Mexican Airports

Asur 2024 top pick in a challenging year with traffic & concession fee headwinds

Price Objective Change

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Equity
Mexico
Airports

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Asur still top pick based on four reasons:

1)The positive 2024-2028 MDP review for Asur provided certainty on its concession contract terms, plus a weighted average maximum 2024 tariff increase of 23% resulting from a higher concession fee and higher Capex. 2) Airbus engine recalls affect Asur the least (lower exposure vs. peers to Volaris, see Exhibit 4). 3) Traffic recovery in Colombia (March to December), and 4) most attractive combination of growth & valuation, offering a 2024E EBITDTA growth of 10% trading at a 2024E EV/EBITDA of 8.2x, a 7% discount to its 3-year historic average. We are revising our estimates and updating our price objectives for all three airports groups. Please see Exhibit 1 and pages 4 to 6.

Three key themes for Mexican airports in 2024 & beyond

On average, the Mexican (MX) airports' stock prices had a 12% return in 2023 that underperformed the Mexbol Index (+18%) despite delivering an average double-digit Y/Y total traffic growth of 11% due to regulatory uncertainty on the MX maximum tariff.

#1 Average flat 2024E Mexican traffic growth

On average, we estimate that MX airports will deliver flat Y/Y 2024 total traffic growth as Mexican nearshoring traffic tailwind should face the following headwinds: 1) expected economic slowdown in Mexico (GDP real growth. '23E: +3.2% and '24E: +1.8%) and US ('23E: +2.5% & '24E: 2.1%); 2) airline capacity constraints related to Airbus A321 - A320 engine recalls and until now limited Boeing 737 Max grounding; and 3) lower Mexican tourism competitiveness due to strong Peso appreciation (33% since March 2020). We estimate Asur should deliver flat Mexican 2024E traffic growth as it has a 12% exposure to Volaris, lowest among MX peers. Oma has a 26% exposure to Volaris and we estimate a MX 2024E traffic growth of 2% on the back of nearshoring while Gap's 43% exposure to Volaris should translate into a MX 2024E traffic drop of -3.5%.

#2 Adj. EBITDA mg. contraction on rise MX concession fee

We project that MX airports' 2024 total adjusted EBITDA margin will contract by ~364bps on average due to two main factors: 1) the increase in the MX concession fee to 9% from 5% of total cash revenues; and 2) lower traffic growth in 2024 vs 2023. Asur should face a lower margin contraction of 206bps in 2024 as higher concession fee in Mexico should be partially offset by Asur's MX maximum tariff +23% revision in its new 2024–2028 Master Development Plan (MDP). In contrast, we project Oma to deliver a 468bps margin contraction while we estimate Gap to have a 435bps margin contraction in 2024 as maximum tariffs will be reviewed in 2024 for Gap and 2025 for Oma.

#3 Sector trading at 1.5% average valuation discount

We estimate the MX airport sector to deliver on avg. a 0.7% EBITDA growth in '24 while trading at a 1.5% discount to its 3-yr avg. EV/EBITDA multiple. Only Asur is expected to grow EBTIDA in '24 (+10%E), while trading at a 7% discount to its 3-yr avg EV/EBITDA.

Exhibit 1: Mexican airports

Ratings, POs, Estimates

	ASUR	GAP	OMA
Rating	Buy	Neutral	Buy
Price Objective			
New	P$609.3	P$291.4	P$182.1
Prior	P$510.6	P$324.7	P$222.8
2024 Estimates			
EBITDA, new	18,842	17,229	8,780
EBITDA, prior	20,767	20,396	9,222
EPS, new	38.39	18.12	12.60
EPS, prior	42.65	22.82	13.24

Source: BofA Global Research

BofA GLOBAL RESEARCH

Refer to important disclosures on page 11 to 14. Analyst Certification on page 10. Price Objective Basis/Risk on page 8.
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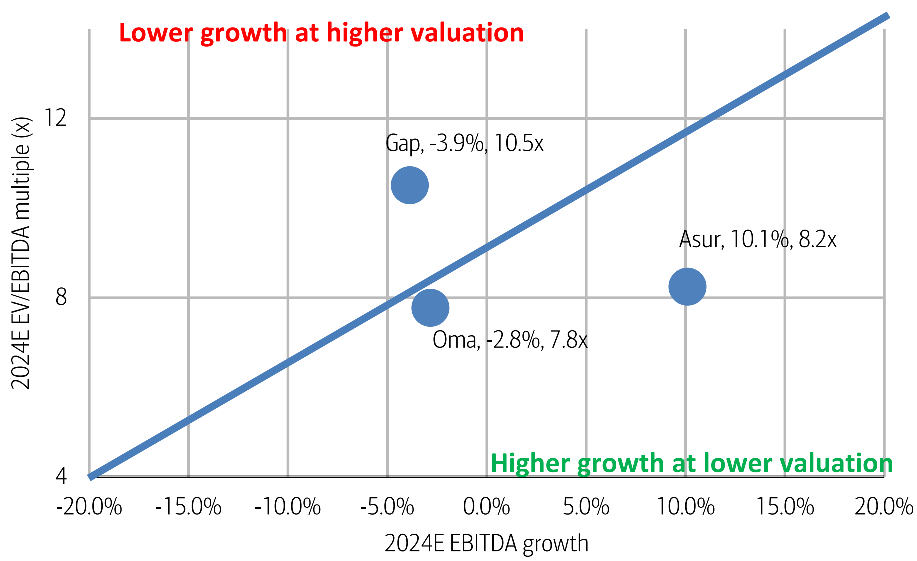
2024 themes for Mexican airports

