



Prologis Park Centro Industrial, Ciudad Juarez

# FIBRA PROLOGIS

BAML, 2019 Mexico Year Ahead Conference

November 7, 2019



# Forward-Looking Statements / Non Solicitation

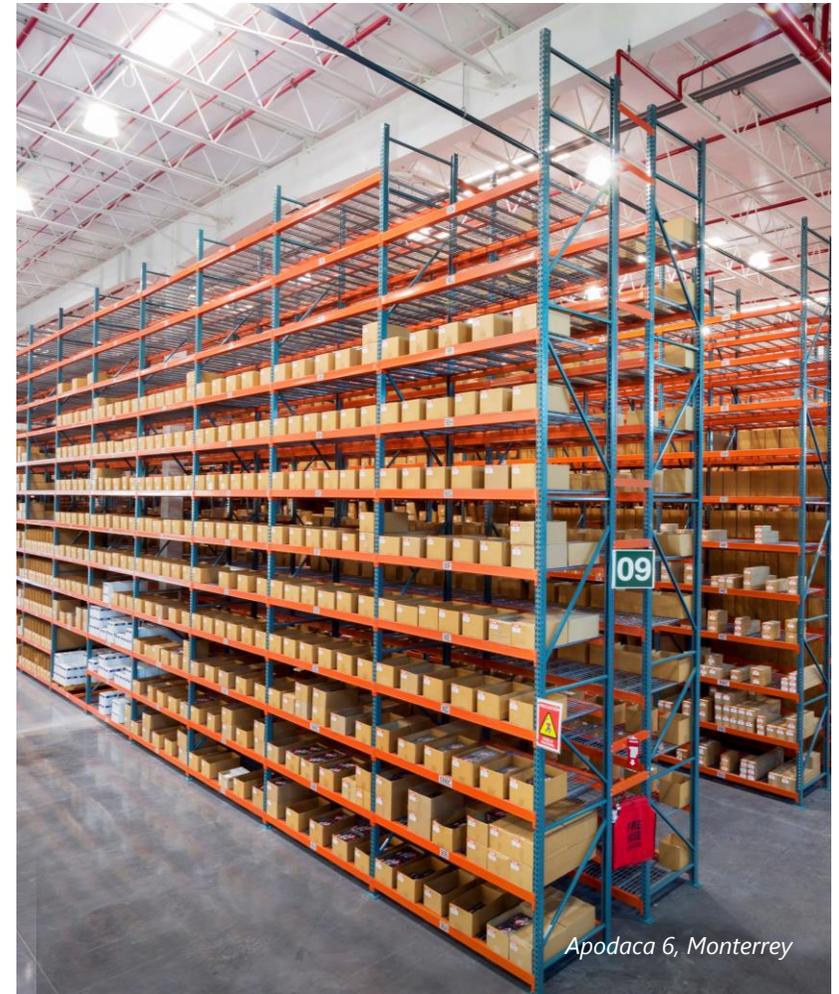
**This presentation includes certain terms and non-IFRS financial measures that are not specifically defined herein. These terms and financial measures are defined and, in the case of the non-IFRS financial measures, reconciled to the most directly comparable IFRS measure, in our third quarter Earnings Release and Supplemental Information that is available on our website at [www.fibraprologis.com](http://www.fibraprologis.com) and on the BMV's website at [www.bmv.com.mx](http://www.bmv.com.mx).**

The statements in this release that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which FIBRA Prologis operates, management's beliefs and assumptions made by management. Such statements involve uncertainties that could significantly impact FIBRA Prologis financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, acquisition activity, development activity, disposition activity, general conditions in the geographic areas where we operate, our debt and financial position, are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, dispositions and development of properties, (v) maintenance of real estate investment trust ("FIBRA") status and tax structuring, (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments (viii) environmental uncertainties, including risks of natural disasters, and (ix) those additional factors discussed in reports filed with the "Comisión Nacional Bancaria y de Valores" and the Mexican Stock Exchange by FIBRA Prologis under the heading "Risk Factors." FIBRA Prologis undertakes no duty to update any forward-looking statements appearing in this release.

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# Contents

- 04 FIBRA Prologis Key Differentiators
- 13 Why Industrial Real Estate
- 18 Why FIBRA Prologis
- 28 Appendix





## FIBRA Prologis Key Differentiators

# FIBRA Prologis Key Differentiators

## FOCUSED INVESTMENT STRATEGY

- Own irreplaceable industrial real estate in Mexico
- Investing in the six most dynamic markets
- Consumption and e-commerce driving incremental growth
- Proprietary access to acquire Prologis development pipeline

## IRREPLACEABLE PORTFOLIO<sup>(1)</sup>

- Average age of 15 years
- 95% Class-A/A+ buildings
- 83% of buildings located in master-planned parks

## SOLID TRACK RECORD

- Leadership team with over 28-years of experience
- ~108% total stock return since IPO<sup>(2)</sup> or 14.6% CAGR<sup>(2)</sup>
- ~39% growth in FMV of total operating portfolio (including acquisitions) and ~17% growth in FMV of just the IPO portfolio<sup>(3)</sup>

## STRONG BALANCE SHEET

- Conservative leverage
- Liquidity emphasis provides increased flexibility



Source: FIBRA Prologis, CBRE, Bloomberg

1. Data as of September 30, 2019
2. IPO was June 4, 2014; total return and CAGR calculated in Mexican Pesos on October 17, 2019
3. Comparison of fair market value of the portfolio between June 4, 2014 and September 30, 2019

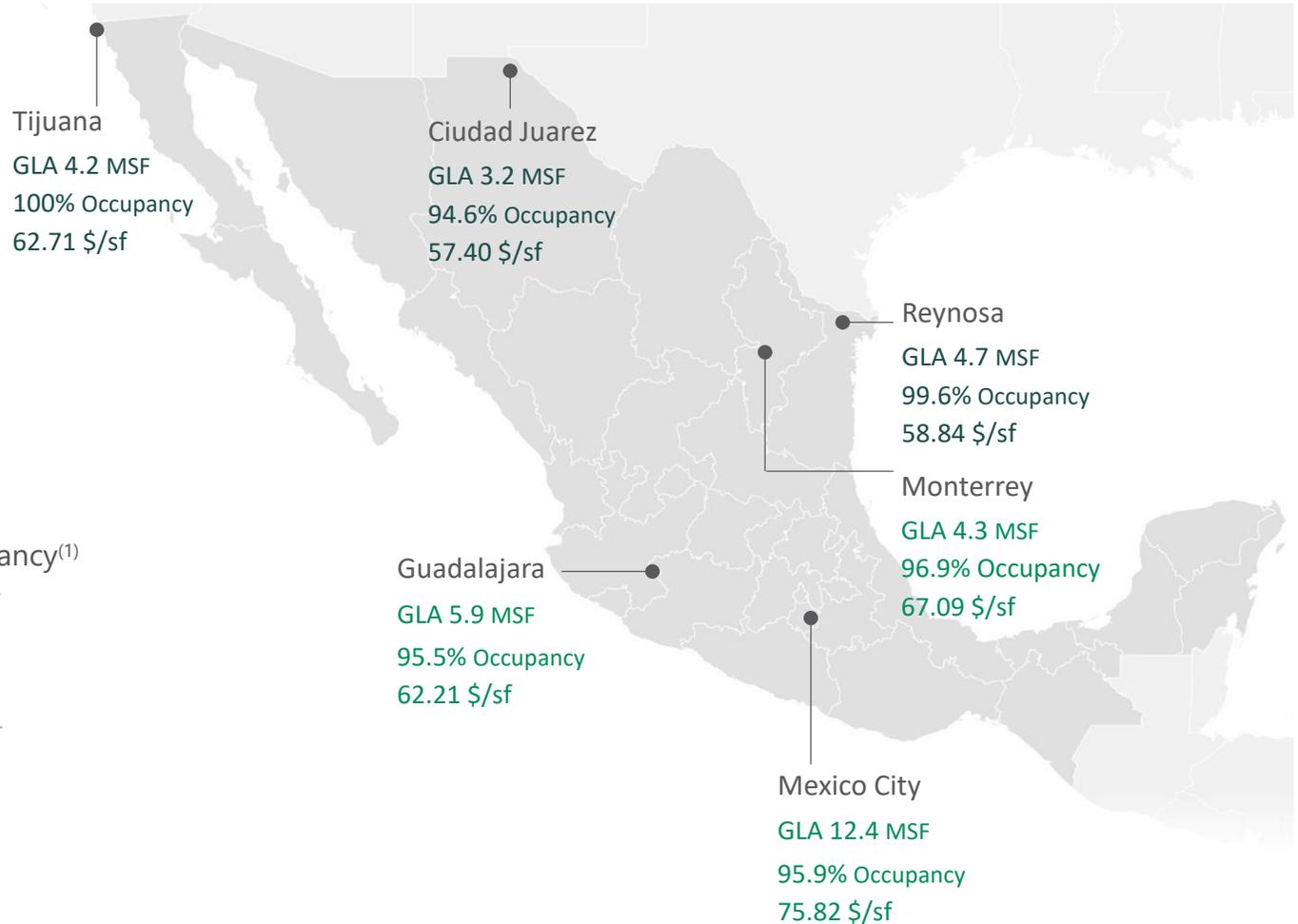
# Unmatched Portfolio Focused in the Top Consumption and Manufacturing Markets

