

# GAP

## Quarterly Report

### Double digit growth in EBITDA, in line

- Gap reported solid operating growth in 2Q19, in line with estimates. Gap's EBITDA margin, excluding revenue and costs from improvement to concession assets, remained unchanged
- The rise in operating revenue (+13.2% vs. 2Q18) was higher than the 9.8% yoy increase in passenger traffic in Gap's 13 airports, on the back of the favorable Easter Week Calendar effect
- After integrating the 2Q19 report, we slightly raised our estimates for 2019, but we maintain our PT 2019E of MXN\$206.7. We have downgraded our recommendation to Hold

**Solid 2Q19 report, in line with estimates.** In 2Q19, Gap reported growth in revenue and EBITDA of 6.2% and 13.2%, respectively. Figures stood in line with our estimates. Revenue was supported by the increase in passenger traffic and higher non-aeronautic income. On the other hand, the EBITDA margin (without accounting changes) remained practically unchanged, standing at 68.7%. Comprehensive income attributable to controlling interest underwent an 18.7% drop, below expectations.

**We consider Gap's 2Q19 report as neutral;** however, we slightly raised our estimates for 2019 given the good performance of passenger traffic in 1H19. We expect an increase in total passengers for this year of 8.0%, in operating revenues of 15.0%, in EBITDA of 15.2% and an EBITDA margin (without accounting changes) of 69.6%. **We reiterate our PT 2019E of MXN\$206.7 and downgraded our recommendation from Buy to Hold.** Such PT represents a 12.1x 2019E FV/EBITDA multiple, at current level.

July 30, 2019

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#### HOLD

Current Price	\$188.69
<b>PT 2019</b>	<b>\$206.70</b>
Dividend 2019E	P\$8.42
Dividend Yield (%e)	4.3%
Upside Potential	13.8%
ADS Price	US\$99.18
PT2019 ADS	<b>US\$101.83</b>
Shares per ADS	10
Max – Min LTM (MXN\$)	209.5 – 130.6
Market Cap (US\$m)	5,562.5
Shares Outstanding (m)	561
Float	85%
Daily Turnover (MXN\$m)	144.4
<b>Valuation metrics TTM</b>	
FV/EBITDA	12.1x
P/E	21.9x

#### Relative Performance to Mexbol LTM



#### Financial Statements

MXN, million	2017	2018	2019E	2020E
Revenues	12,366	14,123	15,572	17,705
Operating Income	6,282	7,245	8,417	9,106
EBITDA	7,725	8,814	10,154	10,962
EBITDA Margin	62.5%	62.4%	65.2%	61.9%
Net Income	4,452	4,937	4,904	5,144
Net Margin	36.0%	35.0%	31.5%	29.1%
Total Assets	39,518	39,551	43,919	45,087
Cash	7,730	6,151	10,236	10,092
Total Liabilities	17,441	17,778	26,278	27,571
Debt	13,252	13,536	16,243	16,812
Common Equity	22,077	21,772	17,641	17,516

Source: Banorte with data from MSE

#### Valuation and financial metrics

	2017	2018	2019E	2020E
FV/EBITDA	14.6x	13.0x	11.1x	10.4x
P/E	23.8x	21.4x	21.6x	20.6x
P/BV	5.0x	5.1x	6.4x	6.5x
ROE	21.7%	24.5%	27.7%	32.8%
ROA	11.9%	12.4%	11.3%	11.8%
EBITDA/ Interes exp.	33.1x	18.9x	16.3x	17.0x
Net Debt/EBITDA	0.7x	0.8x	0.7x	0.7x
Debt/Equity	0.6x	0.6x	0.9x	1.0x

