

# GAP

## Quarterly Report

March 1, 2021

### Proves solid sequential improvement in 4Q20

- Gap posted results that continued to be affected on a year-over-year basis by COVID-19, but showed a relevant sequential recovery in line with our expectations
- It continues to stand out for showing the lowest passenger declines y/y in the sector. Meanwhile, the strong growth we expect for 2021 depends on the industry's pace of recovery
- We raise our PT2021e to MXN233.00 from MXN 210.00 -FV/EBITDA 2021e of 16.5x, down from current. We believe much of the favorable outlook is already in the stock. We recommend Hold

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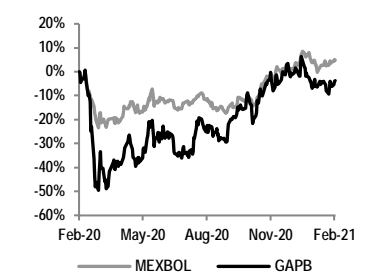
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**Improved passenger demand performance supports better sequential figures.** In 4Q20, Gap recorded a year-over-year decline in total passengers of 35.5% due to the COVID-19 impact, although it showed a 43.7% y/y sequential recovery, derived from improved demand performance. This was partially offset by higher tariffs approved in the 2020-2024 Master Development Programs, leading to a lower reduction in the sum of aeronautical and non-aeronautical revenues of 28.4% to MXN 2.7 billion (+35.7% vs. 3Q20). On the other hand, despite the fact that most costs and expenses are fixed, both in Mexico and Jamaica, the implementation of initiatives to streamline operations and a more "normal" comparative base -given that 4Q19 was affected by the integration of Kingston airport-, led to a lower decline in EBITDA of 27.1% y/y to MXN 1.8 billion (+61.6% y/y), in line with expectations. As a result, the respective margin, excluding accounting changes (with no impact on EBITDA), increased 1.2pp to 66.2%. Finally, a comprehensive loss attributable to controlling interest was recorded, mainly due to a negative FX rate effect. It is worth mentioning that Gap is focused on resuming growth, seeking to reduce expenses and maintaining liquidity, which is also supported by a healthy financial situation (EBITDA of 1.7x).

<b>BUY</b>	
Current Price	\$213.04
PT	\$233.00
Estimated Dividend	\$7.60
Dividend Yield (%e)	3.6%
Upside Potential	12.9%
ADS Price	US\$104.78
PT ADS	US\$117.70
Shares per ADS	10
Max - Min LTM (\$)	254.9 - 108.4
Market Cap (US\$m)	5,861.4
Shares Outstanding (m)	561
Float	85%
Daily Turnover (\$m)	180.0
<b>Valuation metrics LTM</b>	
FV/EBITDA	22.4x
P/E	55.2x
MSCI ESG Rating*	B

#### Relative Performance to Mexbol LTM



#### Financial Statements

MXN, million	2019	2020	2021E	2022E
Revenues	16,226	11,866	17,040	19,646
Operating Income	8,017	3,820	6,561	8,204
EBITDA	9,793	5,820	8,860	10,981
EBITDA Margin	60.4%	49.0%	52.0%	55.9%
Net Income	4,937	2,165	3,873	5,163
Net Margin	30.4%	18.2%	22.7%	26.3%
Total Assets	41,578	51,361	51,953	55,442
Cash	7,500	14,445	11,345	11,797
Total Liabilities	20,908	28,508	30,080	32,186
Debt	16,474	24,381	25,619	26,767
Common Equity	20,669	22,853	21,873	23,256

Source: Banorte with data from MSE

#### Valuation and financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	13.2x	22.4x	15.2x	12.3x
P/E	24.2x	55.2x	30.9x	23.1x
P/BV	6.1x	5.5x	5.7x	5.4x
ROE	25.2%	9.9%	18.6%	23.3%
ROA	11.9%	4.2%	7.5%	9.3%
EBITDA/ Interes exp	8.3x	4.0x	5.8x	7.2x
Net Debt/EBITDA	0.9x	1.7x	1.6x	1.4x
Debt/Equity	0.8x	1.1x	1.2x	1.2x

