

AIRPORTS

Sectorial Note

November 7, 2019

Passenger growth rate improves

- In the aggregate, passengers from the three main airport groups that operate in Mexico, Asur, Gap and Oma, reported a 7.3% increase yoy in October
- Gap presented a 12.2% total passenger growth (considering the airports operated by the group in Mexico, such increment totaled 9.9%), while Oma posted an 8.3% surge in traffic
- Asur presented a 6.0% rise in passengers. Airports operated by the group in Mexico underwent a modest 3.2% expansion, in Puerto Rico such rise represented 13.9% and in Colombia, 8.5%

Total passenger traffic from the three airport groups presented a 7.3% yoy increase in October (airports that operate in Mexico) vs. 6.3% in September. Passengers that weighed the most in total traffic were domestic (70.5% of total aggregate passengers), presenting an addition of 7.7%, while international passengers grew by 6.4%.

On an individual basis, Asur presented a 6.0% yoy increase (vs. +2.6 %e), resulting from a 3.2% passenger expansion (vs. +0.2%e) in Mexico, as well as 13.9% and 8.5% surges in San Juan Puerto Rico and in Colombia, respectively. On the other hand, Gap presented a 12.2% total passenger increment in October (vs. 9.7%e). Terminal passenger traffic in airports that operate in Mexico, that is, excluding the Montego Bay airport in Jamaica (with a 2.0% upward variation) and the Kingston Airport (with a 13.2% upturn) underwent a 9.9% increase vs. 8.8%e. Finally, Oma posted an 8.3% growth (vs. 7.2%e).

Passenger variations from Asur, Gap and Oma during the last 12 months stood at 7.4%, 7.9% and 7.9% (November 2018 – October 2019), in comparison to the last 12 months as at September of 2019 of 8.2%, 7.8% and 8.1% (October 2018 – September 2019), respectively.

Corporate News

- Gap pointed out that the number of seats available during October of 2019 rose 11.4% vs. October of 2018. In turn, the total load factor of the month grew by 0.6pp, from 80.9% in October of 2018 to 81.5%. Furthermore, the group revealed the following new routes: Tijuana – Tapachula and Guanajuato – Fresno, operated by Volaris; and Puerto Vallarta – Edmonton, operated by Swoop.

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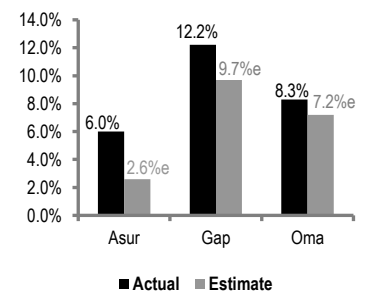
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Airport Sector

Stock	Recom.	PT 20E	P. Return 20E
Asur	HOLD	\$341.0	3.9%
Gap	BUY	\$221.0	8.0%
Oma	HOLD	\$140.0	6.1%

Stock	FV/Ebitda LTM	FV/Ebitda 20E
Asur	11.0x	10.3x
Gap	12.8x	11.3x
Oma	10.4x	9.1x

Passenger traffic – October 2019 (% yoy)



Source: Banorte.

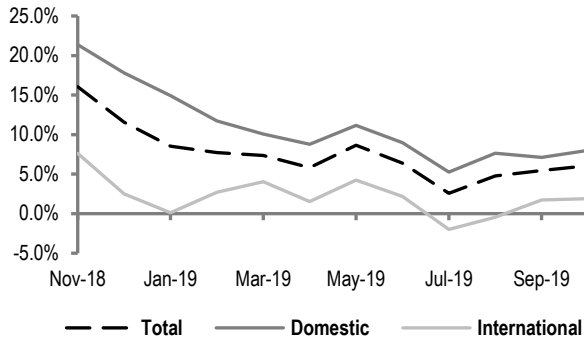
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Conclusion... October's passenger report of airports that operate in Mexico showed a yoy growth rate that beat expectations and stood above that presented during previous month. Although we consider that the airport sector will continue to post some headway given the solid performance of the tourism industry (mainly domestic) and a higher number of seats available by different airlines, we would have to continue to monitor the performance of passenger traffic in addition to the evolution of the hurricane season. Within our institutional portfolio, we have exposure to Gap with a PT2020E of MXN 221.0 per share with a Buy recommendation and to Asur with a PT2020E of MXN 341.0 per share with a Hold recommendation. On the other hand, for Oma, our PT2020E is MXN 140.0 per share, with a Hold recommendation.

October Passenger Traffic

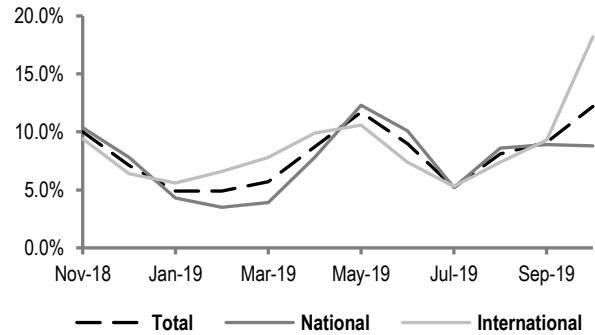
The following graphs display total passenger performance of the airport groups during the last 12 months (yoy percentage variation) and the yield of their shares vs. S&P/BMV IPC.

