

AIRPORTS

Sectorial Note

December 9, 2019

Mid-single digit passenger traffic growth

- The passenger traffic of airports in Mexico operated by Asur, Gap, and Oma, grew 6.0% overall yoy in November
- Gap's total passenger traffic was up 10.1% (growth was 7.5% including airports operated in Mexico), while Oma recorded a 6.4% rise in traffic
- Asur recorded a 7.3% increase in passenger traffic. Airports operated by the group in Mexico registered 3.9% growth; growth in Puerto Rico was 20.2% and in Colombia 7.9%

The passenger traffic of the 3 airport groups grew 6.0% overall yoy in November (airports operated in Mexico) compared to 7.3% in October. Domestic passengers accounted for the largest weight in total traffic (65.4% of the total), an increase of 6.4%, while the number of international passengers rose 5.3%.

Asur registered total passenger traffic growth of 7.3% yoy (vs. +4.7%e) driven by 3.9% growth in Mexico (vs. +2.6%e) as well as a strong 20.2% increase in passengers at San Juan Puerto Rico and a 7.9% increase in Colombia. Gap's total passenger traffic grew 10.1% in November (vs. 11.1%e). The passenger traffic of airports operated in Mexico, that is, excluding the Montego Bay Airport in Jamaica (which registered a 2.6% decrease) and the Kingston Airport (which registered a 13.0% increase), rose 7.5% vs. 8.8%e. Finally, Oma recorded 6.4% growth (vs. 7.8%e).

LTM passenger traffic variations for Asur, Gap and Oma were 6.8%, 8.0% and 7.5%, respectively, (December 2018 – November 2019), compared to 7.4%, 7.9% and 7.9%, respectively, for the LTM through October (November 2018 – October 2019).

Corporate News

- Gap reported that its seat volume rose 6.7% yoy in November, 2019. Meanwhile, the occupancy ratio rose 3.0pp for the month, from 80.8% in November, 2018 to 83.7%. The group also announced the following new routes: Aguascalientes – Monterrey by TAR; Los Cabos – Edmonton, Los Cabos – Winnipeg and Puerto Vallarta – Winnipeg by Swoop; Los Cabos – Victoria by WestJet; Los Cabos – Londres-Gatwick by TUI; Montego Bay – Nueva York JFK by American Airlines; and Montego Bay – Santiago de Cuba by Cubana de Aviación.
- Oma mentioned that during the month, VivaAerobus began operating the routes Monterrey – San Luis Potosí, San Luis Potosí – Monterrey and Monterrey – La Paz; TAR began operating the routes Monterrey –

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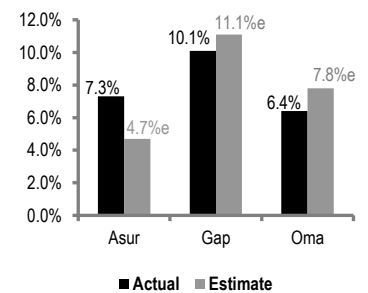
José Espitia
Airlines/Airports/Cement/REITs/Infrastructure
jose.espitia@banorte.com

Airport Sector

Stock	Recom.	PT 20E	P. Return 20E
Asur	HOLD	\$341.0	4.4%
Gap	BUY	\$221.0	17.1%
Oma	HOLD	\$140.0	9.2%

Stock	FV/Ebitda LTM	FV/Ebitda 20E
Asur	11.0x	10.2x
Gap	11.9x	10.5x
Oma	10.1x	8.9x

Passenger traffic – November 2019 (% yoy)



Source: Banorte.

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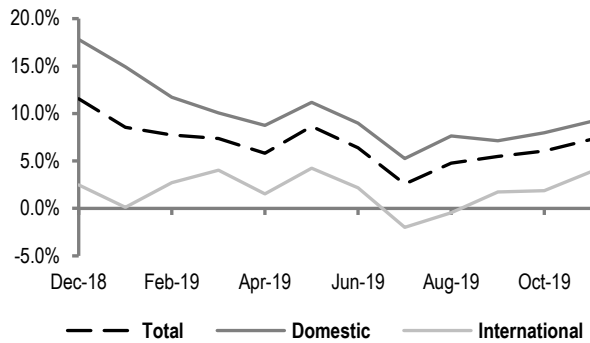
Aguascalientes and Monterrey – Veracruz; Interjet began operating the route Zihuatanejo – Toluca; and Swoop began operating the route Mazatlán – Edmonton.