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## GAP – Results 4Q20

MXN, million

Concept	4Q19	4Q20	Var %	4Q20e	Diff% vs Estim.
Revenue	4,574	2,344	-48.7%	3,575	-34.4%
Operating Income	1,934	1,260	-34.8%	1,205	4.6%
Ebitda	2,423	1,767	-27.1%	1,803	-2.0%
Net Income	1,038	-217	N.A.	626	N.A.
<b>Margins</b>					
Operating Margin	42.3%	53.8%	11.5pp	33.7%	20.1pp
Ebitda Margin	53.0%	75.4%	22.4pp	50.4%	24.9pp
Net Margin	22.7%	-9.3%	-32.0pp	17.5%	-26.8pp
EPS	\$1.85	-\$0.39	N.A.	\$1.12	N.A.

## Income Statement (Million pesos)

Year	2019	2020	2020	Change	Change
Quarter	4	3	4	% y/y	% q/q
<b>Net Revenue</b>	<b>4,574.1</b>	<b>3,068.1</b>	<b>2,344.4</b>	<b>-48.7%</b>	<b>-23.6%</b>
Cost of goods sold	0.0	0.0	0.0	N.A.	N.A.
Gross profit	4,574.1	3,068.1	2,344.4	-48.7%	-23.6%
General expenses	2,640.0	2,481.9	1,083.9	-58.9%	-56.3%
<b>Operating Income</b>	<b>1,934.0</b>	<b>586.2</b>	<b>1,260.5</b>	<b>-34.8%</b>	<b>115.0%</b>
<b>Operating Margin</b>	<b>42.3%</b>	<b>19.1%</b>	<b>53.8%</b>	<b>11.5pp</b>	<b>34.7pp</b>
Depreciation	489.0	507.0	506.1	3.5%	-0.2%
<b>EBITDA</b>	<b>2,423.0</b>	<b>1,093.2</b>	<b>1,766.6</b>	<b>-27.1%</b>	<b>61.6%</b>
<b>EBITDA Margin</b>	<b>53.0%</b>	<b>35.6%</b>	<b>75.4%</b>	<b>22.4pp</b>	<b>39.7pp</b>
<b>Interes income (expense) net</b>	<b>(183.9)</b>	<b>(241.2)</b>	<b>(866.8)</b>	<b>371.3%</b>	<b>259.4%</b>
Interest expense	344.5	487.5	385.2	11.8%	-21.0%
Interest income	168.2	152.2	43.0	-74.5%	-71.8%
Other income (expenses)	0.0	0.0	0.0	N.A.	N.A.
Exchange Income (loss)	(39.8)	12.4	(530.0)	>500%	N.A.
Unconsolidated subsidiaries	0.1	0.0	0.0	N.A.	N.A.
<b>Income before taxes</b>	<b>1,750.2</b>	<b>345.0</b>	<b>393.6</b>	<b>-77.5%</b>	<b>14.1%</b>
Income taxes	319.3	(7.4)	53.2	-83.3%	N.A.
Discontinued operations	0.0	0.0	0.0	N.A.	N.A.
<b>Consolidated Net Income</b>	<b>1,430.9</b>	<b>352.4</b>	<b>340.4</b>	<b>-76.2%</b>	<b>-3.4%</b>
Minorities	14.1	(28.7)	(19.7)	N.A.	-31.3%
<b>Net Income</b>	<b>1,038.2</b>	<b>327.0</b>	<b>(217.4)</b>	<b>N.A.</b>	<b>N.A.</b>
<b>Net margin</b>	<b>22.7%</b>	<b>10.7%</b>	<b>-9.3%</b>	<b>(32.0pp)</b>	<b>(19.9pp)</b>
<b>EPS</b>	<b>1.851</b>	<b>0.583</b>	<b>(0.388)</b>	<b>N.A.</b>	<b>N.A.</b>