**96.8%**  
Occupancy

**120 bps**  
Outperformance vs Market Occupancy<sup>(1)</sup>

**34.8**  
Million Square Feet

**190**  
Operating Properties



# Diversified Customer Base

**230**  
customers in Mexico  
have

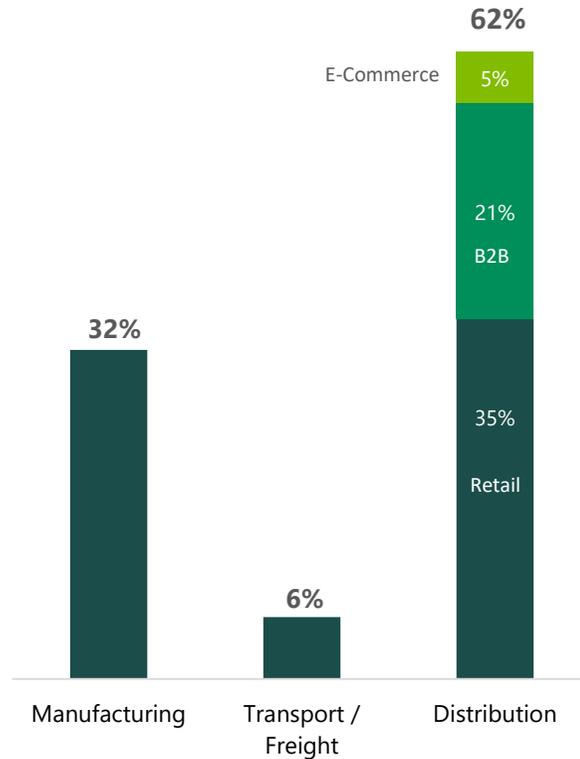
**318** leases with FIBRA  
Prologis

**86%** of FIBRA Prologis'  
customers are multinational  
companies<sup>(1)</sup>

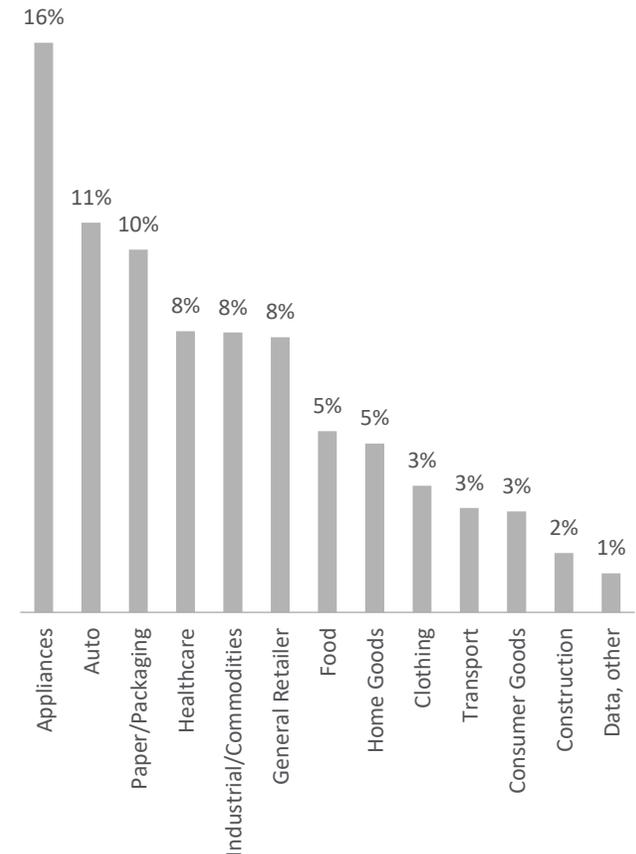
Our top 10 customers  
represent just

**19.6%**  
of net effective rent

**CUSTOMER ACTIVITY**  
%, NRA basis



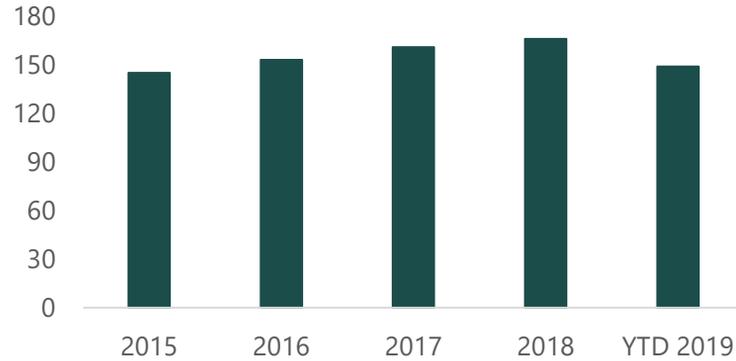
**CUSTOMER INDUSTRY**  
%, NRA basis



# Consistent Growth

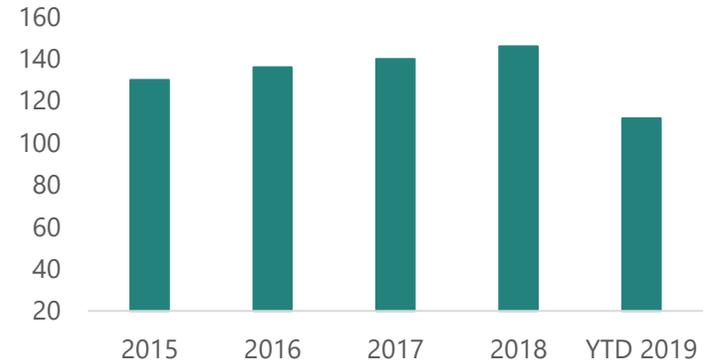
## NOI GROWTH

Millions of USD



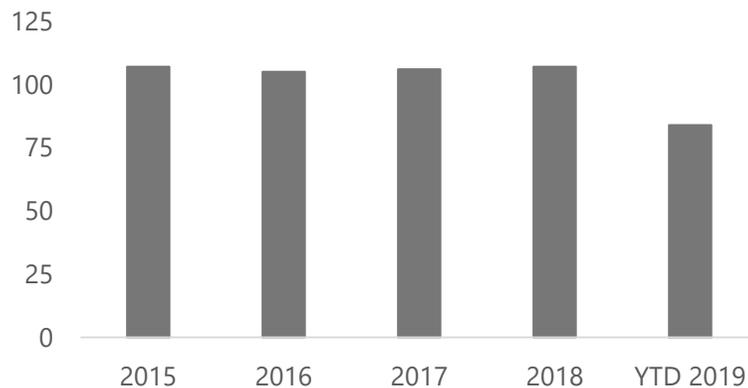
## ADJUSTED EBITDA GROWTH

Millions of USD



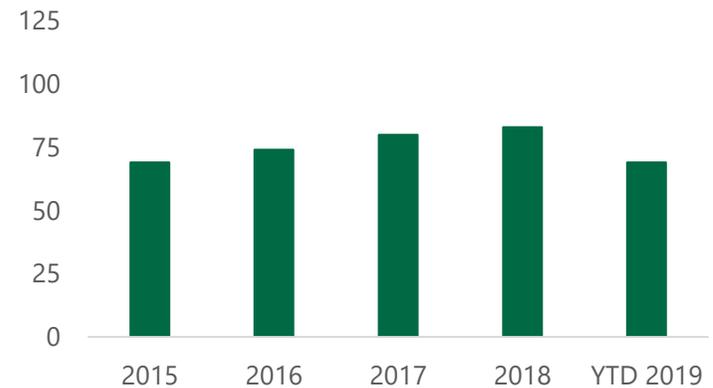
## FFO GROWTH

Millions of USD



## AFFO GROWTH

Millions of USD



Data as of September 30, 2019

Note: For comparative purposes, incentive fees paid to FIBRAPL's sponsor in 2017, 2018 and 2019 have been excluded, as has the impact on realized exchange losses from VAT in 2015.

# Strong Credit Metrics

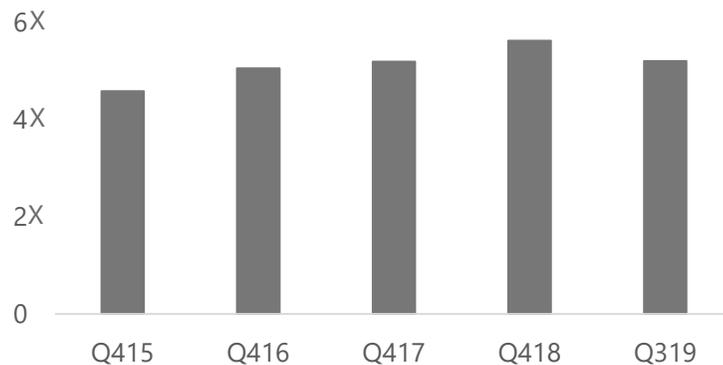
**DEBT % OF INVESTMENT PROPERTIES**



**FIXED CHARGE COVERAGE RATIO**

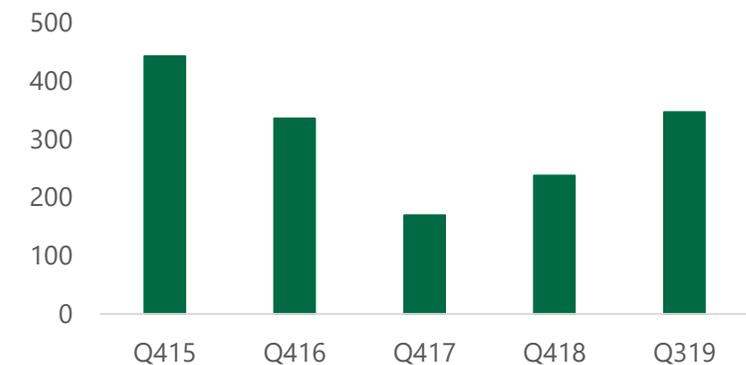


**DEBT TO ADJUSTED EBITDA**



**LIQUIDITY**

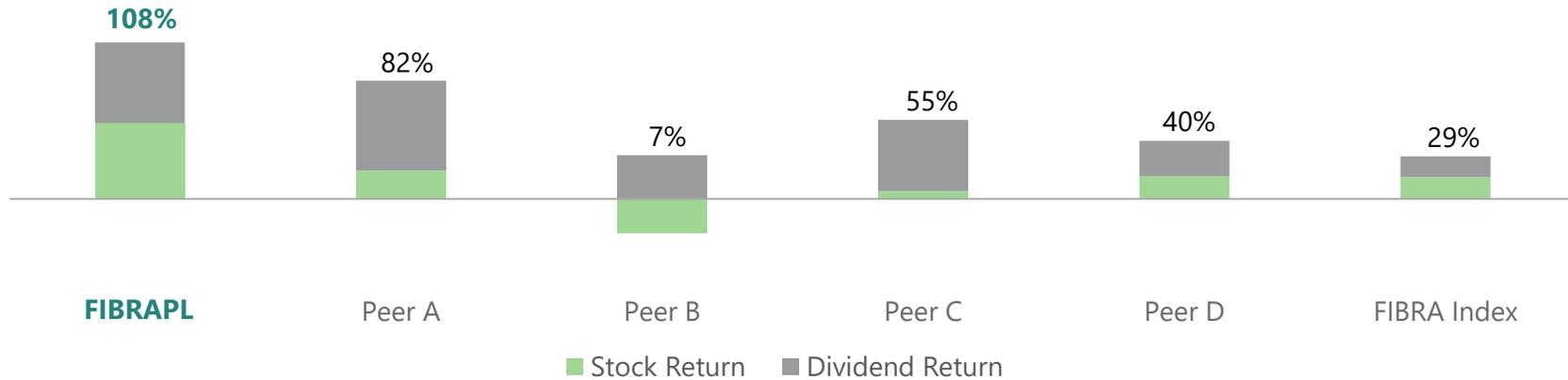
Millions of USD



# Creating Value for Certificate Holders

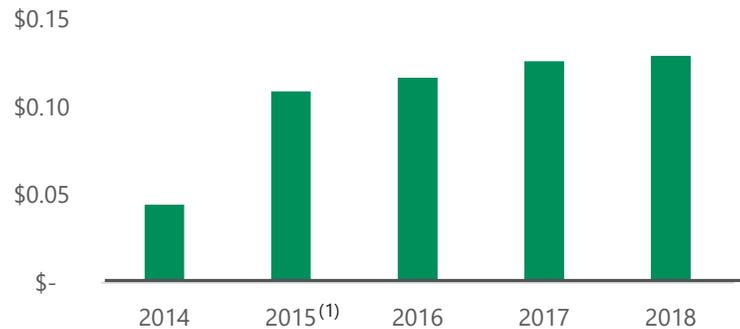
## TOTAL RETURN OF CBFIS IN MEXICAN PESOS

