### Productive Assets

MXN MM

CARG 16 – 9M20: +23.4%



**Consistent** top line growth year over year since its inception, due to:

- ✓ **Specific** target market
- ✓ **Competitive** go to market strategy
- ✓ **Strong** corporate practices
- ✓ **Experienced** management

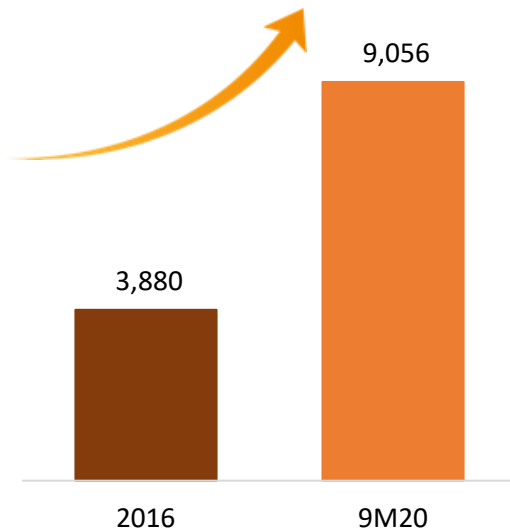


## Solid Gross Profit Growth with Positive Bottom-Line

### Total Portfolio

MXN MM

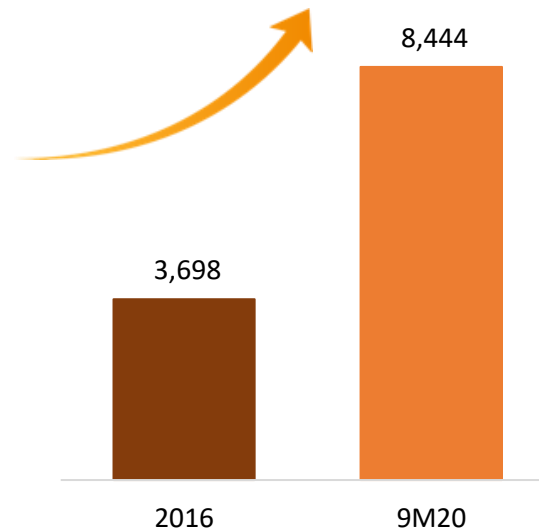
CARG 16 – 9M20: +23.6%



### Leasing Portfolio

MXN MM

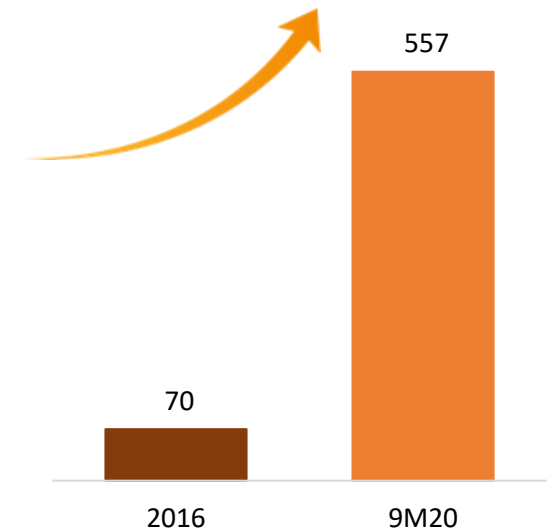
CARG 16 – 9M20: +22.9%



### Credit

MXN MM

CARG 16 – 9M20: +67.9%



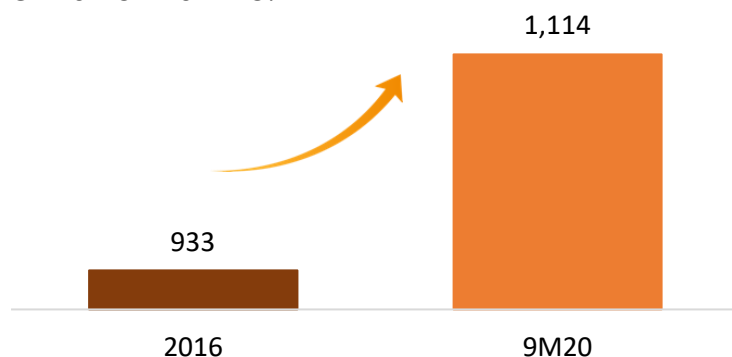


## Solid Gross Profit Growth with Positive Bottom-Line

### Revenues

MXN MM

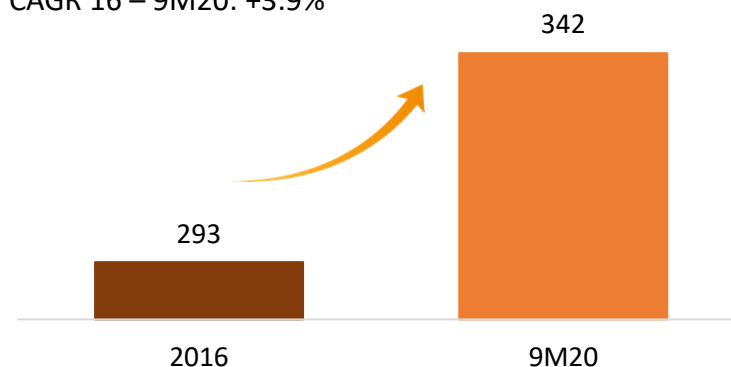