## Balance Sheet (Million pesos)

<b>Total Current Assets</b>	<b>9,367.5</b>	<b>17,512.7</b>	<b>16,846.1</b>	<b>79.8%</b>	<b>-3.8%</b>
Cash & Short Term Investments	7,500.2	15,220.4	14,444.5	92.6%	-5.1%
<b>Long Term Assets</b>	<b>32,210.3</b>	<b>34,673.1</b>	<b>34,515.1</b>	<b>7.2%</b>	<b>-0.5%</b>
Property, Plant & Equipment (Net)	1,905.7	2,077.8	2,146.2	12.6%	3.3%
Intangible Assets (Net)	23,758.6	25,925.2	25,694.9	8.1%	-0.9%
<b>Total Assets</b>	<b>41,577.8</b>	<b>52,185.8</b>	<b>51,361.2</b>	<b>23.5%</b>	<b>-1.6%</b>
<b>Current Liabilities</b>	<b>4,676.6</b>	<b>8,433.2</b>	<b>5,262.7</b>	<b>12.5%</b>	<b>-37.6%</b>
Short Term Debt	2,212.6	6,798.4	2,670.3	20.7%	-60.7%
Accounts Payable	1,091.1	761.1	1,109.9	1.7%	45.8%
<b>Long Term Liabilities</b>	<b>16,231.8</b>	<b>20,680.7</b>	<b>23,245.7</b>	<b>43.2%</b>	<b>12.4%</b>
Long Term Debt	14,237.0	18,329.1	21,695.6	52.4%	18.4%
<b>Total Liabilities</b>	<b>20,908.4</b>	<b>29,025.5</b>	<b>28,508.4</b>	<b>36.3%</b>	<b>-1.8%</b>
Common Stock	20,669.4	23,160.3	22,852.8	10.6%	-1.3%
Preferred Stock	1,041.3	1,150.1	1,060.0	1.8%	-7.8%
<b>Total Equity</b>	<b>19,628.2</b>	<b>22,010.3</b>	<b>21,792.8</b>	<b>11.0%</b>	<b>-1.0%</b>
<b>Liabilities &amp; Equity</b>	<b>41,577.8</b>	<b>52,185.8</b>	<b>51,361.2</b>	<b>23.5%</b>	<b>-1.6%</b>
<b>Net Debt</b>	<b>8,936.9</b>	<b>9,897.2</b>	<b>9,910.6</b>	<b>10.9%</b>	<b>0.1%</b>

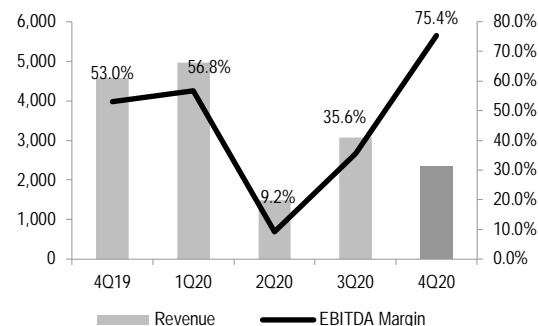
## Cash Flow (Million pesos)

FX differences in cash & equivalents	1,751.2	163.8	777.3
Cash Flow from Operating Activities	(813.0)	(1,023.3)	(895.3)
Cash Flow from Investing Activities	(2,584.3)	271.0	(517.2)
Cash Flow from Financing Activities	27.7	60.2	(140.7)
<b>Change in Cash Balance</b>	<b>(1,618.4)</b>	<b>(528.4)</b>	<b>(775.9)</b>

Source: Banorte, MSE.

