

Ardian

Mexico: The next frontier for digital infrastructure



The investment case for Mexico's telecommunications sector

There is a tremendous opportunity in Mexico's digital infrastructure sector, with clear consolidation opportunities in the Mexican market.

Mexico has a population of 130 million and is the second-largest economy in Latin America. The middle class in the region is growing steadily, and the resulting increase in economic activity is leading to increased mobile penetration and demand for broadband connectivity. Historically, Mexico has lagged its peers and is still at a relatively early stage, with only about 70 percent of people using the internet across the country today. This is notably lower than most developed (OECD) countries and many other Latin American countries. That said, mobile penetration is increasing, with experts forecasting that Mexico will soon reach 100 percent connectivity, as we see in similar markets.

For now, however, there are still large gaps in long-haul connectivity across Mexico that do not exist in other regions, such as Western Europe or the United States. We see this as a ripe area of opportunity for long-haul fiber and other digital infrastructure projects across the country to help close the gap.

Mobile data consumption in the region is also increasing with the emergence of 5G, which is not as broadly available in Mexico as it is in other markets. Today, many towers in Mexico are not yet connected to fiber, but to meet the growing data demand, towers will need to be connected. Additionally, several new data centers are currently being

built in Mexico that will also need to be connected with fiber. This creates another large opportunity for growth on the fiber side of the Mexican telecom market.

It is also worth noting that the Mexican market offers good fundamentals and an attractive alternative in the face of increased competition and heightened valuations in the U.S. tower market. The entry point for many Mexican-based telecom companies is, therefore, superior to the opportunities currently available in the United States.

Furthermore, Mexico is the second-largest trading partner to the United States, with increased nearshoring trends – whereby companies shift their manufacturing operations to Mexico in order to be closer to the United States and take advantage of skilled labor forces and reduced transportation costs – making it an attractive area well-positioned for future growth. Moreover, the tower revenues in Mexico are also inflation-indexed, which is not the case in the United States and is something we find attractive.

MXT Holdings: A case study on the growing opportunity in Mexico's digital infrastructure sector

The attractive dynamics in the Mexican market led Ardian to make its first direct investment in Mexico in October 2023, when we acquired a 50 percent stake in MXT Holdings (MXT), a leading Mexican telecommunications infrastructure company.

Founded in 2015 and led by Antoine Delaprée, MXT develops, acquires, owns and operates neutral-host communication infrastructure assets across Mexico, offering wireless and fiber services. Headquartered in Mexico City, the company is uniquely positioned to capitalize on future growth opportunities, including developing advanced greenfield long-haul fiber projects in areas of Mexico that currently lack broadband connectivity and consolidation in the Mexican tower sector.

As part of the transaction, Ardian entered into a 50/50 co-control in MXT alongside existing shareholder Mexico

Infrastructure Partners (MIP), Mexico's largest energy and infrastructure asset manager. As we considered entering into a new market, we wanted to ensure we had a reputable partner that knew the ins and outs of the local market as well as the local regulatory environment. MIP is a prestigious asset manager with deep local-business expertise and an intimate understanding of Mexico's dynamic market. We view them as a long-term partner and feel strongly that their vast knowledge of the region, paired with our track record and global expertise in telecom, will allow us to bring MXT into a new chapter of growth.



Through a highly complex primary equity transaction, MXT raised capital from Ardian and MIP to grow its digital infrastructure platform and expand its footprint across Mexico. Ardian's investment in MXT will be used primarily to support asset acquisition, which has already delivered substantial expansion. Through two parallel transactions, including the acquisition of Centennial Towers' operations in Mexico, Ardian and MIP expanded the size of MXT's portfolio significantly upon closing – from around



MXT tower, Uxmal

450 towers at the end of 2022 to more than 1,400 towers today – making it the fourth-largest tower company in Mexico.

MXT is poised for meaningful expansion opportunities moving forward. With the support of Ardian and MIP, MXT will look

to organically grow its fiber business and make further strategic acquisitions that will materially add to the portfolio.

Looking ahead: The outlook for telecom in Mexico

We expect the demand for telecom infrastructure across the globe to continue to rise in the years ahead as trends such as 5G, streaming and cloud computing continue to drive increased demand for fiber, towers, small cells, data centers and other digital infrastructure. Given the strong fundamentals, we don't see investor appetite in these sectors cooling anytime soon, and Mexico is no exception.

As we look across the digital infrastructure space in Mexico, we see a dynamic market environment with great potential for future investment opportunities. On the tower side, this is likely to be driven by market consolidation (i.e., mergers and acquisitions). Meanwhile, on the fiber side, we anticipate a greater focus on organic growth driven by the sizable need to build additional infrastructure to keep up with growing connectivity demands, including the aforementioned nearshoring opportunities.

We will be watching and evaluating future opportunities in the region closely, and in the meantime, we feel confident that investing in Mexico's dynamic and growing telecom sector will allow us to continue to deliver strong risk-adjusted returns to our investors.

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COMPANY OVERVIEW

Ardian is a world-leading private investment house, managing or advising \$164 billion of assets on behalf of more than 1,560 clients globally. Our broad expertise, spanning private equity, real assets and credit, enables us to offer a wide range of investment opportunities and respond flexibly to our clients' differing needs. Through Ardian Customized Solutions, we create bespoke portfolios that allow institutional clients to specify the precise mix of assets they require and to gain access to funds managed by leading third-party sponsors. Private Wealth Solutions offers dedicated services and access solutions for private banks, family offices and private institutional investors worldwide. Ardian's main shareholding group is its employees, and the firm places great emphasis on developing its people and fostering a collaborative culture based on collective intelligence. Our 1,050-plus employees, spread across 19 offices in Europe, the Americas, Asia and Middle East, are strongly committed to the Principles for Responsible Investment and are determined to make finance a force for good in society. Our goal is to deliver excellent investment performance combined with high ethical standards and social responsibility. At Ardian we invest all of ourselves in building companies that last.

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