CAGR 16 – 9M20: +4.5%



### Operating Income

MXN MM

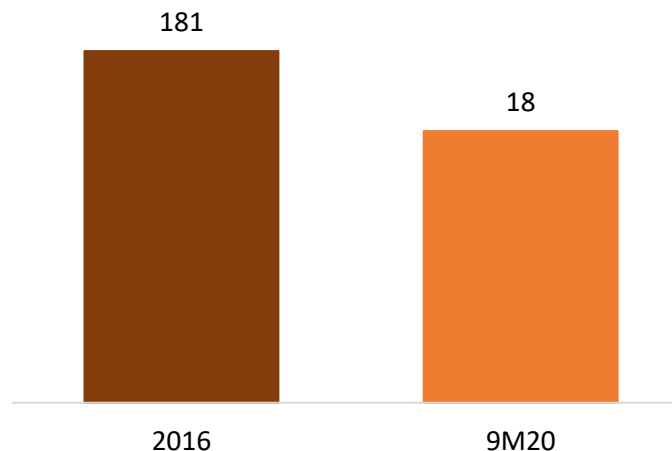
CAGR 16 – 9M20: +3.9%



### Net Income

MXN MM

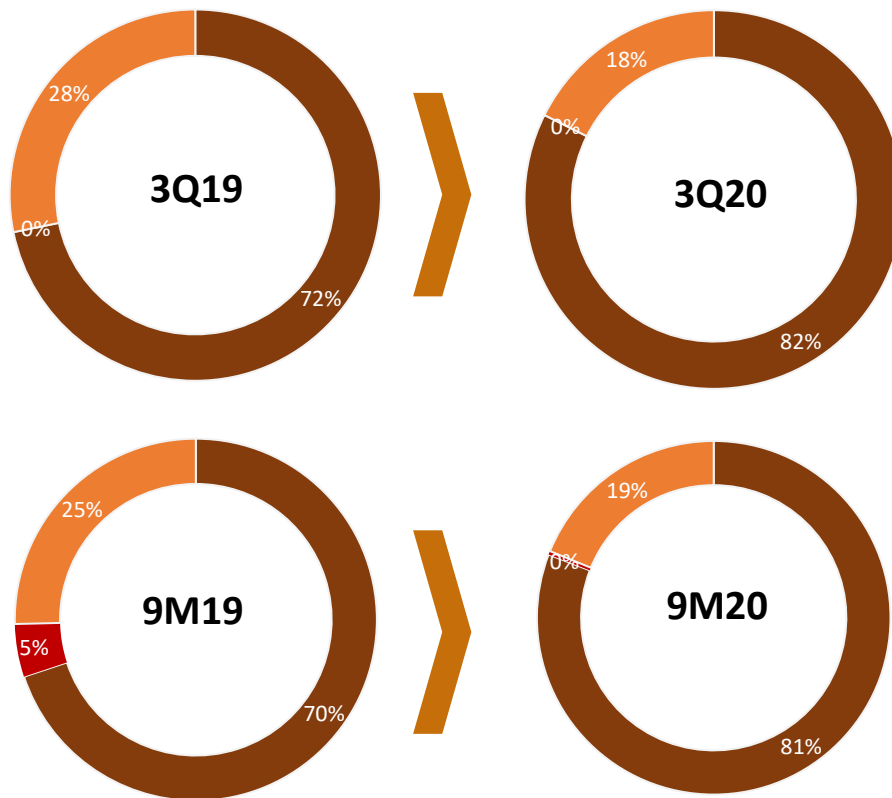
For the cumulative period at the end of September, a net income of \$18 million pesos is shown, which is negatively affected by non-recurring and extraordinary impacts (>\$140 million pesos) in results derived from: (i) the issuance of the 2024 international notes, (ii) partial repurchase of the 2022 bond, (iii) exchange rate fluctuations and, (iv) the impact of COVID-19.



## Solid Gross Profit Growth with Positive Bottom-Line

### Revenue by Business Line

MXN MM



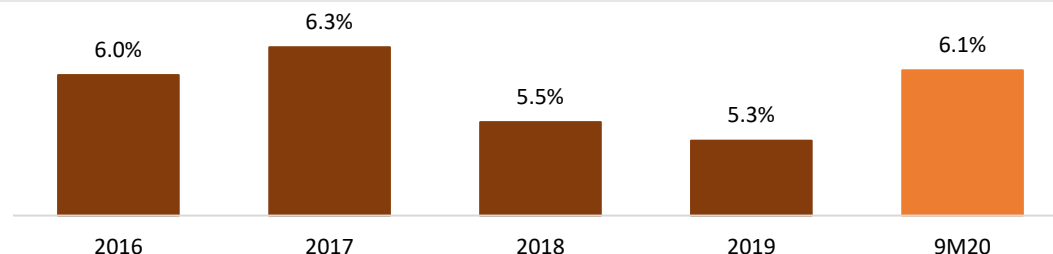
- Interest capital leases
- Equipment financing
- Operating leases