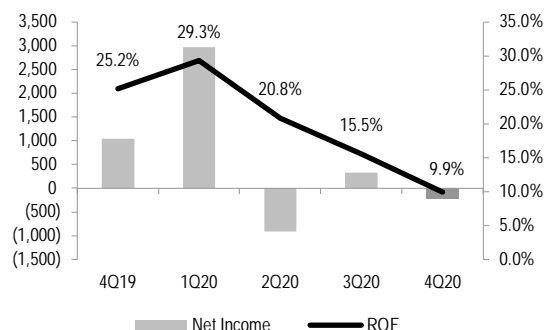
## Revenue & EBITDA Margin

MXN, million



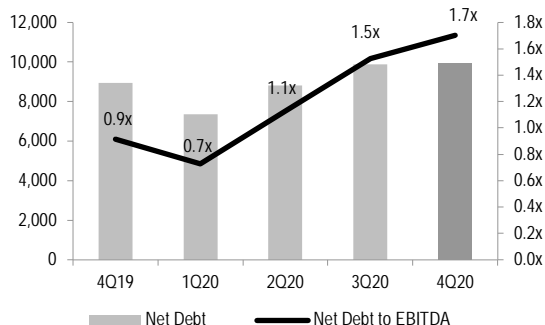
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

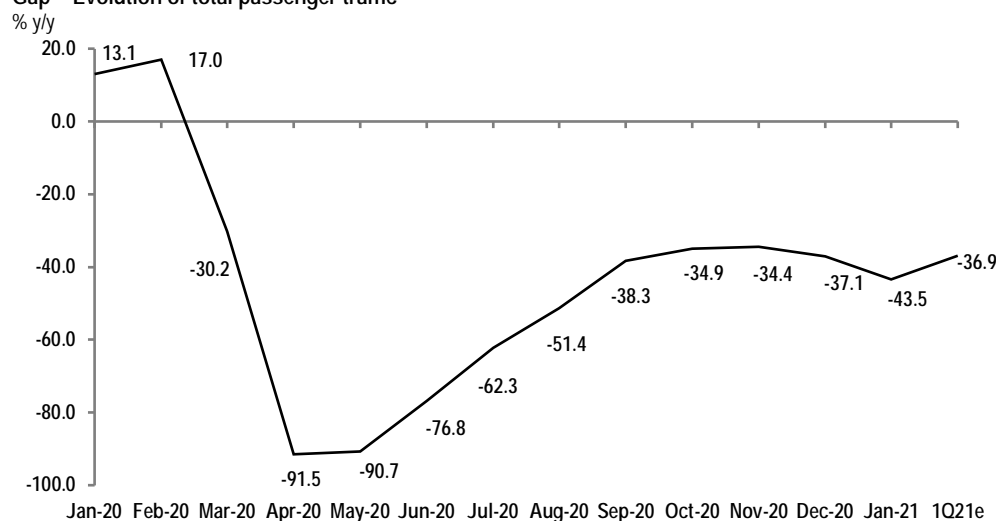
MXN, million



## 2021 Estimates

**Significant growth is expected for this year, although subject to the pace of demand recovery.** As we have already mentioned, one of the most affected sectors by the health contingency is the airport sector; however, since June 2020 it has shown a recovery supported by a better performance of air transport demand, which has led several airlines to increase their q/q capacity. It is worth noting that Gap has stood out for showing the lowest annual declines in its passenger traffic reports, compared to its domestic peers, which in our view is due to having the best diversified portfolio of airports in terms of passenger mix and by type of destination (regional, metropolis and tourism). However, passenger evolution must be monitored due to the increase in coronavirus infections at the beginning of 2021, as well as more restrictive measures for US and Canadian travelers that will affect international traffic, therefore we emphasize that the notable increases we expect in the group's figures will depend on the vaccination process, which directly influences the recovery speed of the sector.

Gap – Evolution of total passenger traffic



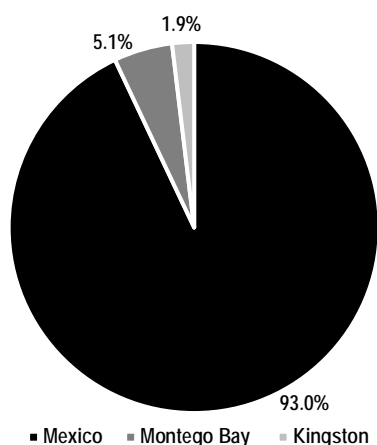
Source: Gap, Banorte

Gap remains focused on resuming growth, with strategies that seek to increase the number of passengers in its network—such as promoting its airports and developing routes—as well as maximizing aeronautical revenues and continuing to leverage non-aeronautical revenues through commercial activity growth. This, together with the implementation of cost reductions and a solid financial situation (ND/EBITDA of 1.7x as of 4Q20), should support the company's road to recovery.

