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INVESTMENT SUMMARY

VALUATION SUMMARY

After making a complete analysis for Vesta's stock our team's recommendation is to **BUY**. According to a weighted average of 5 valuation methods, the **target price** for the end of 2021 is: **US\$2.00** or MX\$40.95, considering the exchange rate on November 12th (20.51 USD to MXN). This price represents an **increase of 10.92%** regarding last's price: US\$1.80 (MX\$36.92). The allocation used for the valuation was: 40% Discounted Cash Flows (DCF), 35% Discounted Funds from Operations (DFFO), 10% Dividends Discount Model (DDM), 5% Dividends Discount Model with payout ratio regarding FFO (DDM FFO), 10% Multiples (Exhibit 1). According to a Monte Carlo Model ran for 10,000 simulations, the price will **oscillate between US\$1.12 and US\$2.86** with a 90% of confidence **within next year**.

INDUSTRIAL REAL ESTATE IS A GOOD INVESTMENT

The industrial Real Estate sector has been consistently growing over the last few years. Even the pandemic has not stopped this Mexican industry pushed by the **e-commerce** and **nearshoring**, added to the **T-MEC** announcement that has been very relevant for the Foreign Direct Investment. Light manufacturing and logistics are the two heads of the industry, mainly located in north and urban centers respectively. Moreover, the **demand is growing fast**, and the vacancy levels are decreasing each quarter, situation that is explained by a **market in expansion**.

Nevertheless, this exciting sector is very competitive with many enterprises involved with similar potential and leasable area, including REITs as the main industry rivals for Vesta in the top-five leader group. The **market is very tight** and will only change in favor of the competitors that achieve their objectives, which must be centered in ESG practices, e-commerce growth, and that can offer a variety of strategical locations.

VESTA'S UNIQUE BUSINESS MODEL

Vesta is a **leading provider** on the industrial Real Estate for national companies and multinational corporations operating in Mexico. **ESG practices** are part of its differentiation towards its core business and its ESG score is far higher than the industry average.

They are incurring in **e-commerce and logistics sectors**. They seek for logistic activities to represent 40% of their tenants' portfolio, by the end of 2024. Therefore, they are currently **expanding into new urban markets** including Mexico City and Guadalajara.

Vesta is the only Mexican big competitor of the industrial Real Estate sector that is not a REIT, for instance, its business activity is more like Latin American companies located mainly in Brazil. However, Vesta has the advantage of its location to **benefit from the nearshoring effect** within the commerce with USA, and thanks to the T-MEC the investments will return to Mexico with certainty in the medium and long term in the productive chains of manufactured goods in North America.

Vesta was **not highly affected by the Covid-19 pandemics** due to the rapid recovery achieved by its tenants and because of its resilience achieved through its **"Level 3 Strategy"**. This strategy's main purpose is to rise the company's value through meaningful acquisitions requiring an investment increase which reflects in high debt levels.

Applying an Altman z-score on Vesta and its peers, the model showed that Vesta goes behind its peers (Appendix 10). Its financial position has less certainty than its competitors, mainly because of **Vesta's aggressive funding approach** to achieve growth and value.

For all the reasons above, a promising future awaits for Vesta as they have been developing a strategic plan to gain value. The next years are decisive to position Vesta above the industry's benchmark. The price is undervalued as it does not reflect the potential of the current investments and foregoing projects, therefore now is the perfect time to buy at discount as the price would certainly rise to adjust to the market and Vesta's conditions which as an investor is a great opportunity. We consider the best investment option is a **BUY position**.

Exchange	Bolsa Mexicana de Valores (BMV)
Ticker symbol	VESTA
Sector/Industry	Industrial Real Estate
Date	12/11/2021
Current price	US\$1.80
Target price %	10.92%
Recommendation	BUY

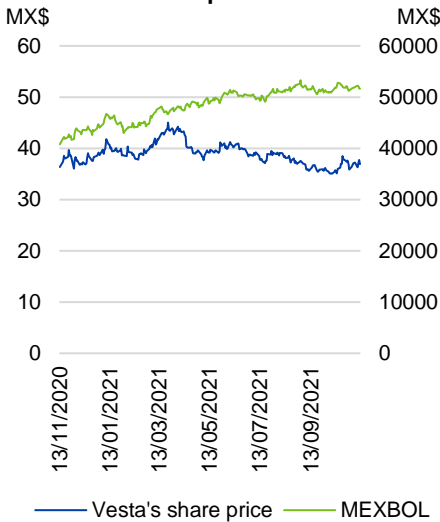


Exhibit 1: Weighted average valuation

40%	DCF	US\$1.80
35%	DFFO	US\$1.99
10%	Dividends	US\$1.95
5%	Div. FFO	US\$2.24
10%	Multiples	US\$2.76
100%	Price	US\$2.00

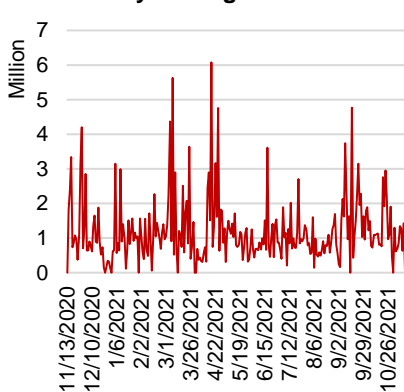
Source: Team Estimates

Vesta's share price to MEXBOL



Source: Capital IQ

Daily trading volume



Source: Capital IQ

BUSINESS DESCRIPTION

OVERVIEW

Vesta is a leading provider of innovative and customized industrial property solutions for national companies and multinational corporations operating in Mexico. The company, formerly known as **CORPORACIÓN INMOBILIARIA VESTA, S.A.B. DE C.V.** was founded in 1998 and did its IPO in the Mexican Stock Market in July 2012, raising US\$286M with a total of 392,878,351 shares at a starting price of MX\$19 each. Due to its excellent positioning and multiple value drivers such as ongoing balancing of portfolio investments, asset recycling, share buybacks, and dividends, it is considered one of the most attractive manufacturing and distribution centers in Mexico.

Vesta is also an internal management company with a strict focus on shareholder profitability and a disciplined development approach to capture specific segments of the supply chain, generating consistently higher returns. However, it was selected as part of the S&P/BMV Total Mexico ESG Index for the second consecutive year without neglecting sustainability.

PRODUCTS AND SERVICES DESCRIPTION

Vesta offers three types of Real Estate solutions with a large, diversified, and growing tenant base: **Inventory Buildings**, **Built-to-suit (BTS)**, and **Park-to-suit (PTS)** industrial parks. A substantial part of Vesta's business is focused on the development of Real Estate, and they subcontract all project management-related work to third parties (Exhibit 2).

GEOGRAPHIC LOCATIONS

Vesta, at the close of June 30, 2021, has a portfolio of 189 properties with a total Gross Leasable Area (GLA) of 2.93 million m² in **15 Mexican states** (Exhibit 3), which has grown at an average annual rate of 20.1% since 1998 and 9.3% in the last five years.

Vesta locates its properties in 3 areas with the highest growing economy of the North, Center, and Bajío (Exhibit 4), representing almost half of its presence due to the exponential growth of the automotive industry in the region. The company's regional distribution allows them to attend **181 clients in 11 different industries** (Exhibit 5), with an occupancy rate of 92.5% of its GLA, 64.4% of the portfolio belongs to the manufacturing industry, and the 35.6% to logistics.

Currently, Vesta has increased its presence in the North, given that Ciudad Juarez and Tijuana are very dynamic sectors. In the same way, Vesta has found benefits from being close to the U.S. border, mainly because of the new pandemic effect on industries called "nearshoring", which brings production centers closer to the companies' consumer markets.

Vesta has an additional 3.48 million m² of land reserves located in the country and is currently developing a total GLA of 126,690 m² in Inventory Buildings and Built-to-suit parks.

COMPANY STRATEGY

Since 2019, Vesta has positioned itself as an industry benchmark in ESG management with the **Vesta Level 3 growth plan**. This business strategy aims to recycle up to \$300 million in property value by 2024 and seeks to consolidate the relevant industry issues with ESG issues to **create value, reduce risks** over time and undertake actions that make the company evolve towards a more **sustainable vision of the business**. Is structured around five key business components (Exhibit 6).

To improve their portfolio's sustainable performance, Vesta's primary focus is to provide real estate solutions to key industry sectors. Electronics and e-commerce industries have a high growth potential due to Mexico's competitiveness and closeness to the United States. Vesta seeks to address companies' growing need for logistics networks by providing them with modern facilities for these industries. During 2020, alongside the 81% annual growth in e-commerce sales (MX\$316 B), Vesta began to serve the e-commerce industry with an initial 2.6% of its occupied GLA.

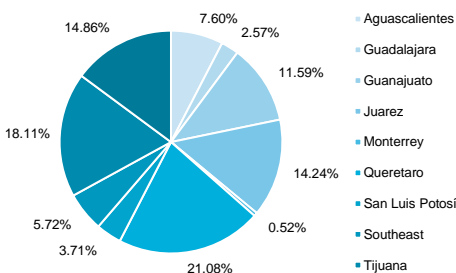
Likewise, Vesta will continue developing Park-to-suit buildings to remain a reliable provider of custom parks in the Real Estate industry. Vesta has been focused on identifying possible industrial clusters, sectors, or companies that may require an industrial park adapted to their needs, and, since 2018, they have developed two Park-to-suit buildings.

Exhibit 2: Types of buildings

Inventory Buildings	Designed spaces with industry specifications and could be adequate for 2 or more tenants.
Built-to-suit ("BTS")	Tailor-made industrial parks to satisfy customer requirements under two types: cluster or supplier park.
Park-to-suit ("PTS")	Tailor-made buildings to meet supply chain needs.

Source: Company Data

Exhibit 3: Markets' Revenue



Source: Company Data

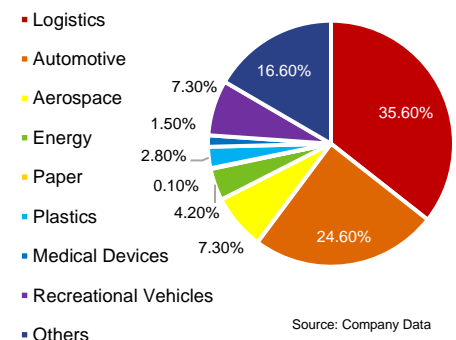
Exhibit 4: Vesta Industrial Buildings and Gross leasable area by region



Con tecnología de Bing © GeoNames, Microsoft, TomTom

Source: Company Data

Exhibit 5: Portfolio of Vesta



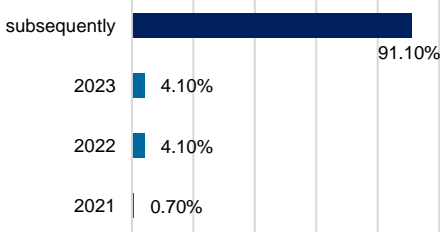
Source: Company Data

Exhibit 6: Key Business Components

Manage, maintain, and improve current portfolio.	Invest and/or divest for continuous value creation.
Keep strengthening our balance sheet and expand our funding sources.	Strengthen our organization to successfully execute our strategy.
Become a category leader in ESG practices, embedding our sustainable and resilient practices in our business model.	

Source: Company Data

Exhibit 7: Quarterly income expiration %



Source: Company Data

FINANCIAL STRATEGY

Vesta is covered for the following years, given that 91% of its technical revenues will be continuous until 2024 (Exhibit 7). In addition, less than 9% of their contracts expire before 2023, giving them enough time to grow and sign with new clients. Vesta's financial strategy is to maintain strong credit ratings to continue to strengthen their balance sheet and expand their sources of financing. Alongside, Vesta seeks to extend their maturities and increase their investment capacity to capitalize on attractive opportunities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For Vesta, **ESG issues** are part of its **core business**. Their main objective has been to improve its ESG practices and programs since they consider it necessary to grow, bring capital, **and have a sustainable business model** over time. Vesta is aware that investors are looking for companies with an ESG objective. They consider that developing sustainable buildings is necessary to continue in the market since the global trend points to ESG being mandatory, and the generation of them gives them **surplus-value**, and the occupancy rate is higher than that of a conventional building.

Vesta's efforts have given them various certifications, recognitions, and better results in the indexes they are part of, such as being selected for the **second consecutive year** in the S&P / BMV Total Mexico ESG Index. Moreover, **improving ten places** in the Dow Jones Sustainability Index MILA, Fibra Uno and Fibra Prologis, two of its main peers, are also included.

Vesta obtained an "A" for its disclosure practices in Governance, Implementation of Sustainability Strategy, and Commitment programs on the Global ESG Benchmark for Real Assets (GRESB). In addition, since 2017, the company has aligned itself with the **United Nations Sustainable Development Goals** (SDGs) (Exhibit 8). Furthermore, in 2011, it joined the UN Global Compact, confirming its commitment to ESG.

The above supports the S&P Global ESG Score of the company of 52/100, far **higher than the industry average** of 17/100. Nevertheless, Vesta's peers show superior ratings, as is the case of Prologis Property Mexico and Fibra Uno Administration (Exhibit 9).

ENVIRONMENTAL

ADVERSITIES. Vesta is committed to reducing its environmental and climate impact on its operations; its problem is that the tenants control consumption and activities inside the properties, which generates most of the environmental damage (Exhibit 10).

ACTIONS. Thus, as part of the Vesta ESG Strategy, the company promotes the adoption of sustainable practices through the ESG Guide for Tenants and by inviting them to voluntarily report their environmental impact through the adoption of the green clause where they share information regarding their consumption of energy, water, and waste. In Furthermore, in 2012, the company created the Sustainable Construction Manual, with which 50% of the energy can be reduced to maintain the ambient temperature inside an industrial warehouse and reduce annual energy consumption by 40%.

LONG-TERM TARGETS. Of the contracts signed between Vesta and its tenants, 64% of them have the green clause, and it is expected that by 2024 the energy and water consumption of their offices will be reduced by 20% (Exhibit 11), and at the same time, it is expected to increase by 50% the amount of recycled or reused waste, the above taking 2019 as the base year.

ESG BOND. In May 2021, Vesta became the first industrial real estate company to issue an ESG-linked bond in Latin America. This allowed the company to obtain resources to refinance its debt. However, it is committed that within ten years, 28% of its leasable area will have LEED (Leadership in Energy and Environmental Design) certified buildings that support its sustainability, today 95% of Vesta's buildings are in the process of certification.