June 4, 2014 – October 17, 2019



## FIBRAPL AFFO PER CBFI

USD, millions

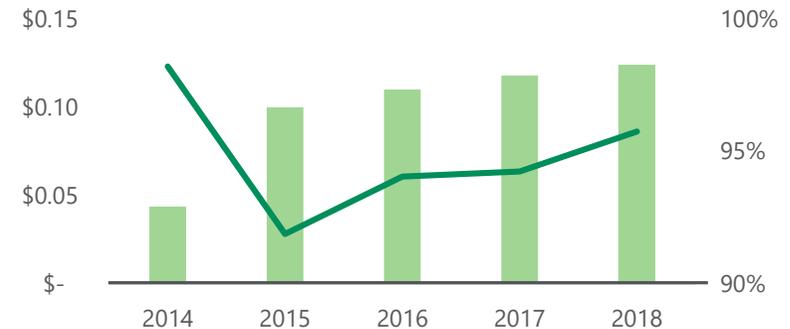


## FIBRAPL DISTRIBUTIONS PER CBFI

USD, millions

## PAYOUT RATIO

% of AFFO



# Our Foundation Begins with ESG

## FIBRA Prologis' ESG Highlights

### Environmental

- 21 sustainable building certifications (5.7 million square feet / 16.3% of GLA)
- Smart LED systems are being installed to better understand energy use

### Social

- Building relationships with communities
- Positive impact on local economies through labor
- Space for Good program: donating vacant space for volunteer work, non-profit organizations and emergencies
- Champion inclusion and diversity

### Governance

- Foreign Corrupt Practices Act (FCPA) rules apply to all Prologis employees globally
- Technical Committee members are ratified annually by certificate holders
- 63% of Technical Committee members are independent

## Recognized for Performance and Transparency

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM

### Dow Jones Sustainability Indices

FIBRA Prologis through Prologis Property Mexico is a member since 2017 and one of only three members of DJSI MILA Pacific Alliance



G R E S B  
★ ★ ★ ★ ★ 2018

### Global Real Estate Sustainability Benchmark

Recognized for outstanding performance, FIBRA Prologis earned a Green Star, the highest distinction from GRESB.

# Corporate Governance

## Alignment with Certificate Holders

### Philosophy

Our governance structure reflects a market-leading approach to corporate governance prioritizing the interests of our CBFH holders while leveraging our relationship with Prologis, consistently recognized for its best-in-class governance

### Committees

- The following committees consist of at least three independent members
  - Audit Committee
  - Practices Committee
  - Indebtedness Committee

### Shared Ownership

- Prologis' **47%** ownership of FIBRA Prologis, demonstrates alignment with certificate holders

### Technical Committee Members

- Technical Committee members are ratified annually by certificate holders

5 Independent Members	3 Prologis Members
-----------------------------	--------------------------

- Pablo Escandón Cusi
- Luis F. Cervantes
- Alberto Saavedra
- Armando Garza Sada
- Xavier de Uriarte Berron
- Luis Gutiérrez
- Eugene F. Reilly
- Edward S. Nekritz

### Related-Party Transactions

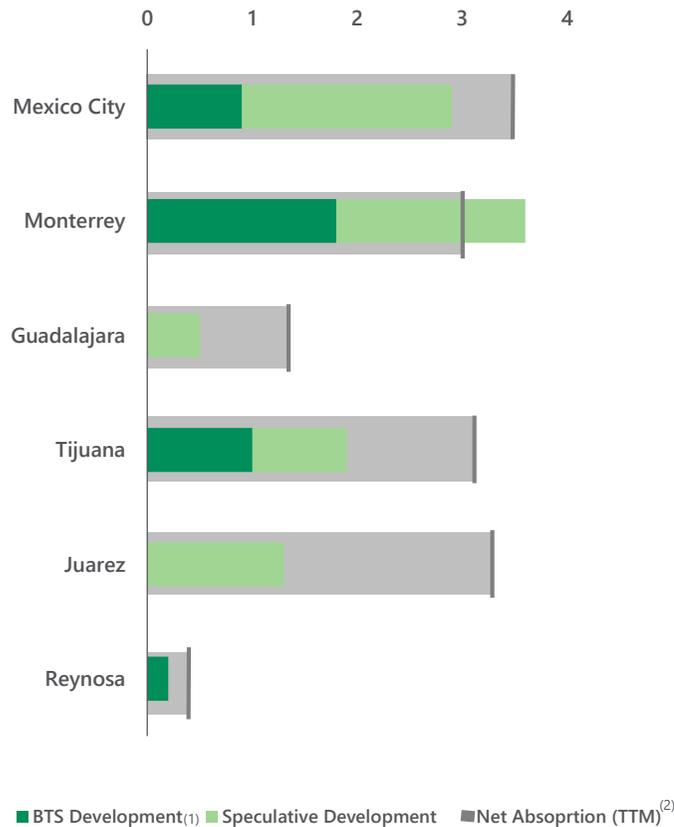
- **Only independent members** of the Technical Committee may vote for related-party transactions, such as purchasing stabilized assets from our sponsor, Prologis



## Why Industrial Real Estate

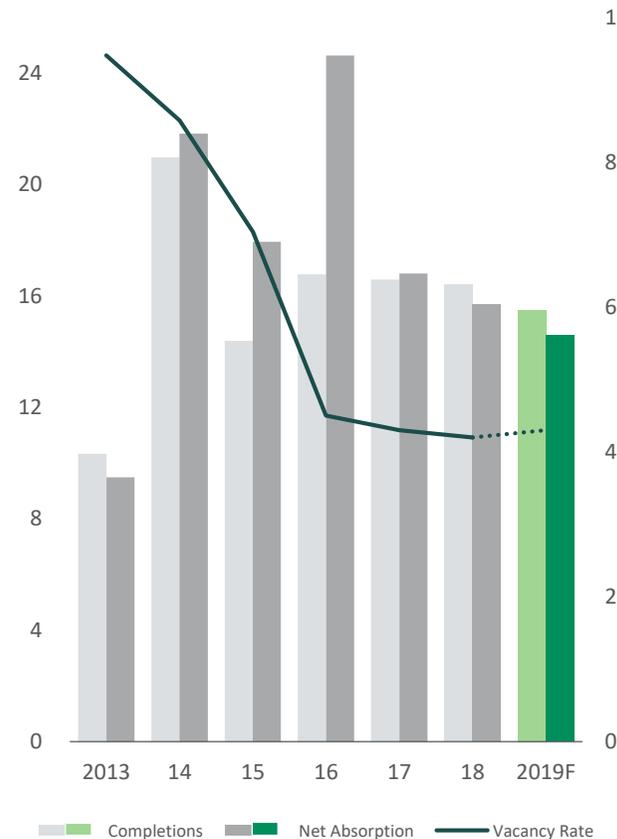
# Real Estate Fundamentals

**DEMAND (TTM) VS SUPPLY (PIPELINE)**  
(MSF)



Sources: CBRE, NAI, Prologis Research

**DEMAND VS SUPPLY**  
(MSF)



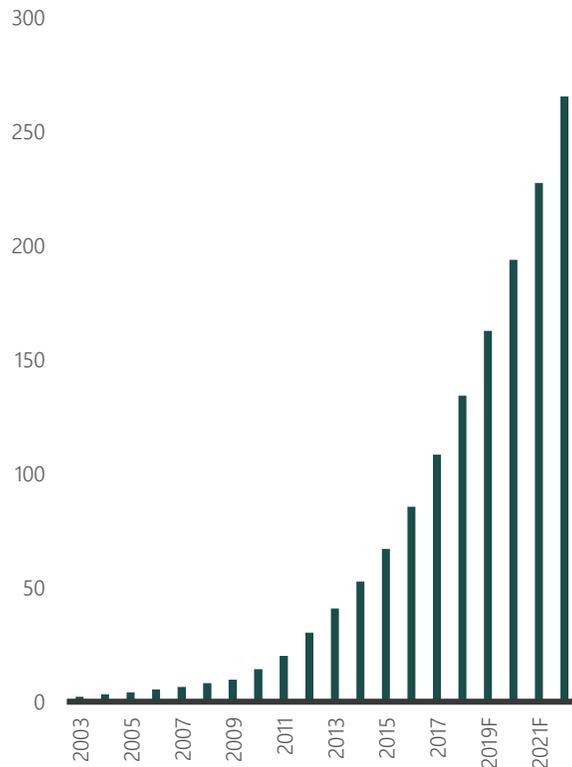
Sources: CBRE, Prologis Research

- Tempered supply and strong demand have kept market vacancies at or near historical lows
- Political uncertainty impacting development cycle more so than customer demand
- Mexico City's market vacancy for Class-A product is ~3.0%
- Scarcity of available modern product is driving customers to sign pre-leases on speculative supply currently under construction in Mexico City

# E-Commerce Becoming an Added Demand Driver

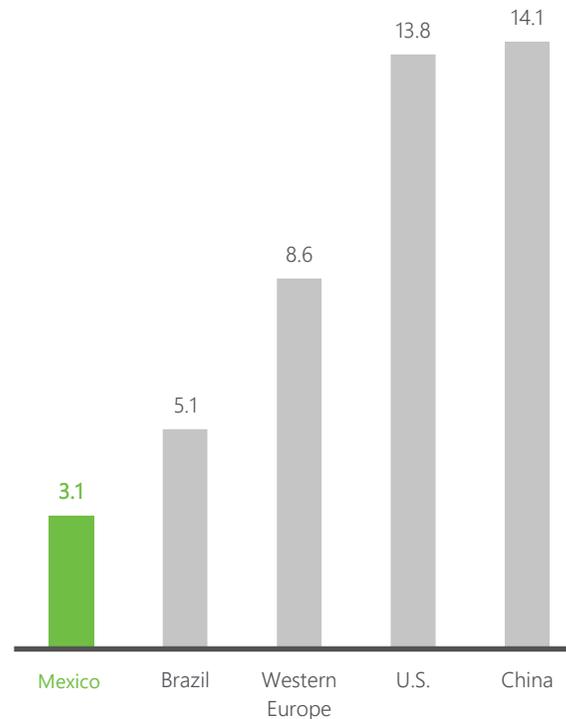
## SIGNIFICANT E-COMMERCE SALES, MEXICO

Billions, MXN, Constant 2017 Prices



## POSITIVE UPSIDE IN INTERNET PENETRATION

%, Internet Sales as a Share of Total Retail Sales



- E-commerce becoming an added tailwind for logistics real estate demand, especially in Mexico City
- Mexican e-commerce sales growing rapidly by >20% year-over-year
- E-commerce penetration in Mexico still in nascent development stage relative to global market peers
- Intensive users of logistics space; ~3X traditional brick & mortar
- Mexico projected to exceed USD\$20B in e-commerce sales, surpassing Argentina in 2019 and based on current trajectory, best the Latin American leader, Brazil, by 2022<sup>(1)</sup>