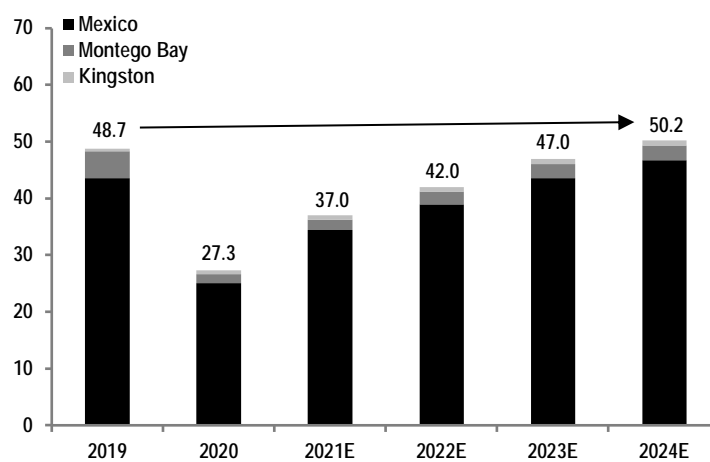
Considering the above, we forecast a solid 35.3% total passenger traffic growth (vs. 48.0%e previously), driven by passenger growth in Mexico of 37.1% and 15% on average at Jamaica, MBJ and Kingston airports. We believe that the exposure of Gap's network of airports in Mexico to Volaris could continue to favor good passenger increases, given the favorable outlook for the airline. In the longer term, **Gap could reach the same number of passengers with which it closed 2019 in 2024 (vs. 2023e previous), according to our projections.**

The expected traffic evolution can be seen in the following graph on the right.

Gap – Passenger participation by country 2021e  
%



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



Source: Banorte.

We estimate that total revenues will increase 43.6% to MXN 17.0 billion, as well as operating income growth of 35.6% to \$13.1 billion, due to the significant increase in total passengers and higher fares approved in the [revision of the 2020-2024 Master Development Program](#), partially offset by an appreciation of the peso-dollar FX rate. In that sense, aeronautical revenues would rise 36.9%, while non-aeronautical revenues would increase 31.7%, to a lesser extent due to the better performance presented in 2020. On the other hand, we expect a strong 78.8% increase in construction services revenues due to higher investments to be made during the year.

**Strong margin recovery.** We project significant EBITDA growth of 52.2% to MXN 8.9 billion, with a solid expansion in its respective margin (excluding construction services) of 7.4pp to 67.5%, due to the generation of economies of scale, taking into account the increase in passengers and, therefore, higher revenues, as well as the cost and expense structure whose proportion is mostly fixed. In addition, Gap is continually seeking to achieve greater efficiencies that will allow it to become increasingly profitable. We estimate a good mid-single-digit margin improvement in the Mexican operations and low-single-digit margins in the MBJ and Kingston operations.

On a net basis, we estimate majority net income growth of 78.9% to MXN 3.9 billion, mainly derived from higher operating income. Given the improved results, we believe the group will resume dividend payments, which we expect to be MXN 7.60 per share, with a yield of 3.6%e at current prices. Finally, we expect it to continue to have a solid balance sheet, with a ND/EBITDA ratio of 1.6x.

**Valuation and PT 2021E of MXN 233.00. We recommend HOLD**

Using the discounted cash flow (DCF) valuation methodology, we are upwardly adjusting **our target price for Gap shares to MXN 233.00 per share** (vs. MXN 210.00 previously). The PT is equivalent to a 2021e FV/EBITDA

multiple of 16.5x, below the current 22.4x, but above the domestic sector average of 15.1x. It is important to note that, historically, the company has traded above the average of its domestic peers and more in line with Asur, which we believe is due to high profitability, as well as diversification by type of airports and its operations in general, also taking into account the expansion of its operations outside of Mexico.

