

# GAP

Quarterly Report

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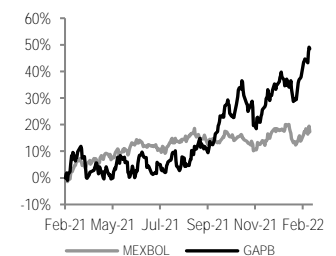
## The fastest EBITDA recovery in the sector

- Gap presented a positive 4Q21, in line with our expectations, favored by a better passenger traffic performance, which has already reached pre-pandemic figures, coupled with cost control
- Although the group shows the highest growth in EBITDA vs. 4Q19 of the sector's, the current valuation (16.0x FV/EBITDA) seems extended, therefore we lower our recommendation to Hold

**Operating revenues and EBITDA continued to drive off from pre-pandemic levels.** In 4Q21, Gap recorded an annual growth in passengers of 55.3% (+0.1% vs. 4Q19), due to a good demand dynamism and a still low comparative base. This, together with higher rates approved in the Master Development Programs, led to an increase in the sum of aeronautical and non-aeronautical revenues of 73.9% to MXN 4.649 billion (+24.5% vs. 4Q19), in line with our expectations. Considering the above and the operating leverage with higher proportion of fixed expenses regarding total costs and expenses, EBITDA rose a 84.2% y/y to MXN 3.255 billion (+34.3% vs. 4Q19), also driven by efficiencies, with which the margin, excluding accounting changes (without impact on EBITDA), expanded by 3.9pp to 70.1%, beating our estimate of 68.9%. Finally, the group presented a comprehensive income attributable to controlling interest of MXN 1.923 billion (vs. the loss of MXN 217 million in 4Q20), due to better operating performance and a foreign exchange gain of MXN 33 million (vs. the loss of MXN 563 million in 4Q20). When incorporating the figures, the FV/EBITDA multiple decreased from 18.5x to 16.0x. **Favorable perspectives, but limited valuation.** Although the group has stood out for showing the fastest EBITDA recovery in the sector, we believe this and much of the strong growth expectations and better margins for 2022 have already been incorporated in the share price (+20.4% L4m). Thus, given a valuation that seems limited (vs. the 5-year pre-pandemic average of 14.9x), we lower our recommendation to Hold.

HOLD	
Current Price	\$309.85
PT	\$300.00
Dividend	\$8.60
Dividend (%)e	2.8%
Upside Potential	-0.4%
ADS Price	US\$152.45
PT ADS	US\$141.50
Shares per ADS	10
Max – Min LTM (\$)	315.1 – 194.3
Market Cap (US\$m)	7,821.4
Shares Outstanding (m)	512
Float	85%
Daily Turnover (\$ m)	299.5
Valuation metrics LTM	
FV/EBITDA	16.0x
P/E	24.4x
MSCI ESG Rating*	BB

Relative Performance to Mexbol LTM



Financial Statements				
MXN, million	2019	2020	2021	2022E
Revenues	16,226	11,866	19,015	22,532
Operating Income	8,017	3,820	8,857	10,972
EBITDA	9,793	5,820	10,908	13,359
EBITDA Margin	60.4%	49.0%	57.4%	59.3%
Net Income	4,937	2,165	6,510	7,063
Net Margin	30.4%	18.2%	34.2%	31.3%
Total Assets	41,578	51,361	55,323	57,770
Cash	7,500	14,445	13,333	12,728
Total Liabilities	20,908	28,508	34,894	35,562
Debt	16,474	24,381	27,920	27,971
Common Equity	20,669	22,853	20,429	22,208

Source: Banorte

Valuation and financial metrics				
	2019	2020	2021	2022E
FV/EBITDA	17.2x	29.2x	16.0x	13.1x
P/U	35.2x	75.2x	24.4x	22.5x
P/VL	8.9x	7.5x	8.2x	7.5x
ROE	25.2%	9.9%	33.8%	33.5%
ROA	11.9%	4.2%	11.8%	12.2%
EBITDA/Interest exp.	8.3x	4.0x	6.5x	7.2x
Net Deb/EBITDA	0.9x	1.7x	1.3x	1.1x
Debt/Equity	0.8x	1.1x	1.4x	1.3x

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## Gap – Results 4Q21

MXN, million

Concept	4Q20	4Q21	Var %	4Q21e	Diff % vs Estim.
Revenue	2,344	5,188	121.3%	5,773	-10.1%
Operating Income	1,260	2,736	117.0%	2,742	-0.2%
Ebitda	1,767	3,255	84.2%	3,305	-1.5%
Net Income	-217	1,923	N.A.	1,854	3.7%
<b>Margins</b>					
Operating Margin	53.8%	52.7%	-1.0pp	47.5%	5.2pp
Ebitda Margin	75.4%	62.7%	-12.6pp	57.3%	5.5pp
Net Margin	-9.3%	37.1%	46.3pp	32.1%	4.9pp
EPS	-\$0.41	\$3.75	N.A.	\$3.53	6.4%