## Robust Asset Quality

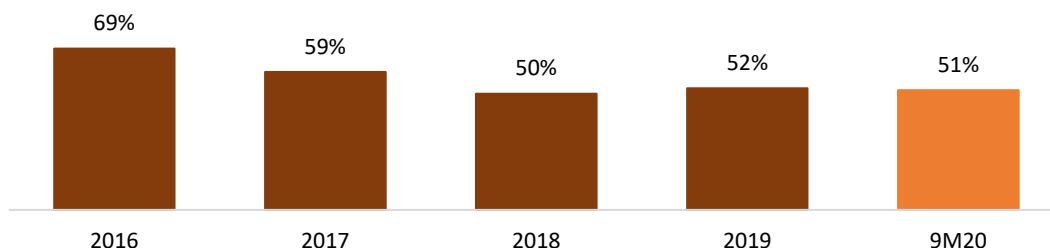
### Ratio of Non-Performing Leases (%)

Non-Performing Lease Portfolio / Total Portfolio



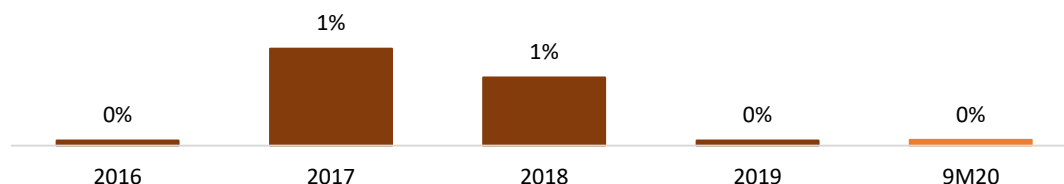
### Coverage Ratio (%)

Ending Reserves / Non-Performing Lease Portfolio



### Write-Offs (% of Portfolio)

Write-Offs / Total Portfolio



### Mitigants

- Focus on productive assets minimizes the risk of non-payment.
- Strong secondary market for productive assets.
- Collateral is executable and disposable.
- The Company maintains insurance policies covering 100% of its underlying assets.
- Guarantees on assets minimize “real loss”, reinforced by a conservative approach to NPLs.



## Strong Balance Sheet

**S&P Global**

**FitchRatings**



### Global

	2017	2019	3Q20
S&P	B+	BB-	B
Fitch Ratings	B+	BB-	B+

### Local

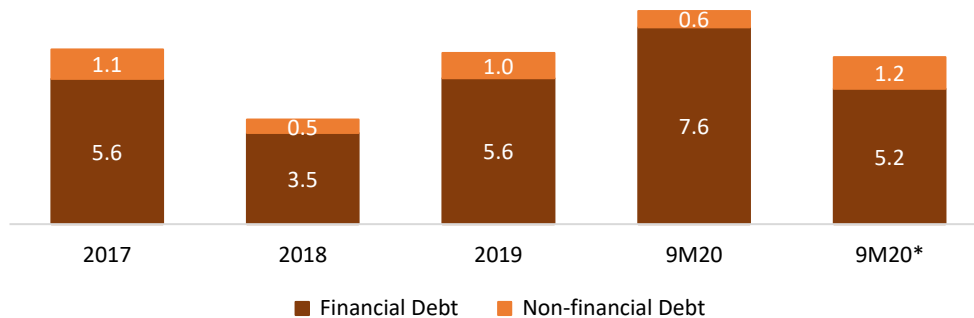
	2017	2019	3Q20
HR Rating	HR A-	HR A	HR A
Fitch	BBB+	BBB+	BBB+

- Solid Balance Sheet, backed by conservative leverage levels.



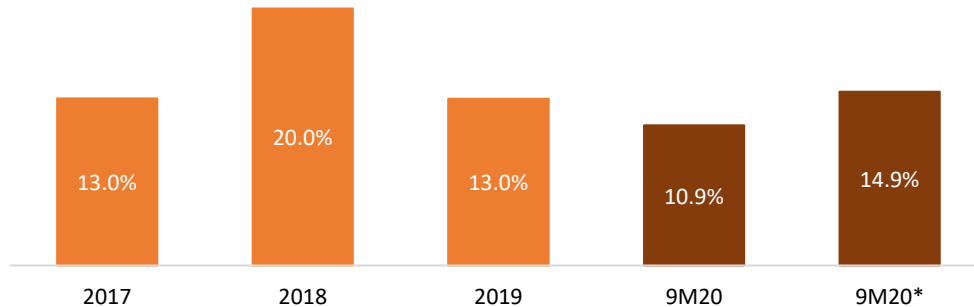
## Strong Balance Sheet

### Disciplined Leverage



\*Note: Consider the hedges that we have in place for the financial debt and do not consider the OCI account of the equity that reflects the variations on the fair market value of the aforementioned hedges.