SOCIAL

SOCIAL INVESTMENT. In 2020 Vesta supported 11 projects related to Covid-19, additionally invested in social projects focused on education, inclusion, and community development that benefited more than 2,600 people (Exhibit 12). In addition, 2020 investment considers the amount raised by Vesta Challenge 2019 registrations and \$5,000,000 to support the health emergency.

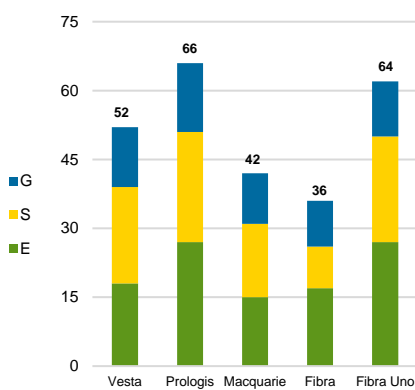
ACTIONS WITHIN THE COMPANY. Due to the pandemics, Vesta created a Health and Safety Operational Standards Protocol to ensure the health safety of its staff upon returning to offices. In terms of complaints by its employees, these are received by an independent company called Ethics Global and attended confidentially by it.

Exhibit 8: United Nations SDGs



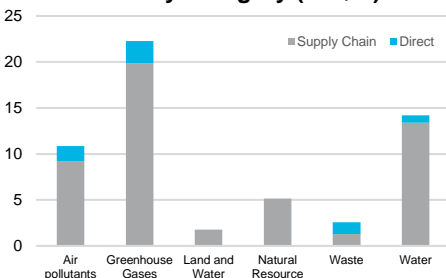
Source: Company Data

Exhibit 9: Comparison S&P Global ESG Score



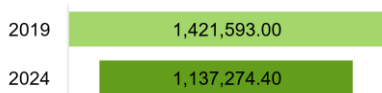
Source: Capital IQ

Exhibit 10: Environmental Damage Costs by Category (MX\$M)

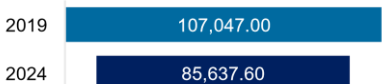


Source: Capital IQ

Exhibit 11: Energy Consumption kWh

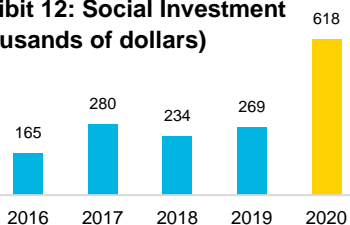


Water Consumption m³



Source: Company Data

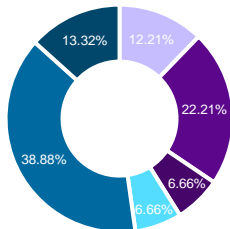
Exhibit 12: Social Investment (thousands of dollars)



Source: Company Data

Exhibit 13: Percentage of employees by gender and age

- W -30 Yrs
- W 31 - 50 Yrs
- W +51 Yrs
- M -30 Yrs
- M 31 - 50 Yrs
- M +51 Yrs



Source: Company Data

GENDER DIVERSITY. Vesta has been concerned with improving the balance between female and male employees. For 2020 it reported 90 collaborators, of which 41.11% are women and 58.89% are men (Exhibit 13). All of them have a permanent contract and work full time.

EMPLOYEE ENGAGEMENT. The company grants benefits to its employees above the law and was the first industrial real estate developer to obtain WELL Building Institute certification for its offices in gold level. With this certification, Vesta is committed to promoting its employees' well-being, for which; they installed filters to save water and ensure its potability. Furthermore, to improve productivity and take care of their employees' eyesight, they gave priority to natural lighting and promoted active lifestyles by encouraging them to perform physical activity; in addition, they take notice of the mental health, sleep, and diet of their employees by offering healthy snacks.

GOVERNANCE

Vesta has **robust corporate governance**; it is made up of 10 members (Appendix 8), from which 8 are independent directors with experience in industrial real estate, business, and finance. The average age of the Board is 56 years old, and 90% of it is represented by men (Exhibit 14). In 2018, Vesta concretized the **separation** of the roles of the **Chairman and CEO**, and appointed **Lorenzo Berho Corona** as Chairman of the Board of Directors, who since 1998 was President of the Board and CEO, and from 2007 to 2009 President of AMPIP; and **Lorenzo Dominique Berho Carranza** as the new CEO, he is also a substitute member of Lorenzo Berho Corona on the Board and was President of AMPIP from 2020 to 2021. Additionally, 5.7% of the shareholder structure is owned by Berho Family (Exhibit 15).

COMMITTEES. Vesta has six operating committees: Audit, Social Responsibility, Environmental, Investments, Debt and Equity, Corporate Practices, and Ethics (Appendix 9). That serves as a support for the Board of directors and is represented by independent directors with a single class of shares. Also, on anti-corruption issues, Vesta is part of the B20 (Business 20) Committee on Responsible Business Conduct. In 2017, it joined the Global Alliance for Integrity initiative that promotes transparency, and in 2020, the UN Principles for Responsible Investment.

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

INDUSTRY OVERVIEW

In recent years, the industrial Real Estate field has been growing in both Gross Leasable Area (GLA) and Sales. Despite the Covid-19 disruptive effects, this industry has been able to keep moving and is the one that has shown the most outstanding resilience throughout the country and even increased over the last difficult quarters for the global economy. To a certain extent, thanks to the **T-MEC** that made direct investments return to Mexico with certainty in the medium and long term in the productive chains of manufactured goods in North America. Furthermore, thanks to the **push of e-commerce**, it has been possible to diversify the demand across the country.

This **market is vast and well-diversified**. According to market analytics and research, the total market size of the industrial space in Mexico is around **793,956,518** square feet (sf) of GLA, most of them located in cities such as **Monterrey, Mexico City, Tijuana, Ciudad Juarez, and Guadalajara**. The prominent locations can be grouped in three huge regions: Central, Bajio, and the largest, the North, subdivided into West, Central, and East. (Exhibit 16)

COMPETITIVE POSITIONING

Even though this industry is very competitive, with multiple options for the companies to install their operations in, the industrial real estate supply is **dominated by five top companies, including Vesta**, so this sector can be considered an Oligopoly with many small local competitors in the overall landscape (Exhibit 17).

All **these four main competitors** that offer similar conditions to the potential clients, compared to Vesta, and have similar power and gross leasable area across the country **are FIBRAs**, globally known as **REITs** (Real Estate Investment Trusts). The bigger one is **Fibra Uno**, which offers a diversified portfolio that includes commercial, retail and office, and industrial properties. Their industrial portfolio, which slightly represents more than half of its total GLA, exceeds 60 million of square feet.

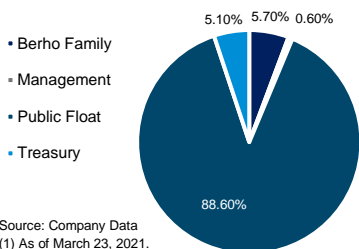
Another tremendous competitor is **Fibra Prologis**, with 40.2 million square feet of GLA, located in the key cities for the industry in Mexico. With a similar leasable area, **Terrafina** is a FIBRA that is also fully involved in the industrial property market with its 39.2 million GLA. Finally, as part of the list of the leaders, **Fibra Macquarie** has a portfolio that includes both industrial and retail properties. However, most of its properties are in the industrial market, with around 31 million sf of GLA (Exhibit 18).

Exhibit 14: Gender diversity of the Board of Directors



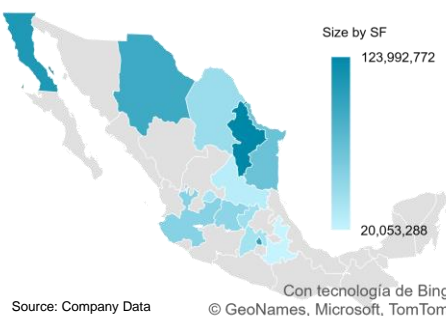
Source: Company Data

Exhibit 15: Shareholder Structure¹



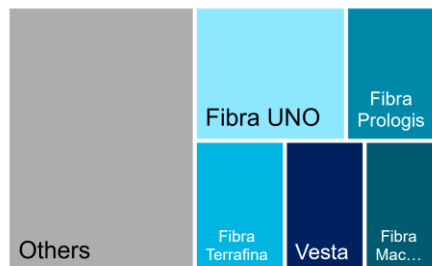
Source: Company Data
(1) As of March 23, 2021.

Exhibit 16: Principal markets in Mexico, 2Q 2021



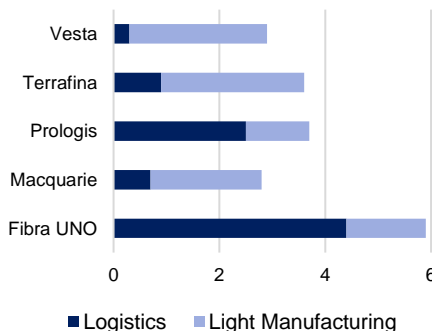
Source: Company Data

Exhibit 17: Market share by GLA



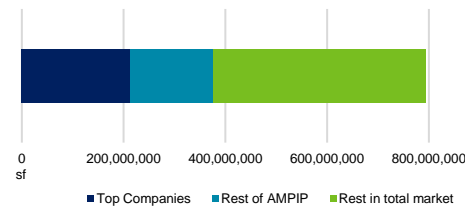
Source: Capital IQ, AMPIP, Vesta market analytics

Exhibit 18: Industrial leaders by use of GLA (sqm)



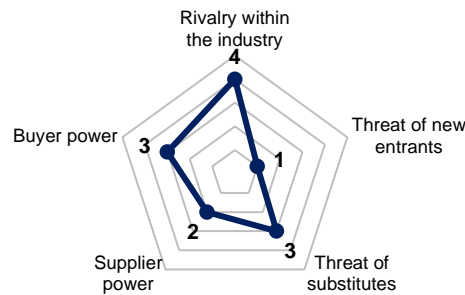
Source: Company Data

Exhibit 19: Total GLA



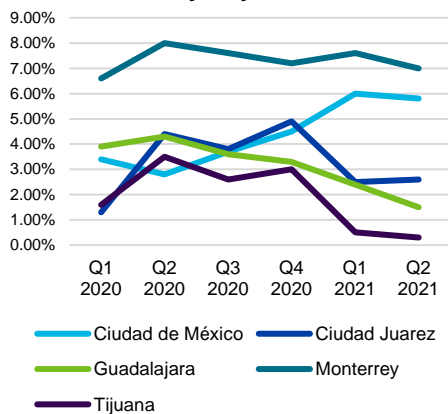
Source: Capital IQ, AMPIP, Vesta market analytics

Appendix 7: Porter's Five Forces



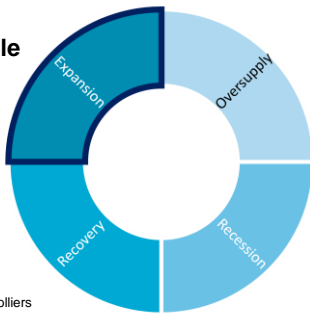
Source: Team Estimates

Exhibit 20: Historic Vacancy Rate by City, Class A



Source: Colliers

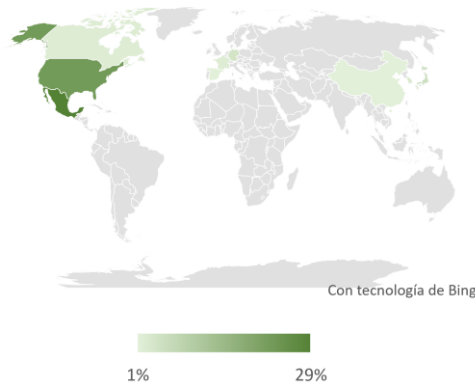
Exhibit 21: Market Cycle



Source: AMPIP & Colliers

Exhibit 22: Tenants of Mexican industrial Parks, by origin of capital

Mexico	29%	Canada	2%
USA	23%	France	2%
Japan	5%	Spain	1%
Germany	4%	China	1%
South Korea	3%		



Source: AMPIP

There are several competitors in the industry, such as property owners, developers, and landlords, some of whom may seek to acquire properties in similar conditions and locations to Vesta's. **Most of these rivals**, including the sector leaders, are part of the **AMPIP** (Mexican Association of Industrial Parks), which comprises more than 60 private companies (Exhibit 19). According to Vesta's report and Market Analytics, some enterprises and REITs growing and trying to reach the 'leaders' capacity in some markets are Fibra Mty, Finsa, CPA, Prudential, and Vynmsa, among other local competitors.

INDUSTRY HIGHLIGHTS

TWO SUBSECTORS. The Mexican industrial real estate market is divided into two completely different areas: manufacturing and logistics. The **light manufacturing** markets, which are strategically situated in the north border with the United States and the Bajío region in the central part of the country, mainly serve multinational tenants in the automotive, medical, electronics, and aerospace industries, with average period leases of 7 to 10 years, most of them denominated in US dollars.

On the other hand, the **logistics and distribution** markets are in the main consumption centers, such as Mexico City, Monterrey, and Guadalajara, to fulfill domestic demand, and their clients are involved in the food, beverage, and particularly the e-commerce industries. Usually, these tenants sign 3-to-5-year leasing contracts.

LATIN AMERICAN LEADER. Mexico, compared against Latin-American countries, is the leader in the region. According to CBRE, Mexico's warehouse supply is more significant than all other 'countries' supply combined, due to the importance of manufacturing exports for the national economy. In addition, the industrial real estate market has been growing consistently over the last decade, and **since 2015** the Compound Annual Growth Rate (**CAGR**) has been **5.4%**, according to JLL. Furthermore, most importantly, this economic sector is projected to keep growing in the future years following the demand.

GROWING DEMAND. During 2020, despite the pandemic restrictions, **net demand increased** by **6.4%**, and estimations state that it will accelerate to **7.8% in 2021**, mainly driven by the logistics and light manufacturing sectors. The constant demand measured in terms of net absorption and scarcity of land for new developments has kept the market tight and strong, which has led to persistently **low levels of vacancy** as evidenced by the levels observed in border markets in the North of the country such as Ciudad Juárez, Reynosa and Tijuana (Exhibit 20). For its part, metropolitan areas, such as Mexico City, Guadalajara, and Monterrey, represented 50% of the net demand and most of it came from commercial and logistics purposes.

THE TREND IS THE E-COMMERCE. As mentioned before, e-commerce is one of the key drivers of the industrial real estate market. E-commerce, together with the B2B (business to business) logistics sector, **will represent between 40 and 42% of total demand in 2021**, according to an analysis by CBRE. In addition to the fact that e-commerce growth expectations in Mexico accelerated exponentially during 2020.