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## GAP – Results 2Q19

MXN, million

Concept	2Q18	2Q19	Var %	2Q19e	Diff% vs Estim.
Revenue	3,443	3,657	6.2%	3,831	-4.5%
Operating Income	1,758	2,002	13.9%	2,046	-2.1%
Ebitda	2,145	2,428	13.2%	2,472	-1.8%
Net Income	1,474	1,198	-18.7%	1,267	-5.5%
<b>Margins</b>					
Operating Margin	51.1%	54.7%	3.7pp	53.4%	1.3pp
Ebitda Margin	62.3%	66.4%	4.1pp	64.5%	1.9pp
Net Margin	42.8%	32.8%	-10.1pp	33.1%	-0.3pp
EPS	\$2.63	\$2.14	-18.7%	\$2.26	-5.5%

## Income Statement (Million pesos)

Year	2018	2018	2019	Change	Change
Quarter	1	4	1	% YoY	% QoQ
<b>Net Revenue</b>	<b>3,442.8</b>	<b>3,679.1</b>	<b>3,657.4</b>	<b>6.2%</b>	<b>-0.6%</b>
Cost of goods sold	0.0	0.0	0.0	N.A.	N.A.
Gross profit	3,442.8	3,679.1	3,657.4	6.2%	-0.6%
General expenses	1,684.4	1,600.7	1,655.0	-1.7%	3.4%
<b>Operating Income</b>	<b>1,758.4</b>	<b>2,078.5</b>	<b>2,002.4</b>	<b>13.9%</b>	<b>-3.7%</b>
<b>Operating Margin</b>	<b>51.1%</b>	<b>56.5%</b>	<b>54.7%</b>	<b>3.7pp</b>	<b>(1.7pp)</b>
Depreciation	387.0	421.6	425.8	10.0%	1.0%
<b>EBITDA</b>	<b>2,145.4</b>	<b>2,500.1</b>	<b>2,428.2</b>	<b>13.2%</b>	<b>-2.9%</b>
<b>EBITDA Margin</b>	<b>62.3%</b>	<b>68.0%</b>	<b>66.4%</b>	<b>4.1pp</b>	<b>(1.6pp)</b>
<b>Interes income (expense) net</b>	<b>(31.2)</b>	<b>(82.6)</b>	<b>(235.7)</b>	<b>&gt;500%</b>	<b>185.4%</b>
Interest expense	238.7	243.3	301.8	26.4%	24.0%
Interest income	130.6	102.1	145.8	11.6%	42.8%
Other income (expenses)	0.0	0.0	0.0	N.A.	N.A.
Exchange Income (loss)	40.0	69.3	(11.1)	N.A.	N.A.
Unconsolidated subsidiaries	(1.0)	(0.0)	(0.0)	-99.7%	-25.0%
<b>Income before taxes</b>	<b>1,726.2</b>	<b>1,995.9</b>	<b>1,766.7</b>	<b>2.3%</b>	<b>-11.5%</b>
Income taxes	537.2	598.3	503.1	-6.3%	-15.9%
Discontinued operations	0.0	0.0	0.0	N.A.	N.A.
<b>Consolidated Net Income</b>	<b>1,189.0</b>	<b>1,397.5</b>	<b>1,263.6</b>	<b>6.3%</b>	<b>-9.6%</b>
Minorities	24.9	34.8	26.2	5.4%	-24.6%
<b>Net Income</b>	<b>1,473.7</b>	<b>1,278.3</b>	<b>1,197.9</b>	<b>-18.7%</b>	<b>-6.3%</b>
<b>Net margin</b>	<b>42.8%</b>	<b>34.7%</b>	<b>32.8%</b>	<b>(10.1pp)</b>	<b>(2.0pp)</b>
<b>EPS</b>	<b>2.627</b>	<b>2.279</b>	<b>2.135</b>	<b>-18.7%</b>	<b>-6.3%</b>

