

# AIRPORTS

Sectorial Note

March 8, 2021

## Steeper drop in international traffic

- **Passengers at the airports operated in Mexico by Asur, Gap and Oma, recorded a 51.3% y/y reduction in February, with a greater than expected weakness on the international side**
- **Regarding total operations (including those outside Mexico), Oma showed the largest drop in passenger traffic with -53.9%, followed by Gap with -52.7% and then Asur with -49.2%**
- **While prospects for significant growth in 2021 continue for companies in the industry, it depends on the sector's recovery speed and, consequently, on the vaccination process**

**Total passenger traffic for the 3 airport groups during February showed a 51.3% y/y drop (airports operated in Mexico), higher than January's -42.2% decline.** It is important to mention that passenger performance was below our expectations of a contraction of around -43.0%. In this month, the pandemic continued to affect the country and, in particular, the impact on international passengers was more relevant as a result of more restrictive measures on air travelers by the US (main tourist supplier) and Canada. Thus, passengers with the greatest weight in total traffic were domestic passengers (71.2% of total aggregate passengers), registering a 41.5% annual decline, while international passengers recorded a 65.6% y/y drop.

Individually, Asur posted a 49.2% y/y decline, comprised of interannual decreases of 53.4% in passengers in Mexico, 39.9% in San Juan Puerto Rico, and 44.7% in Colombia. On the other hand, Gap experienced a 52.7% y/y decrease in total passengers in February. Passenger traffic at the airports it operates in Mexico, that is, excluding Montego Bay Airport in Jamaica (which fell 82.3%) and Kingston Airport (dropped 75.5%), registered an annual decline of 48.4%. Finally, Oma showed a 53.9% y/y reduction in passengers.

Asur, Gap and Oma's total LTM passenger variations stood at -62.7%, -53.6% and -60.6% (March 2020 - February 2021), compared to LTM as of January 2021 of -58.3%, -48.6% and -56.3% (February 2020 - January 2021), respectively.

### Corporate news

- Gap announced that it [will propose at the Shareholders' Meeting](#) a reimbursement to its shareholders, through a capital reduction of up to \$2.0 billion (return of ~1.8%), as well as the cancellation of 35,424,453 shares (6.3% of the total), currently held in treasury. Thus, as a whole, the potential yield would be ~8.1%. On the other hand, the group pointed out that the volume of seats offered in February dropped 13.2% y/y and that the load

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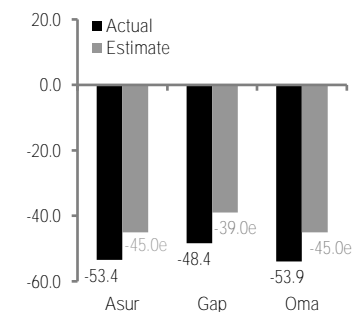
Airport Sector

Stock	Rating	PT 21E	P. Return 21E*
Asur	Hold	\$403.00	13.0%
Gap	Hold	\$233.00	9.8%
Oma	Hold	\$137.00	3.7%

\* Includes estimated dividend

Stock	FW/Ebitda LTM	FW/Ebitda 21E
Asur	25.8x	16.5x
Gap	23.9x	16.3x
Oma	25.5x	14.3x

Mexico passenger traffic – Feb. 2021 % y/y



Source: Banorte.

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factor during the month showed a 35.0pp sharp decrease from 83.3% in February 2020 to 48.3%.

### **Sector news**

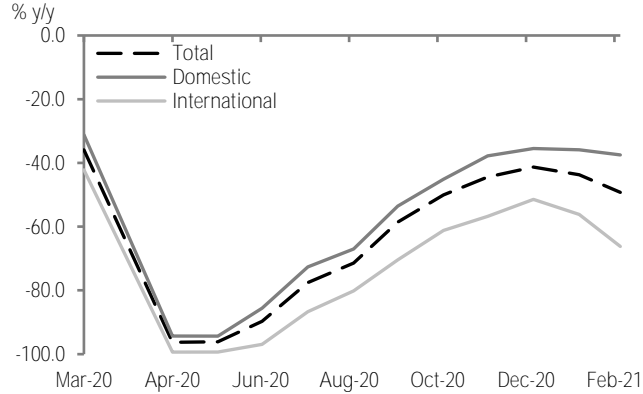
- The International Air Transport Association (IATA) mentioned that for 2021 it expects a 50.4% improvement in demand, which would place the industry at 50.6% of 2019 levels. However, due to increased restrictions for air travelers at the beginning of the year to control the COVID-19 pandemic and uncertainty as to its duration, there is a latent risk that the projections could suffer downward modifications.