Online sales grew 81% in 2020, compared to 2019, to reach 316,000 million pesos, which represented 9% of the total retail sales. While it is estimated that the value of the activities involved in **e-commerce represents 9%** of the national Gross Domestic Product (**GDP**) at the end of this year, estimates from INEGI show.

INDUSTRIAL REAL ESTATE TOWARDS THE FUTURE

MARKET IN EXPANSION. The different markets in Mexico show dynamic in a stage of expansion (Exhibit 21). The Industrial market has not stopped. There are **new projects**, new constructions, and the available square meters continue to be occupied, lowering the vacancy rates in all the principal cities for the industry. Adding to this, the commercial war between China and USA opens a door for the entire country to establish itself as the best trading partner for both sides of the conflict, a situation that can benefit the industry and the entire real estate sector (Exhibit 22).

FUTURE CHALLENGES. Looking ahead, the pending task for Mexico is directed to the **management of labor, environmental, and energy issues** established as commitments of the T-MEC, which are essential for the offer to be developed with the guarantee that investors demand. These factors are undoubtedly vital for Mexico to maintain its position gained at the end of 2020, as the **ninth economy in preference to Foreign Direct Investment**. Furthermore, in a scenario where the penetration of electronic commerce will increase accompanied by the increase in the use of new technologies, industrial demand projects a growing trend in the remainder of 2021 and the following year.

INVESTMENT RISKS

A company that knows and assess its **negative risks** has a better chance of mitigation towards the worst-case scenarios. (Appendix 20)

MARKET RISKS

MR1: Covid 19 pandemics has negatively affected a wide range of sectors, due to decreased consumption. There is still some uncertainty regarding macroeconomic variables; On November 12th, Banxico raised the interest rate to 5% as a response to October's 6.24% inflation rate. **Mitigation:** although high inflation rates imply rise in price per square foot for Real Estate companies, to face the default of clients Vesta should diversify its client portfolio and buy structured notes in case inflation rises heavily causing low levels of occupancy. (Appendix 15)

MR2: All Vesta's operations occur in Mexico. However, to the third trimester 2021, 83.9% of its Income is made in dollars as many of the clients are foreign. The exchange rate is very volatile; therefore, a depreciation of the Mexican peso against the US dollar implies possible requests for renegotiation of contracts. **Mitigation:** currency derivatives to secure the exchange rate at a high USD to MXN rate.

REGULATORY RISKS

RR1: T-MEC is the new commercial agreement between Mexico, USA, and Canada, that substituted the TLCAN since July 1, 2020. T-MEC would represent an increase in foreign investment. This sets Mexico in a privileged position. Therefore, a possible dissolution of the agreement or renegotiation of the conditions can damage Mexico's most significant industries and affect exportations, as it may discourage foreign investors from setting its industries in Mexico rather than in USA. **Mitigation:** prepare a contingency plan including the possibility of exporting to other countries, building parks outside Mexico, and strengthening the operation inside Mexico regarding logistic and e-commerce.

RR2: Not being able to accomplish the international requirements adapted by the Mexican Association of Industrial Parks (AMPIP) for ESG. Vesta's strategy towards 2030 is aligned with the Sustainable Development Goals made by the United Nations and is expected to be implemented in every Industrial Park in Mexico. **Mitigation:** awareness of new international standards, investing in renewable energies.

RR3: The constitutional initiative for energy themes will have a negative impact in terms of credit ratings as it discourages private investment, discourages the entry of renewable energy, and perhaps increases the cost of electricity, Vesta may struggle to acquire new customers, and current ones may question whether to continue its operations in the country. In terms of ESG, it can be more complicated to achieve the proposed objectives. **Mitigation:** contingency plan including starting operations in new countries, and energy derivatives to hedge against price movements.

INTERNAL COMPANY RISKS

CR1: The net asset value of the portfolio of buildings may decrease. This can happen either if the buildings already owned decrease in value or if an acquisition brings higher costs than expected to make the land able to operate. **Mitigation:** diversification of buildings in different regions.

CR2: Future revenues below the expected. Having ambitious projects on the long run may lead to not reaching the projected targets, which can develop a lack of credibility from the interest groups. **Mitigation:** planning and evaluating their investments efficiently.

ENVIRONMENTAL RISKS

ER1: The risk of greenhouse gas emissions resulting from constructions and operations, production of dust, and emission of toxic gasses due to construction of sheds. **Mitigation:** waste management including garbage collection and disposal, and recycling.

ER2: The lack of knowledge of the specific characteristics of the ecosystem where the land is situated, combined with inappropriate use of the resources while building can lead to soil wear, furthermore, a significant loss of wildlife and vegetation. **Mitigation:** geotechnical studies for the soil conditions can give valuable information regarding the specific type of land.

OPERATIVE RISKS

OR1: Mexico is a country with high levels of seismic activity because of its proximity to the convergence of five tectonic plates. Also, there are arid areas in the northern border states where 30.8% of Vesta's properties are located, which may suffer from fires. **Mitigation:** insurance against natural disasters and extreme weather to reduce the costs incurred providing predictable financial and monetary relief.

OR2: Companies seek strategic locations near roads to strengthen their supply network, reducing waiting time regarding deliveries and costs. There is a real risk of crime and insecurity in roads mainly caused by drug cartels located in the country's north. **Mitigation:** insurance for the transport of goods of tenants, investing in vigilance and security systems for Vesta's parks.

OR3: Possible loss of informatic security, which may disclose important information about their clients and break confidentiality agreements. **Mitigation:** investing in a more sophisticated informatic security system.

OR4: The pandemic's sanitary measures have released, so there is a potential risk of decrease in e-commerce activity. **Mitigation:** diversification within different tenant's sectors.

FINANCIAL RISKS

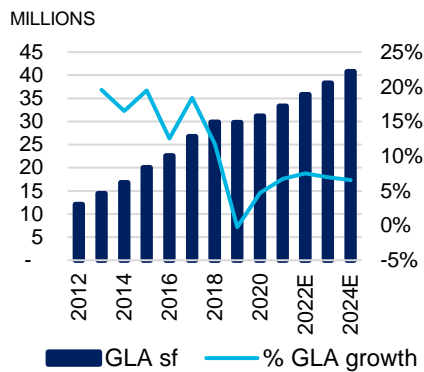
FR1: Liquidity risk, the company should obtain debt or equity to fulfill its cash necessities to continue with its business operations and finance its new projects. **Mitigation:** maintain healthy levels of capital structure to keep satisfied its investors and creditors.

FR2: Interest rate risk for bonds, as Vesta receives fixed Income through leasing properties adjusted by inflation, obtaining debt at variable rate may generate uncertainty for the net outcome of the operation. **Mitigation:** fixed for variable interest rate swaps can help to hedge the fluctuation in interest rates to reduce the uncertainty.

FR3: Credit risk refers to the risk that the counterparty does not meet its obligations to result in a loss for Vesta. Its portfolio of clients is not diversified within its industry sector. Also, their three principal tenants represent each almost 5% of the monthly rent, therefore finishing a contract with any of these clients may result in a significant loss. **Mitigation:** having solvent clients, non-cancellable leasing contracts with the termination clause.

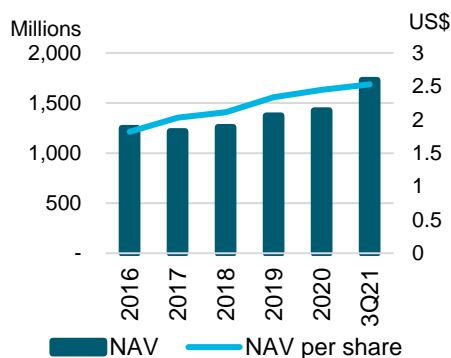
FR4: Bankruptcy risk is the probability that the company will become insolvent and will not be able to meet its debt obligations. Due to high levels of debt acquired in Real Estate industries, indicators such as Altman z-score (Appendix 10) may worry the investors. **Mitigation:** controlling debt expiration, acquiring debt at low-interest rates, and maintaining a Loan-to-value below 40%.

Exhibit 23: Gross Leasable Area (GLA)



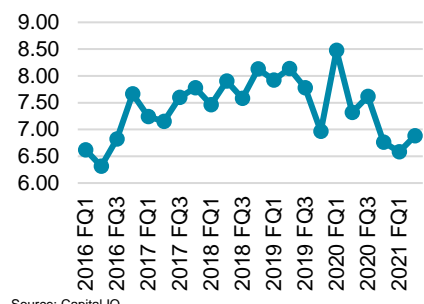
Source: Company Data

Exhibit 24: Net Asset Value (NAV)



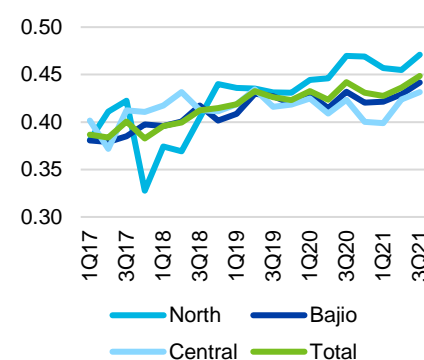
Source: Company Data

Exhibit 25: Market Derived Capitalization Rate (%)



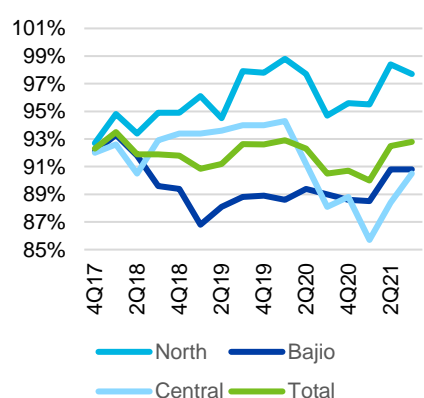
Source: Capital IQ

Exhibit 26: Income per square foot (USD)



Source: Team Estimates

Exhibit 27: Occupancy levels by zone



Source: Team Estimates

FINANCIAL ANALYSIS

VESTA VISION 20/20 FOR THE GROWTH

Growth plan Vesta Vision 20/20 was first implemented at the beginning of 2015 and was designed to **duplicate its size concerning its GLA**, by 2020 (Exhibit 23). This goal was achieved by investing in strategic locations with high demand due to their potential value. They were also taking advantage of **Mexico's position as the leading business partner of the USA**, since the first half of 2021 according to Forbes.

NET ASSET VALUE REFLECTS SMART GROWTH

Since 2017, the Net Asset Value (NAV) has risen (Exhibit 24) due to the company's consistency in creating and developing new industrial parks at cap rates above 10%. The total capital expenditure for 2017 was US\$196.21 million, which was mainly invested in acquiring properties in Tijuana and building parks in Bajio and North.

Although in 2020, **Covid-19 pandemics affected the economy** worldwide, industrial real estate has emerged stronger because of **e-commerce**. As a result, there was no significant change for the NAV from 2019 to 2020. However, in only nine months of 2021, there has been an increase of 25% for Vesta's Net Asset Value. The latter reflects the **high-quality investments** made this year in Guadalajara, Monterrey, and Tijuana.

CAP RATES MEASURE BUILDINGS' RATE OF RETURN

The cap rates measure the expected rate of return of a property as it is the ratio of the Net Operating Income (NOI) to the Net Asset Value (NAV) of the property. Vesta attempts to develop or **acquire new buildings at cap rates greater than 10%** to generate value from its properties. At the same time, they tend to sell those properties which cap rates have decreased to 7%, which was the case of the portfolio sold in 2019 for US\$109.3 million.

This assures that the properties kept by the company are still able to **create value in the long run**, which goes along with the Level 3 Strategy. The overall capitalization rate has decreased because of NAV gained in the last months (Exhibit 25), as the Income from rent increases at inflation rates which is not as rapidly as the value generated for the company's assets.

LEVEL 3 STRATEGY TO GENERATE VALUE

Historically, the Gross Leasable Area had had a decreasing growth until 2019 (Exhibit 23) when Vesta started its **"Level 3 Strategy"**. This is a 5-years strategy whose primary purpose is to generate value while strengthening the organization through their current portfolio, investing, selling as needed, and diversifying funding sources. At the end of 2024, the **GLA is expected to reach 40,800,000 square feet**, and the key indicators forecast is **US\$ 0.20 FFO per share** and **US\$ 3.0 NAV per share**. Also, Vesta plans to rise its CAPEX from approximately US\$120 million per year to US\$200 million.

NEARSHORING EFFECT IN THE NORTH AREA

The North Zone demand per square foot has had an unprecedented increase in the last several years (Exhibit 26), as it is a highly dynamic market with a strategic location. Due to the pandemics, the impact of **nearshoring has meant an opportunity** for Vesta to reach **new markets**, including the new Vesta Park Monterrey. Also, this is consistent with the fact that the states' occupancy rates in the north reach almost 100%. (Exhibit 27)

RESILIENCE TO COVID-19

Covid-19 pandemics suddenly emerged, causing uncertainty which led to a slowdown in many industries. However, due to the Level 3 Strategy, Vesta adapted to the circumstances and took new opportunities to penetrate new markets, including e-commerce, and diversifying their clients within the logistic sector.

In the short term, **42 deferral payment agreements** were signed for a total of US\$4.0 million (3% of annual total Income). As most of Vesta's tenants are big multinational companies with solid balances, they faced the crisis successfully, and the deferred accounts receivable were paid within less than a year.