### Capitalization Ratio







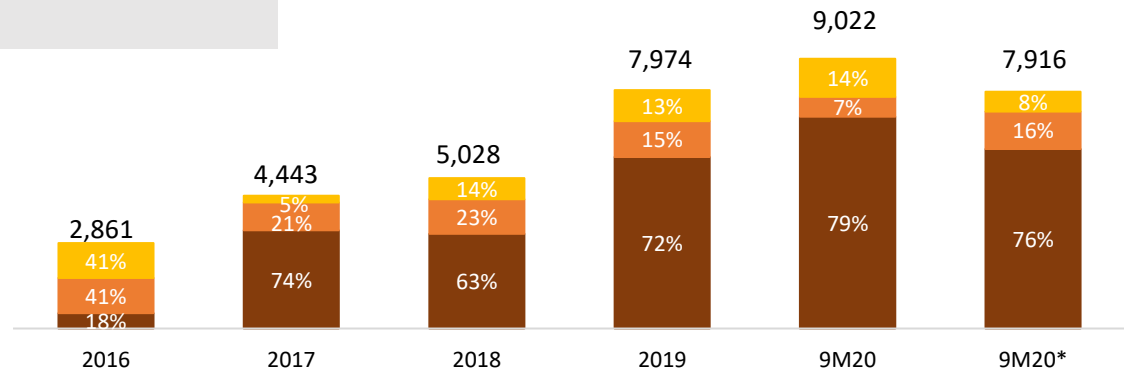
## Well-Diversified Sources of Funding and Adequate Run-off

### Well-diversified Sources of Funding

MXN MM

■ Bond ■ Long Term Debt ■ Short Term Debt

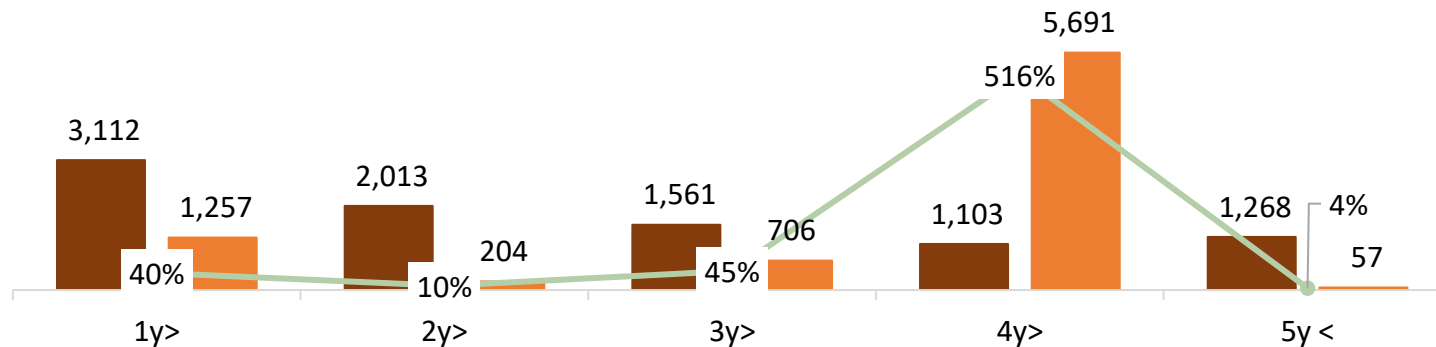
\*Note: Consider the hedges that we have in place for the US\$ denominated financial debt.