**Conclusion...** February passenger performance of the airports operated in Mexico showed a larger y/y decline than in the previous month. Once again, Gap stood out as the group with the smallest drop in traffic, while Oma again registered the largest contraction, even though Asur has greater exposure to international traffic. In March, a more natural comparative basis (start of the pandemic in 2020), in addition to a positive seasonal effect from the Easter holiday (last year it was in April), should offset to some extent the impact of the restrictions on air traveler demand. We note as positive the resumption of strategies to return capital to shareholders, in this case, with the Gap proposal referred to above. On the other hand, we mentioned that although we foresee important passenger advances and company results for 2021, these depend on the vaccination process, which will determine the industry's recovery speed. Finally, we believe that a good part of the favorable expectations are already reflected in the stock prices, therefore, as valuations are somewhat tight, we suggest caution to continue participating in the sector. In our institutional portfolio we have exposure in Gap with a PT 2021 of MXN 233.00 per share and in Oma with a PT 2021 of MXN 137.00, both with a Hold recommendation. On the other hand, for Asur our 2021 PT is MXN 403.00 per share and we recommend Hold.

## February Passenger Traffic

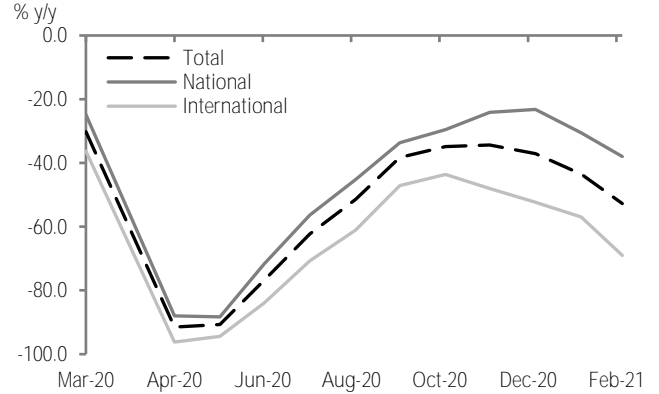
The following charts show total LTM passenger traffic performance (y/y) for the different airport groups and their share price returns vs. S&P/BMV IPC.

Asur – Passenger traffic – Last 12 months



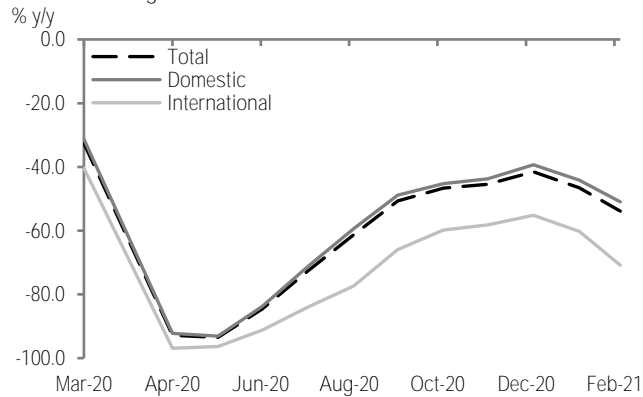
Source: Asur, Banorte / Variations include the LMM Airport and the airports in Colombia (Airplan)

Gap – Passenger traffic – Last 12 months



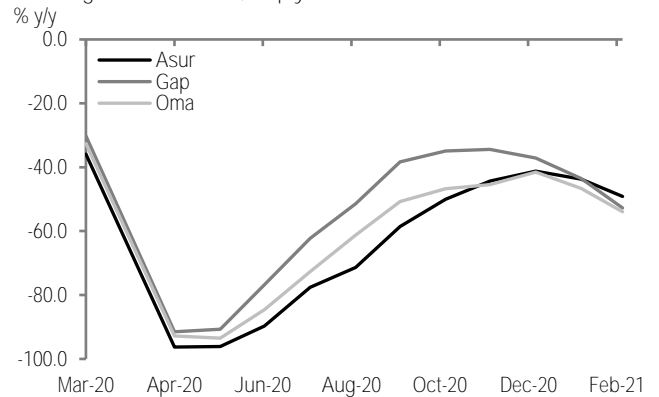
Source: Gap, Banorte / Variations include MBJ and Kigston airports