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



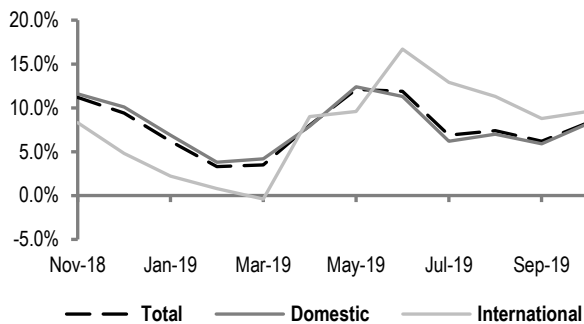
Source: Asur, Banorte / Variations include the LMM Airport and the airports in Colombia (Airplan)

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



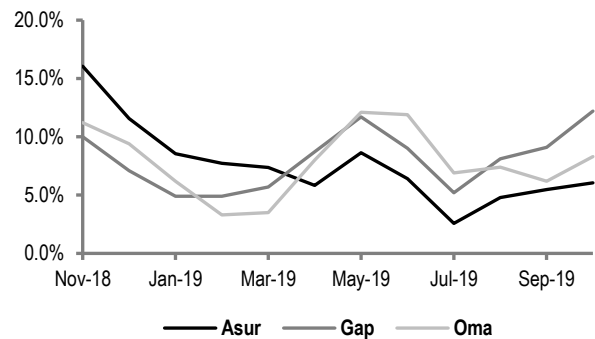
Source: Gap, Banorte / Variations include MBJ and Kigston airports

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



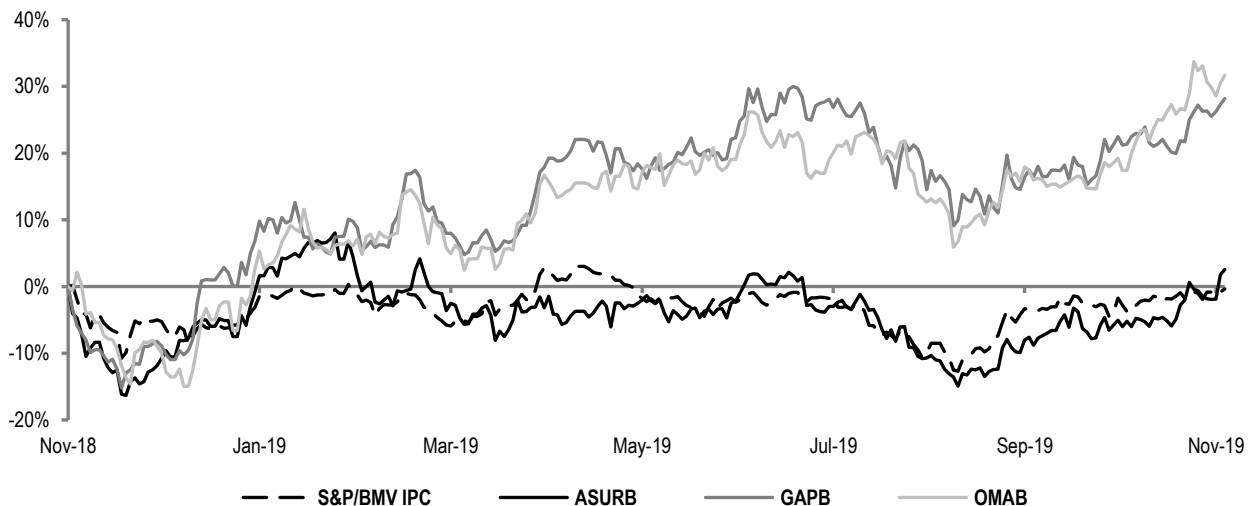
Source: Oma, Banorte

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



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 October 2019

MXN, Millions	Asur	Gap	Oma
Passengers 12m.	55.0	47.8	22.9
% yoy	7.4%	7.9%	7.9%
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	\$279.4	\$290.5	\$323.1
Operating Income/Pax	\$156.8	\$166.0	\$207.4
EBITDA/Pax	\$188.2	\$201.4	\$225.1
Net Income/Pax	\$103.1	\$110.0	\$143.1
Valuation			
FV/EBITDA 12m.	11.0x	12.8x	10.4x
FV/EBITDA 20e	10.3x	11.3x	9.1x
FV/EBITDA Av. 1a.	12.0x	12.7x	10.6x
FV/EBITDA Av. 3a.	16.1x	14.6x	12.5x
FV/EBITDA 12m. Av. Sector (National)	11.4x	11.4x	11.4x
FV/EBITDA 20e Av Sector (National)	10.2x	10.2x	10.2x
Estimate vs. Sector (National)	0.5%	10.6%	-11.1%
12m. vs. Sector (National)	-3.5%	12.1%	-8.7%
20e vs. Av. 3a.	-36.1%	-22.4%	-27.2%
FV/EBITDA 12m. Av. (International peers ¹)		10.5x	
FV/EBITDA 20e Av. (International peers ¹)		10.0x	
P/BV	2.6x	6.2x	5.8x
P/E	17.4x	21.8x	15.8x
Market			
Current Price	\$328	\$205	\$132
Return 12m.	2.6%	28.2%	31.7%
Return 2018	-17.3%	-20.9%	-7.9%
Return 2019	10.9%	28.1%	40.9%
Market Cap. (US\$m)	\$5,151	\$6,002	\$2,716
Shares Outstanding	300	561	399
Float %	56%	85%	86%
Floating Market Cap. (US\$m)	\$2,909	\$5,102	\$2,322

Source: Banorte / Bloomberg (11/07/19)

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 and Leslie Thalía 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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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