# E-Commerce Requires ~3X the Distribution Space of Traditional Retail

	Sales US\$, B	Facilities SF, M	Productivity US\$ / SF	Efficiency SF / \$1B
 <p><b>Online</b></p>	\$228B	286	\$799	1,251 KSF
 <p><b>Brick &amp; Mortar</b></p>	\$1,068B	510	\$2,091	478 KSF

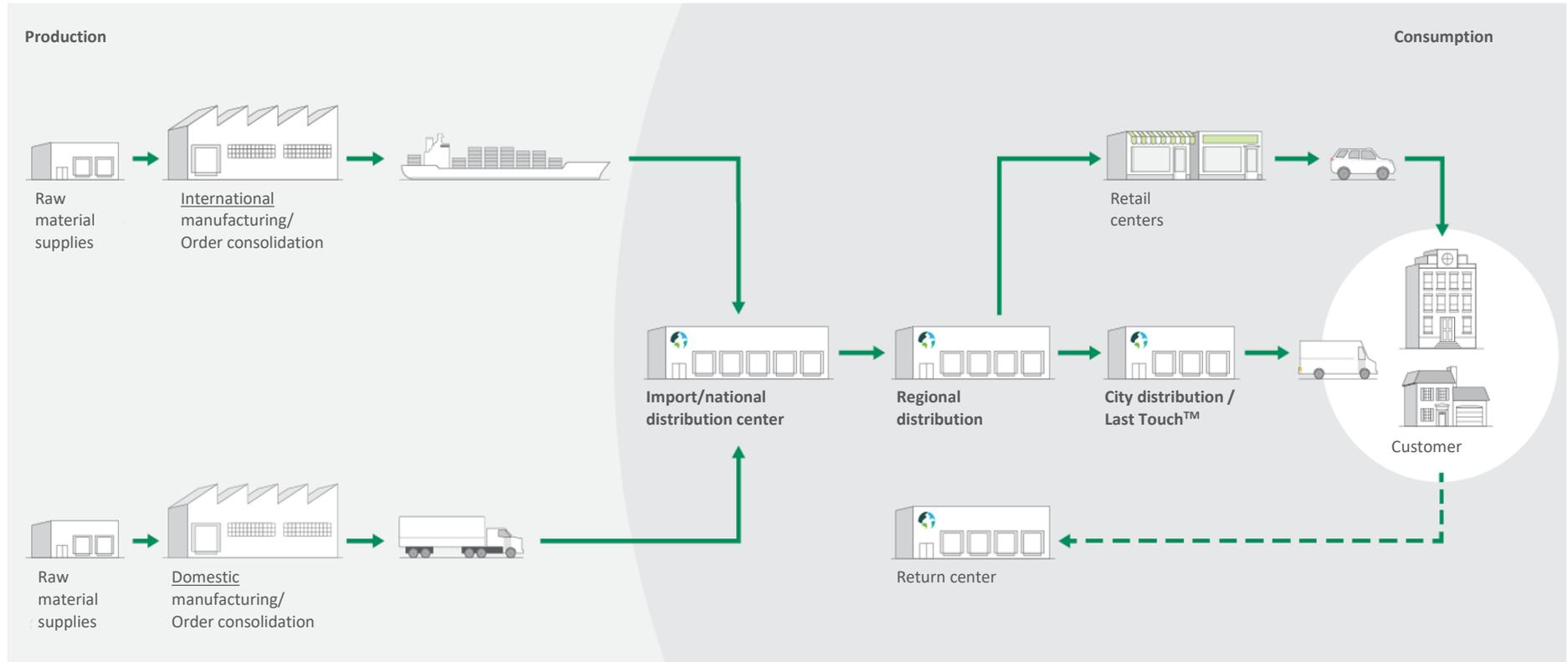
**+ 3x**

E-fulfillment requires 3X the logistics space used of brick-and-mortar retailers due to:

- Shipping parcels versus pallets
- High inventory level
- Broader product variety (ie increased SKUs)
- Reverse logistics

# Location Matters

## CONTINUUM OF LOGISTICS REAL ESTATE LOCATION REQUIREMENTS



- Creating more flexible and reactive supply chains has led to a decentralized distribution model, as opposed to centralized pooling of inventory as done in the past
- Emergent location requirements concentrate on the nodes nearest to consumers:
  - Regional distribution facilities
  - Last Touch® centers



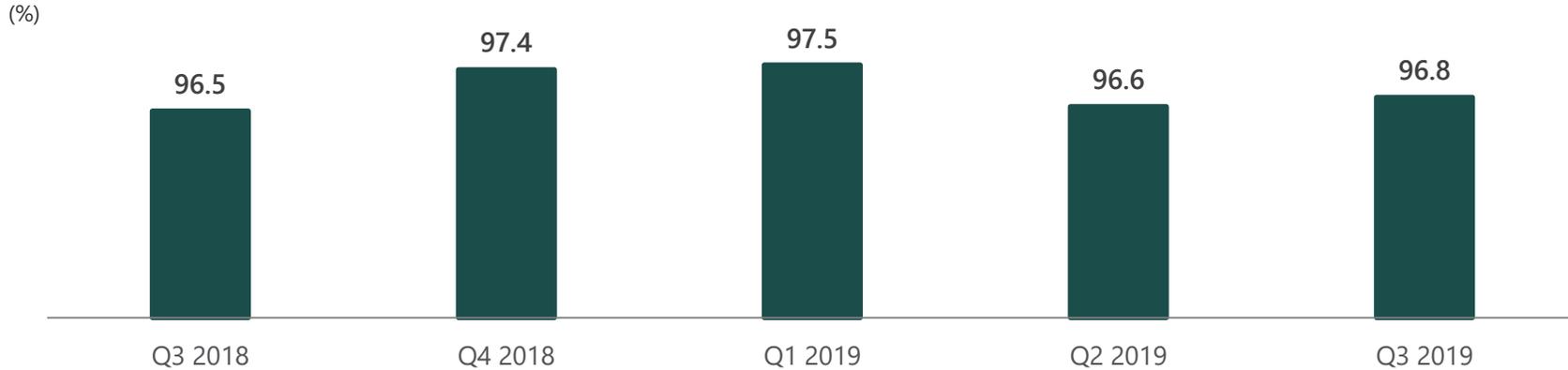
Prologis Pharr Bridge, Reynosa

# Why FIBRA Prologis



# Solid Operating Performance

## ELEVATED PERIOD-END OCCUPANCY



## POSITIVE RENT CHANGE ON ROLLOVER EXPECTED TO CONTINUE

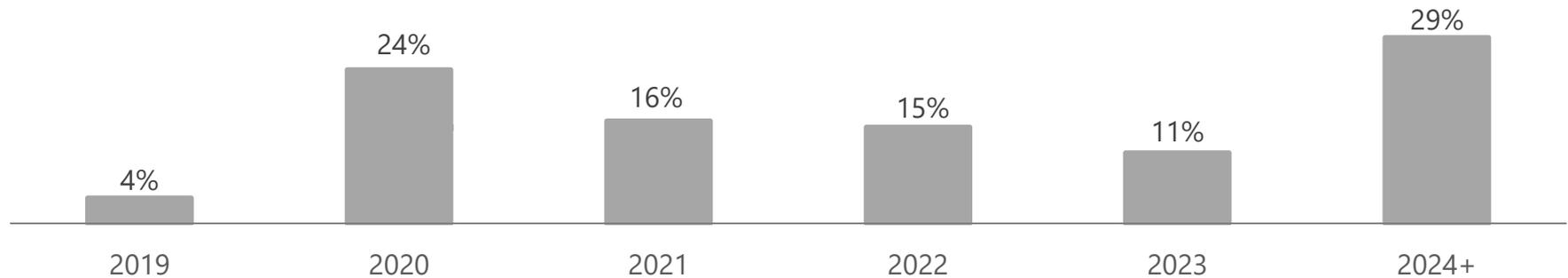


## CASH SAME STORE NOI GROWTH DRIVEN BY OCCUPANCY AND RENT GROWTH



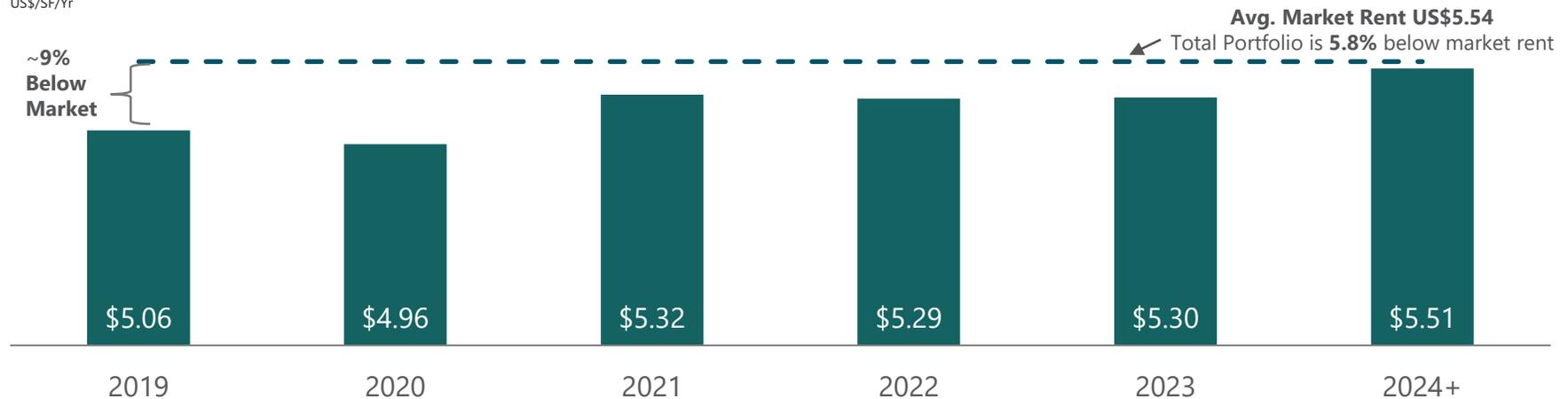
# Embedded Earnings Potential from Harvesting the Gap between In-place Rents and Market Rents