We believe that the prospect of a very important recovery in 2021 with notable increases, will translate into a relevant reduction in multiples after the impact in 2020. This, coupled with expectations of lower interest rates, should support higher valuation levels. However, in our view, much of Gap's favorable outlook is already reflected in the stock. This is even more relevant if we consider that, after the positive vaccine news in November of last year, the stock showed a strong appreciation of around 25% before the end of the year; however, the pandemic rebound caused the stock to show some adjustment at 2021 beginning, thus, in the aggregate, the increase in price has been more than 18% in the last 4 months. Taking into account the above and the **potential yield of our PT of 12.9% (including the estimated dividend return), we recommend Hold.**

In our DCF model, the assumptions considered include a discount rate (WACC) of 12.0%; Average cost of debt of 5.9%; Beta of 1.3; 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 14.7x (similar to the 5-year average of 14.8x) for the perpetuity value.

#### GAP-DCF

MXN, million

	2022e	2023e	2024e	2025e	2026e	Perp.
(+) EBITDA	10,774	12,131	13,104	14,101	14,946	
(-) Change in Working Capital	(310)	(315)	(309)	(293)	(305)	
(-) Capex	(4,702)	(3,452)	(3,267)	(4,038)	(4,058)	
(-) Taxes	(1,824)	(2,511)	(2,741)	(2,964)	(3,155)	
(=) Free Cash Flow	3,939	5,853	6,787	6,805	7,428	
(+) Perpetuity	0	0	0	0	0	219,451
(=) Total Cash Flow	3,939	5,853	6,787	6,805	7,428	219,451

			YE21
Risk-Free Rate (RF)	5.8%	(+) Present Value of Cash Flows	21,547
Equity Risk premium (RP)	6.0%	(+) Present Value of Perpetuity	124,467
Beta	1.3	= Firm Value	146,014
CAPM	13.6%	(-) Net Debt	(14,139)
Debt Cost	5.9%		(1,060)
Tax rate	24.0%	(=) Equity value	130,815
Net Cost of Debt	4.5%	Shares Outstanding	561
Debt / Capitalization	17.7%		
		Price Target \$	233.2
WACC	12.0%	Current Price	213.0
Terminal Value	14.7x	Potential Return	9.5%

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 INTERNATIONA-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
<b>GAP</b>	<b>MXN 213.04</b>	<b>5,861</b>	<b>6,400</b>	<b>49.0%</b>	<b>5.5x</b>		<b>55.2x</b>	<b>30.9x</b>		<b>22.4x</b>	<b>15.2x</b>
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). \*The multiples of Asur, Gap and Oma 2020E are the LTM.

## Corporate Debt Recommendation

**GAP's credit opinion: Vulnerable.** We ratified our credit opinion for GAP on Vulnerable, based on the results at 4Q20 as a result of the sanitary contingency (drop on income and EBITDA), although with signs of recovery. GAP has an appropriate cash amount (MXN 14.44 billion), confirming its solid payment capacity to meet all its obligations in the ST. On the other hand, a better recovery in 2021 is expected.

**Our recommendation on issues under ticker GAP 15-2, 16, 17, 17-2 / 19 / 20 / 20-2 and 20-3.** With a 'Vulnerable' credit opinion for GAP series 15-2 / 16 / 17 / 17-2 / 19 / 20 / 20-2 / 20-3, considering the group's results as at 4Q20, we issue the following recommendations based only on a relative value assessment in relation to issues of similar rating and reference rate:

We ratified our recommendation for GAP 16 / 17 / 17-2 / 19 / 20 and 20-2 in **Hold<sup>1</sup>**, derived from the health situation and the low operation in the secondary market, as we believe that the bond curve comparable (unsecured 'AAA', TIIE28) does not yet fully reflect the risk performance of many issuers in the current situation (effects by COVID-19). In the same way, we maintain the recommendation **Hold<sup>1</sup>** in GAP 15-2 / 20-3, due to the same situation in the sample curve (unsecured 'AAA', Fixed).