Exhibit 28: EBITDA and NOI Margin

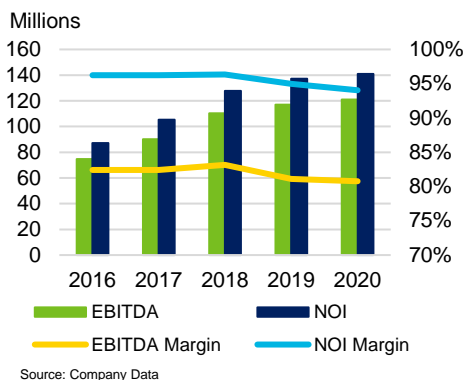


Exhibit 29: FFO per share

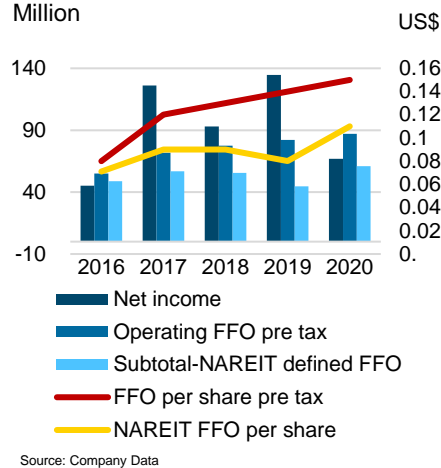


Exhibit 30: Price per FFO and Payout Ratio

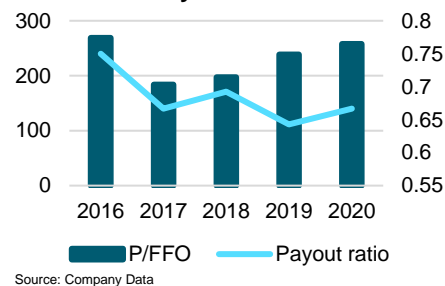


Exhibit 31: Profitability ratios

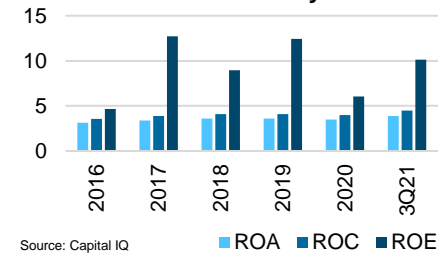
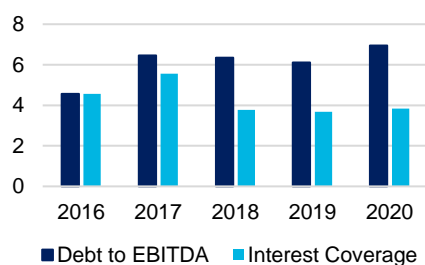


Exhibit 32: Capital Structure

	2016	2017	2018	2019	2020
Debt/Equity	35.5%	56.9%	66.4%	64.4%	75.8%
CAPEX (mill)	157.44	196.21	137.90	106.38	72.52

Source: Team Estimates

Exhibit 33: Debt Ratios



NOI AND EBITDA

Net Operating Income includes Income from rents as well as operation costs from properties that generated Income. Therefore, it represents more accurately **company's performance** than EBITDA or Net Income. In addition, due to the type of industry, there is **no depreciation contemplated for the properties** but only the depreciation for the office equipment. Therefore, there is no difference between EBITDA and EBIT for the company. Both, EBITDA and NOI margins, have been relatively constant for the last years (Exhibit 28) as the **administrative expenses have been wisely managed**, with a slight fall for 2020 for the expenses related to the bad debt reserve due to the pandemics.

FUNDS FROM OPERATION (FFO)

FFO is a non-GAAP metric focused on the specific operation of Industrial Real Estate such as REITs. For the last five years, the Operating FFO pre-tax has increased constantly. (Exhibit 29) FFO per share has had a significant increment from 2016 to 2017 due to the high investment made to achieve the goals from the 20/20 Plan. Afterward, FFO per share kept a constant growth of approximately US\$0.01 annually. If such a tendency is maintained, **Vesta will likely be able to reach US\$0.20 FFO per share** at the end of 2024, as expected.

LOW-PRICE SHARES BUY-BACK

Vesta established in 2016 a strategy of **shares buy-back plan**, where the shares repurchased would be cancelled. This approach results in company's growth without dilution. Also, these shares have been repurchased at a discount as the price per share is below NAV per share. However, it also may disrupt the annual tendency metrics such as earnings per share or FFO per share because of a smaller basis of shares (Exhibit 30).

Along with Vision 20/20, a **long-term incentive plan** has been implemented since 2018 and was extended for 2021-2025. This plan was created to distribute shares among employees through a trust fund which accumulates dividends.

INTELLIGENT FUNDING CREATES PROFITABILITY

In the last five years, ROA and ROC have had small growth, while ROE has followed the tendency of Net Income because the equity has been growing modestly (Exhibit 31). The latter is because **most of the financing has been relying on debt**.

As a result of the pandemics, ROE decreased significantly, barely above 2016's ROE. However, 2021 has meant a considerable recovery as ROE went from 6.03% to 10.13%. Also, ROA and ROC grew 40 basis points. This reflects the resilience created through the years.

CHANGES IN CAPITAL STRUCTURE AND CAPEX GROWTH

The capital structure has grown annually, so that in 2020 the liabilities have surpassed equity, because of the funding needed for Vesta's strategy. Debt to equity ratio reflects the aggressive strategy pursued while financing the **company's growth mainly with debt**. (Exhibit 32) Although the most part of it are long term debts, this may represent a high risk for the investors. Also, CAPEX has been changing to fulfill the funding necessities for new acquisitions. It is expected that for the period 2021-2024 annual CAPEX will rise to attain the GLA forecasted.

DEBT MANAGEMENT

Real Estate industry tends to have high levels of debt due to acquisitions of land and buildings. For instance, **Debt-to-EBITDA tends to be higher** than in other industries. For Vesta, it has been an increase from 2016 to 2017 (Exhibit 33), because of long-term debt acquired with MetLife for US\$ 118 million and a private colocation of capital for US\$125 million. Since then, the ratio has been above 6, with minimum changes. They have been **carrying over the debt** maintaining LTV not higher than 40% and acquiring debt at low - interest rates. For 2T21 the weighted average interest rate and maturity were 4.48% and 7.4 years, respectively. In 2021, Vesta obtained funding from the issuance of a sustainability bond for \$US350 million at an interest rate of 3.625%, and US\$229 million in ordinary shares.

INTEREST COVERAGE

The decrease in interest coverage from 2017 to 2018 is a consequence of the debt acquisition mentioned before. This has remained **constant for the last three years**, as the debt has risen so that the proportion between EBIT and interests has remained. The recently **low levels of interest coverage** may worry the investors if there is a significant FFO drop that makes Vesta unable to pay for its debts. For instance, the Altman z-score reflects the risk of bankruptcy if Vesta's accounts are not properly managed (Exhibit 33).

Exhibit 34: Weighted average valuation

40%	DCF	US\$1.80
35%	DFFO	US\$1.99
10%	Dividends	US\$1.95
5%	Div. FFO	US\$2.24
10%	Multiples	US\$2.76
100%	Price	US\$ 2.00

Source: Team Estimates

Exhibit 35: Football field chart



Source: Team Estimates

Exhibit 36: Payout ratios for DDM

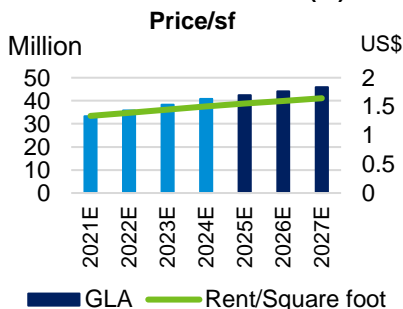
Million USD	2016	2017	2018	2019	2020
Dividend	28.83	39.11	47.90	52.21	54.14
Net income	45.08	126.03	93.06	134.61	66.96
Payout ratio	63.9%	31.0%	51.5%	38.8%	80.9%
FFO	54.93	71.89	77.54	82.22	87.14
Payout ratio	52.5%	54.4%	61.8%	63.5%	62.1%

Source: Team Estimates

Exhibit 37: WACC

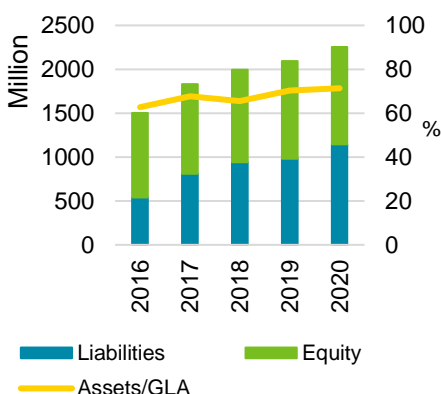
WACC=	7.10%
E	56.70%
Cost of equity	10.13%
Risk-free rate	1.55%
Levered beta	1.03
Unlevered beta	0.67
Market premium	8.34%
USA Equity risk premium	4.72%
Mexico Rating-based Default Spread	1.41%
σ equity/σ country bond	2.57
D	43.30%
Cost of debt	4.48%
Taxes	0.3

Exhibit 38: Forecasted GLA (sf) and Price/sf



Source: Company Data & Team Estimates

Exhibit 39: Assets' tendency



Source: Team Estimates

VALUATION

To assess the value of the company, the valuation made by the team consisted of a **weighted average of 5 methodologies**. Two of the methods used are FFO based, to consider Vesta's specific operations excluding non-cash accounts. The following proportions were considered: 40% Discounted Cash Flows (DCF), 35% Discounted Funds from Operations (DFFO), 10% Dividends Discount Model (DDM), 5% Dividends Discount Model with payout ratio regarding FFO (DDM FFO), 10% Multiples (Exhibit 34). The price obtained for the end of 2021 is: **US\$2.00**. This price is consistent with the pricing range of US\$1.12 to US\$2.86 obtained from a Monte Carlo Model with 10,000 simulations (Exhibit 35).

The use of 5 valuation methods pretends to reflect the distinction obtained when the **FFO** is taken into consideration. As mentioned in previous sections, the FFO is a commonly accepted metric given by NAREIT, that can be adapted to the conditions of the company assessed. For instance, FFO is preferred rather than Net Income, to visualize **Vesta's performance** because for Real Estate companies the non-cash costs can get high, disturbing the actual operation. To give a pricing range, a football field chart (Exhibit 35) is used to visualize the minimum and maximum prices expected for each of the methodologies given changes in market conditions (occupancy rate and inflation rate were contemplated for a range of 90% to 98% and 1% to 5%, respectively).

ALLOCATION

DCF: the valuation by discounted cash flows is used to estimate the value based on the expected cash flows of the company. It is given the highest weighting because it will reflect the overall performance of Vesta.

DFFO: The Funds from Operation (FFO) is more representative of the operation of the company, although it is not an approach given by US-GAAP, but a NAREIT metric. Starting from the total comprehensive income for the period, adjustments for non-cash accounts are made. (Appendix 3) Along with the traditional DCF it will provide a complete overview of the cashflows expected for next years.

DDM regarding Net Income: The dividend discount model is based on the theory that the stock's value can be estimated by the present value of future dividends distributed, therefore as Vesta pays dividends with regularity. The annual dividend is divided into four, for it to be distributed quarterly as required for Real Estate companies.

DDM regarding FFO: The DDM was obtained with payout ratio regarding FFO, because FFO is more representative of the Vesta's operations. Therefore, the distributed dividends show a closer relation towards FFO showing better consistency. (Exhibit 36)

Multiples: The peers in the industry are not completely comparable to Vesta. For instance, Vesta's business seems to be more like those companies in Latin America, as it is not a REIT. However, Vesta has the advantage of its location to benefit from the nearshoring effect within the commerce with USA.

DISCOUNTED CASH FLOWS

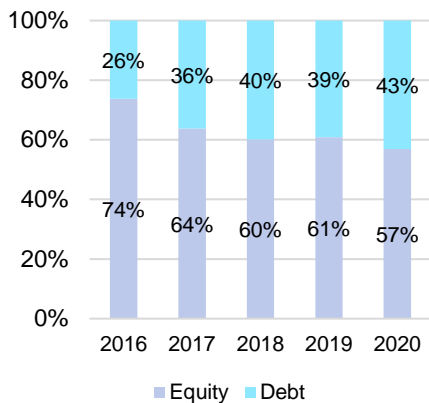
The price obtained by DCF was **\$US1.80**. The **valuation was made in USD**. The WACC used was 7.10% (Appendix 12 & Exhibit 37). A model for **3 stages** was considered, stage 1: 2021-2024, stage 2: 2025-2027, stage 3: 2027 onwards. The assumptions made for the future years are consistent with Vesta's Level 3 Strategy ending in 2024. Also, a **sensitivity analysis** for inflation rate and occupancy was made for the long-term, to contemplate optimistic and pessimistic scenarios that may be significant for Vesta's performance (Appendix 15).

Vesta has forecasted the annual GLA for the period 2021-2024 (Exhibit 38). The historical tendency shows that Assets is 70 times GLA (sf), which is expected to maintain (Exhibit 39). Also, for 2020 Liabilities and Equity represented 50.82% and 49.18%, respectively, regarding Total Assets, and last year's capital structure reached 75.81% Debt/Equity. (Exhibit 40) This **proportions are expected to hold** 2021 onwards (Appendix 13). The forecasted CAPEX varies according to the GLA forecasted (Appendix 14).

DISCOUNTED FFO

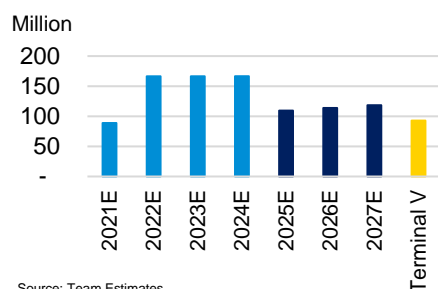
The price obtained by DFFO was **\$US1.99**. National Association of Real Estate Investment Trusts (NAREIT) establishes **Funds from Operation** (FFO) as a benchmark to measure the operating performance for Real Estate industries. The discounted FFO can be used as a measure of **earnings performance**. However, FFO does not take into consideration capital expenditure, so an adjustment is made to take into consideration the investments made each year before discounting the cashflow.

Exhibit 40: Capital structure



Source: Team Estimates

Exhibit 41: Forecasted CAPEX



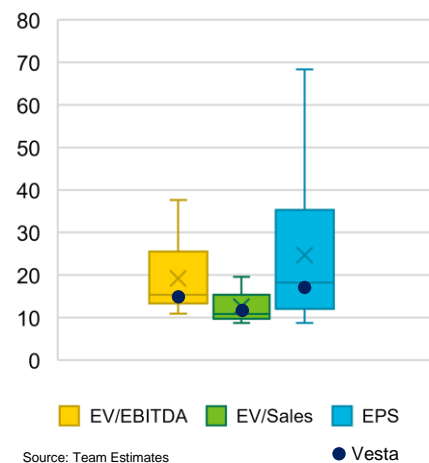
Source: Team Estimates

Exhibit 42: Peers' Medians

	EV/EBITDA	EV/Sales	EPS
Mexico median	13.31	9.97	12.87
International median	24.17	15.27	28.98
Median of all	15.35	10.85	18.23
Median price of all	3.31	2.87	2.15

Source: Team Estimates

Exhibit 43: Peers' Boxplot



Source: Team Estimates

Exhibit 44: One-year price's distribution



Source: Team Estimates

NAREIT gives guidelines for FFO although it is not standardized as the companies can adapt it to their special conditions. For the calculations done, **FFO pre-tax reported by the company** was used, as it reflects more accurately Vesta's operations than subtotal NAREIT defined FFO which adjusts a tax effect for REIT, which Vesta is not. Starting from EBITDA, few adjustments are needed (Appendix 16). The same assumptions for DCF are used (Appendix 12 & 13).