## Balance Sheet (Million pesos)

<b>Total Current Assets</b>	<b>9,562.3</b>	<b>12,235.9</b>	<b>11,692.6</b>	<b>22.3%</b>	<b>-4.4%</b>
Cash & Short Term Investments	8,280.1	10,656.6	10,224.4	23.5%	-4.1%
<b>Long Term Assets</b>	<b>30,843.9</b>	<b>31,559.0</b>	<b>31,263.9</b>	<b>1.4%</b>	<b>-0.9%</b>
Property, Plant & Equipment (Net)	1,655.0	1,889.3	1,834.0	10.8%	-2.9%
Intangible Assets (Net)	23,329.0	23,743.7	23,615.3	1.2%	-0.5%
<b>Total Assets</b>	<b>40,406.2</b>	<b>43,794.9</b>	<b>42,956.5</b>	<b>6.3%</b>	<b>-1.9%</b>
<b>Current Liabilities</b>	<b>5,683.5</b>	<b>2,148.8</b>	<b>8,262.4</b>	<b>45.4%</b>	<b>284.5%</b>
Short Term Debt	99.0	0.0	2,200.0	>500%	N.A.
Accounts Payable	587.3	845.0	601.6	2.4%	-28.8%
<b>Long Term Liabilities</b>	<b>15,253.8</b>	<b>18,535.5</b>	<b>16,362.8</b>	<b>7.3%</b>	<b>-11.7%</b>
Long Term Debt	13,162.7	16,465.9	14,313.2	8.7%	-13.1%
<b>Total Liabilities</b>	<b>20,937.3</b>	<b>20,674.6</b>	<b>24,639.4</b>	<b>17.7%</b>	<b>19.2%</b>
Common Stock	19,469.0	23,075.6	18,275.4	-6.1%	-20.8%
Preferred Stock	1,108.5	1,088.3	1,108.1	0.0%	1.8%
<b>Total Equity</b>	<b>18,360.4</b>	<b>21,987.3</b>	<b>17,167.3</b>	<b>-6.5%</b>	<b>-21.9%</b>
<b>Liabilities &amp; Equity</b>	<b>40,406.2</b>	<b>43,750.2</b>	<b>42,914.8</b>	<b>6.2%</b>	<b>-1.9%</b>
<b>Net Debt</b>	<b>4,981.6</b>	<b>5,809.3</b>	<b>6,288.8</b>	<b>26.2%</b>	<b>8.3%</b>

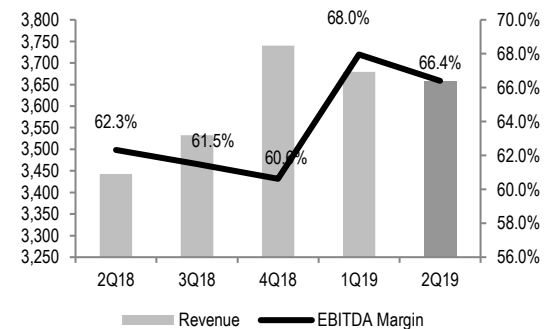
## Cash Flow (Million pesos)

FX differences in cash & equivalents	1,028.8	2,268.5	1,755.8		
Cash Flow from Operating Activities	(493.7)	(446.9)	(413.0)		
Cash Flow from Investing Activities	(1,347.2)	2,696.5	(1,749.4)		
Cash Flow from Financing Activities	466.4	(12.9)	(25.6)		
<b>Change in Cash Balance</b>	<b>(345.7)</b>	<b>4,505.1</b>	<b>(432.2)</b>		

Source: Banorte, MSE.

