

AIRPORTS

Sectorial Note

March 7, 2019

Passenger growth slowdown continues in February

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- In the aggregate, passengers from airports in Mexico that are operated by Asur, Gap and Oma airport groups posted a 3.3% yoy increase in February
- Gap underwent a 4.9% total passenger expansion (excluding the Montego Bay airport in Jamaica, such rise was 4.0%), while Oma reported a 3.3% traffic increase
- Asur presented a 7.7% increment in passengers. Airports operated by the group in Mexico experienced a 2.5% growth, whereas such surge was 26.3% in Puerto Rico and 12.5% in Colombia

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Total passenger traffic from the three airport groups presented a 3.3% yoy increase in February (airports that operate in Mexico) vs. 3.8% in January. Passengers that weighed the most in total traffic were domestic (58.2% of total aggregate passengers), presenting an addition of 3.9%, while international passengers rallied 2.6%.

Airport Sector

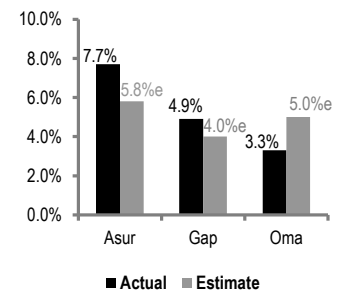
| Stock | Recom. | PT 19E | P. Return 19E |
|-------|--------|---------|---------------|
| Asur | BUY | \$380.1 | 21.5% |
| Gap | BUY | \$206.7 | 18.8% |
| Oma | BUY | \$118.8 | 10.7% |

On an individual basis, Asur presented a 7.7% yoy increase (vs. 5.8%e), resulting from a 2.5% passenger expansion (vs. -1.0%e) in Mexico, 26.3% in San Juan Puerto Rico (reflecting a significant recovery from the impact of Hurricane Maria in September of 2017) and 12.5% in Colombia. Moreover, Gap presented a 4.9% total passenger increment in February (vs. 4.0%e). Terminal passenger traffic in airports that operate in Mexico, that is, excluding the Montego Bay airport in Jamaica (with a solid 12.8% upward variation) underwent a 4.0% increase vs. 3.8%e. Finally, Oma reported a 3.3% growth (vs. 5.0%e).

| Stock | FV/Ebitda LTM | FV/Ebitda 19E |
|-------|---------------|---------------|
| Asur | 11.7x | 10.5x |
| Gap | 12.0x | 10.5x |
| Oma | 9.8x | 8.7x |

Variations from Asur, Gap and Oma of the last 12 months stood at 29.0%, 9.4% and 9.4% (March 2018 – February 2019), in comparison to the last 12 months as at January of 2019 of 33.1%, 10.0% and 9.8% (February 2018 – January 2019), respectively.

Passenger traffic– February 2019 (% yoy)



Source: Banorte.

Corporate news

- Gap mentioned that the number of seats available during February of 2019 rose 2.9% vs. February of 2018, while the total load factor of the month increased by 1.7pp, from 79.0% in February of 2018 to 80.7%. On the other hand, the airport group stated that during the month, the following new routes were opened: Guadalajara-Acapulco and Guadalajara-Chetumal, operated by Volaris; Montego Bay-Philadelphia, operated by Frontier; and Montego Bay-Orlando, operated by Spirit.

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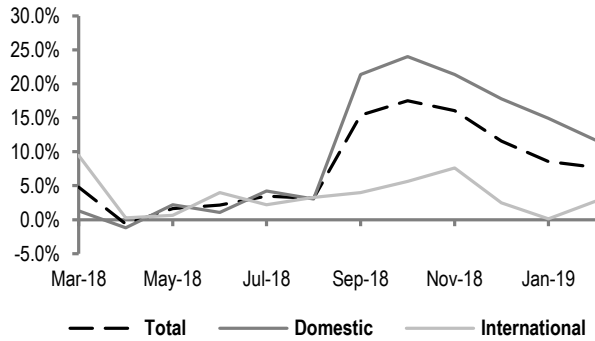
- Oma indicated that during February, the following new routes were opened: Acapulco – Guadalajara, Ciudad Juárez – Culiacán, Culiacán – Ciudad Juárez and San Luis Potosí – Mexico City.