DIVIDEND DISCOUNT MODEL, PAYOUT REGARDING NET INCOME

The price obtained for DDM with payout regarding Net Income is **US\$1.95**. The payout ratio considered was the average of the last 5 years, to mitigate the effect caused by the pandemics. The perpetual growth rate, as in the previous models, was considered as 2%. The cost of equity obtained with the assumptions mentioned before is 10.13% (Appendix 12 & 17).

The effect of the shares buy-back plan for cancellation is offset by the long-term incentive plan to distribute shares among employees. Therefore, the **number of shares** is expected to **maintain**, so that the dividends distribution is assumed to be done on the same basis.

DIVIDEND DISCOUNT MODEL, PAYOUT REGARDING FFO

The price obtained for DDM with payout regarding FFO is **US\$2.24**. As mentioned before, although the typical DDM approach uses the payout ratio regarding Net Income, Vesta's dividend reflects more accurately FFO performance. Since the payout ratio regarding FFO held near 60% for the last five years, the dividends distribution follows FFO tendency rather than Net Income's. (Appendix 12 & 18)

The **payout ratio** considered was the **average** of the **last 5 years**, to mitigate the effect caused by the pandemics. The perpetual growth rate, as in the previous models, was considered as 2%. The cost of equity used was the same that for the DDM regarding Net Income (10.13%).

MULTIPLES

The price obtained by multiple's valuation is **US\$2.76**. Relative's valuation gives an overview of the industry (Appendix 19). However, the peers do not adjust exactly to Vesta's unique position in the market. For instance, **Vesta's business model** is more comparable to companies located in Latin America. Using the S&P Latin America BMI Real Estate (Industry Group), 5 Brazilian companies and 1 Chilean were considered. To assess the company's value regarding its **advantageous geographic position** in relation to near-shoring, 6 Mexican companies were also contemplated (Exhibit 42).

The multiples considered were **EV/EBITDA**, **EV/Sales** and **P/E** (Exhibit 43). For EV/Sales, Sales is total revenues which includes Income from rents and property management revenue. The **allocation** for these metrics was obtained considering a **regression** made for Vesta and the 12 companies mentioned before. (Appendix 11) This model shows that the **ROE** of the companies in industrial Real Estate highly depends on the **EBITDA Margin**; an increment of 1% in EBITDA Margin increases ROE in 0.41. ROE also depends, although in smaller extend, on **Net Income Margin**; the change in ROE for a 1% increment in Net Income Margin is 0.099. For these reasons, EV/EBITDA and P/E were given 40% each, while EV/Sales represent 20% of peer's valuation.

The price obtained for 2020 was compared with the price for the average of the last five years to give an accurate pricing range. However, 2020's peer's price was preferred because the **tendency** for the last three years **has not changed significantly** regardless of Covid-19 pandemics.

MONTE CARLO SIMULATION

Monte Carlo simulation is useful to give a **pricing range** within a probable distribution of prices according to historical performance. 10,000 simulations are performed using a **Geometric Brownian Motion Model**. The historical values of last-year's mean (4.17%) and volatility (28.51%) are considered (Appendix 21 & 22).

After almost 2 years since the beginning of Covid-19 pandemics, the sanitary measures have released as the most severe period has been left behind. For Vesta, pandemics did not have a severe impact because most of its tenants are solid multinational companies who recovered rapidly. Now, the main issue is going back to normal, therefore we consider that the same pace will be maintained.

Given the assumption of same last-year's historical values, the Monte Carlo simulation gives a pricing range **between US\$1.12 and US\$2.86** with a **90% of confidence**, with a **target price. US\$1.87** for next year (Exhibit 44).

APPENDIX 1

BALANCE SHEET

Million USD	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	2027F
ASSETS												
Current assets												
Cash, Cash Equivalents and Restricted Cash	50.72	91.00	64.48	75.06	120.54	93.24	100.24	107.24	114.24	118.81	123.56	128.50
Total Securities	0.61	0.68	0.72	0.80	0.68	1.44	1.54	1.65	1.76	1.83	1.90	1.98
Accounts Receivable	28.82	31.90	34.47	18.64	21.22	35.24	37.89	40.54	43.18	44.91	46.71	48.57
Prepaid expenses	0.04	0.37	0.54	1.27	0.42	0.62	0.66	0.71	0.75	0.78	0.82	0.85
Total current-assets	80.19	123.95	100.22	95.77	142.87	130.54	140.34	150.14	159.94	166.33	172.99	179.91
Non-current assets												
Net Real Estate Investment	1,415.72	1,701.01	1,884.62	1,990.24	2,103.87	2,191.14	2,355.64	2,520.14	2,684.64	2,792.03	2,903.71	3,019.85
Other non-current assets	4.89	7.14	9.25	7.69	7.36	9.32	10.02	10.72	11.42	11.88	12.36	12.85
Total non-current assets	1,420.60	1,708.14	1,893.87	1,997.92	2,111.23	2,200.46	2,365.66	2,530.86	2,696.06	2,803.91	2,916.06	3,032.71
TOTAL ASSETS	1,500.79	1,832.09	1,994.09	2,093.70	2,254.10	2,331.00	2,506.00	2,681.00	2,856.00	2,970.24	3,089.05	3,212.61
LIABILITIES												
Total Debt												
Current												
	0.00	0.00	4.51	1.23	2.43	2.45	2.63	2.82	3.00	3.12	3.24	3.37
non-current												
	340.87	581.99	695.28	714.36	838.06	813.40	874.47	935.53	996.60	1,036.47	1,077.92	1,121.04
Advanced Rents & Security Deposits	8.87	11.54	13.05	13.26	13.92	43.71	46.99	50.27	53.55	55.69	57.92	60.24
Deferred Tax Liability	185.73	204.21	215.35	228.91	260.87	291.38	313.25	335.13	357.00	371.28	386.13	401.58
Total Other Liabilities	5.94	12.02	12.18	24.82	30.15	14.57	15.66	16.76	17.85	18.56	19.31	20.08
TOTAL LIABILITIES	541.41	809.76	940.38	982.57	1,145.44	1,165.50	1,253.00	1,340.50	1,428.00	1,485.12	1,544.52	1,606.31
EQUITY												
Capital stock	450.88	439.84	435.61	426.30	422.44	466.20	526.26	563.01	599.76	623.75	648.70	674.65
Additional paid-in capital	343.04	327.27	321.02	303.74	297.06	288.15	279.51	271.12	262.99	255.10	247.45	240.02
Retained earnings	201.75	288.67	333.83	416.23	429.05	448.61	487.40	548.79	609.92	652.36	698.98	743.92
Share-based payments reserve	1.97	3.30	5.51	7.83	7.99	9.16	9.95	11.20	12.45	13.31	14.26	15.18
Foreign currency translation	(38.26)	(37.33)	(43.94)	(43.09)	(44.98)	(46.62)	(50.12)	(53.62)	(57.12)	(59.40)	(64.87)	(67.46)
Valuation of derivative financial instruments	0.00	0.58	1.67	0.11	(2.89)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL STOCKHOLDER'S EQUITY	959.38	1,022.33	1,053.70	1,111.12	1,108.66	1,165.50	1,253.00	1,340.50	1,428.00	1,485.12	1,544.52	1,606.31

APPENDIX 2

INCOME STATEMENT

Million USD	2016	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F	2026F	2027F
REVENUES:												
Rental Revenue	90.51	109.43	132.67	144.29	149.54	161.46	178.81	199.41	221.38	242.52	278.28	296.63
Property Management Revenue	0.00	0.00	0.00	0.07	0.32	1.55	1.66	1.78	1.90	1.99	2.16	2.22
TOTAL REVENUES	90.51	109.43	132.67	144.37	149.86	163.01	180.47	201.19	223.28	244.51	280.44	298.85
Property operating costs for rented properties	(3.38)	(4.11)	(4.85)	(7.27)	(8.93)	(9.29)	(9.99)	(10.69)	(11.38)	(11.97)	(12.94)	(13.33)
NOI	87.13	105.32	127.82	137.10	140.93	153.72	170.48	190.51	211.90	232.54	267.49	285.52
NOI Margin	96.26%	96.25%	96.35%	94.97%	94.04%	94.30%	94.47%	94.69%	94.90%	95.11%	95.38%	95.54%
Property operating costs for not-rented properties	(0.99)	(0.89)	(0.83)	(0.87)	(1.23)	(0.93)	(1.00)	(1.07)	(1.14)	(1.02)	(1.10)	(1.13)
GROSS PROFIT	86.14	104.43	126.99	136.22	139.70	152.78	169.48	189.44	210.76	231.53	266.39	284.39
Administration expenses	(11.24)	(13.91)	(16.09)	(17.63)	(17.18)	(18.79)	(20.85)	(23.30)	(25.92)	(28.48)	(32.77)	(34.98)
Depreciation	(0.32)	(0.36)	(0.57)	(1.49)	(1.48)	(1.47)	(1.63)	(1.74)	(1.86)	(1.93)	(2.09)	(2.15)
EBITDA	74.58	90.17	110.33	117.10	121.04	132.52	147.00	164.39	182.98	201.12	231.54	247.26
EBITDA Margin	82.39%	82.40%	83.16%	81.11%	80.77%	81.30%	81.46%	81.71%	81.95%	82.25%	82.56%	82.74%
Interest income	3.37	0.06	0.43	0.07	0.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other income- net	0.72	0.45	0.48	1.05	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt issuance costs	(0.95)	(0.40)	(0.14)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest expense	(19.86)	(19.67)	(35.16)	(39.16)	(39.05)	(40.79)	(43.86)	(46.92)	(49.98)	(51.98)	(56.22)	(57.91)
Exchange gain (loss)- net	(24.78)	2.90	(0.72)	2.16	(0.17)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain on sale of investment property	0.00	0.00	0.00	17.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain on revaluation of investment property	67.00	84.06	52.82	86.06	45.37	65.73	70.67	75.60	80.54	83.76	87.11	90.60
PROFIT BEFORE INCOME TAXES	100.08	157.56	128.04	185.20	127.50	157.46	173.82	193.08	213.53	232.90	248.85	265.91
Total income tax expense	(55.00)	(31.53)	(34.98)	(50.59)	(60.55)	(47.24)	(52.15)	(57.92)	(64.06)	(69.87)	(74.66)	(79.77)
PROFIT FOR THE PERIOD	45.08	126.03	93.06	134.61	66.96	110.22	121.67	135.16	149.47	163.03	174.20	186.14
Other comprehensive income (loss)- net of tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fair value (loss) gains on derivative instruments	0.00	0.58	1.09	(1.55)	(3.01)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exchange differences on translating other functional currency operations	(20.86)	0.92	(6.61)	0.85	(1.89)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24.22	127.53	87.54	133.91	62.06	110.22	121.67	135.16	149.47	163.03	174.20	186.14

APPENDIX 3

FUNDS FROM OPERATION

USD	2016	2017	2018	2019	2020
Total Comprehensive Income (Loss) for the period	24,222,726	127,533,796	87,541,639	133,906,425	62,058,161
Adjustments:					
Translation of Foreign operations	20,860,067	(924,539)	6,606,220	(847,850)	1,890,465
Gain/Loss on Revaluation of Operations	(67,004,611)	(84,058,105)	(52,822,802)	(86,062,112)	(45,370,264)
Gain in sell of properties	0	0	0	(17,920,717)	0
Non cash share compensation	840,985	1,430,143	1,933,246	2,788,939	3,678,097
Foreign Exchange Adjustment	24,781,506	(2,897,256)	719,007	(2,156,930)	171,566
Depreciation	322,627	356,727	573,177	1,494,778	1,477,413
Other income (loss)	(722,439)	(449,193)	(476,240)	(1,051,904)	(7,852)
Fair value gains on derivative instruments	0	(579,076)	(1,087,529)	1,552,134	3,007,456
Interest income	(3,368,382)	(55,171)	(434,427)	(70,394)	(311,959)
Tax expense	54,996,658	31,531,237	34,983,270	50,588,758	60,548,474
Operating FFO pre tax	54,929,137	71,888,563	77,535,561	82,221,127	87,141,557
FFO per share pre tax	0.08	0.12	0.13	0.14	0.15
Current income tax	(6,134,040)	(15,137,320)	(21,892,031)	(37,670,744)	(26,150,480)
Subtotal NAREIT defined FFO	48,795,097	56,751,243	55,643,530	44,550,383	60,991,077
Adjusted FFO per share	0.07	0.09	0.09	0.08	0.11

APPENDIX 4 NET ASSET VALUE

Million USD	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Building	1,679	1,710	1,774	1,797	1,817	1,847	1,798	1,821	1,841	1,901	1,912	1,940	1,964	1,961	2,118	2,160
Land	106	108	108	114	121	125	124	144	167	157	162	161	163	177	148	161
Cash	91	97	101	91	65	60	132	111	75	123	145	137	121	99	394	374
Liquid debt collateral	4	4	4	4	4	4	4	4	4	4	4	4	5	5	12	12
Recoverable VAT taxes	15	17	13	14	11	10	10	0	2	2	1	2	5	3	5	5
ASSETS	1,895.00	1,936.00	2,000.00	2,020.00	2,018.00	2,046.00	2,068.00	2,080.00	2,089.00	2,187.00	2,224.00	2,244.00	2,258.00	2,245.00	2,677.00	2,711.00
CAPEX to invest	-84	-76	-86	-60	-53	-45	-43	-37	-19	-43	-39	-43	-23	-16	-35	-32
Debt	-582	-609	-699	-699	-700	-700	-698	-714	-713	-800	-840	-840	-840	-840	-934	-934
Lessor deposits	-12	-12	-13	-13	-13	-13	-13	-13	-13	-13	-13	-14	-14	-15	-16	-16
LIABILITIES	(678.00)	(697.00)	(798.00)	(772.00)	(766.00)	(758.00)	(754.00)	(764.00)	(745.00)	(856.00)	(892.00)	(897.00)	(877.00)	(871.00)	(985.00)	(983.00)
																-773
Net Asset Value	1,218.00	1,239.00	1,201.00	1,248.00	1,252.00	1,287.00	1,314.00	1,316.00	1,345.00	1,331.00	1,332.00	1,348.00	1,381.00	1,374.00	1,692.00	1,729.00
NAV per share	2.03	2.07	2.01	2.09	2.10	2.18	2.27	2.29	2.35	2.36	2.36	2.39	2.42	2.42	2.47	2.53

APPENDIX 5 SWOT

S

STRENGTHS

- ✓ The company is concerned with improving the quality and diversification of the total portfolio, thereby maintaining a competitive mix of geographies unique in the market.
- ✓ Has multinational clients operating in various industries, also most of its Income is in USD which implies a lower risk-rate.
- ✓ Geographic location that makes Vesta more attractive regarding near-sharing operations to USA.