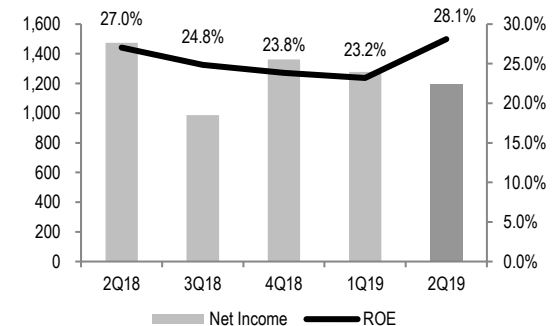
## Revenue & EBITDA Margin

MXN, million



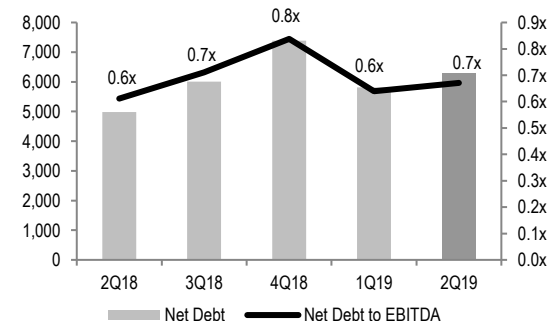
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

MXN, million



**Operating revenue posted a 13.2% increase vs. 2Q18, higher than the 9.8% total passenger increment.** In 2Q19, Gap underwent a 9.8% solid top-line expansion in total passenger traffic in the 13 airports operated by the group. Passengers in the 12 airports that operate in Mexico reported a 10.3% increase, consisting of 10.1% domestic and 10.6% international. We must point out that there was a favorable calendar effect, as Easter Week in 2018 fell in March, as opposed to April in 2019. We consider that the positive passenger traffic performance results from measures taken by diverse Airlines to open new routes, increase frequencies and expand their fleet. In addition, the MBJ Airport reported a 5.2% in total passengers.

Considering the latter, Gap's operating revenue (aeronautic and non-aeronautic revenue) grew by 13.2% (-2.6% vs. our estimate), with a 10.6% surge in aeronautic and, to a greater extent, a 20.8% climb in non-aeronautic revenue. Aeronautic revenue was boosted by improved total passenger and an increase in air fares due to inflation. In the case of the MBJ Airport, this was partially offset by a 1.3% peso appreciation in the average peso-dollar exchange rate. Moreover, non-aeronautic revenue underwent a sharp increment in which the highest performance was seen in food and beverage, VIP lounges, car rentals, duty-free shops and convenience stores.

During this quarter, a 61.7% decrease in revenue from improvements to concession assets was reported—which is recognized as accounting changes but have no impact on the company's cash flow or on its operating income—. Hence, in the aggregate, total revenue for Gap rose 6.2% vs. 2Q18.

**EBITDA margin (without accounting changes) remained practically unchanged.** Gap's operating margin reported a 3.7pp expansion, standing at 54.7%. Its EBITDA margin expanded 4.1pp, coming in at 66.4%. It is important to highlight that there was a 6.2% increase in total revenue, while total operating costs and expenses underwent a 1.7% drop (the depreciation and amortization line item presented a 10.0% yoy rise). Excluding construction services, total costs and expenses grew by 12.3% yoy.

In turn, the MBJ Airport, reported an EBITDA margin expansion, standing at 49.7% (vs. 42.5% in 2Q18). Without accounting changes, the EBITDA margin of the MBJ Airport stands at 51.3%, up 1.6pp vs 2Q18.

In the consolidated statement and without considering revenue and costs from improvements to concession assets, Gap's results indicate a similar profitability (56.6% operating margin and 68.7% EBITDA) vs. 2Q18 (56.3% and 68.7%, respectively), beating our 53.4% and 68.1% estimates, respectively.

**Net profit and majority comprehensive income drops by 18.7% vs. 2Q18.** Comprehensive income attributable to controlling interest underwent a 18.7% drop, as improved operating income was offset by higher financial expenses (MXN\$236 million vs. MXN\$31 million in 2Q18), due to a higher amount of interest expenses and FX losses, and also to an FX conversion loss (MXN\$46 million), compared to a gain (MXN\$361 million) in 2Q18.

**Ongoing financial strength.** The 12m Net Debt/EBITDA ratio stood at 0.7x vs. 0.6x in 1Q19, which continues to reflect the group's financial strength.