## Income Statement (Million pesos)

Year	2020	2021	2021	Change	Change
Quarter	4	3	4	% y/y	% q/q
Net Revenue	2,344.4	5,292.8	5,188.4	121.3%	-2.0%
Cost of goods sold	0.0	0.0	0.0	N.A.	N.A.
Gross profit	2,344.4	5,292.8	5,188.4	121.3%	-2.0%
General expenses	1,083.9	2,712.4	2,452.8	126.3%	-9.6%
Operating Income	1,260.5	2,580.4	2,735.6	117.0%	6.0%
Operating Margin	53.8%	48.8%	52.7%	(1.0pp)	4.0pp
Depreciation	506.1	518.0	519.4	2.6%	0.3%
EBITDA	1,766.6	3,098.4	3,255.0	84.2%	5.1%
EBITDA Margin	75.4%	58.5%	62.7%	(12.6pp)	4.2pp
Interest income (expense) net	(866.8)	(214.0)	(328.4)	-62.1%	53.4%
Interest expense	385.2	403.7	486.4	26.3%	20.5%
Interest income	43.0	102.0	73.2	70.4%	-28.3%
Other income (expenses)	0.0	0.0	0.0	N.A.	N.A.
Exchange Income (loss)	(530.0)	80.0	76.8	N.A.	-4.0%
Unconsolidated subsidiaries	0.0	0.0	0.0	N.A.	N.A.
Income before taxes	393.6	2,366.3	2,407.2	>500%	1.7%
Income taxes	53.2	586.6	604.8	>500%	3.1%
Discontinued operations	0.0	0.0	0.0	N.A.	N.A.
Consolidated Net Income	340.4	1,779.7	1,802.4	429.5%	1.3%
Minorities	(19.7)	25.7	22.3	N.A.	-13.2%
Net Income	(217.4)	1,968.9	1,922.5	N.A.	-2.4%
Net margin	-9.3%	37.2%	37.1%	46.3pp	(0.1pp)
EPS	(0.414)	3.825	3.753	N.A.	-1.9%

## Balance Sheet (Million pesos)

Total Current Assets	16,846.1	13,266.6	16,397.6	-2.7%	23.6%
Cash & Short Term Investments	14,444.5	10,650.8	13,332.9	-7.7%	25.2%
Long Term Assets	34,515.1	35,833.3	38,869.1	12.6%	8.5%
Property, Plant & Equipment (Net)	2,146.2	2,542.5	3,049.2	42.1%	19.9%
Intangible Assets (Net)	25,694.9	26,109.8	28,394.8	10.5%	8.8%
Total Assets	51,361.2	49,099.9	55,266.6	7.6%	12.6%
Current Liabilities	5,262.7	4,338.7	9,363.0	77.9%	115.8%
Short Term Debt	2,670.3	1,679.8	3,976.5	48.9%	136.7%
Accounts Payable	1,109.9	893.0	3,128.9	181.9%	250.4%
Long Term Liabilities	23,245.7	25,654.0	25,531.5	9.8%	-0.5%
Long Term Debt	21,695.6	23,707.4	23,896.2	10.1%	0.8%
Total Liabilities	28,508.4	29,991.2	34,894.5	22.4%	16.3%
Common Stock	22,852.8	19,108.6	20,428.6	-10.6%	6.9%
Preferred Stock	1,060.0	1,105.1	1,140.2	7.6%	3.2%
Total Equity	21,792.8	18,003.5	19,288.4	-11.5%	7.1%
Liabilities & Equity	51,361.2	49,099.9	55,323.1	7.7%	12.7%
Net Debt	9,910.6	14,719.0	14,528.0	46.6%	-1.3%

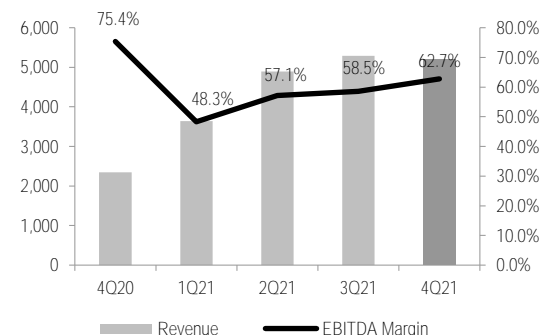
## Cash Flow (Million pesos)

Cash Flow from Operating Activities	777.3	3,231.7	3,524.5
Cash Flow from Investing Activities	(895.3)	(1,108.5)	(2,160.3)
Cash Flow from Financing Activities	(517.2)	(7,018.5)	1,238.0
FX effect on cash	(140.7)	43.2	79.9
Change in Cash Balance	(775.9)	(4,852.1)	2,682.0

Source: Banorte, MSE.

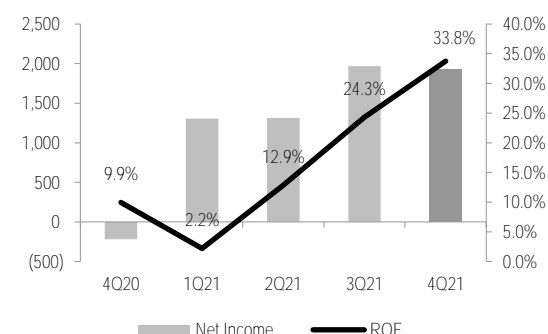
## Revenue & EBITDA Margin

MXN, million



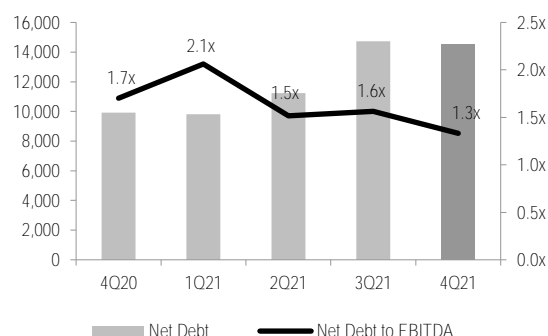
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

MXN, million



## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, José Luis García Casales, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, Paola Soto Leal, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Daniela Olea Suárez, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, 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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	Reference
<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.

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## History of PT and Ratings

Emisora	Date	Rating	PT
GAPB	02/22/2022	Hold	\$300.00
GAPB	10/27/2021	Buy	\$300.00
GAPB	04/28/2021	Buy	\$245.00
GAPB	02/24/2021	Hold	\$233.00

## 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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