W

WEAKNESS

- ✗ Vesta needs to apply aggressive strategies to fund its long-term growth as it is not as developed as other of its competitors.
- ✗ Altman's z-score reflects the risk and high probability the company will not be able to pay their debts.
- ✗ Vesta is a company that only focuses on the industrial sector and relies heavily on foreign investments.

O

OPPORTUNITIES

- ✓ Increase participation in the e-commerce and logistic segments building new parks in the most important metropolis in Mexico such as Mexico City and Guadalajara.
- ✓ During the pandemics, the United States and China had conflicts that benefit the company if they take advantage of the nearshoring effect within the commerce with USA.
- ✓ For the company to improve its ESG practices and rising its score to be known as an industry benchmark in ESG.

T

THREATS

- ✗ Uncertainty towards macroeconomic variables, such as inflation, interest rates, and exchange rates, that may reduce foreign investments in Mexico.
- ✗ Bad international relations among Mexico with its business partners and uncertainty concerning the current government administration.
- ✗ Fluctuation on industrial park demand; if downwards, it may lead to lower occupancy rates or for higher demand levels, the incapacity of satisfying all possible tenants.

APPENDIX 6 PORTFOLIO OF TENANTS

Country										
Tenant										
% of GLA	5.7%	4.3%	3.9%	3.5%	3.4%	2.1%	1.9%	1.7%	1.6%	1.6%
Lease term remaining Years	3	5	6	7	3	10	4	3	3	3
Credit rating	Aa3	Baa3	NA	NA	Baa3	Ba1	Caa2	Baa2	Ba1	BBB-

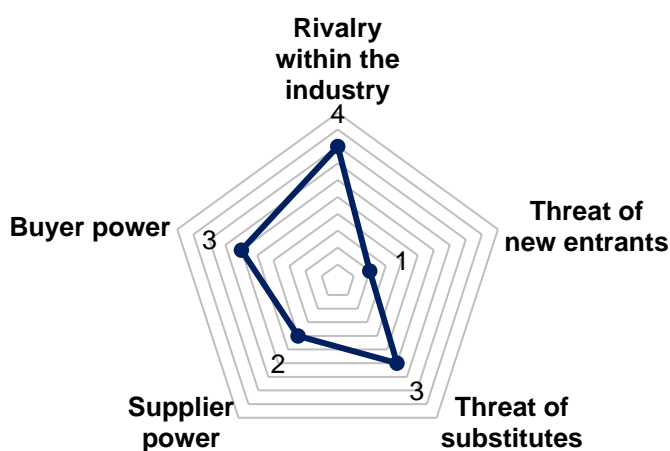
APPENDIX 7 PORTER'S FIVE FORCES

RIVALRY

Vesta competes with a growing number of industrial real estate owners, developers, and operators in Mexico, many of which own similar buildings located in the same markets. Among the top five companies in the industry, including Vesta, some have greater financial resources and greater flexibility to offer concessions in the amount of rent to attract tenants. Unlike other sectors, the industrial real estate fared well in the Coronavirus recession. The accelerated growth of e-commerce with disruptions in supply chains will continue to drive the industrial sector.

BUYER POWER

Main customers care about rental rates, location, services provided, and the nature and condition of the facilities to be leased. Vesta could be pressured to reduce rents if competitors offer leasable space at below-market rates, in better locations, or in higher quality facilities. As a measure, Vesta has built strong and lasting relationships with many of its customers, which has translated into a high tenant retention rate (90%).



THREAT OF NEW ENTRANTS

Some companies and REITs are growing and trying to reach the capacity of the leaders in some markets, although they will always have the disadvantage of having fewer financial resources. The purchase prices of desirable properties increase due to competition from other real estate investors with greater resources. Incurring debt to finance acquisitions may adversely affect their cash flows and expose their properties to foreclosure on mortgages that are created to secure the acquisition.

SUPPLIER POWER

Vesta focuses on the development and management of its properties since they subcontract all construction, design, engineering, and project management services and related work to third parties. To mitigate contractor risk, they encourage competition among contractors with extensive experience and recognized reputations to ensure better quality at a lower price. According to Vesta, since the start of their operations, they have not suffered a significant delay, nor have they had to incur significant additional costs in the construction of buildings.

THREAT OF SUBSTITUTES

Although the industrial real estate market promotes the implementation of best practices in infrastructure quality, safety and sustainability, some customers are transforming their own stores to serve as Market Fulfillment Centers (MFC). With online sales on the rise, MFCs enable ecommerce retailers to outsource warehousing and shipping. Among the pioneers of the trend is Walmart, which in early 2021, announced its plan to install 20,000- to 30,000-square-foot mini-warehouses within or adjacent to its stores.

APPENDIX 8 BOARD OF DIRECTORS

Name	Role	Independent Director?	Age	Begin Year
Lorenzo Manuel Berho Corona	Chairman of the Board	✗	60	2001
Douglas M. Arthur	Board Director/Trustee	✓	40	2021
Elizabeth "Liz" Bell	Board Director/Trustee	✓	39	2021
Óscar Francisco Cázares Elías	Board Director/Trustee	✓	61	2014
Luis de la Calle Pardo	Board Director/Trustee	✓	60	2011
José Manuel Domínguez Díaz Ceballos	Board Director/Trustee	✓	60	2015
John Andrew Foster	Board Director/Trustee	✓	60	2011
Luis Javier Solloa Hernández	Board Director/Trustee	✗	54	NA
Craig Wielandmarlene Hormes	Board Director/Trustee	✓	61	2018
Stephen B. Williams	Board Director/Trustee	✓	69	2001

APPENDIX 9 COMMITTEES

CORPORATE PRACTICES: Approve salaries, and composition of the boards and committees.	INVESTMENTS: Approve investment budget, evaluate acquisitions, and follow up investment performance.	AUDIT: Review and analysis financial statements, tax obligations and operating budget.
ETHICS: Review employees compliance with the Code of Ethics and settle possible disputes between them.	SOCIAL RESPONSIBILITY AND ENVIRONMENTAL: Review employees' compliance with the Code of Ethics and settle possible disputes between them.	DEBT AND EQUITY: Review employees' compliance with the Code of Ethics and settle possible disputes between them.

APPENDIX 10 ALTMAN Z-SCORE

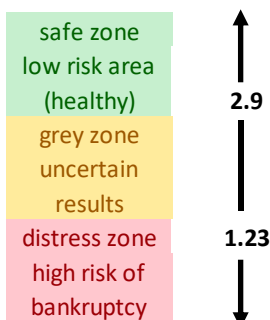
$$Z \text{ score} = 1.2 * \frac{\text{Working Capital}}{\text{Total Assets}} + 1.4 * \frac{\text{Retained earnings}}{\text{Total Assets}} + 3.3 * \frac{\text{EBIT}}{\text{Total Assets}} + 0.6 * \frac{\text{Market capitalization}}{\text{Total Liabilities}} + 0.9999 * \frac{\text{Sales}}{\text{Total Assets}}$$

COMPANY	COUNTRY	2020					Altman z score	Average from last 5 years					Altman z score
		WK/Total Assets	Retained earnings/Total Assets	EBIT/Total Assets	Market capitalization /Total Liabilities	Sales/total Assets		WK/Total Assets	Retained earnings/Total Assets	EBIT/Total Assets	Market capitalization /Total Liabilities	Sales/total Assets	
Vesta	Mexico	0.051	0.190	0.054	0.960	0.066	1.147	0.047	0.173	0.053	1.004	0.065	1.140
Fibra Uno	Mexico	0.021	0.200	0.056	0.833	0.060	1.050	0.022	0.160	0.051	1.147	0.059	1.165
Fibra Monterrey	Mexico	0.031	0.013	0.066	2.312	0.078	1.738	0.094	0.060	0.055	1.769	0.067	1.506
Fibra Macquarie	Mexico	-0.003	0.210	0.073	1.160	0.091	1.316	0.005	0.209	0.066	0.904	0.082	1.142
Fibra Prologis	Mexico	0.017	0.175	0.062	2.004	0.080	1.752	-0.005	0.154	0.057	1.414	0.078	1.325
Fibra Terrafina	Mexico	0.017	-0.009	0.066	1.121	0.085	0.985	0.043	0.001	0.058	0.918	0.074	0.868
Fibra Danhos	Mexico	0.005	0.246	0.044	4.568	0.048	3.285	0.007	0.196	0.047	4.347	0.049	3.095
BR Malls Participações S.A.	Brasil	0.068	0.042	0.022	1.127	0.045	0.934	0.029	0.033	0.030	1.800	0.044	1.305
BR Properties S.A.	Brasil	0.095	0.069	0.020	1.488	0.029	1.201	0.039	0.041	0.026	1.410	0.040	1.076
Cyrela Commercial Properties S.A.	Brasil	0.066	0.036	0.050	1.020	0.099	1.004	0.063	0.064	0.065	0.985	0.104	1.075
Iguatemi Empresa de Shopping Centers	Brasil	0.151	0.213	0.051	1.869	0.098	1.868	0.113	0.215	0.077	3.564	0.125	2.955
Multipian Empreendimentos Imobiliários S.A.	Brasil	0.079	0.237	0.047	3.123	0.102	2.559	0.056	0.188	0.071	5.315	0.129	3.883
Parque Arauco S.A.	Chile	0.124	0.212	0.021	0.745	0.047	1.009	0.068	0.206	0.055	1.252	0.073	1.376

The Altman Z-score was developed in 1967 by NYU Stern Finance Professor Edward Altman and it is used to assess the credit risk of companies, as well as their financial strength. It is based on 5 financial ratios (profitability, leverage, liquidity, solvency, and activity ratios) and gives an overview of how a company is doing. In 2007 Altman's calculation showed that the credit ratings of several S&P companies were not accurate. He found 50% of the firms had a high probability of default (lower than 1.8), which made him predict a crisis would happen soon.

To measure Vesta's score and 12 of its peers from within and outside the country, three zones were taken into consideration: distress, grey and safe. Which are attributed respectively to high risk of bankruptcy, uncertain results, and healthy or low risk. For some analysts the distress zone is below 1.8, others take 1.23. Given that Real Estate has higher debt levels, we considered 1.23.

Vesta is at risk of bankruptcy along with 6 of the 13 companies to be compared. This does not necessarily mean that Vesta will default, however it reflects the high levels of debt acquired to fund its strategies. It should be noted that from 7 Mexican companies, only other 2 are in the distress zone along with Vesta, which implies that Vesta has strong competitors with better perspectives towards the future. To avoid bias in the data due to the economic conditions caused by the pandemic, an average of the 5-year ratios was taken to use in the formula. Vesta remained in the distress zone, however one more of its Mexican peers fell in this zone, with Fibra Monterrey and Prologis being the only ones within Mexico with the best prospect in the uncertain results category but not on low risk as Fibra Danhos.



APPENDIX 11

TEAM'S SCORE FOR INDUSTRY PROFITABILITY

A regression was made to evaluate the relation of multiple variables that are representative of different areas from the financial statements and that are important for the overall performance of a company in industrial Real Estate.

$$ROE = -34.0386 + 38.9592 \text{ Occupancy} + 0.6110 \frac{\text{Debt}}{\text{EBITDA}} - 31.0684 \frac{\text{LT Debt}}{\text{Debt}} + 0.2595 \text{ int. coverage} - 7.3724 \frac{\text{NOI}}{\text{Rental Revenue}} + 41.0032 \text{ EBITDA M.} + 9.9447 \text{ Net income M.} - 0.0090 \text{ Payout ratio}$$

COMPANY	TICKER	ROE	Occupancy rate %	DEBT/ EBITDA	LTDEBT/ DEBT %	Interest coverage	NOI/Rental revenue %	EBITDA Margin %	Net Income Margin %	PAYOUT Ratio
Vesta	VESTA	8.964	0.912	6.042	0.998	3.484	0.948	0.825	0.746	51.270
Fibra Uno	FUNO11	10.002	0.943	6.602	0.976	3.779	0.789	0.750	0.823	50.728
Fibra Monterrey	FMTY14	7.526	0.963	5.212	0.964	5.276	0.890	0.750	0.678	189.750
Fibra Macquarie	FIBRAMQ12	8.336	0.940	6.385	0.999	3.349	0.854	0.803	0.605	86.178
Fibra Prologis	FIBRAPL14	7.835	0.972	4.927	0.940	4.333	0.869	0.730	0.631	42.458
Fibra Terrafina	TERRA13	5.474	0.955	8.117	0.976	2.381	0.827	0.747	0.406	136.548
Fibra Danhos	DANHOS13	8.038	0.888	1.194	0.969	27.468	0.934	0.651	1.034	39.106
BR Malls Participações S.A.	BRML3	2.632	0.963	0.916	0.882	2.668	0.674	0.694	0.176	9.574
BR Properties S.A.	BRPR3	2.742	0.823	7.378	0.822	1.098	0.653	0.655	0.443	102.466
Cyrela Commercial Properties S.A.	SYNE3	4.532	0.915	6.062	0.871	1.930	0.620	0.717	0.104	0.959
Iguatemi Empresa de Shopping Centers	IGTA3	8.160	0.936	4.168	0.895	3.170	0.613	0.774	0.324	0.521
Multipan Empreendimentos Imobiliários S.A.	MULT3	9.730	0.973	3.138	0.855	3.980	0.546	0.708	0.447	0.416
Parque Arauco S.A.	PARAUCO	8.654	0.940	8.096	0.898	3.446	0.694	0.709	0.383	0.255

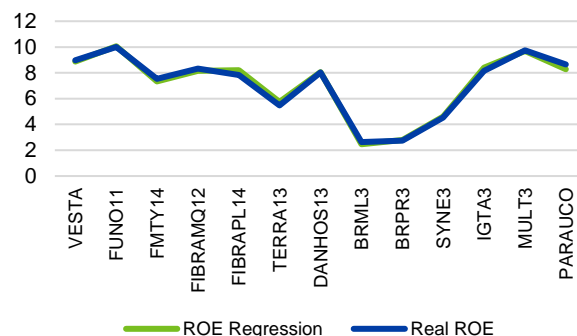
The variables used were the average for the last 5 years to mitigate the impact that the pandemics had in 2020. All variables resulted in p values smaller than 0.05. A total of 13 companies were contemplated: 7 Mexican companies, 6 Brazilian companies, and 1 Chilean company.

