

# ASUR

Quarterly Report

March 1, 2021

## Confirms recovery at year-end

- Asur's 4Q20 figures showed a sequential recovery due to improved passenger performance, as well as cost savings and one-time support that benefited EBITDA
- Despite a slower than expected year start in demand, we believe that in 2021 the group will show significant growth, although this will depend on the sector's recovery speed
- We upgrade our PT2021 to MXN 403.00 (FV/EBITDA 2021e of 18.0x, below the current). We recommend Hold as we believe much of the positive outlook is already in the stock (+45.0% L4m)

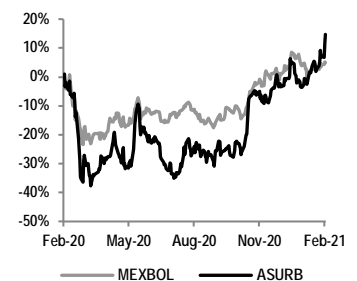
**Sequential improvement supported by higher demand dynamism, in line with estimates.** Although Asur's passenger traffic continued to be affected by the pandemic, registering a 44.9% y/y decrease; in sequential terms, it recorded a strong 86.6% increase due to the improved demand performance. The group posted a 36.2% y/y decline in operating revenues (sum of aeronautical and non-aeronautical) to MXN 2.4 billion, in line, where passengers reduction was partially offset by a higher revenue per passenger (+16%). At the operating level, despite the implemented cost savings initiatives, the higher fixed cost structure resulted in a 45.4% y/y contraction in EBITDA to MXN 1.3 billion, which was favored by an extraordinary support (MXN 227 million) in Puerto Rico. Thus, the respective margin showed a 9.1pp decline to 54.6%, in line with expectations. It is important to note that operations in Colombia continued to be the most affected by the government's more restrictive COVID-19 measures. In the same line, the company's majority net income fell 59.9% y/y, due to lower operating income and a higher CFC due to FX losses. Finally, Asur continues to be financially sound (ND/EBITDA of 1.8x), which, coupled with cost reduction initiatives, supports the company's focus on resuming growth.

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<b>HOLD</b>	
Current Price	\$379.64
<b>PT</b>	<b>\$403.00</b>
Estimated Dividend	\$8.21
Dividend Yield (%)	2.2%
Upside Potential	8.3%
ADS Price	US\$185.64
PT2021 ADS	US\$203.50
Shares per ADS	10
Max – Min LTM (\$)	402.9– 196.2
Market Cap (US\$m)	5,585.7
Shares Outstanding (m)	300
Float	47.3%
Daily Turnover (\$m)	139.2
<b>Valuation metrics LTM</b>	
FV/EBITDA	26.8x
P/E	57.7x
MSCI ESG Rating*	BBB

### Relative Performance to Mexbol LTM



#### Financial Statements

MXN, million	2019	2020	2021E	2022E
Revenues	16,822	12,625	15,475	16,165
Operating Income	8,481	3,276	5,705	7,357
EBITDA	10,320	4,881	7,656	9,302
EBITDA Margin	61.3%	38.7%	49.5%	57.5%
Net Income	5,466	1,972	3,410	4,671
Net Margin	32.5%	15.6%	22.0%	28.9%
Total Assets	57,516	60,411	61,943	65,593
Cash	6,193	5,193	5,236	6,552
Total Liabilities	18,745	18,718	19,304	21,166
Debt	13,713	13,900	13,900	13,900
Common Equity	38,771	41,693	42,639	44,427

Source: Banorte with data from MSE

#### Valuation and financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	12.5x	26.8x	17.1x	14.0x
P/E	20.8x	57.7x	33.4x	24.4x
P/BV	2.9x	2.7x	2.7x	2.6x
ROE	17.5%	5.9%	9.9%	13.0%
ROA	9.5%	3.3%	5.5%	7.1%
EBITDA/ Interest exp.	9.5x	5.3x	8.2x	10.0x
Net Deb/EBITDA	0.7x	1.8x	1.1x	0.8x
Debt/Equity	0.4x	0.3x	0.3x	0.3x