### Current Debt & Portfolio Profile

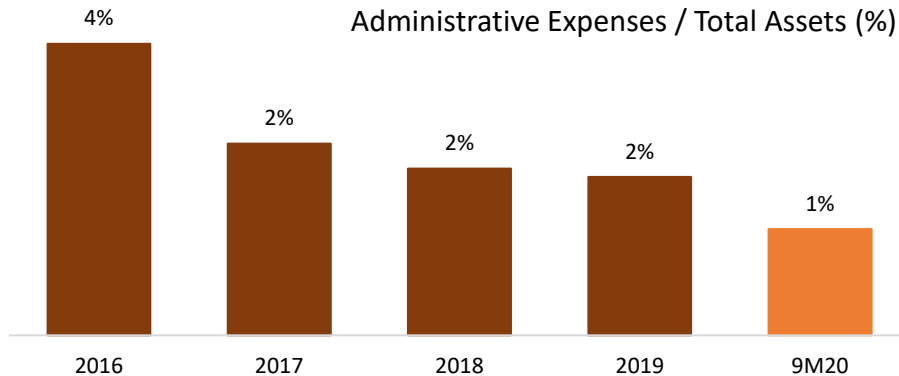
MXN MM

■ Portfolio ■ Debt — Debt/Portfolio

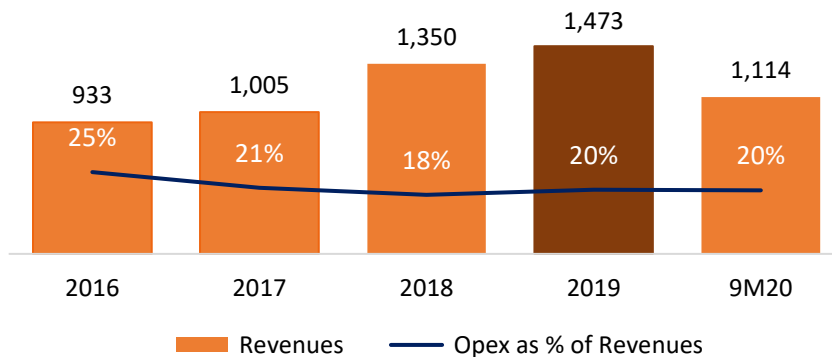


## High Levels of Operational Efficiency

**Strong levels of operational efficiency have historically been achieved**



**Efficiency Ratio (%)**

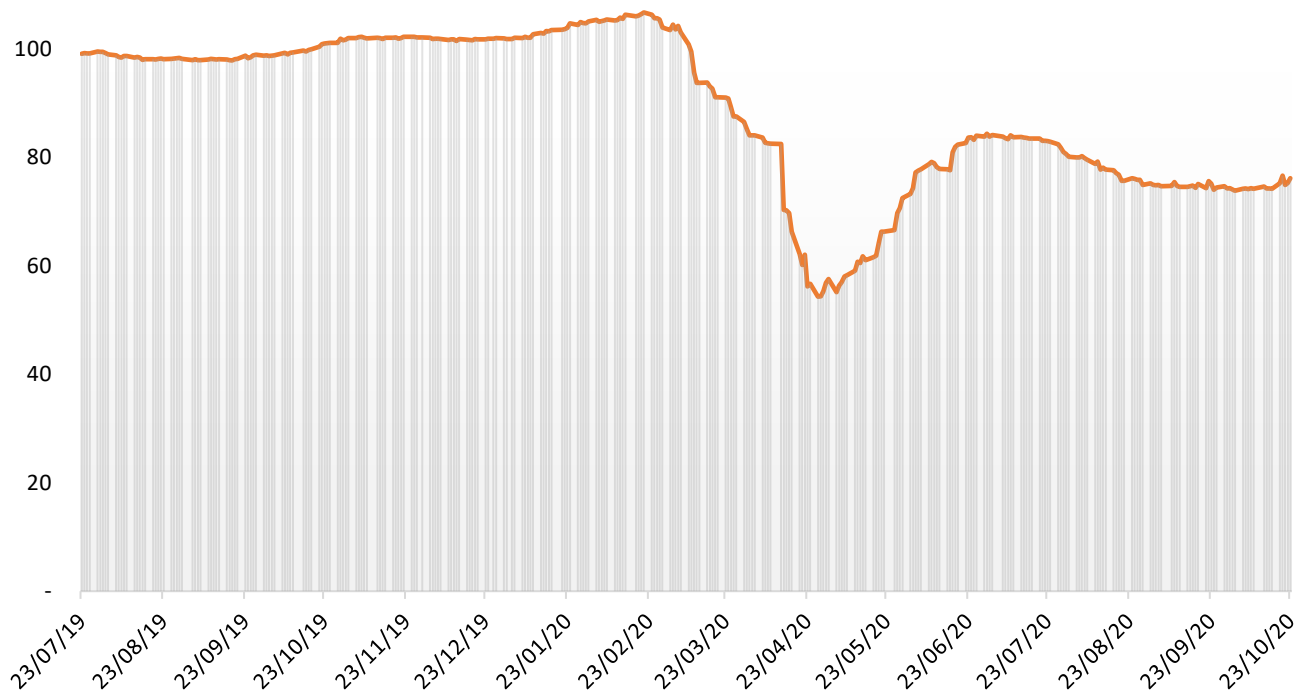


The sales force operates under a variable compensation structure in order for them to have incentives aligned with the origination quality

- Business units are in charge of the collection process as well as origination.
- Compensation structure aligns incentives.
- Incentive-based compensation structure: Sales person receives full commission at the moment the sale is closed and there's a clawback mechanism if the loan/lease non-performs within the next 12 months.

## Bond Performance (BMV: DOCUFOR)

Performance of the bond issued in July 2019 for US\$300 MM with a 5-year term (2024) and a coupon of 10.250% is shown below. The recent performance of the has been impacted by the volatility and uncertainty of the markets due to the COVID-19 pandemic.