**Relevant events.** On June 28th, 2019, Gap presented its proposal for the Master Development Program (MDP) for the 2020-2024 period and also the proposal for the applicable passenger fee for the same period to the Federal Aviation Administration). According to the applicable regulatory framework, the deadline for obtaining approval from the aviation authority is December 31st, 2019.

### **Estimates 2019**

After incorporating Gap's 2Q19 results, we updated our projections for 2019. We expect an 8.0% increase in total passenger traffic (vs. previous 7.6%e), a 10.3% rise in total revenue and a 15.0% growth in operating revenue (vs. previous 14.4%e) —considering aeronautic and non-aeronautic revenue—. Additionally, we forecast a 15.2% EBITDA expansion (vs. previous 14.4%e), standing within the top bracket of the group's guidance, as well as a 69.6% EBITDA margin, excluding revenue from improvements to concession assets.

## Corporate Debt Recommendation

**GAP's credit opinion: Good.** We maintain our Good credit opinion for Gap, based on solid second quarter of year results, with variations in Revenue, Operating Profit, EBITDA as well as Majority Comprehensive Net Income of +6.2%, +13.9%, +13.2% y -18.7% vs 2Q18, standing at MXN\$3.6 billion, MXN\$2.0 billion, MXN\$2.4 billion and MXN\$1.1 billion, respectively. Gap has no significant maturities due in 2019, has a solid amount in cash (MXN\$10.2 billion) and an appropriate cash flow, confirming that its payment capacity is solid and that it is able to meet all its obligations.

**Our recommendation on issues under ticker GAP 15, 15-2, 16, 17, 17-2 and 19.** With a Good credit opinion for Gap series 15 / 15-2 / 16 y 17 / 17-2 / 19, considering the group's 2Q19 results, we issue the following recommendations based only on a relative value assessment in relation to issues of similar rating and reference rate:

We reiterate our **Reduce**<sup>1</sup> recommendation for GAP 15 / 16 / 17, as their yields stand below the sample's curve (unsecured 'AAA', TIIE28). In turn, our recommendation for **GAP 17-2 / 19** is **Hold**<sup>1</sup>, resulting from its similar position to the average of the sample. Finally, we ratify our **Hold**<sup>1</sup> recommendation for **GAP 15-2**, as its yield is similar to the curve of the sample (unsecured 'AAA', Fixed).

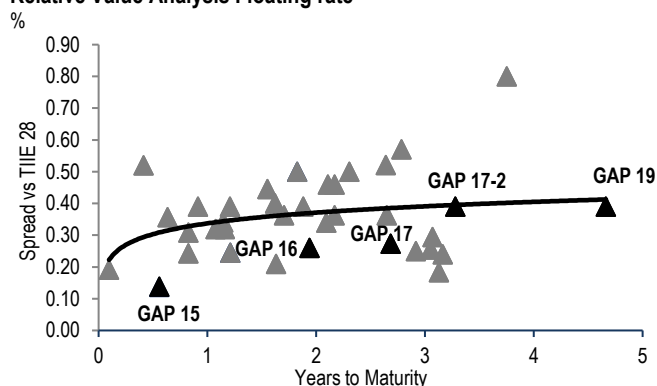
### GAP Unsecured Issues – Market Information