Conclusion... The November passenger traffic of airports operated in Mexico showed a yoy growth rate that fell slightly short of our forecast and was below October's. While we expect the airport sector to continue to record growth rates on the back of solid tourism (domestic mainly) and a bigger seat supply from a number of airlines, passenger behavior is something to watch. Our portfolio includes Gap with a 2020E PT of MXN 221.0 per share and a Buy rating, and Asur with a 2020E PT of MXN 341.0 per share and a Hold rating. We also have a 2020E PT of MXN 140.0 per share for Oma and a Hold rating.

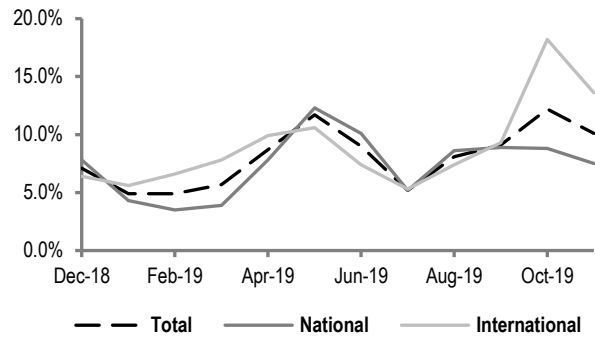
November Passenger Traffic

The following charts show total LTM passenger traffic performance (yoy) for the different airport groups and their share price returns vs. S&P/BMV IPC.

Asur – Passenger traffic – Last 12 months
(% yoy)



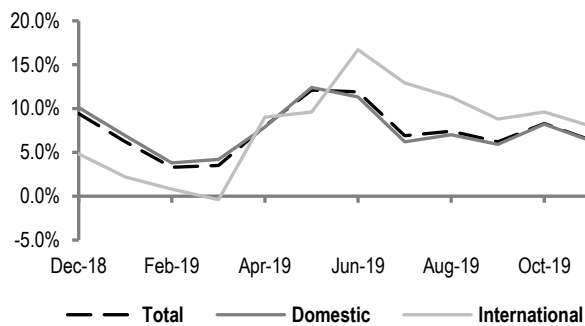
Gap – Passenger traffic – Last 12 months
(% yoy)



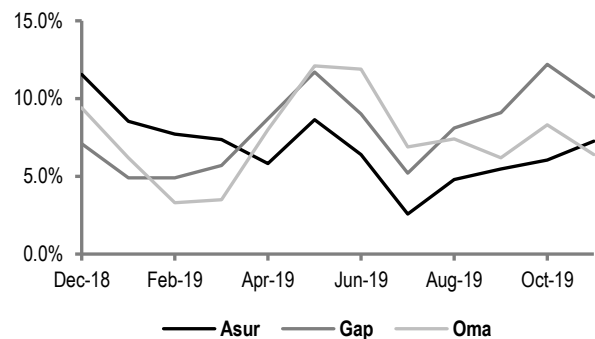
Source: Asur, Banorte / Variations include the LMM Airport and the airports in Colombia (Airplan)

Source: Gap, Banorte / Variations include MBJ and Kigston airports

Oma – Passenger traffic – Last 12 months
(% yoy)



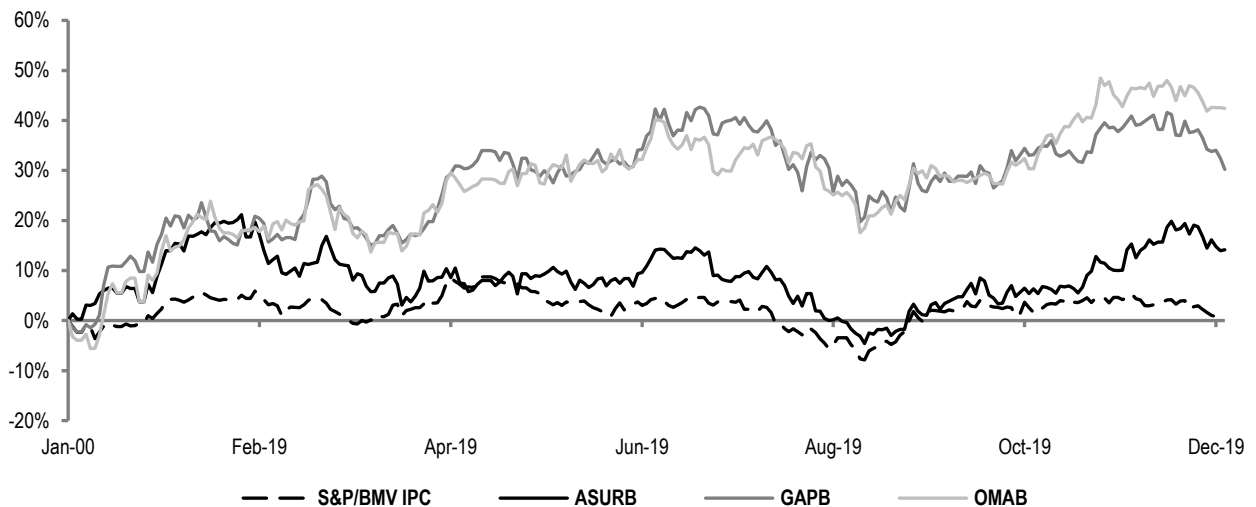
Passenger traffic – Asur, Gap y Oma – Last 12 months
(% yoy)