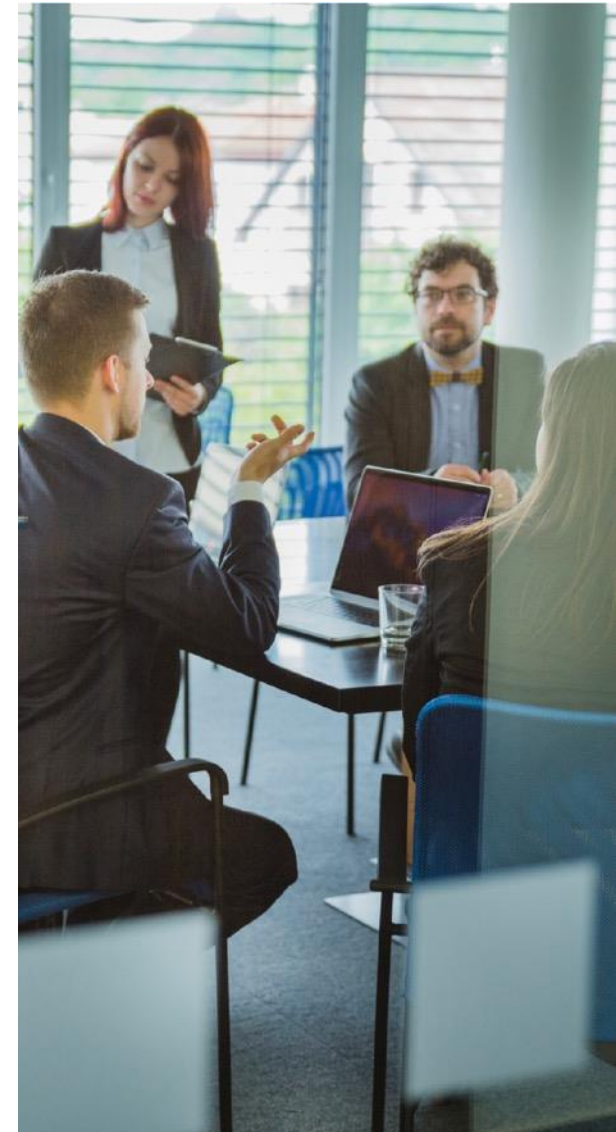
Source: Bloomberg, data as at market close on October 23rd, 2020



# Environmental, Social and Corporate Governance (ESG)

We are a sustainable company, committed to our environment,  
seeking to be efficient and highly productive considering our

## 5 pillars





## What has been done



### Distinctive Socially Responsible Company

We incorporate into our philosophy the purpose of being a sustainable company.



### Participation in a Global Compact Network

Share best practices and share those of other companies worldwide. We align our strategy to the 10 objectives of the pact



### Environmental and Social Management System

Within our business CORE we evaluate the social and environmental impacts, to whom we grant financing, supported by a socio-environmental policy aligned to the IFCs.



## Our sustainable strategic future



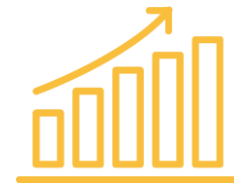
### Mexarrend Contributes to the Community

Mexarrend will support a Civil Association through a Financial Education strategy



### Environmental Wellbeing Program

Creation of an environmental welfare plan with the Mexarrend stakeholders.



### Continuos Improvement

- Anti-Corruption Policy.
- Gender Equal Strategy.
- Participation in the 2030 Compact schedule.
- Complaint line .



# COVID-19 Contingency Plan

## COVID-19 Contingency Plan

- Mexarrend employees worked remotely from mid-March, as the Company prioritized their health and well-being. We are pleased to inform that our team is currently in good health, our operations are stable, and our systems are working perfectly, allowing us to monitor and communicate with clients in a very effective manner.
- Mexarrend's investment in technology over recent years is proving effective at allowing the Company to manage operations remotely, ensuring business continuity.
- At Mexarrend, we understand and share concerns about the financial and economic situation in Mexico. As a result of the different measures taken to control the COVID-19 pandemic, we understand that there will be a negative impact on GDP growth, employment levels, investment and in economic confidence for the rest of the year.
- As previously stated, a refinancing plan called "Plan Cero" was developed to support our clients during the second and third quarter of the year, this was offered across the board to clients that were current in their payments to help them cruise through liquidity constraints over the last months, making sure there were not solvency problems in the medium to long term.

We are preparing for the effects of this pandemic with the following strategies:

1. Our priority is to maintain adequate levels of liquidity and capitalization ratios. We only plan to expand our portfolio and client base if economic conditions allow it.
2. At this moment, our existing clients have been making their corresponding payments in a timely manner. We are monitoring the situation closely and with extreme care, keeping in frequent contact with all clients. Given the diversification of our portfolio and our careful selection of both loans and clients, we are confident that the quality of our assets will remain robust and healthy, even with the impact of this crisis.





## COVID-19 Contingency Plan

3. Considering the risks, and the impact of the crisis, caused by the COVID-19 pandemic, on our operations, we will be supporting our existing clients through addressing and fulfilling their liquidity and cash flow needs to the extent possible in the upcoming months, ensuring that we have the guarantees in place to support these operations. We have carefully selected our clients, and we are duly diversified both geographically and by sector.
4. We have a healthy and robust debt profile, with low amortizations in the short and medium-term, as most of our maturities correspond to the international bond issuance that matures in 2024 (bullet payment). Our liquidity levels are high and appropriate to navigate the current market situation of high volatility and uncertainty.
  - A significant part of our 2020 maturities was refinanced in February with the issuance of the short-term Certificado Bursátiles (“Cebures”).
  - We consider that we are in a very favorable position to face this pandemic, with good liquidity, a healthy portfolio amortization profile and a debt profile that is spread over the next few years.
5. Our coupons for the international debt denominated in USD for both 2022 and 2024 are covered through cross-currency swaps until maturity, protecting them from the effects of any possible variation in foreign exchange rates.
6. We have modelled our different portfolio stress scenarios assuming a deep recession in 2020, and we are in an adequate position to face this situation. We have a solid liquidity position, with more than MXN\$1.5 billion in cash at the end of the first quarter.