The regression reflects that the ROE obtained in industrial Real Estate companies strongly benefits from high levels of occupancy rate and EBITDA Margin, as well as low ratios of long-term debt over total debt. The latter occurs because, although a high return on equity can occur because the debt is very high and stockholder's equity is low, the expenses related to the debt reduce the profit for the period. Also, having high levels of debt can be risky because highly leveraged firms are more volatile.

This gives a general overview of the main variables to take in consideration while evaluating a company in this business.



Real ROE vs ROE from Regression



APPENDIX 12

WACC ASSUMPTIONS

$$WACC = \frac{E}{E+D} * \text{Cost of equity} + \frac{D}{E+D} * \text{Cost of debt} * (1-t)$$

- The capital structure is expected to remain constant, with Equity to Enterprise Value and Debt to Enterprise Value, 57% and 43%, respectively.
- Cost of debt: 4.48% was used, as it is the weighted average cost of Vesta's debt, which at the third trimester 2021 is 100% in USD.
- Taxes: Mexican tax rate was considered (30%).

$$\text{Cost of equity} = \text{Risk free rate} + \beta * \left(\text{ERP} + \text{CRP} * \frac{\sigma_{\text{Equity}}}{\sigma_{\text{Country bond}}} \right)$$

- Risk-free rate: Most of Vesta's Income is denominated in USD (83.9% in 3Q21), therefore, the rate considered was 10-years USA treasury bond (1.55%).
- Beta: The beta (1.03) was obtained from the unlevered beta for REIT in emerging countries given by Damodaran (0.67), adjusted for Vesta's capital structure.
- Market premium: Was obtained using USA's Equity Risk Premium (4.75%) adjusted by Mexico's Country Risk Premium (1.41%) escalated with the volatility for Mexican equity and bond markets (2.57). All the data was obtained from Damodaran's datasets.

APPENDIX 13

ASSUMPTIONS

Assumptions	2021-2024	2025-2027	Terminal Value
CAGR GLA		4.00%	3.00%
Occupancy rate	0.93	0.94	0.94
inflation rate	4%	3.00%	3.00%
Property management	5%	occupied GLA	
Costs properties rented	30%	occupied GLA	
Costs properties not rented	40%	non-occupied GLA	
Balance Sheet Assumptions			
Administrative expenses	12.30%	Total revenue	
Non-cash share compensations	2%	Total revenue	
Depreciación	50%	Office equipment	
Gain on revaluation of investment property	3%	Net Real Estate investment	
Interest expense	5%	Debt	
Taxes	30%		
Net Real Estate investment	94%	Total assets	
%Office equipment	0.13%	Total assets	
Equity	50%	Assets	
Liabilities	50%	Assets	
Debt	70%	Equity	
No sale of investment property	0		
Other income/expenses=	0		
Interest income + other net income + debt issuance cost + exchange gain / loss			

APPENDIX 14 DISCOUNTED CASH FLOWS

USD	GROWTH 1				GROWTH 2			Terminal year
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	
GLA	33,300,000	35,800,000	38,300,000	40,800,000	42,432,000	44,129,280	45,894,451	47,271,285
CAGR GLA	5.41%	7.51%	6.98%	6.53%	4.00%	4.00%	4.00%	3.00%
Occupancy	0.93	0.93	0.93	0.93	0.94	0.94	0.94	0.94
Rent/Square foot (quarterly)	1.34	1.39	1.45	1.50	1.55	1.60	1.64	1.69
Annual inflation	3.50%	4.00%	4.00%	4.00%	3.00%	3.00%	3.00%	3.00%
Rental income	161,457,709.15	178,805,117.18	199,412,989.15	221,383,402.70	242,516,356.62	259,783,521.21	278,280,107.92	296,632,408.21
Property management revenue	1,548,450.00	1,664,700.00	1,780,950.00	1,897,200.00	1,994,304.00	2,074,076.16	2,157,039.21	2,221,750.38
Total Revenue	163,006,159.15	180,469,817.18	201,193,939.15	223,280,602.70	244,510,660.62	261,857,597.37	280,437,147.13	298,854,158.60
Costs from rented properties	(9,290,700.00)	(9,988,200.00)	(10,685,700.00)	(11,383,200.00)	(11,965,824.00)	(12,444,456.96)	(12,942,235.24)	(13,330,502.30)
NOI	153,715,459.15	170,481,617.18	190,508,239.15	211,897,402.70	232,544,836.62	249,413,140.41	267,494,911.89	285,523,656.30
NOI Margin	94.30%	94.47%	94.69%	94.90%	95.11%	95.25%	95.38%	95.54%
Costs from non-rented properties	(932,400.00)	(1,002,400.00)	(1,072,400.00)	(1,142,400.00)	(1,018,368.00)	(1,059,102.72)	(1,101,466.83)	(1,134,510.83)
Gross profit	152,783,059.15	169,479,217.18	189,435,839.15	210,755,002.70	231,526,468.62	248,354,037.69	266,393,445.06	284,389,145.47
Administrative expenses	(18,792,316.28)	(20,845,943.71)	(23,300,608.22)	(25,922,865.33)	(28,477,755.64)	(30,547,546.64)	(32,766,393.74)	(34,979,864.89)
Depreciation	(1,470,464.98)	(1,628,900.00)	(1,742,650.00)	(1,856,400.00)	(1,930,656.00)	(2,007,882.24)	(2,088,197.53)	(2,150,843.46)
EBITDA	132,520,277.89	147,004,373.47	164,392,580.94	182,975,737.37	201,118,056.98	215,798,608.81	231,538,853.79	247,258,437.12
EBITDA Margin	81.30%	81.46%	81.71%	82.02%	82.11%	82.41%	82.56%	82.74%
Other income/expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain on sale of investment property	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain on revaluation of investment property	65,734,200.00	70,669,200.00	75,604,200.00	80,539,200.00	83,760,768.00	87,111,198.72	90,595,646.67	93,313,516.07
Operating income	198,254,477.89	217,673,573.47	239,996,780.94	263,514,937.37	284,878,824.98	302,909,807.53	322,134,500.46	355,840,521.35
Taxes	(59,476,343.37)	(65,302,072.04)	(71,999,034.28)	(79,054,481.21)	(85,463,647.49)	(90,872,942.26)	(96,640,350.14)	(106,752,156.40)
Operating income after taxes	138,778,134.53	152,371,501.43	167,997,746.66	184,460,456.16	199,415,177.49	212,036,865.27	225,494,150.32	249,088,364.94
+Depreciation	1,470,464.98	1,628,900.00	1,742,650.00	1,856,400.00	1,930,656.00	2,007,882.24	2,088,197.53	2,150,843.46
-CAPEX	88,823,740.94	166,445,770.04	166,470,150.00	166,583,900.00	109,464,768.00	113,843,358.72	118,397,093.07	92,871,781.98
Cash flow to firm	51,424,858.57	(12,445,368.61)	3,270,246.66	19,732,956.16	91,881,065.49	100,201,388.79	109,185,254.78	158,367,426.42
Time		1	2	3	4	5	6	
Discount factor @WACC		0.93369947	0.8717947	0.813994249	0.760025999	0.709635872	0.662586637	Terminal Value
Discounted free cash flow to the firm		(11,620,234.07)	2,850,983.70	16,062,512.83	69,831,998.55	71,106,499.91	72,344,690.82	2,057,153,054.99

Present Value of Discounted Free Cashflows	220,576,451.73	9.68%
Present value of Terminal Value	2,057,153,054.99	90.32%
Enterprise Value	2,277,729,506.72	
Total Debt	(934,685,351.00)	
Equity Value	1,343,044,155.72	
P/Share=	\$	2.00
P/SHARE REAL=	\$	1.80

Shares #
(10/20/2021) 670,263,821.00

- NOI Margin and EBITDA Margin grow as the operative efficiency increases.
- There is no depreciation for buildings but for office equipment.

APPENDIX 15 SENSITIVITY ANALYSIS FOR DCF PRICE

	Inflation rate									
	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	
Occupancy rate	90%	\$ 1.58	\$ 1.59	\$ 1.61	\$ 1.63	\$ 1.64	\$ 1.66	\$ 1.68	\$ 1.69	\$ 1.71
	91%	\$ 1.62	\$ 1.63	\$ 1.65	\$ 1.66	\$ 1.68	\$ 1.70	\$ 1.71	\$ 1.73	\$ 1.75
	92%	\$ 1.65	\$ 1.67	\$ 1.69	\$ 1.70	\$ 1.72	\$ 1.74	\$ 1.75	\$ 1.77	\$ 1.79
	93%	\$ 1.69	\$ 1.71	\$ 1.72	\$ 1.74	\$ 1.76	\$ 1.78	\$ 1.79	\$ 1.81	\$ 1.83
	94%	\$ 1.73	\$ 1.75	\$ 1.76	\$ 1.78	\$ 1.80	\$ 1.81	\$ 1.83	\$ 1.85	\$ 1.87
	95%	\$ 1.77	\$ 1.78	\$ 1.80	\$ 1.82	\$ 1.84	\$ 1.85	\$ 1.87	\$ 1.89	\$ 1.90
	96%	\$ 1.80	\$ 1.82	\$ 1.84	\$ 1.86	\$ 1.87	\$ 1.89	\$ 1.91	\$ 1.93	\$ 1.94
	97%	\$ 1.84	\$ 1.86	\$ 1.88	\$ 1.89	\$ 1.91	\$ 1.93	\$ 1.95	\$ 1.96	\$ 1.98
98%	\$ 1.88	\$ 1.90	\$ 1.91	\$ 1.93	\$ 1.95	\$ 1.97	\$ 1.99	\$ 2.00	\$ 2.02	

According to Damodaran (2012) in Investment Valuation Third Edition, Chapter 26, the expect growth rate in rents and leases can be estimated using the inflation rate. In Real Estate markets with low vacancy rates, the rents tend to be higher than the expected inflation rate.

The most important variables considered for the operating income are inflation rate and occupancy rate.

APPENDIX 16

DISCOUNTED FUNDS FROM OPERATION

USD	2021E	2022E	2023E	2024E	2025E	2026E	2027E	TV
EBITDA	132,520,277.89	147,004,373.47	164,392,580.94	182,975,737.37	201,118,056.98	215,798,608.81	231,538,853.79	247,258,437.12
Depreciation	1,470,464.98	1,628,900.00	1,742,650.00	1,856,400.00	1,930,656.00	2,007,882.24	2,088,197.53	2,150,843.46
Debt issuance cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest expense	(40,792,500.00)	(43,855,000.00)	(46,917,500.00)	(49,980,000.00)	(51,979,200.00)	(54,058,368.00)	(56,220,702.72)	(57,907,323.80)
Non cash share compensation	3,260,123.18	3,609,396.34	4,023,878.78	4,465,612.05	4,890,213.21	0.00	0.00	0.00
Vesta's Defined Operating FFO	137,250,866.06	152,242,669.81	170,159,109.72	189,297,749.42	207,938,926.19	217,806,491.05	233,627,051.32	264,677,848.73
Interest expense		43,855,000.00	46,917,500.00	49,980,000.00	51,979,200.00	54,058,368.00	56,220,702.72	57,907,323.80
CAPEX		166,445,770.04	166,470,150.00	166,583,900.00	109,464,768.00	113,843,358.72	118,397,093.07	92,871,781.98
Cash flows:		(58,058,100.23)	(43,228,540.28)	(27,266,150.58)	46,494,958.19	49,904,764.33	59,009,255.53	98,630,174.80
Time		1	2	3	4	5	6	
Discount factor @WACC		0.93	0.87	0.81	0.76	0.71	0.66	Terminal Value
Discounted free cash flow to the firm		(13,261,427.15)	3,216,015.53	18,488,942.80	74,842,920.42	73,775,968.07	76,349,830.56	2,231,717,614.41
Present Value of Discounted Free Cashflows	233,412,250.23	9.47%		Shares #	670,263,821.00			
Present value of Terminal Value	2,231,717,614.41	90.53%		(10/20/2021)				
Enterprise Value	2,465,129,864.64							
Total Debt	934,685,351.00							
Equity Value	1,530,444,513.64							
P/Share=	\$	2.28						
P/SHARE REAL=	\$	1.80						

APPENDIX 17

DIVIDEND DISCOUNT MODEL PAYOUT REGARDING NET INCOME

	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	TY
Net income	66,956,082.00	110,223,384.53	121,673,001.43	135,155,496.66	149,474,456.16	163,029,737.49	174,196,007.67	186,139,658.42	197,865,240.57
Payout ratio	80.86%	53.22%	53.22%	53.22%	53.22%	53.22%	53.22%	53.22%	53.22%
Dividend	54,138,218.00	58,657,961.83	64,751,144.27	71,926,170.64	79,546,341.11	86,760,102.31	92,702,495.15	99,058,589.29	105,298,633.12
Time		1	2	3	4	5	6		
Discount factor		0.91	0.82	0.75	0.68	0.62	0.56		
Discounted Dividend		73,630,565.37	73,715,532.45	73,495,371.66	72,146,635.59	69,657,905.39	67,265,980.66	914,145,305.18	
Present value of discounted dividends in forecast period		429,911,991.13	31.99%						
Present value of terminal value (100% included)		914,145,305.18	68.01%						
Equity Value		1,344,057,296.31							
P/Share=	\$	2.01							
P/SHARE REAL=	\$	1.80							