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## Asur - Results 4Q20

MXN, million

Concept	4Q19	4Q20	Var %	4Q20e	Diff% vs Estim.
Revenue	4,545	4,254	-6.4%	3,232	31.6%
Operating Income	1,989	1,104	-44.5%	871	26.8%
Ebitda	2,436	1,331	-45.4%	1,354	-1.7%
Net Income	1,255	503	-59.9%	481	4.6%
<b>Margins</b>					
Operating Margin	43.8%	26.0%	-17.8pp	26.9%	-1.0pp
Ebitda Margin	53.6%	31.3%	-22.3pp	41.9%	-10.6pp
Net Margin	27.6%	11.8%	-15.8pp	14.9%	-3.1pp
EPS	\$4.18	\$1.68	-59.9%	\$1.60	4.6%

### Income Statement (Million pesos)

Year	2019	2020	2020	Change	Change
Quarter	4	3	4	% y/y	% q/q
<b>Net Revenue</b>	<b>4,544.6</b>	<b>2,447.1</b>	<b>4,253.7</b>	<b>-6.4%</b>	<b>73.8%</b>
Cost of goods sold	74.3	30.3	41.1	-44.7%	35.7%
Gross profit	3,050.8	1,669.4	3,313.3	8.6%	98.5%
General expenses	1,409.0	1,299.8	2,209.0	56.8%	69.9%
<b>Operating Income</b>	<b>1,989.3</b>	<b>369.6</b>	<b>1,104.3</b>	<b>-44.5%</b>	<b>198.8%</b>
<b>Operating Margin</b>	<b>43.8%</b>	<b>15.1%</b>	<b>26.0%</b>	<b>(17.8pp)</b>	<b>10.9pp</b>
Depreciation	447.0	385.5	226.6	-49.3%	-41.2%
<b>EBITDA</b>	<b>2,436.4</b>	<b>755.1</b>	<b>1,330.9</b>	<b>-45.4%</b>	<b>76.3%</b>
<b>EBITDA Margin</b>	<b>53.6%</b>	<b>30.9%</b>	<b>31.3%</b>	<b>(22.3pp)</b>	<b>0.4pp</b>
Interes income (expense) net	(314.9)	(226.3)	(359.2)	14.1%	58.7%
Interest expense	246.3	183.7	210.1	-14.7%	14.4%
Interest income	70.9	55.5	42.0	-40.7%	-24.3%
Other income (expenses)	0.0	0.0	0.0	N.A.	N.A.
Exchange Income (loss)	(139.5)	(98.1)	(191.1)	37.1%	94.8%
Unconsolidated subsidiaries	0.0	(1.6)	0.0	N.A.	N.A.
<b>Income before taxes</b>	<b>1,675.1</b>	<b>141.7</b>	<b>745.1</b>	<b>-55.5%</b>	<b>426.0%</b>
Income taxes	374.6	(5.4)	165.0	-55.9%	N.A.
Discontinued operations	0.0	0.0	0.0		
<b>Consolidated Net Income</b>	<b>1,299.9</b>	<b>147.0</b>	<b>580.1</b>	<b>-55.4%</b>	<b>294.5%</b>
Minorities	44.5	41.9	77.0	72.9%	83.9%
<b>Net Income</b>	<b>1,255.4</b>	<b>105.2</b>	<b>503.1</b>	<b>-59.9%</b>	<b>378.4%</b>
<b>Net margin</b>	<b>27.6%</b>	<b>4.3%</b>	<b>11.8%</b>	<b>(15.8pp)</b>	<b>7.5pp</b>
<b>EPS</b>	<b>4.185</b>	<b>0.351</b>	<b>1.677</b>	<b>-59.9%</b>	<b>378.4%</b>