Oma – Passenger traffic – Last 12 months



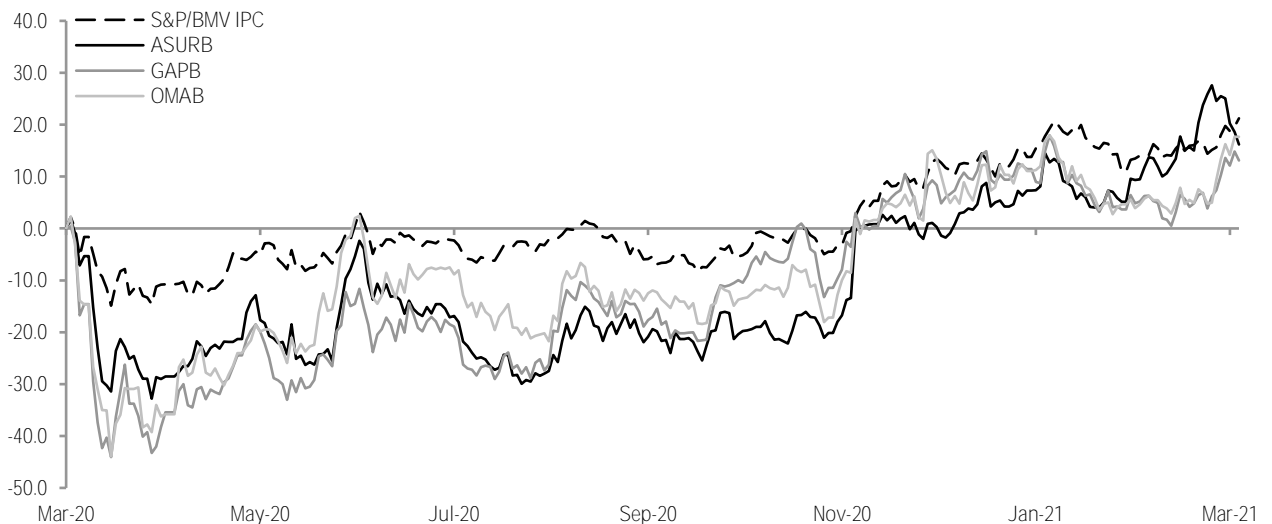
Source: Oma, Banorte

Passenger traffic – Asur, Gap y Oma – Last 12 months



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 February 2021

MXN, Millions	Asur	Gap	Oma
Passengers LTM.	21.1	23.1	9.3
% y/y	-62.7%	-53.6%	-60.6%
Sales LTM. (Ex IFRS 17)	\$8,968	\$9,674	\$4,114
% y/y	-42.5%	-32.4%	-45.7%
Operating Income LTM.	\$3,276	\$3,820	\$1,721
% y/y	-61.4%	-52.4%	-64.5%
EBITDA LTM.	\$4,881	\$5,820	\$2,157
% y/y	-52.7%	-40.6%	-59.1%
Net Income LTM.	\$1,972	\$2,165	\$1,094
% y/y	-63.9%	-56.2%	-66.0%
Operating Margin LTM.	36.5%	39.5%	41.8%
% y/y	-17.9%	-16.5%	-22.3%
EBITDA Margin LTM.	54.4%	60.2%	52.4%
% y/y	-11.8%	-8.2%	-17.2%
Net Margin LTM.	22.0%	22.4%	26.6%
% y/y	-13.1%	-12.1%	-15.9%
<b>Metrics per Passenger</b>			
Sales/Pax	\$425.5	\$418.0	\$444.1
Operating Income/Pax	\$155.4	\$165.0	\$185.9
EBITDA/Pax	\$231.6	\$251.5	\$232.9
Net Income/Pax	\$93.6	\$93.5	\$118.2
<b>Valuation</b>			
FV/EBITDA LTM.	25.8x	23.9x	25.5x
FV/EBITDA 21e	16.5x	16.2x	14.3x
FV/EBITDA Av. 1y.	11.6x	12.8x	10.7x
FV/EBITDA Av. 3y.	12.9x	13.3x	11.2x
FV/EBITDA LTM Av. Sector (Domestic)	25.1x	25.1x	25.1x
FV/EBITDA 21e Av Sector (Domestic)	15.7x	15.7x	15.7x
Estimate vs. Sector (Domestic)	5.0%	3.5%	-8.6%
LTM. vs. Sector (Domestic)	2.9%	-4.5%	1.7%
21e vs. Av. 3y.	27.6%	22.0%	27.5%
FV/EBITDA LTM Av. (International peers <sup>1</sup> )		26.7x	
FV/EBITDA 21e Av. (International peers <sup>1</sup> )		20.9x	
P/BV	2.6x	5.9x	5.0x
P/E	55.3x	59.3x	48.5x
<b>Market</b>			
Current Price	\$364	\$229	\$136
Return LTM.	16.2%	13.1%	17.6%
Return 2020	-7.0%	-1.1%	-9.5%
Return 2021	8.2%	1.5%	5.9%
Market Cap. (US\$ million)	\$5,123	\$6,026	\$2,490
Shares Outstanding	300	561	399
Float %	59%	85%	86%
Floating Market Cap. (US\$ million)	\$3,048	\$5,122	\$2,129

Source: Banorte / Bloomberg (03/05/21). \*The operating results are gathered from the consolidated Financial Statements. It should be mentioned that Asur has a 60% share of the operations of Puerto Rico and Gap has 74.5% of MBJ.

<sup>1</sup> Aena SME, Aeroports de Paris, Flughafen Wien AG, Fraport AG, Hainan Meilan International.

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, 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 Thalía 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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<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.

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