## LEASE EXPIRY PROFILE BY ANNUALIZED NER



## AVERAGE IN-PLACE NER RATE OF LEASE EXPIRY PROFILE

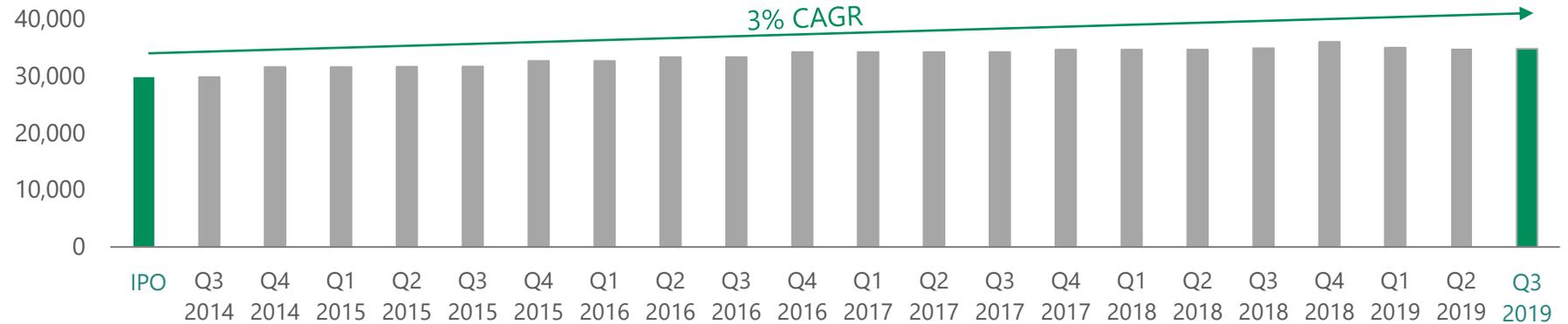
(Overall Portfolio Avg. in Place Rent of US\$5.24)  
US\$/SF/Yr



# Portfolio Expansion Since IPO

## GROSS LEASABLE AREA

Thousands of SF, June 4, 2014 through September 30, 2019



## TOTAL REAL ESTATE PORTFOLIO VALUE<sup>(1)(2)(3)</sup>

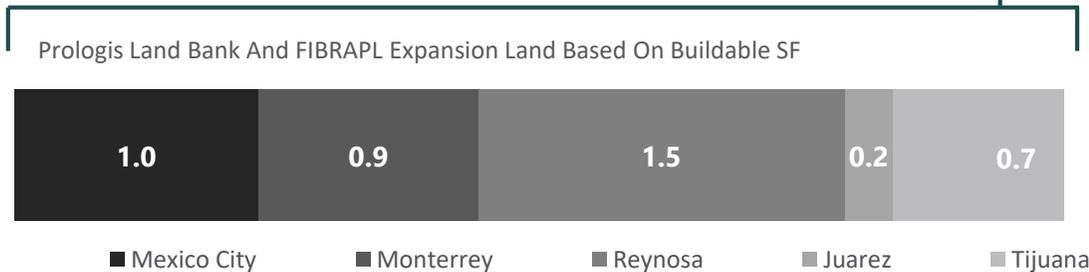
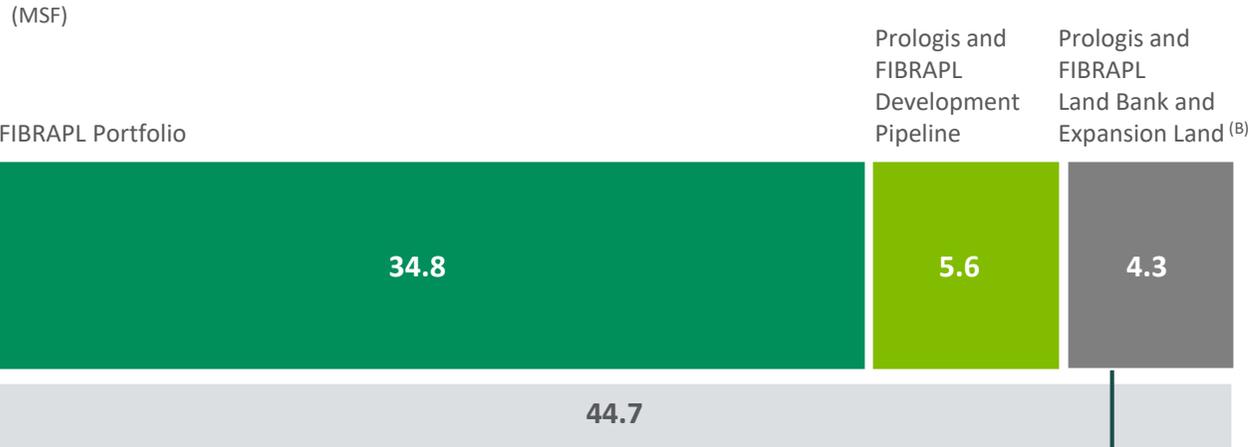
Thousands of USD, June 4, 2014 through September 30, 2019



1. Based on 3<sup>rd</sup> party appraisals  
 2. Includes acquisitions made since IPO  
 3. Excluding acquisitions the IPO portfolio has increased in value by ~17%

# External Growth: Identified Future Growth Acquisitions

## EXTERNAL GROWTH VIA PROLOGIS DEVELOPMENT PIPELINE



## UNIQUE COMPETITIVE ADVANTAGE

- Proprietary access to Prologis development pipeline at market values
- Exclusive right to third-party acquisitions sourced by Prologis
- 28% growth potential in the next 3 to 4 years, subject to market conditions and financial availability

## PROLOGIS DEVELOPMENT PIPELINE

	GLA (MSF)	% Leased
Mexico City	4.0	97%
Monterrey	0.8	87%
Ciudad Juarez	0.4	46%
Tijuana	0.4	0%
<b>Total</b>	<b>5.6</b>	<b>85%</b>

Data as of September 30, 2019

Note: All potential acquisitions, regardless of source, are evaluated by management, factoring in real estate and capital market conditions, and are subject to approval by FIBRA Prologis' Technical Committee. We can provide no assurance that these properties will be offered to FIBRA Prologis, or if offered, that FIBRA Prologis will acquire them.

# Potential Future Investments

## Prologis Park Grande

- Location: **Mexico City**
- Land Size: **212.3 acres, 9.3 MSF**
- Potential Build Out: **3.9 MSF**
- Fully leased: Buildings 1, 2, 3, 4, 5, 7 and 8 (**3.6 MSF**)
- Partially leased: Building 6 (**0.3 MSF**)
- Under construction: Building 2 (**1.0 MSF**).

## Unique Competitive Advantage:

- State of the art logistics park focused on e-commerce customers and consolidation of 3PL customers
- Strategically located in the land constrained premier Class-A building corridor of Mexico City



# Disciplined Balance Sheet Management

**\$772M**

Total Debt

**4.5%**

Wtd Avg Rate<sup>(1)</sup>

**4.1X**

Fixed Charge Coverage

**32.0%**

Loan-to-Value

**100%** USD

denominated

**4.1 years**

Wtd Avg Term

**5.2X**

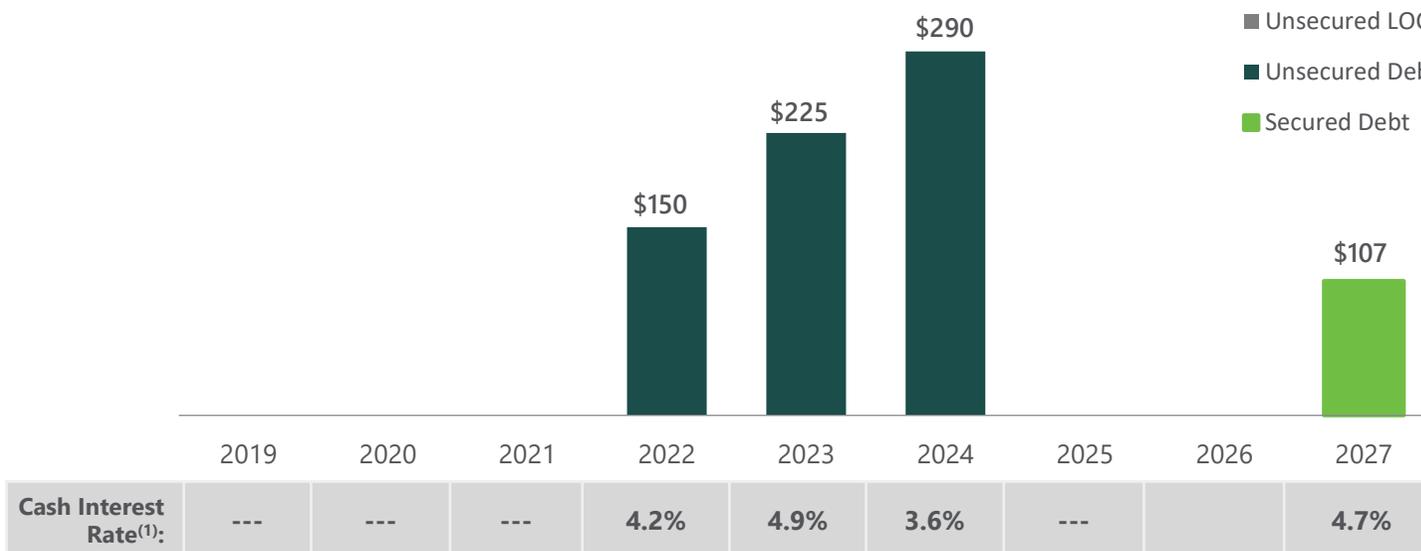
Debt-to-Adjusted EBITDA

**\$496M**

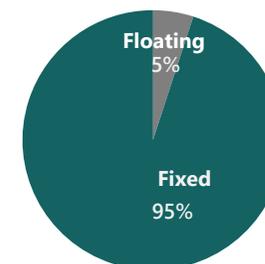
Available Liquidity in USD <sup>(2)</sup>

## DEBT MATURITY SCHEDULE

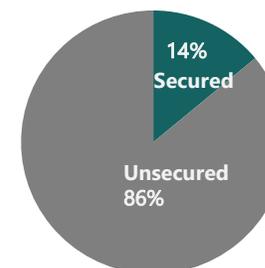
(US\$ in millions)