### Balance Sheet (Million pesos)

<b>Total Current Assets</b>	<b>7,845.9</b>	<b>7,882.7</b>	<b>7,716.0</b>	<b>-1.7%</b>	<b>-2.1%</b>
Cash & Short Term Investments	6,192.7	6,012.7	5,192.6	-16.1%	-13.6%
<b>Long Term Assets</b>	<b>49,670.0</b>	<b>54,286.2</b>	<b>52,695.2</b>	<b>6.1%</b>	<b>-2.9%</b>
Property, Plant & Equipment (Net)	509.4	526.5	497.0	-2.4%	-5.6%
Intangible Assets (Net)	49,126.0	53,435.0	52,182.3	6.2%	-2.3%
<b>Total Assets</b>	<b>57,515.9</b>	<b>62,168.9</b>	<b>60,411.2</b>	<b>5.0%</b>	<b>-2.8%</b>
<b>Current Liabilities</b>	<b>2,560.0</b>	<b>1,976.3</b>	<b>2,767.1</b>	<b>8.1%</b>	<b>40.0%</b>
Short Term Debt	549.6	649.4	1,138.8	107.2%	75.4%
Accounts Payable	245.1	268.2	353.9	44.4%	32.0%
<b>Long Term Liabilities</b>	<b>16,184.7</b>	<b>17,397.1</b>	<b>15,950.9</b>	<b>-1.4%</b>	<b>-8.3%</b>
Long Term Debt	6,674.7	14,095.7	12,761.6	91.2%	-9.5%
<b>Total Liabilities</b>	<b>18,744.7</b>	<b>19,373.5</b>	<b>18,718.0</b>	<b>-0.1%</b>	<b>-3.4%</b>
Common Stock	38,771.2	42,795.4	41,693.2	7.5%	-2.6%
Preferred Stock	7,613.0	8,534.8	8,027.2	5.4%	-5.9%
<b>Total Equity</b>	<b>31,158.2</b>	<b>34,260.6</b>	<b>33,666.0</b>	<b>8.0%</b>	<b>-1.7%</b>
<b>Liabilities &amp; Equity</b>	<b>57,515.9</b>	<b>62,168.9</b>	<b>60,411.2</b>	<b>5.0%</b>	<b>-2.8%</b>
<b>Net Debt</b>	<b>7,520.2</b>	<b>8,732.3</b>	<b>8,707.7</b>	<b>15.8%</b>	<b>-0.3%</b>

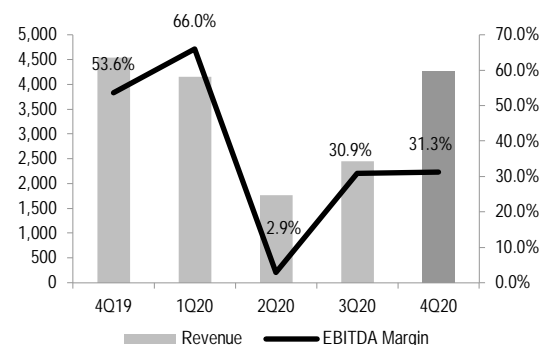
### Cash Flow (Million pesos)

Cash Flow from Operating Activities	1,830.0	216.4	835.7		
Cash Flow from Investing Activities	(1,607.8)	(801.8)	(1,431.0)		
Cash Flow from Financing Activities	(226.3)	(446.9)	(203.3)		
FX effect on cash	0.0	(79.1)	(21.5)		
<b>Change in Cash Balance</b>	<b>(4.1)</b>	<b>(1,111.4)</b>	<b>(820.1)</b>		

Source: Banorte, MSE.

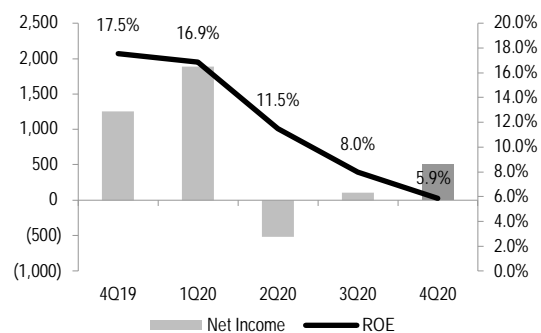
## Revenue & EBITDA Margin

MXN, million



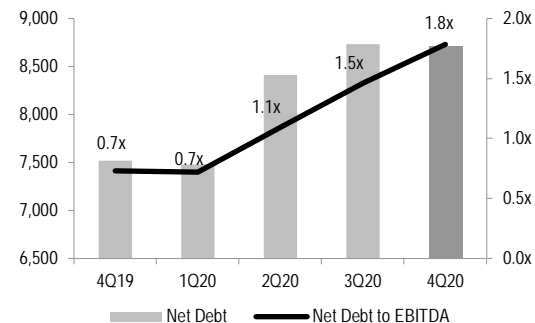
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