Conclusion... The February passenger report of airports that operate in Mexico continued to post a slight slowdown in comparison to the previous month's yoy growth. Although we consider that the airport sector will continue to post some headway (mid-single digit increase for operations in Mexico during the year) in view of the good performance of the tourism industry and a higher number of seats available by different airlines, we do not dismiss volatility in the share price of each airport group due to the sector's current uncertainty. Meanwhile we will continue to monitor the performance of passenger traffic and the development of oil prices. Within our institutional portfolio, we have exposure to Gap with a 2019 PT of MXN\$ 206.7 per share, with a Buy recommendation. On the other hand, we hold a 2019 PT2019E of MXN\$ 380.1 per share for Asur and MXN\$ 118.8 per share for Oma, both with a Buy recommendation.

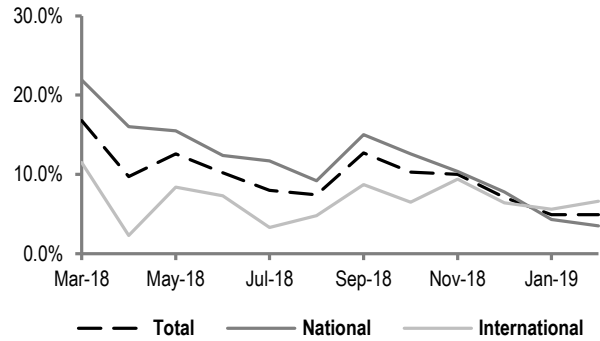
February Passenger Traffic

The following graphs display the performance of total passengers of the airports groups in 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)



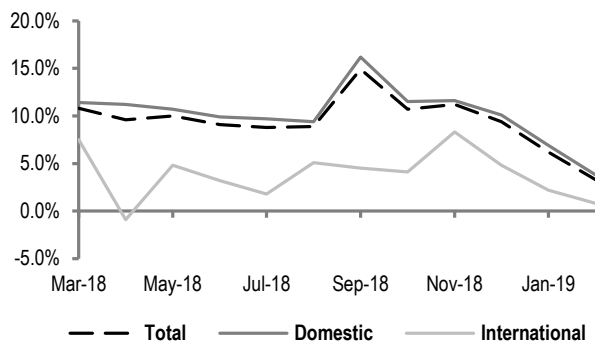
Gap – Passenger traffic – Last 12 months
(% yoy)



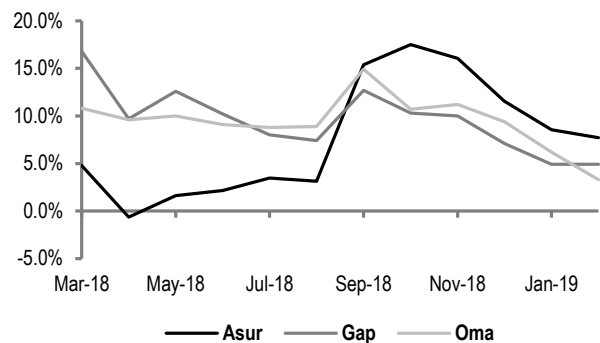
Source: Asur, Banorte / Variations include the LMM Airport and the airports in Colombia (Airplan)

Source: Gap, Banorte / Variations include the MBJ airport

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



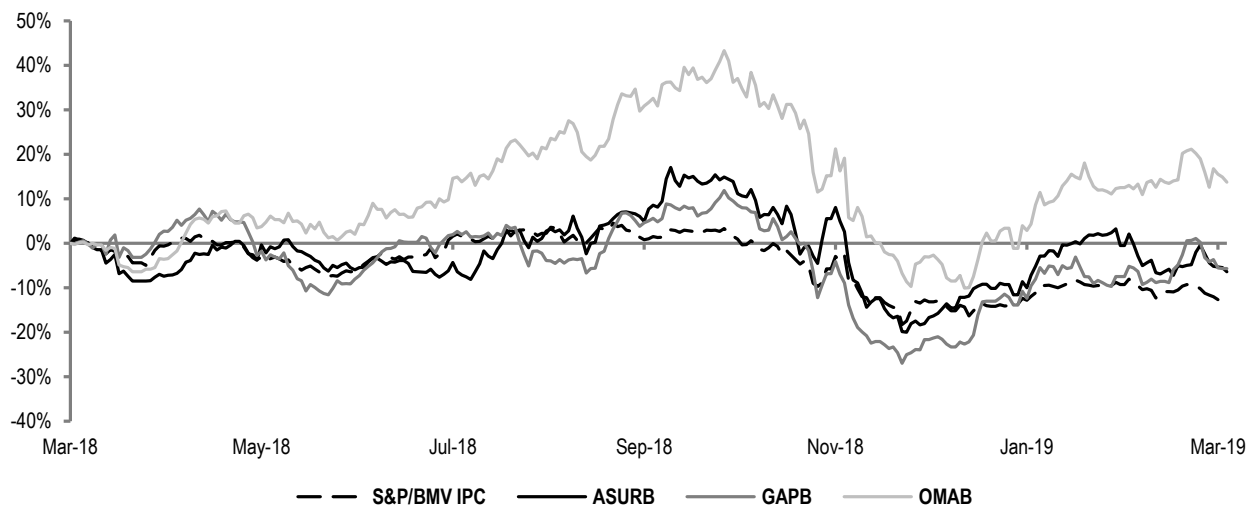
Passenger traffic – Asur, Gap y Oma – Last 12 months
(% yoy)