## FIXED VS. FLOATING DEBT



## SECURED VS. UNSECURED DEBT

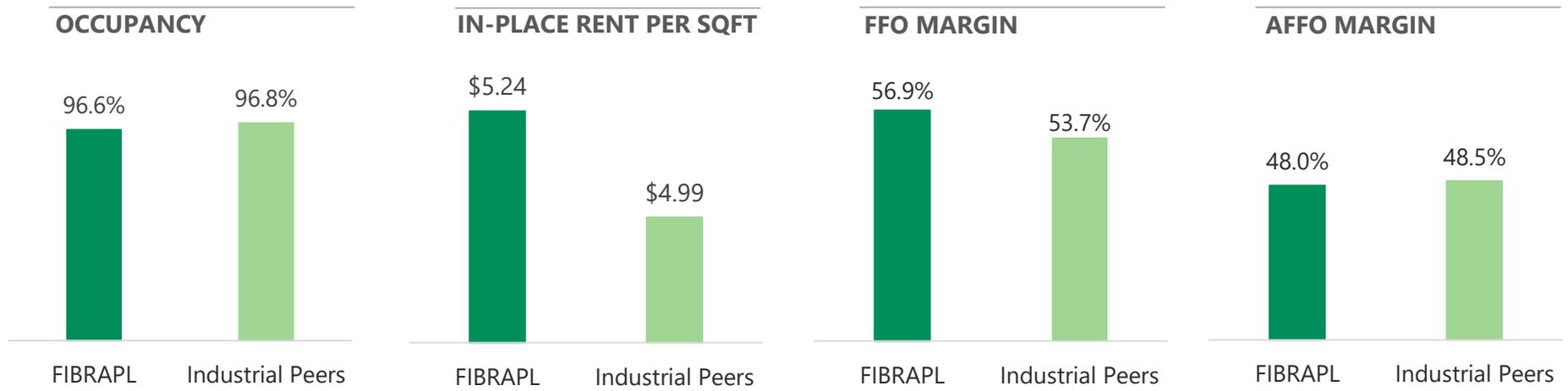


Data as of September 30, 2019

1. Weighted average rate and cash interest rate includes the three separate interest swaps with maturity dates on October 18, 2020, March 15, 2021 and August 6, 2021 contracted for notional amounts of US\$150M, US\$225M and US\$240M, respectively.

2. Liquidity is comprised of US\$21M of cash, US\$325M undrawn from unsecured credit facility and US\$150M from the accordion feature

# Compelling Valuation



FIBRA Prologis shares represent an **attractive entry point** trading at a:

- Discount to NAV
- FFO Multiple slightly below its peers

**Certificates are undervalued** despite our superior portfolio quality, desirable market concentrations, market leading performance (i.e. occupancy, in-place rent per sq ft and FFO margin), growth profile and total return since IPO

# Distribution Growth Potential

## INTERNAL GROWTH DRIVERS

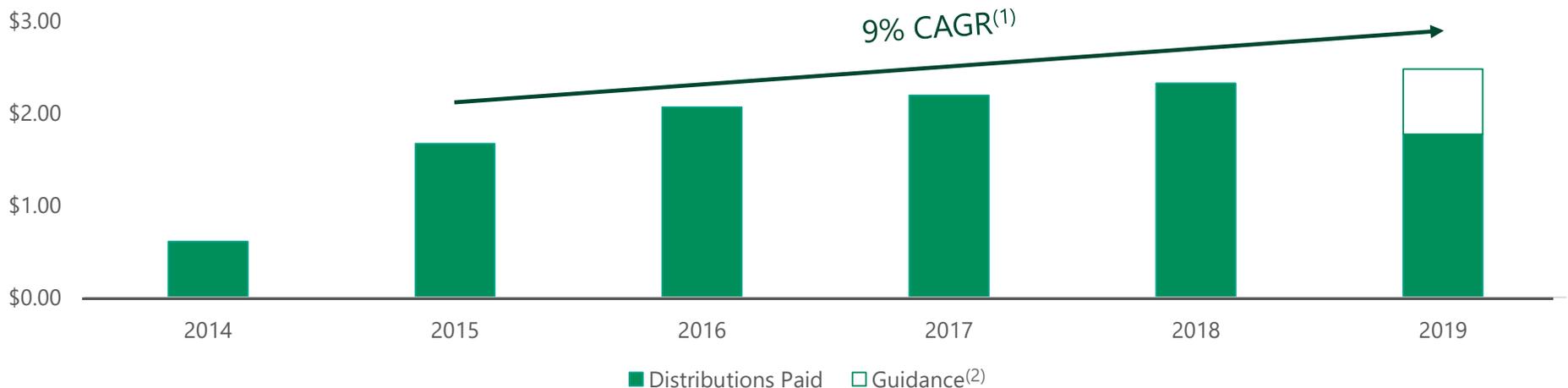
- Positive demand / supply imbalance and low vacancy of ~4.3%
- Market rents forecast to grow between 1% and 2% in 2019 and should continue to grow given favorable operating conditions
- Portfolio is ~6% under rented with ~20% expiring annually

## EXTERNAL GROWTH DRIVERS

- Exclusive right to 5.6MSF of Prologis development, at appraised value, plus access to potential, incremental 4.3MSF upon completion of Prologis held land bank

## DISTRIBUTIONS PER CBFI

Mexican Pesos



1. 10% CAGR from 2015 through September 30, 2019 as FIBRA Prologis was only a public company for seven months in 2014  
 2. Guidance introduced on January 25, 2019 for 2019 distributions of USD\$0.1240 per CBFI (at 20 pesos per USD) or Ps\$2.480 per CBFI. Guidance represents management's best estimate at a specific point in time and no assurances can be given that this distribution level can be attained



## Location and Quality Matter

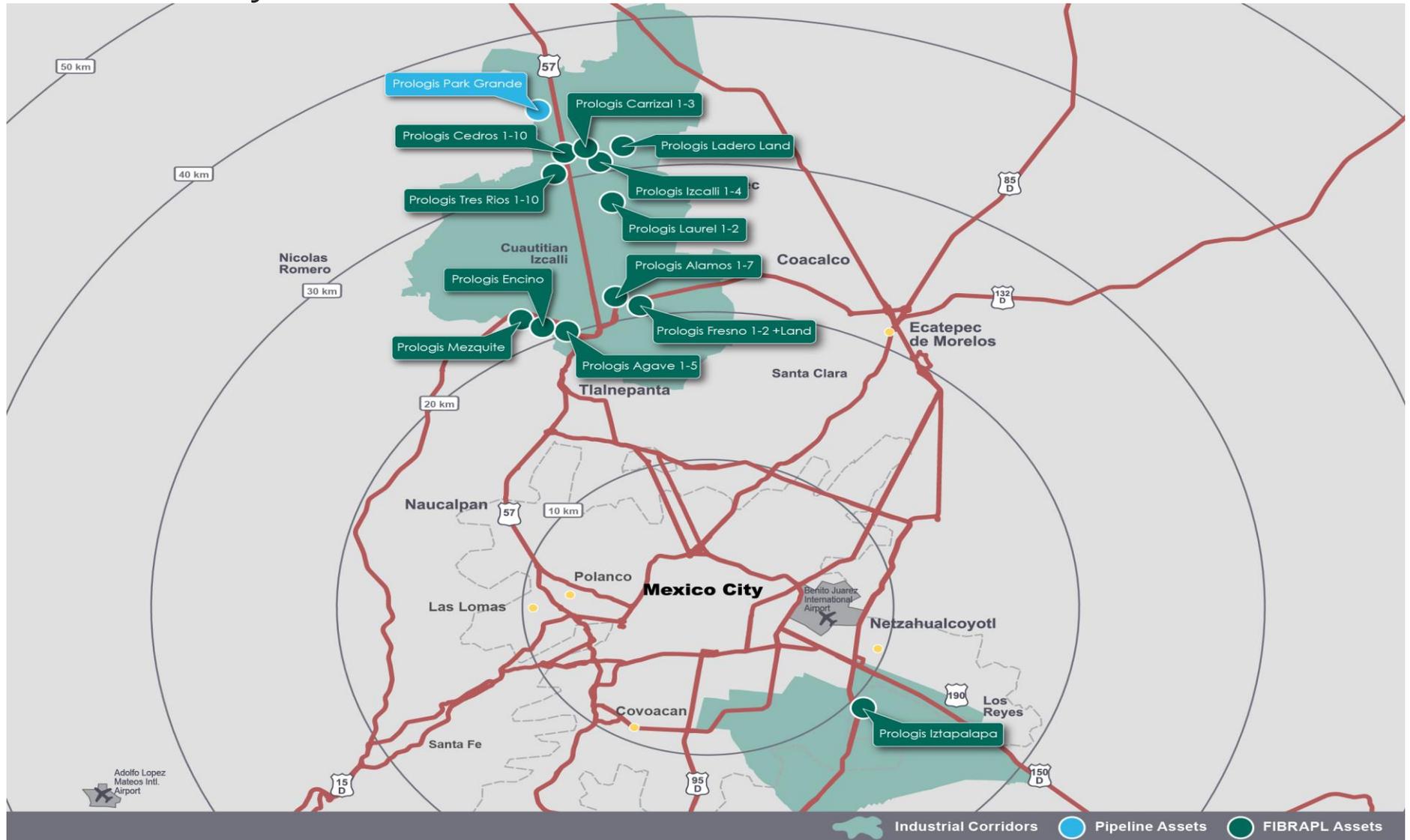
- 108% Total Return Since IPO<sup>(1)</sup>
- Raised the distribution four consecutive years
- Superior organic growth
- Reliable and sustainable cash flow
- Access to Prologis development pipeline
- Disciplined balance sheet management
- Strong corporate governance