### GAP Unsecured Issues – Market Information

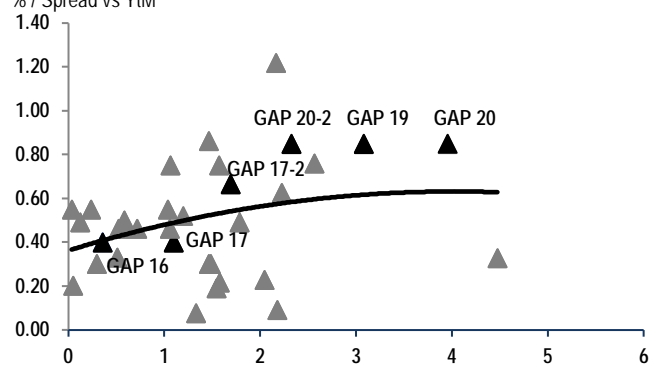
Million

TV	Issue	DTM	Maturity	Outstanding	Interest Rates	Cpn (%)	ANV	Clean Price	Yield (%)	Spread (%)	Var. (bp)		Ratings	Recommen.
											1 M	1 Q	S&P/Moody's/Fitch/HR	
91	GAP16	128	02-jul-21	1,500	TIIE28 + 0.49%	4.93%	100	100.04	4.69%	0.40%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold
91	GAP17	400	31-mar-22	1,500	TIIE28 + 0.49%	4.94%	100	100.10	4.69%	0.40%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold
91	GAP17-2	617	03-nov-22	2,300	TIIE28 + 0.44%	4.90%	100	99.63	4.95%	0.67%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold
91	GAP19	1,122	22-mar-24	3,000	TIIE28 + 0.45%	4.90%	100	98.85	5.14%	0.85%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold
91	GAP20	1,443	06-feb-25	3,000	TIIE28 + 0.17%	4.61%	100	97.55	5.14%	0.85%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold
91	GAP20-2	848	22-jun-23	602	TIIE28 + 0.85%	5.30%	100	100.00	5.14%	0.85%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold
91	GAP15-2	1,444	07-feb-25	1,500	FIXED : 7.08%	7.08%	100	104.05	5.93%	1.33%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold
91	GAP20-3	2,304	17-jun-27	3,598	FIXED : 8.14%	8.14%	100	102.10	7.72%	2.47%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	Hold

Source: Banorte, BMV, Ratings and PIP, to February 24, 2021. NA: Not Applicable. \* Includes Re-opening

### Relative Value Analysis Floating rate

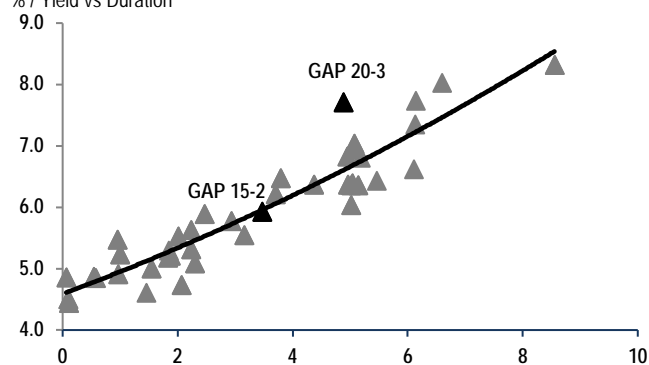
% / Spread vs YIM



Source: PIP, to February 24, 2021.

### Relative Value Analysis Fixed rate

% / Yield vs Duration



Source: PIP, to February 24, 2021.

<sup>1</sup> NOTE: the recommendations (Increase / Hold / Reduce) are independent of the issuer's ability to pay which is Stable. It is based solely on an investment decision, in search of greater yield.