MXN\$m

TV	Issue	DtM	Maturity	Amount	Interest	Str	Cpn	ANV	Clean	Yield	Spread	Var. (bp)	Ratings	Recommen.	
				Circ	Rates	*	(%)		price	(%)	(%)	1 M	1 Q	S&P/Moody's/Fitch/HR	
91	GAP15*	204	14-feb-20	2,200	TIIE28 +0.24%	No	8.71%	100	100.06	8.62%	0.14%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	<b>Reduce</b>
91	GAP16	708	02-jul-21	1,500	TIIE28 +0.49%	No	8.96%	100	100.41	8.74%	0.26%	-0.01%	-0.01%	mx AAA / Aaa.mx / nd / nd	<b>Reduce</b>
91	GAP17	980	31-mar-22	1,500	TIIE28 +0.49%	No	8.99%	100	100.52	8.75%	0.27%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	<b>Reduce</b>
91	GAP17-2	1,197	03-nov-22	2,300	TIIE28 +0.44%	No	8.91%	100	100.14	8.87%	0.39%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	<b>Hold</b>
91	GAP19	1,702	22-mar-24	3,000	TIIE28 +0.45%	No	8.93%	100	100.23	8.87%	0.39%	0.00%	0.00%	mx AAA / Aaa.mx / nd / nd	<b>Hold</b>
91	GAP15-2	2,024	07-feb-25	1,500	FIJA : 7.08%	No	7.08%	100	93.54	8.55%	1.32%	-0.08%	-0.13%	mx AAA / Aaa.mx / nd / nd	<b>Hold</b>

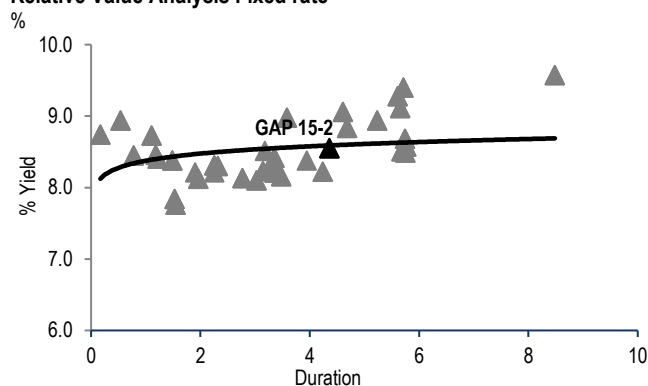
Source: Banorte, BMV, Ratings and VALMER, to July 25, 2019. NA: Not Applicable. \* Includes Re-opening

### Relative Value Analysis Floating rate



Source: VALMER, to July 25, 2019.

### Relative Value Analysis Fixed rate



Source: VALMER, to July 25, 2019.

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

## Ratings

**Standard & Poor's** (Nov 5<sup>th</sup>, 2018) confirmed issuer credit ratings and long and short-term national scale debt issue ratings at 'mxAAA' and 'mxA-1+' respectively for Grupo Aeroportuario del Pacífico, S.A.B. de C.V. (GAP). The outlook is stable. According to the agency, this rating move incorporates GAP's intention to increase the amount of its current debt issue program to MXN\$15.0 billion in the short-term to finance its investment plan. Even still, with a MXN\$6.0 billion increase in Gap's leverage level in its base scenario, the company's leverage would continue to be conservative, evidenced by a debt to adjusted EBITDA index lower than 2.0x (times). Additionally, the company's internal generation of funds is expected to remain solid during the course of the next two years, against a backdrop of growing passenger traffic. Among the factors that support its growth forecast, which stands at around 9% for 2018 and 7.5% for 2019 we highlight the opening of new flight routes; a fleet increase of several Airlines that operate in airports licensed by GAP; greater use of air vs. land routes, mainly motivated by security issues in highways; affordable passenger air fares and a continuous growth of the Mexican economy.

**Moody's** (Jun 7<sup>th</sup>, 2019) confirmed an 'A3' (Global Scale) and 'Aaa.mx' (National Scale) rating to Grupo Aeroportuario del Pacífico as issuer and debt holder. According to the agency, GAP ratings ('A3/Aaa.mx') reflect a very strong financial performance, driven by solid passenger trends which are expected to continue. In 2018, traffic grew 10.4% in GAP-operated airports (including Montego Bay) and as of May 2019, traffic is solidly growing at a 7.2% rate. GAP traffic consists mainly of round-trip passengers and of diversified profile with 42% being international (2018). Gap also reports a strong financial performance, backed up by traffic trends. Upon 2019 first quarter-end (last 12 months), GAP reported cash interest coverage average (Operating Funds + Interests / Interests) of 8.1x and an Operational Funds / Debt indicator of 37.4%. In the future and taking into consideration the additional GAP 19 debt of MXN\$3.0 billion that the program allows, the agency considers an erosion in financial indicators is expected, although the company will remain well positioned at the assigned ratings. GAP's strong capacity for cash flow generation will partially offset the additional debt, generating a 5.5x cash interest coverage average and an Operational Funds / Debt indicator of 30.0% (2018-2020 average).