MXN, million



### ASUR 4Q20 – Passenger, Revenue, EBITDA and EBITDA Margin per region

Million - passengers and MXN

Region	Passengers	Var y/y	Revenue*	Var y/y	EBITDA	Var y/y	EBITDA Margin**	Var y/y
Mexico	4,980	-40.6%	1,623	-37.4%	1,011	-44.5%	62.3%	-8.0pp
San Juan Puerto Rico	1,340	-43.6%	602	-19.3%	258	-35.5%	42.8%	-10.8pp
Colombia	1,394	-57.0%	214	-56.1%	62	-70.9%	29.1%	-14.8pp
<b>Total</b>	<b>7,713</b>	<b>-44.9%</b>	<b>2,440</b>	<b>-36.2%</b>	<b>1,331</b>	<b>-45.4%</b>	<b>54.6%</b>	<b>-9.1pp</b>

Source: Asur.

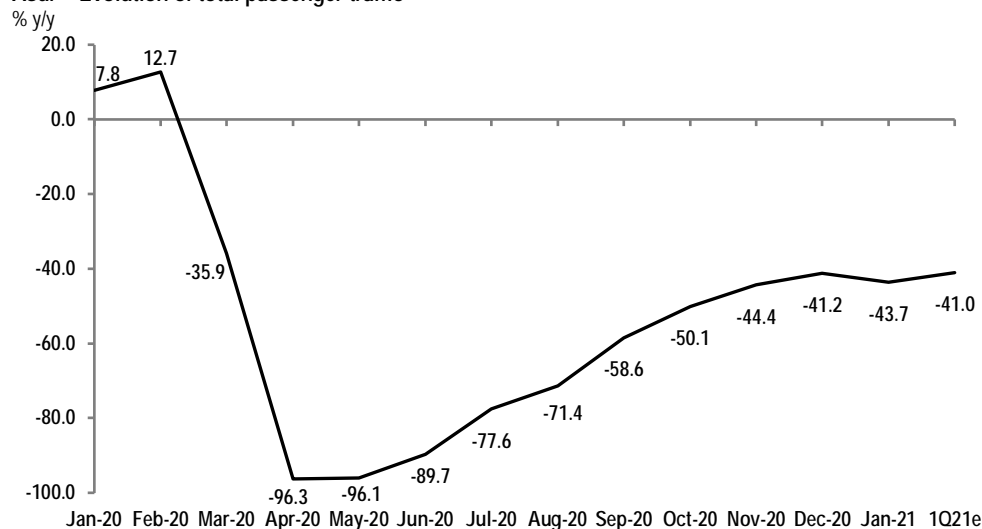
\*Sum of aeronautics and non-aeronautics

\*\* Mg EBITDA with no accounting changes

## 2021 Estimates

**Significant result increases for the year, which will depend on the sector's recovery speed.** While the airport sector has been one of the hardest hit by the pandemic, since June 2020 it has shown sequential improvements in passenger traffic. This has been supported by increased supply capacity from several airlines. However, an increase in the number of COVID-19 infections has resulted in a more challenging year-start, therefore the strong estimated growth for Asur will depend to a large extent on the speed of recovery in the sector. It is worth noting that, even though the group's exposure to international traffic was reduced in 2020 due to the health contingency, in a "normal" year it is the one that weighs the most for the company: in Mexico it represented 51.2% in 2019 and in the consolidated 36.5% of total passengers.