## Ratings

**Standard & Poor's** (March 26, 2020) confirmed Grupo Aeroportuario del Pacífico (GAP) ratings in 'mx AAA' and 'mx A-1 +'; the outlook remains stable. According to the agency, they expect a significant drop in the passenger traffic throughout 2020, mainly influenced by the imposition of travel restrictions in the context of the coronavirus pandemic. However, in their new base case (which incorporates a very significant drop in passenger traffic in 2020), they expect GAP to show a leverage in the next 12 to 24 months, with debt adjusted to EBITDA of less than 3x, and solid liquidity levels.

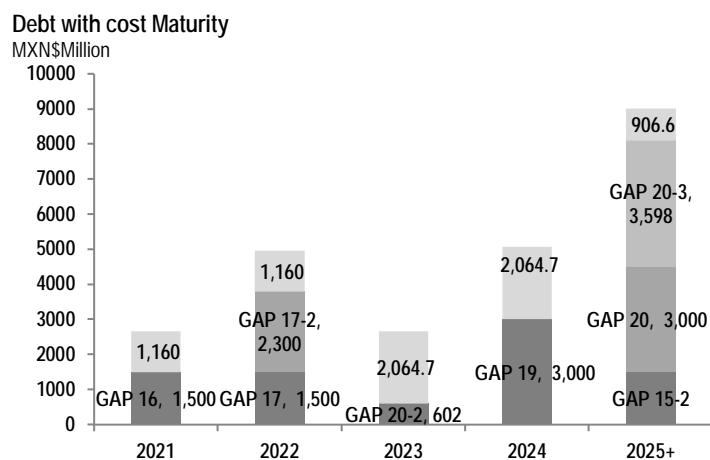
On June 1st (2020), S&P informed that they expect that GAP will experience a drop in passenger transport levels in the order of 50-60% during 2020, with a recovery of 70% and 10% -15% by 2021 and 2022, respectively.

Link: [https://www.bmv.com.mx/docs-pub/eventoca/eventoca\\_998142\\_2.pdf](https://www.bmv.com.mx/docs-pub/eventoca/eventoca_998142_2.pdf)

**Moody's** (April 21, 2020) downgraded GAP and its bonds to 'Baa1' from 'A3' (global scale), while affirming national scale ratings of 'Aaa.mx'. The outlook on the ratings changed to negative. According to the agency, the downgrade arises from the same action on the Mexican government's sovereign bonds (to 'Baa1' from 'A3' with a negative outlook). The agency also noted that the rating action reflects GAP's strong financial performance and liquidity position as a result of strong passenger trends until before the coronavirus outbreak.

Link: [https://www.bmv.com.mx/docs-pub/eventoca/eventoca\\_1003472\\_2.pdf](https://www.bmv.com.mx/docs-pub/eventoca/eventoca_1003472_2.pdf)

**Changes may occur.** Derived from the results in 3Q20 and the next ones that could be affected by the sanitary contingency, although with signs of recovery, and considering that both agencies agree that a rating downgrade for GAP would be based on an increase in leverage (excessive) or a reduction in passenger traffic (-35.5% 4Q20 vs 4Q19) and EBITDA, further movements in the company's national and global S&P and Moody's ratings could be seen in the medium term.



Source: Banorte with BMV Report information.

**Historical Issues recommendation (12 months)**

<b>Date</b>	<b>Credit Opinion / Recommendation</b>
24-02-2021	Vulnerable / Hold (15-2/16/17/17-2/19/20/20-2/20-3)
28-10-2020	Vulnerable / Hold (15-2/16/17/17-2/19/20/20-2/20-3)
23-07-2020	Vulnerable / Hold (15-2/16/17/17-2/19/20/20-2/20-3)
29-04-2020	Stable / Hold (15-2 / 16 / 17 / 17-2 / 19 / 20)

## 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 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.

## Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

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**Grupo Financiero Banorte S.A.B. de C.V.**, through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

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.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

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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.

	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.

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

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## History of PT and Ratings

Stock	Date	Rating	PT
GAPB	02/24/2021	Hold	\$233.00
GAPB	10/28/2020	Buy	\$210.00
GAPB	04/29/2020	Under Review	Under Review
GAPB	12/13/2019	Buy	\$246.00

## 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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