**The information herein was presented on behalf of the rating agencies at the time of their release. However, figures for the corresponding quarter are included in this document (first section).**

### Rating change catalysts:

**Standard & Poor's** may take negative rating action if GAP were to present a financial performance that stands below its expectations, as a consequence, for example, of a significant drop in passenger traffic levels or an increase in expected debt levels, deriving in net debt to EBITDA indicators above 3.0x and FFO to net debt below 30%, and/or a considerable weakening in the

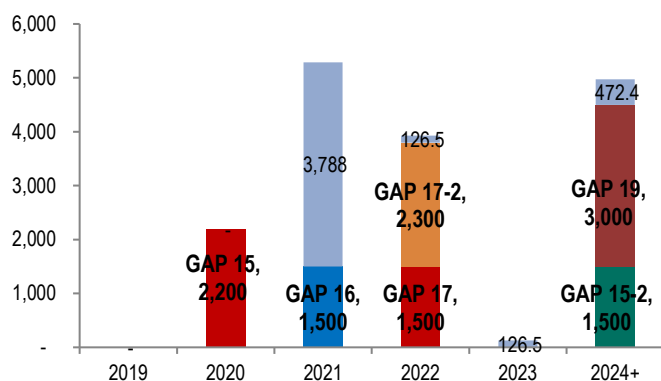
company's cash position. In addition, the company has the highest national scale ratings.

**Moody's** stresses that **downward pressure on global and national scale ratings** may occur if Gap's credit indicators tumble on a sustained basis as a result of a steady decrease in passenger traffic, or in capital investments and excessive leverage, generating thus, a cash interest coverage indicator consistently below 5.0 times or an Operational Funds / Debt indicator consistently below 30%. Meanwhile, **ratings could rise** if GAP registers cash interest coverage indicator above 8.0 times and an Operational Funds / Debt indicator above 40% consistently for the next 12 to 24 months. An improvement in ratings must be supported by the evaluation that the relation with the Mexican Government does not have any material impact on GAP's credit profile.

**No changes in Outlook.** Derived from solid earnings reported in the last quarters (strong increment in revenue and EBITDA) 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 and EBITDA, we expect stable national ratings for the company in the medium term by S&P and Moody's.

#### Debt with cost Maturity

MXN\$m



Source: Banorte with BMV Report information.

## Certification of Analysts.

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, 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.

## 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.

## Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte Ixe and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

## Last-twelve-month activities of the business areas.

*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.*

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## 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.

## Securities holdings and other disclosures.

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## Guide for investment recommendations.

	<b>Reference</b>
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

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## History of PT and Ratings

Stock	Date	Rating	PT
GAPB	07/25/2019	Hold	P\$206.70
GAPB	01/14/2019	Buy	P\$206.70
GAPB	10/25/2018	Buy	P\$225.00
GAPB	07/26/2018	Buy	P\$220.00

## Historical Issues recommendation (12 months)

Issues	Date	Credit Opinion / Recommendation
GAP	25-07-2019	Good / Red (15/16/17) / Hold (15-2 / 17-2 / 19)
GAP	25-04-2019	Good / Red (15/16/17) / Hold (15-2 / 17-2 / 19)
GAP	21-02-2019	Good / Red (15/16/17) / Hold (15-2) / Inc (17-2)
GAP	25-10-2018	Good / Red (15/16/17) / Hold (15-2) / Inc (17-2)

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