Asur – Evolution of total passenger traffic

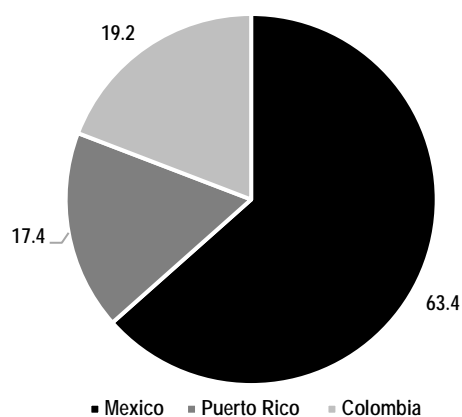


Source: Asur, Banorte

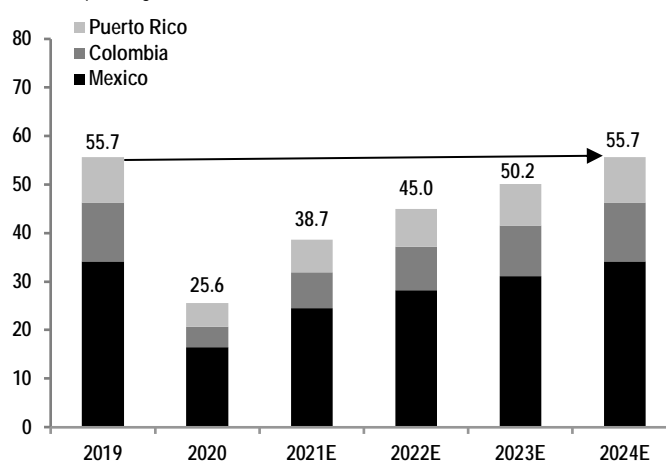
It is important to mention that, in order to leverage the industry's recovery, the group remains focused on implementing strategies to resume growth through its solid business strategy, which includes: promoting route development, maximizing aeronautical and non-aeronautical revenues, and having a diversified airline base. This, coupled with cost and expense reduction initiatives, helps the company continue to preserve liquidity, which is also supported by its healthy financial position (ND/EBITDA of 1.8x as of 4Q20).

Considering the above, and despite the fact that a recovery in international passengers could be a little slower at the beginning of the year, given the restrictive measures taken by the US and Canada on travelers, we expect Asur to present significant growth in 2021. This would be the result of the fact that, given the progress in the vaccination process, international passengers could show a greater pace of recovery, also supported by an easier comparative base. Thus, we forecast a notable 51.1% hike in total Asur passenger traffic (vs. 60.6%e previously), shaped by a 48.5% passenger increase in Mexico, 38.7% in Puerto Rico and 75.9% in Colombia (the most affected in 2020). In turn, **our estimates suggest that in 2024, Asur will return to the same passenger volume with which it closed 2019.**

Asur – Passenger participation by country 2021e  
%



Asur – Total passenger traffic 2019-2024e  
Millions of passengers



Source: Banorte.

We project a 22.6% increase in total revenues to MXN 15.5 billion and a solid 37.1% rise in operating revenues to MXN 12.2 billion, due to the significant estimated growth in passengers, as well as higher regulated tariffs -expected double-digit increases- resulting from the renegotiation of Asur's 2019-2023 Master Development Program, which is expected to be announced in 1Q21. The foregoing would be partially offset by an FX appreciation of the Mexican peso against Puerto Rico's and Colombia's currencies. As a result, aeronautical revenues would grow 42.3%, while non-aeronautical revenues would expand to a lesser extent by 29.1%, given the resilient performance presented in 2020. Similarly, we forecast a strong 56.9% increase in EBITDA to MXN 7.7 million, with a notable improvement in the respective margin (excluding construction services) of 7.9pp to 62.3%, mainly due to greater economies of scale considering that the cost structure is mostly fixed, thus benefiting from a higher volume of passenger traffic. This would reflect the company's efforts to achieve greater operating efficiencies to drive profitability. We project solid high-single-digit margin growth in Mexico and low-single-digit in Puerto Rico, while in Colombia the increase would be double-digit on a simple comparative basis.

On the other hand, we expect majority net income to grow 72.9%, reaching MXN 3.4 billion, as a result of good operating progress. In our projections, we consider that the company will resume dividend payments (MXN 8.21 per share, yield of 2.2%e at current prices) and, in terms of leverage, we estimate

that the ND/EBITDA ratio will decrease to 1.1x, confirming its healthy financial situation.

### Valuation and PT 2021E of MXN 403.00. We recommend HOLD

In our valuation we used a discounted cash flow (DCF) valuation methodology. Thus, the **target price we determined for Asur's shares is MXN 403.00 per share**, which represents an FV/EBITDA 2021e multiple of 18.0x, below the current 26.8x, although above the national sector of 15.1x. It is worth mentioning that historically the group has traded above the average of its domestic peers, and slightly above Gap, which we believe is the result of the expansion and diversification of its operations to other countries.

In our opinion, higher valuations are the result of the expectation of lower interest rates, and specifically in the sector, the prospects of a very important recovery by 2021, which should also be reflected in lower multiples. Thus, when positive news on vaccines was released in November of last year, the share price registered a significant rise which, although limited at the beginning of the year due to the aforementioned, has accumulated a yield of more than 45% in the last 4 months. In view of the above and considering the **potential return of our PT of 8.3% (including the estimated dividend return), we recommend Hold.**

In the DCF model, our assumptions consider a discount rate (WACC) of 11.7%; Average cost of debt of 6.0%; Beta of 1.1; Risk free rate of 5.8% (10-year M-Bono estimate), a market risk premium of 6.0% and a terminal FV/EBITDA multiple of 14.9x (below the current multiple and similar to the 5-year average of 14.9x) for the perpetuity value.