Source: Oma, Banorte

Source: Banorte / Asur variations include the LMM airport and the airports in Colombia (Airplan). Gap variations include MBJ and Kingston airports

MEXBOL and airports return Last 12 months



Source: Banorte

Sector comparison – Figures at November 2019

MXN, Millions	Asur	Gap	Oma
Passengers 12m.	55.3	48.2	23.0
% yoy	6.8%	8.0%	7.5%
Sales 12m. (Ex IFRS 17)	\$15,358	\$13,900	\$7,399
% yoy	10.3%	14.2%	13.8%
Operating Income 12m.	\$8,619	\$7,945	\$4,749
% yoy	287.1%	15.2%	21.7%
EBITDA 12m.	\$10,343	\$9,638	\$5,154
% yoy	14.5%	14.1%	21.6%
Net Income 12m.	\$5,668	\$5,261	\$3,278
% yoy	-2.1%	9.5%	23.4%
Operating Margin 12m.	56.1%	57.2%	64.2%
% yoy	38.2%	0.5%	4.2%
EBITDA Margin 12m.	67.3%	69.3%	69.7%
% yoy	2.5%	0.0%	4.5%
Net Margin 12m.	36.9%	37.8%	44.3%
% yoy	-4.7%	-1.6%	3.4%
Metrics per Passenger			
Sales/Pax	\$277.8	\$288.2	\$321.5
Operating Income/Pax	\$155.9	\$164.7	\$206.3
EBITDA/Pax	\$187.1	\$199.8	\$223.9
Net Income/Pax	\$102.5	\$109.1	\$142.4
Valuation			
FV/EBITDA 12m.	11.0x	11.9x	10.1x
FV/EBITDA 20e	10.2x	10.5x	8.9x
FV/EBITDA Av. 1a.	11.8x	12.9x	10.7x
FV/EBITDA Av. 3a.	15.9x	14.7x	12.3x
FV/EBITDA 12m. Av. Sector (National)	11.0x	11.0x	11.0x
FV/EBITDA 20e Av Sector (National)	9.9x	9.9x	9.9x
Estimate vs. Sector (National)	3.9%	6.5%	-10.3%
12m. vs. Sector (National)	-0.2%	8.0%	-7.8%
20e vs. Av. 3a.	-35.5%	-28.7%	-28.3%
FV/EBITDA 12m. Av. (International peers ¹)		10.5x	
FV/EBITDA 20e Av. (International peers ¹)		9.9x	
P/BV	2.6x	5.7x	5.6x
P/E	17.3x	20.1x	15.4x
Market			
Current Price	\$326	\$189	\$128
Return 12m.	14.2%	30.2%	42.4%
Return 2018	-17.3%	-20.9%	-7.9%
Return 2019	10.0%	18.6%	37.3%
Market Cap. (US\$m)	\$5,067	\$5,479	\$2,610
Shares Outstanding	300	561	399
Float %	56%	85%	86%
Floating Market Cap. (US\$m)	\$2,862	\$4,657	\$2,231

Source: Banorte / Bloomberg (12/06/19)

¹ Aeroports de Paris, Fraport AG, Malaysia Airports.

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We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldívar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer, Francisco José Flores Serrano, Luis Leopoldo López Salinas, Jorge Antonio Izquierdo Lobato, Eridani Ruibal Ortega and Leslie Thalia Orozco Vélez, 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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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Luis Leopoldo López Salinas	Analyst, Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 – 4000 x 2755
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Manager, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454