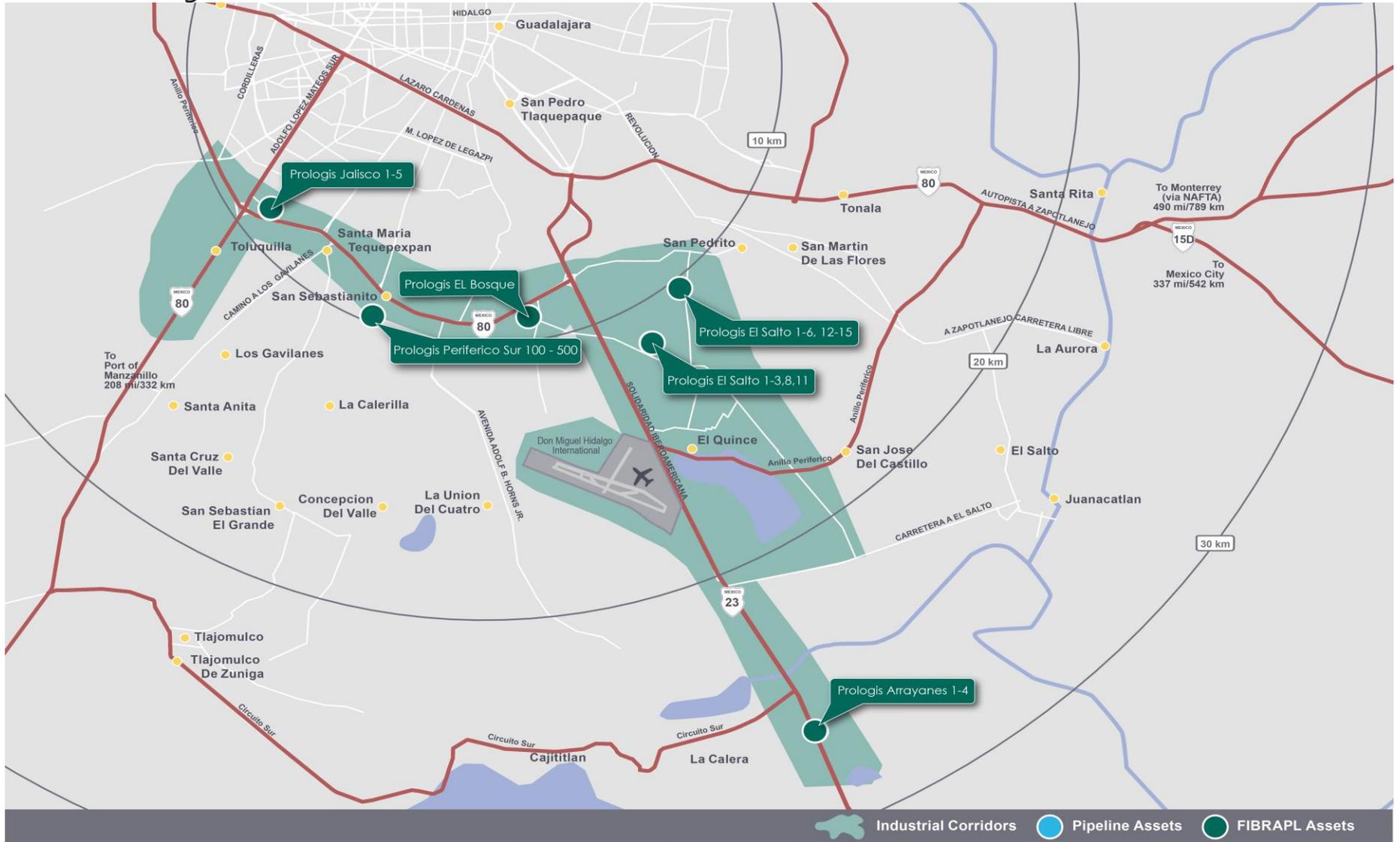
Alamar Industrial Center, Tijuana

## Appendix

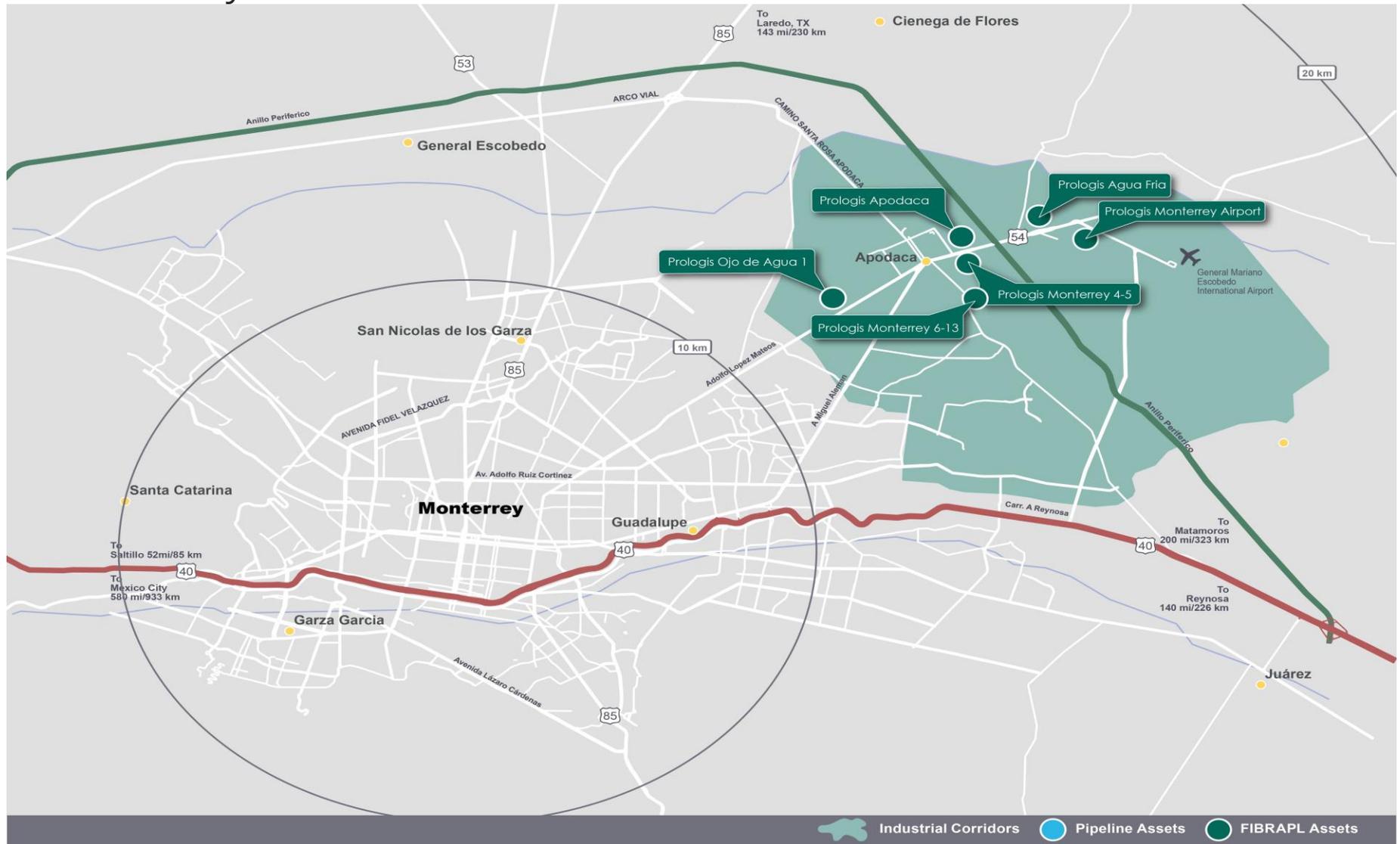
# Mexico City



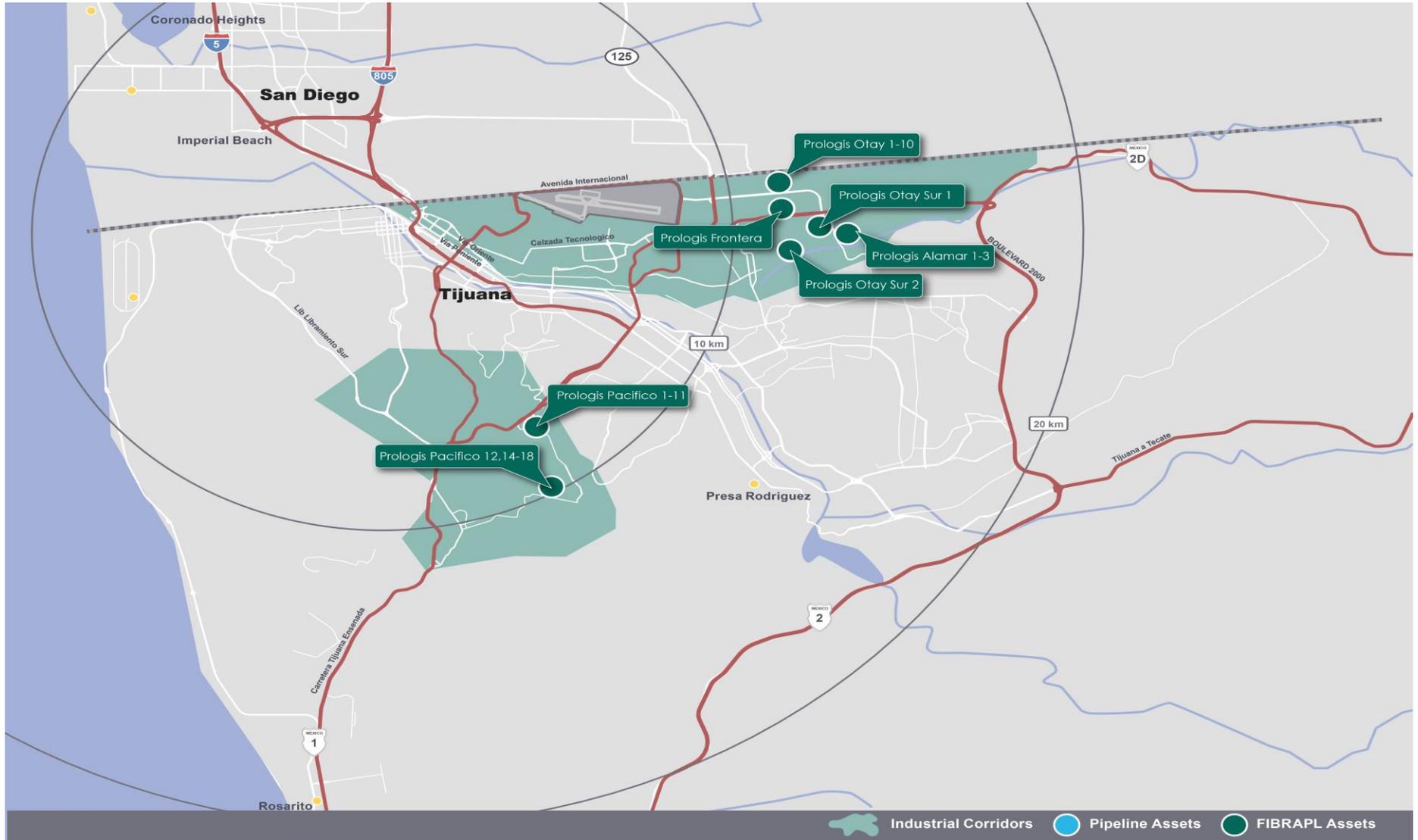
# Guadalajara



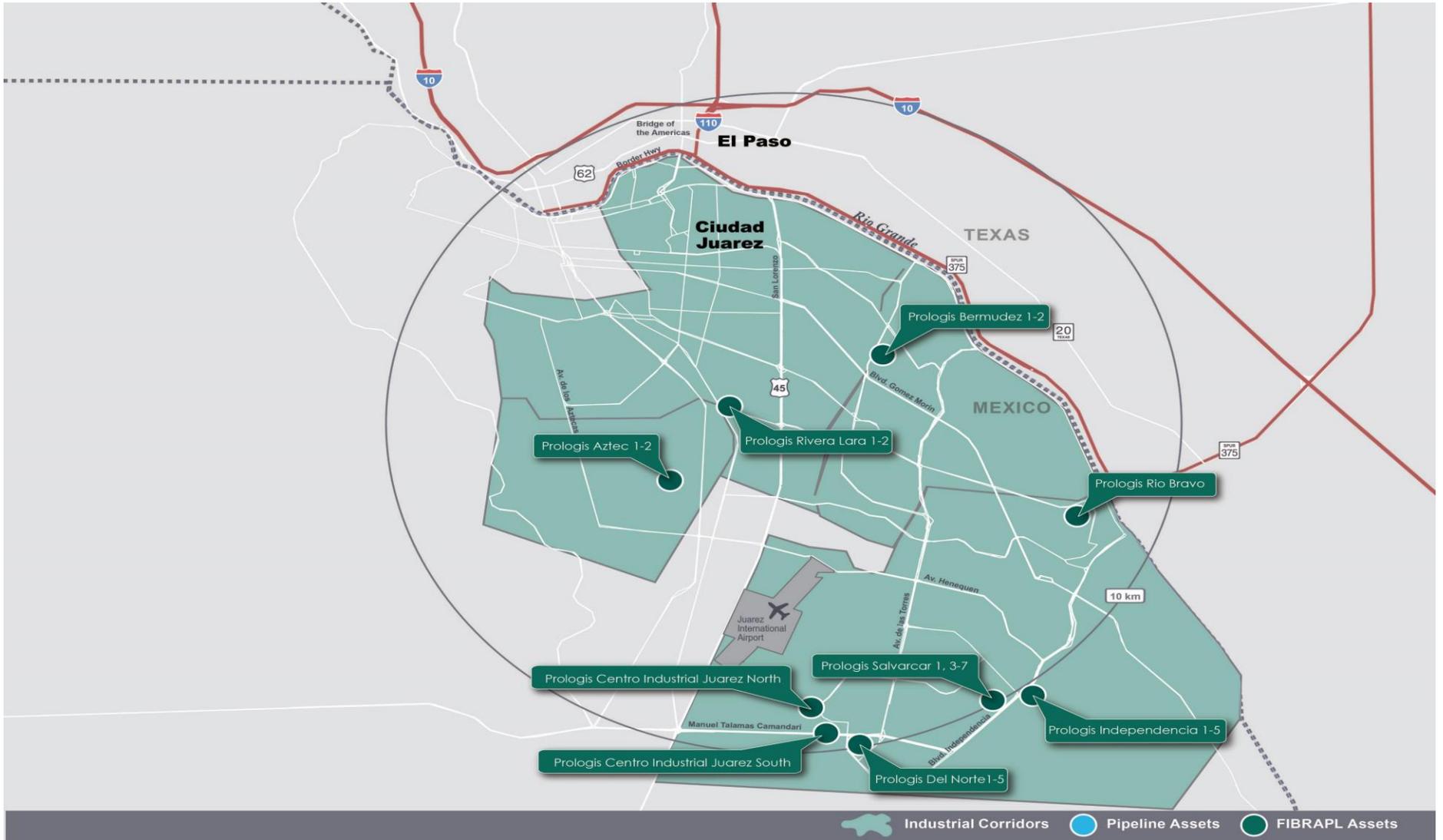
# Monterrey



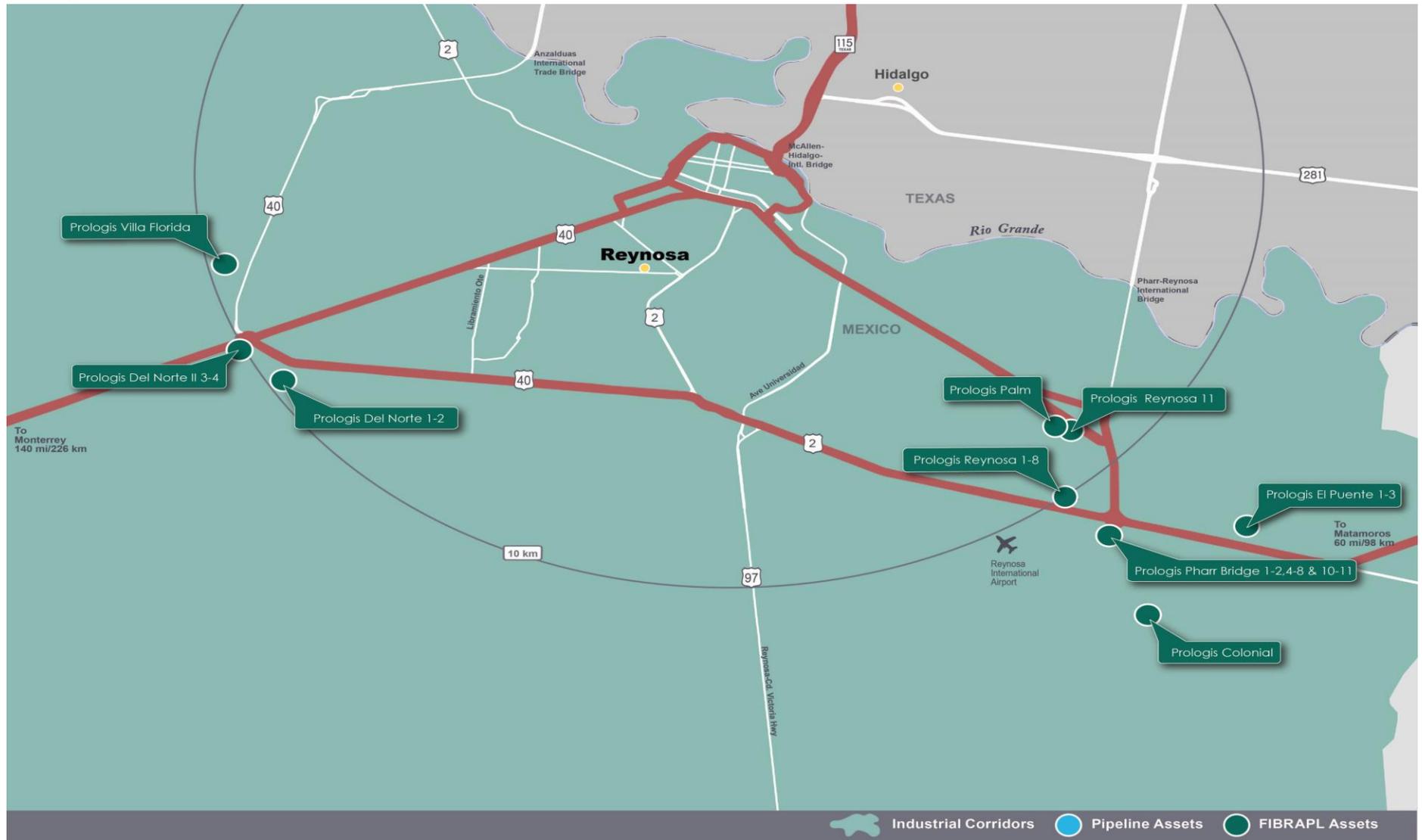
# Tijuana



# Ciudad Juarez



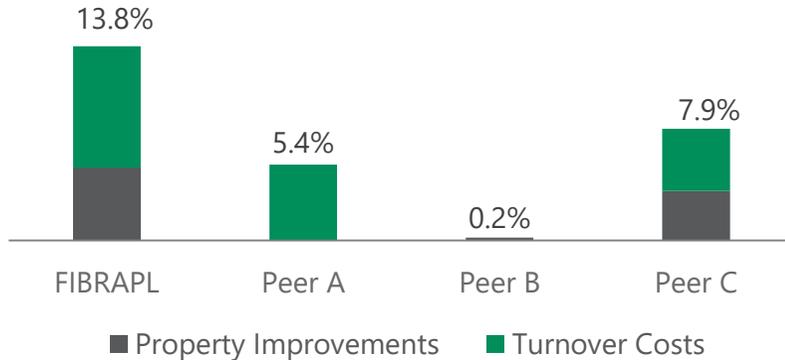
# Reynosa



# Capital Expenditure

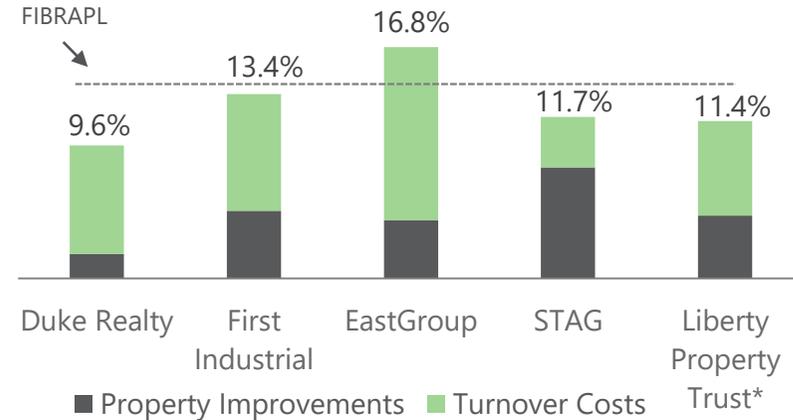
## CAPEX AS PERCENTAGE OF NOI: MEXICAN FIBRAS

Full Year 2018



## CAPEX AS PERCENTAGE OF NOI: US REITS

Full Year 2018



Leasing commissions and tenant improvements are turnover costs incurred every time a new lease is signed while property improvements occur periodically to refresh the building and extend its life.

- FIBRA Prologis' CAPEX is not capitalized
- Net Cash Flow, which we distribute 95%, is after expensing capital expenditures
- Resulting in sustainable and growing distribution per CBFi

# Fee Structure

Transparent and Aligned

	Fee Type	Calculation	Payment Frequency	
Operating Fees	Property Management	3% x collected revenues	Monthly	
	Leasing Commission <i>Only when no broker is involved</i>	<i>New leases:</i> 5% x lease value for <5 yrs; 2.5% x lease value for 5-10 yrs; 1.25% x lease value for > 10 yrs <i>Renewals:</i> 50% of new lease schedule	1/2 at closing 1/2 at occupancy	
	Construction Fee / Development Fee	4% x property and tenant improvements and construction cost	Project completion	
Administration Fees	Asset Management	0.75% annual × appraised asset value	Quarterly	
	Incentive	Hurdle rate	9%	Annually at IPO anniversary
		High watermark	Yes	
		Fee	10%	
		Currency	100% in CBFIs	
		Lock up	6 months	



FIBRA

**PROLOGIS**®