Source: Oma, Banorte

Source: Banorte / Asur variations include the LMM airport and the airports in Colombia (Airplan). Gap variations include the MBJ airport

MEXBOL and airports return Last 12 months



Source: Banorte

Sector comparison – Figures at February 2018

| MXN, Millions | Asur | Gap | Oma |
|--|----------|--------------|---------|
| Passengers 12m. | 52.9 | 45.3 | 21.7 |
| % yoy | 29.0% | 9.4% | 9.4% |
| Sales 12m. (Ex IFRS 17) | \$14,474 | \$12,683 | \$6,766 |
| % yoy | 34.7% | 14.7% | 16.6% |
| Operating Income 12m. | \$7,779 | \$7,245 | \$4,133 |
| % yoy | 426.7% | 15.3% | 27.6% |
| EBITDA 12m. | \$9,554 | \$8,814 | \$4,484 |
| % yoy | 28.9% | 14.1% | 26.7% |
| Net Income 12m. | \$4,988 | \$4,937 | \$2,852 |
| % yoy | -14.5% | 10.9% | 34.0% |
| Operating Margin 12m. | 53.7% | 57.1% | 61.1% |
| % yoy | 39.6% | 0.3% | 5.3% |
| EBITDA Margin 12m. | 66.0% | 69.5% | 66.3% |
| % yoy | -4.9% | -0.4% | 5.3% |
| Net Margin 12m. | 34.5% | 38.9% | 42.2% |
| % yoy | -21.4% | -1.4% | 5.5% |
| Metrics per Passenger | | | |
| Sales/Pax | \$273.4 | \$279.9 | \$311.6 |
| Operating Income/Pax | \$147.0 | \$159.9 | \$190.3 |
| EBITDA/Pax | \$180.5 | \$194.5 | \$206.5 |
| Net Income/Pax | \$94.2 | \$109.0 | \$131.3 |
| Valuation | | | |
| FV/EBITDA 12m. | 11.7x | 12.0x | 9.8x |
| FV/EBITDA 19e | 10.5x | 10.5x | 8.7x |
| FV/EBITDA Av. 1a. | 15.5x | 13.6x | 12.1x |
| FV/EBITDA Av. 3a. | 17.8x | 16.4x | 14.6x |
| FV/EBITDA 12m. Av. Sector (National) | 11.2x | 11.2x | 11.2x |
| FV/EBITDA 19e Av Sector (National) | 9.9x | 9.9x | 9.9x |
| Estimate vs. Sector (National) | 6.2% | 6.0% | -12.2% |
| 12m. vs. Sector (National) | 4.4% | 7.7% | -12.1% |
| 19e vs. Av. 3a. | -41.1% | -36.3% | -40.5% |
| FV/EBITDA 12m. Av. (International peers ¹) | | 10.5x | |
| FV/EBITDA 19e Av. (International peers ¹) | | 10.0x | |
| P/BV | 2.6x | 4.7x | 5.1x |
| P/E | 18.8x | 19.8x | 14.8x |
| Market | | | |
| Current Price | \$313 | \$174 | \$107 |
| Return 12m. | -6.4% | -5.7% | 13.8% |
| Return 2018 | -17.3% | -20.9% | -7.9% |
| Return 2019 | 5.9% | 9.5% | 15.1% |
| Market Cap. (US\$m) | \$4,807 | \$4,998 | \$2,161 |
| Shares Outstanding | 300 | 561 | 399 |
| Float % | 56% | 85% | 86% |
| Floating Market Cap. (US\$m) | \$2,715 | \$4,248 | \$1,848 |

Source: Banorte / Bloomberg (07/03/19)

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 Zaldivar, 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, Francisco Duarte Alcocer, 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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