## COVID-19 Contingency Plan

7. We have modified our shareholder agreement, in which Mexarrend shareholders extended the option which was originally considered to contribute additional equity that expired in February 2020, until the end of 2020. They are committed to the growth and well-being of Mexarrend.
- Mexarrend is an important source of liquidity for Mexican SMEs, and we will continue to be so throughout this cycle. We are committed to helping Mexico and our clients to recover from this adverse situation, while at the same time prudently managing our capital and liquidity.
- Since our inception more than 20 years ago, we have faced numerous economic crises, and thanks to our prudent credit risk policies, our robust capital and liquidity levels, and our careful selection of clients, we have learned and have grown from these situations.
- We are confident that this new challenge is no different to what we have experienced, and we will continue to successfully serve the interests of our clients, shareholders, employees and debt holders as well as the communities in which we operate.



# Financial Summary

## Financial and Operating Summary

*in million pesos*

Financial Metrics	3Q19	3Q20	Var. %	9M19	9M20	Var. %
Total Revenues	387	351	(9.3)%	1,060	1,114	5.1%
Cost of Sales	240	256	6.8%	629	771	22.6%
Gross Profit	147	94	(35.7)%	431	342	(20.5)%
Gross Margin (%)	38.0%	26.9%	(1,110)bps	40.7%	30.7%	(1,000)bps
Operating Expenses	75	72	(3.8)%	226	219	(2.9)%
Operating Income	72	22	(69.0)%	205	123	(39.9)%
Operating Margin (%)	18.6%	6.4%	(1,220)bps	19.3%	11.1%	(820)bps
Other (income), expenses, net	0	2	305.9%	1	6	1030.0%
Comprehensive Financing Result	239	60	(74.8)%	313	150	(52.2)%
Income before Income Taxes	(167)	(40)	76.4%	(109)	(32)	70.3%
Income Taxes	(17)	(51)	199.7%	(11)	(50)	356.5%
Net Income	(150)	11	107.6%	(97)	18	118.5%
Net Income Margin (%)	(38.9)%	3.3%	4,220bps	(9.2)%	1.6%	1,080bps
Operating Metrics				9M19	9M20	Var. %
Total Portfolio				7,805	9,056	16.0%
Leasing				7,020	8,444	20.3%
Credit and Factoring				718	557	(22.4)%
Services				67	56	(17.2)%
Non-Performing Loans				5.3%	6.1%	80bps
Real Estate Portfolio				999	1,275	27.6%
Net Productive Assets				8,804	10,331	17.3%
Financial Ratios				9M19	9M20	Var. %
R O A A (annualized)				(1.5)%	0.2%	170bps
R O A E (annualized)*				(9.8)%	1.6%	1,140bps
Financial Debt*/Stockholders' Equity*				5.9x	5.2x	(0.8)x
Capitalization* (Stockholders' Equity/Total Assets)				13.0%	14.9%	190bps
Stockholder's Equity*/Total Portfolio				18.0%	16.8%	(120bps)
Leasing Portfolio/Total Portfolio				89.9%	93.2%	330bps
Total Portfolio/Financial Debt*				0.9x	1.1x	0.2x
Current Assets/Current Liabilities				2.4x	1.9x	(0.8)x

\*Net financial ratios, not accounting for the effects caused by variations in the exchange rate for the quarter due to the debt coverage and eliminating the effect of the OCI on stockholders' equity.

## Income Statement

*in million pesos*

INCOME	3Q19	3Q20	Var. %	9M19	9M20	Var. %
Interest on capital leases	275	289	5.1%	741	900	21.5%
Equipment financing	4	-	(100.0)%	50	4	(92.5)%
Operating leases	108	62	(42.7)%	269	210	(22.0)%
Total income	387	351	(9.3)%	1,060	1,114	5.1%
COSTS						
Interest expense	171	233	36.1%	442	674	52.4%
Cost of credit operations	-	-	-	51	4	(91.2)%
Depreciation of assets under operating leases	69	24	(65.9)%	136	93	(31.3)%
Total costs	240	256	6.8%	629	771	22.6%
GROSS INCOME	147	94	(35.7)%	431	342	(20.5)%
Cost of sales	5	7	49.0%	38	27	(30.1)%
Administrative expenses	55	47	(15.1)%	142	140	(1.6)%
Loan loss reserve	15	18	20.0%	46	53	15.2%
Operating expenses	75	72	(3.8)%	226	219	(2.9)%
OPERATING INCOME	72	22	(69.0)%	205	123	(39.9)%

## Income Statement (Cont'd)

*in million pesos*

	3Q19	3Q20	Var. %	9M19	9M20	Var. %
Other (income) expenses, net	-	2	305.9%	1	6	1,030.0%
Interest income	(51)	(9)	(82.1)%	(78)	(57)	(26.5)%
Interest expenses	96	32	(67.2)%	153	138	(9.5)%
Net exchange profit (loss)	215	(241)	(211.9)%	134	1,119	736.1%
Valuation of financial derivative instruments	(194)	235	(220.8)%	(121)	(1,175)	(868.0)%
Premiums of financial derivative instruments	32	44	35.7%	85	125	47.6%
Extraordinary expenses	140	-	(100.0)%	140	-	(100.0)%
Comprehensive financing result	239	60	(74.8)%	313	150	(52.2)%
<b>INCOME BEFORE INCOME TAXES</b>	<b>(167)</b>	<b>(40)</b>	<b>76.4%</b>	<b>(109)</b>	<b>(32)</b>	<b>70.3%</b>
Taxes	(17)	(51)	199.7%	(11)	(50)	356.5%
<b>NET INCOME</b>	<b>(150)</b>	<b>11</b>	<b>107.6%</b>	<b>(97)</b>	<b>18</b>	<b>118.5%</b>