#### ASUR-DCF

MXN, million

	2022e	2023e	2024e	2025e	2026e	Perp.
(+) EBITDA	8,756	10,011	11,414	12,432	13,278	
(-) Change in Working Capital	(317)	(317)	(310)	(303)	(316)	
(-) Capex	(2,316)	(1,288)	(1,710)	(1,770)	(2,290)	
(-) Taxes	(1,725)	(2,069)	(2,391)	(2,630)	(2,591)	
(-) Free Cash Flow	4,398	6,337	7,003	7,729	8,082	
(+) Perpetuity	0	0	0	0	0	198,473
(=) Total Cash Flow	4,398	6,337	7,003	7,729	8,082	198,473

			YE21
Risk-Free Rate (RF)	5.8%	(+) Present Value of Cash Flows	23,643
Equity Risk premium (RP)	6.0%	(+) Present Value of Perpetuity	114,058
Beta	1.1	= Firm Value	137,701
CAPM	12.6%	(-) Net Debt	(8,665)
Debt Cost	6.0%	(8,209)	
Tax rate	26.0%	(=) Equity value	120,827
Net Cost of Debt	4.5%	Shares Outstanding	300
Debt / Capitalization	10.9%		
		Price Target \$	402.8
WACC	11.7%	Current Price	379.6
Terminal Value	14.9x	Potential Return	6.1%

Source: Banorte.

**Relative Valuation Table**

Stock	Price	Market cap. (US\$MM)	Enterprise value (US\$MM)	EBITDA Margin	P/BV	P/E	P/E 2020E	P/E 2021E	FV/EBITDA	FV/EBITDA 2020E	FV/EBITDA 2021E
<b>INTERNATIONAL PEERS</b>											
AENA SME SA	EUR 144.20	26,324	34,815	32.2%	3.5x			75.9x		40.0x	22.8x
ADP	EUR 107.50	12,947	22,557		2.9x						31.3x
FRAPORT AG FRANKFURT AIRPORT	EUR 54.10	6,088	12,910	0.2%	1.3x						22.7x
FLUGHAFEN WIEN AG	HKD 30.25	3,092	3,581	26.0%	2.1x				23.0x	53.1x	20.4x
HAINAN MEILAN INTERNATIONAL-H	EUR 33.95	2,072	2,015	50.9%	3.1x	35.2x	36.9x	22.4x	22.9x	19.7x	11.2x
	<i>Average</i>	10,105	15,176	27.3%	2.6x	35.2x	36.9x	49.1x	23.0x	37.6x	21.7x
<b>NATIONAL PEERS</b>											
ASUR	MXN 379.64	5,586	6,406	38.7%	2.7x		57.7x	33.4x		26.8x	17.1x
GAP	MXN 213.04	5,861	6,400	49.0%	5.5x		55.2x	30.9x		22.4x	15.2x
OMA	MXN 123.30	2,359	2,453	47.5%	4.5x		44.0x	21.5x		23.2x	13.0x
	<i>Average</i>	4,602	5,086	45.1%	4.2x		52.3x	28.6x		24.1x	15.1x
	<i>Total average</i>	8,041	11,392	34.9%	3.2x	35.2x	48.5x	36.8x	23.0x	30.9x	19.2x

Source: Banorte, Bloomberg (02/24/21). \* Asur, Gap and Oma 2020E multiples are L12m.

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

## Activities of the business areas during the next three months.

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The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	<b>Reference</b>
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

## Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

**The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.**

## History of PT and Ratings

Stock	Date	Rating	PT
ASURB	02/24/2021	Hold	\$403.00
ASURB	10/22/2020	Buy	\$295.00
ASURB	04/23/2020	Under Review	Under Review
ASURB	10/23/2019	Hold	\$341.0

## MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD			AVERAGE		LEADER	

\*The MSCI ESG Rating is an indicator that evaluates companies in Environment, Society and Governance (ESG) metrics.

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