Shares #
(10/20/2021) 670,263,821.00

Assumptions: DDM regarding Net Income

Cost of equity	10.13%
Perpetual growth rate	2%
Payout ratio	53.22%

APPENDIX 18

DIVIDEND DISCOUNT MODEL PAYOUT REGARDING FFO

	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	TY
FFO	87,141,557.00	96,458,366.06	108,387,669.81	123,241,609.72	139,317,749.42	155,959,726.19	163,748,123.05	177,406,348.60	191,501,956.77
Payout ratio	62.13%	58.86%	58.86%	58.86%	58.86%	58.86%	58.86%	58.86%	58.86%
Dividend	54,138,218.00	56,773,128.34	63,794,436.30	72,537,116.39	81,999,154.57	91,794,231.16	96,378,298.60	104,417,209.30	112,713,553.15
Time		1	2	3	4	5	6		
Discount factor		0.91	0.82	0.75	0.68	0.62	0.56		
Discounted Dividend		81,365,533.80	82,577,257.11	83,416,480.30	83,203,839.85	79,136,994.59	77,078,459.12	1,074,308,682.73	
Present value of discounted dividends in forecast period		486,778,564.8	31.18%						
Present value of terminal value (100% included)		1,074,308,682.73	68.82%						
Equity Value		1,561,087,247.50							
P/Share=	\$	2.33							
P/SHARE REAL=	\$	1.80							

Shares #
(10/20/2021) 670,263,821.00

Assumptions: DDM regarding FFO

Cost of equity	10.13%
Perpetual growth rate	2%
Payout ratio	58.86%

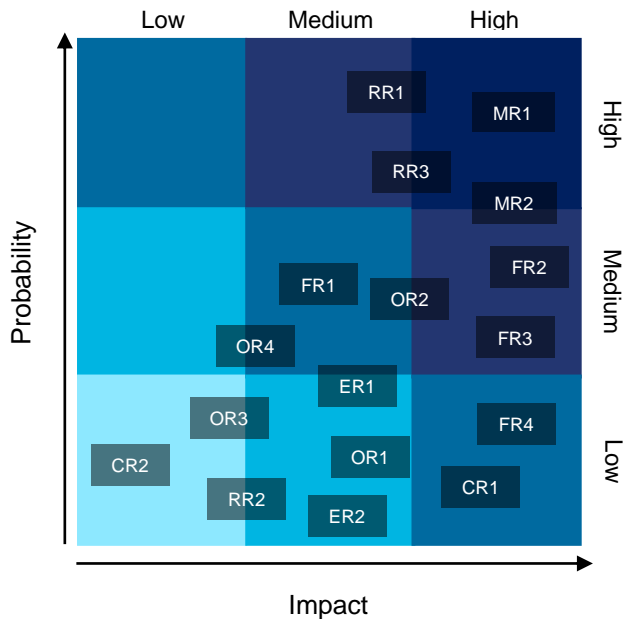
APPENDIX 19 MULTIPLES

Company	EV/EBITDA					EV/Sales					Price/earnings					Weighted average 5 years		
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	EV/EBITDA	EV/Sales	Price/earnings
Vesta	13.94	13.66	13.01	14.17	14.95	11.54	11.30	10.88	11.60	12.18	16.66	5.91	8.68	7.68	16.43	13.95	11.50	11.07
Fibra Uno	11.90	15.85	15.25	17.68	13.35	9.45	11.86	10.77	12.84	10.38	7.31	8.50	5.88	8.18	8.70	14.81	11.06	7.71
Fibra Monterrey	13.87	12.77	16.87	9.41	13.28	10.11	9.25	12.10	7.38	10.56	7.79	11.89	6.15	13.23	68.38	13.24	9.88	21.49
Fibra Macquarie	11.32	10.61	9.18	10.49	10.89	8.96	8.49	7.44	8.51	8.72	2.81	7.76	5.92	33.01	12.75	10.50	8.42	12.45
Fibra Prologis	12.41	13.72	13.05	15.18	14.40	9.48	9.71	9.24	10.59	11.14	8.64	12.43	5.99	12.08	9.92	13.75	10.03	9.81
Fibra Terrafina	11.93	13.72	10.49	14.68	12.82	8.20	10.08	8.73	10.77	9.56	12.52	15.25	10.50	8.10	22.59	12.73	9.47	13.79
Fibra Danhos	18.41	15.08	10.40	11.97	13.72	11.36	9.78	6.92	8.16	8.79	5.43	7.09	7.53	10.05	12.99	13.91	9.00	8.62
BR Malls Participações S.A.	19.66	24.25	19.67	20.47	26.87	14.02	15.48	14.38	16.64	15.38	65.60	-19.72	14.26	16.07	-30.02	22.18	15.18	9.24
BR Properties S.A.	21.31	27.82	22.03	47.74	28.15	13.37	19.97	16.76	22.49	19.58	123.83	21.18	330.65	25.36	24.06	29.41	18.43	105.02
Cyrela Commercial Properties S.A.	14.62	6.85	12.50	24.45	16.31	8.81	8.02	6.49	16.27	10.24	-48.86	7.70	-1038.27	147.68	39.50	14.95	9.96	-178.45
Iguatemi Empresa de Shopping Centers	18.45	23.94	21.73	23.56	21.31	14.14	18.67	16.86	19.66	15.17	45.81	49.74	38.84	40.31	33.90	21.80	16.90	41.72
Multipan Empreendimentos Imobiliários S.A.	25.18	30.33	23.91	32.04	37.61	18.17	21.17	18.15	22.41	14.23	56.05	59.27	41.56	55.77	13.86	26.58	18.82	45.30
Parque Arauco S.A.	19.44	21.63	12.45	18.19	21.46	13.61	15.51	12.18	12.71	16.89	21.79	24.08	13.25	18.71	635.59	21.86	14.18	142.69
Median without Vesta	16.52	15.46	14.15	17.94	15.35	10.74	10.97	11.43	12.77	10.85	10.58	12.16	9.01	17.39	18.23	14.88	10.55	13.12
México Median without Vesta	12.17	13.72	11.77	13.32	13.31	9.46	9.75	8.99	9.55	9.97	7.55	10.19	6.07	11.06	12.87	13.50	9.67	11.13
International Median	19.55	24.10	20.70	24.01	24.17	13.82	17.09	15.57	18.15	15.27	50.93	22.63	26.55	32.84	28.98	22.02	16.04	43.51
Median Price of all	\$ 1.96	\$ 2.30	\$ 2.63	\$ 3.64	\$ 3.31	\$ 1.54	\$ 1.97	\$ 2.54	\$ 3.17	\$ 2.87	\$ 0.76	\$ 2.51	\$ 1.40	\$ 4.03	\$ 2.15	\$ 2.57	\$ 2.21	\$ 2.05

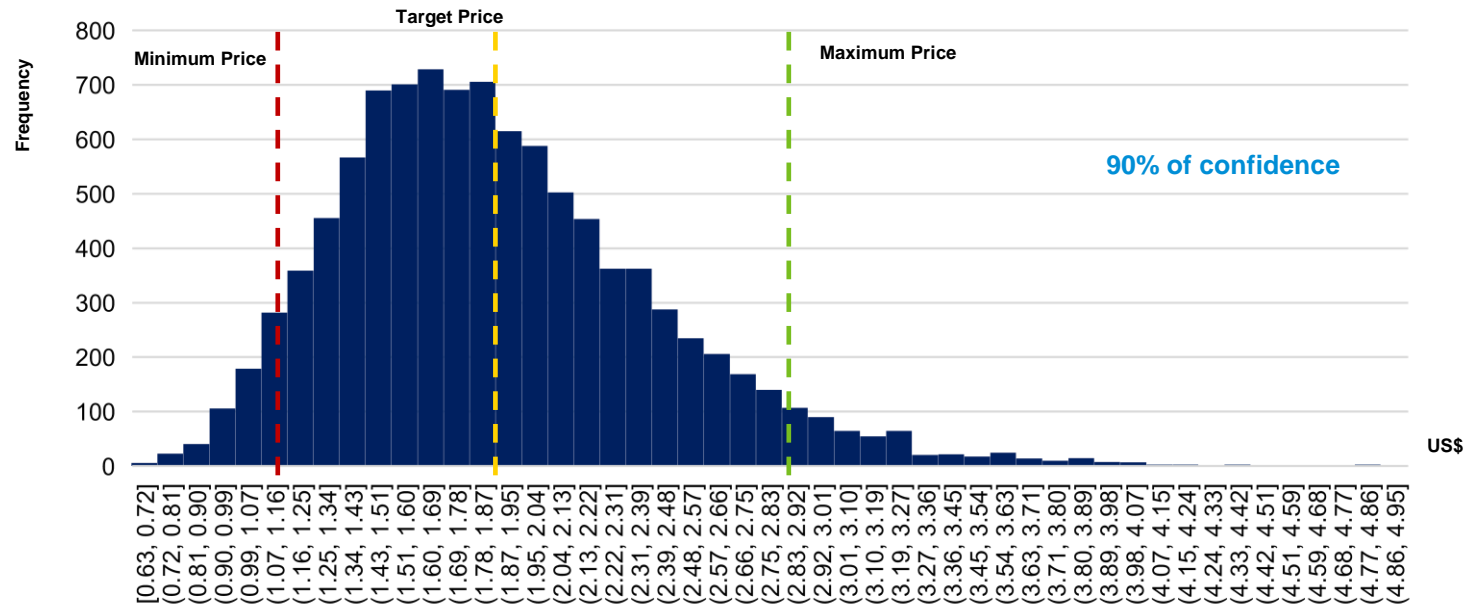
		2020	5 Years
40%	EV/EBITDA	\$ 3.31	\$ 2.57
20%	EV/Sales	\$ 2.87	\$ 2.21
40%	EPS	\$ 2.15	\$ 2.05
100%		\$ 2.76	\$ 2.29

Vesta's multiples approximate to the median of its peer's. 2020's multiples were preferred since last three years multiples have varied slightly so the pandemics effect is not significant enough for choosing the average of last 5 years.

APPENDIX 20 RISK MATRIX



APPENDIX 21 ONE-YEAR PRICE'S DISTRIBUTION

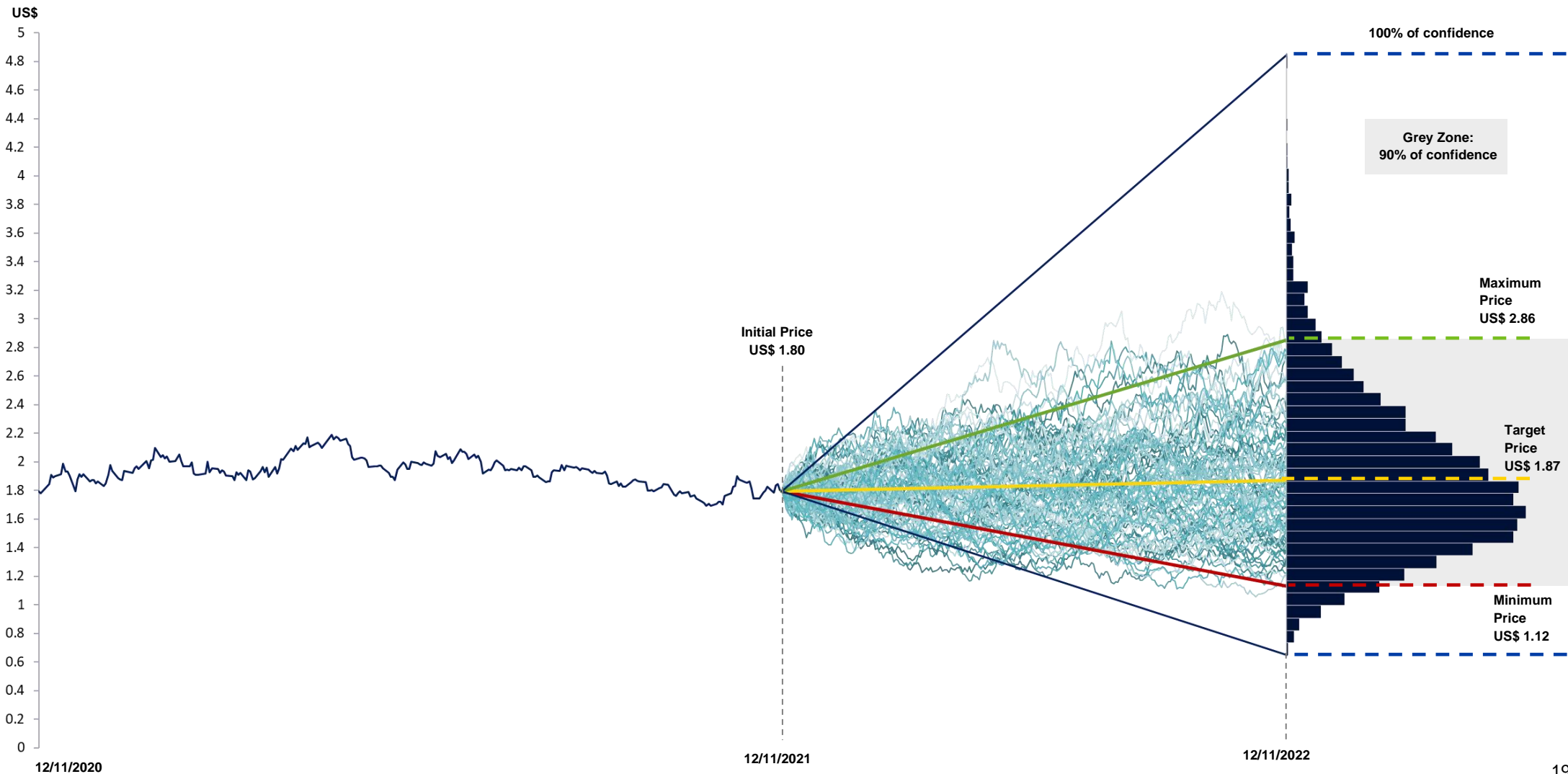


APPENDIX 22 MONTE CARLO SIMULATION

- 10,000 simulations for 1-year trajectory were simulated using a Geometric Brownian Motion Model with 4.17% as the mean, and last-year's historic volatility (28.51%).
- Last year's volatility is assumed to remain because the tendency in terms of occupancy, number of properties and industrial Real Estate market is not expected to have significant changes for next year.
- The distribution of the prices obtained by the Monte Carlo simulation is Lognormal.
- Taking as the initial price US\$1.80, with a **90% of confidence** the price oscillates between US\$1.12 and US\$2.86. The target price in 1 year is US\$1.87, which is barely above the initial price.

Descriptive Statistics	
Average	1.87
Standard Deviation	0.54
Asymetry	0.89
Kurtosis	1.43

$$\frac{dS_T}{S} = \mu dt + \sigma \sqrt{dt} W_t \quad \text{with } \ln\left(\frac{S_T}{S_t}\right) \sim \text{logNormal}(\mu, \sigma^2)$$



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