## Balance Sheet

*in million pesos*

ASSETS	9M19	9M20	Var. %
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2,932	1,002	(65.8)%
Accounts receivable	2,417	2,537	5.0%
Loan loss reserve	(193)	(281)	45.6%
Taxes to recuperate	224	279	24.4%
Sundry debtors	12	4	(62.7)%
Related party debtors	47	17	(63.2)%
Other assets	47	161	242.8%
Inventory	11	28	153.9%
<b>TOTAL CURRENT ASSETS</b>	<b>5,497</b>	<b>3,747</b>	<b>(31.8)%</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment - net	1,440	1,750	21.5%
Long-term receivables	3,423	4,190	22.4%
Other assets	220	112	(49.2)%
Financial derivative instruments	110	733	566.6%
Deferred taxes	-	198	-
Intangible assets	232	234	1.0%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,425</b>	<b>7,217</b>	<b>33.0%</b>
<b>TOTAL ASSETS</b>	<b>10,922</b>	<b>10,964</b>	<b>0.4%</b>

## Balance Sheet (Cont'd)

*in million pesos*

LIABILITIES	9M19	9M20	Var. %
<b>CURRENT LIABILITIES</b>			
Current portion of long-term debt	1,369	1,274	(7.0)%
Accounts payable	135	128	(5.1)%
Sundry creditors	737	597	(19.0)%
Related party creditors	6	12	102.6%
Income taxes and other taxes payable	9	9	(1.5)%
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,256</b>	<b>2,020</b>	<b>(10.5)%</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	7,231	7,749	7.2%
Deferred income tax	153	-	(100.0)%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,384</b>	<b>7,749</b>	<b>4.9%</b>
<b>TOTAL LIABILITIES</b>	<b>9,640</b>	<b>9,769</b>	<b>1.3%</b>
<b>STOCKHOLDERS' EQUITY AND RESERVES</b>			
Capital stock	1,323	1,323	0.0%
Retained earnings	180	184	2.3%
Valuation of financial derivative instruments	(123)	(330)	168.3%
Current year net income	(97)	18	(118.6)%
<b>TOTAL STOCKHOLDERS' EQUITY AND RESERVES</b>	<b>1,283</b>	<b>1,195</b>	<b>(6.9)%</b>
<b>LIABILITIES + STOCKHOLDERS' EQUITY</b>	<b>10,922</b>	<b>10,964</b>	<b>0.4%</b>

## Contact

---

For more information visit  
[www.mexarrend.mx](http://www.mexarrend.mx)

Or contact:

### **Ramón Barreda**

Corporate Finance Director and  
Investor Relations Officer  
+52 (55) 4422 5716  
[ramon.barreda@mexarrend.mx](mailto:ramon.barreda@mexarrend.mx)

### **Ricardo Danel**

Corporate Finance and Investor  
Relations Senior Associate  
+52 (55) 6577 1342  
[ricardo.danel@mexarrend.mx](mailto:ricardo.danel@mexarrend.mx)  
[ri@mexarrend.mx](mailto:ri@mexarrend.mx)

### **Miranda Investor Relations**

Ana María Ybarra Corcuera  
+52 1 (55) 3660 4037  
[ana.ybarra@miranda-ir.com](mailto:ana.ybarra@miranda-ir.com)

## Disclaimer

This document may contain certain forward-looking statements. These statements are non-historical facts, and they are based on the current vision of the Management of Mexarrend S.A.P.I. De C.V. for future economic circumstances, the conditions of the industry, the performance of the Company and its financial results. The terms "anticipated", "believe", "estimate", "expect", "plan" and other similar terms related to the Company, are solely intended to identify estimates or predictions. Some numbers were rounded up for presentation purposes. The statements relating to the implementation of the main operational and financial strategies and plans of investment of equity, the direction of future operations and the factors or trends that affect the financial condition, the liquidity or the operating results of the Company are examples of such statements. Such statements reflect the current expectations of the management and are subject to various risks and uncertainties. There is no guarantee that the expected events, trends or results will occur. The statements are based on several suppositions and factors, including economic general conditions and market conditions, industry conditions and various factors of operation. Any change in such suppositions or factors may cause the actual results to differ from expectations.

All figures are expressed in Mexican Pesos unless otherwise stated, and were prepared in accordance with the requirements from the National Banking and Securities Commission (CNBV). Figures for year ended 2015, 2016, 2017 and 2018 were assessed by independent auditors Galaz, Yamazaki, Ruiz Urquiza, S.C. (Members of Deloitte Touche Tohmatsu Limited).