Reiterate Buy for Asur and Oma

Asur offers the most attractive 2024E EBITDA growth & valuation trade-off

Asur trades at a 2024E EV/EBITDA multiple of 8.2x, a 7% discount to its 3-year historic average multiple while offering a 2024E EBITDA growth of 10%. We remain positive on Asur after the positive outcome of its Mexican (MX) 2024-2028 Master Development Plan (MDP) review process. Higher Mexican concession fee to 9% from 5% as of January 2024 and higher new MDP Capex commitments were compensated by a 23% increase in Asur's maximum tariff. This provided certainty on Asur's agreed concession IRR. Finally, Asur's Colombian operations will no longer face a difficult comparison base as of 2Q24 as the two domestic airlines went bankrupt on March 2023.

Exhibit 2: Mexican airports: 2024E EBITDA growth and 2024E EV/EBITDA multiple
Asur offers the most attractive 2024E EBITDA growth & valuation trade-off among MX peers



Source: BofA Global Research estimates

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Oma offers the highest 2024E EBITDA margin and nearshoring exposure

Oma trades at a 2024E EV/EBITDA multiple of 7.8x, which is in line with its 3-year historic average multiple while it offers a 2.8% decrease in 2024E EBITDA. Oma is set to deliver a 2% traffic growth in 2024E on the back of nearshoring tailwinds and despite an expected economic slowdown in Mexico and airline aircraft capacity constraints. Over 70% of Oma's airport traffic has exposure to nearshoring, highest among Mexican peers (Gap: 65% and Asur: 0%). In addition, we estimate that Oma will maintain the highest 2024E EBITDA margin versus Mexican peers (Oma: 73.5%, Asur: 68.1%, Gap: 64.9%).

Maintain Neutral on Gap on rich valuation

Gap trades at a 2024E EV/EBITDA multiple of 10.1x, a 5.9% premium to its 3-year historic average multiple. Moreover, Gap trades at a 31% premium to the average 2024E EV/EBITDA multiple of its Mexican peers while its 2024E EBITDA is estimated to decrease 3.9%, highest decrease among peers.

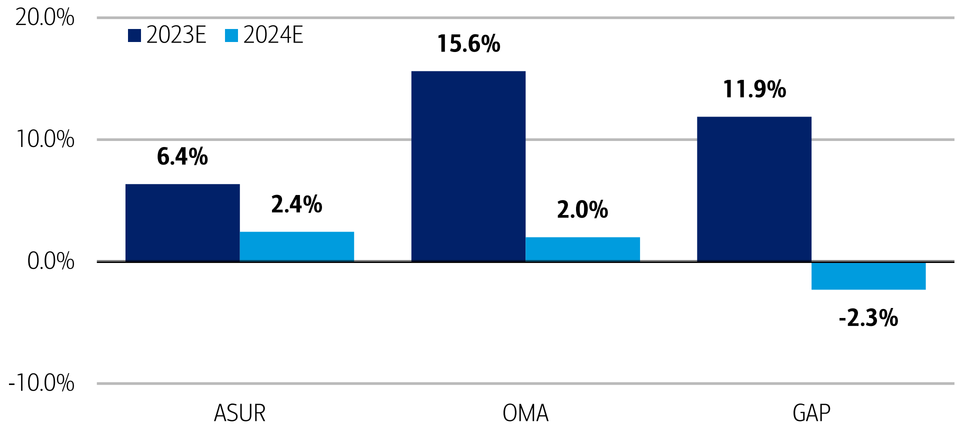
The three themes for Mexican airports during 2024 are:

#1 Average flat 2024E traffic growth

On average, we estimate that MX airports will deliver flat Y/Y 2024 total traffic growth as Mexican nearshoring traffic tailwind should face the following headwinds: 1) expected economic slowdown in Mexico (GDP real growth. '23E: +3.2% and '24E: +1.8%) and US ('23E: +2.5% and '24E: 2.1%); 2) airline capacity constraints related to Airbus A321 and

A320) engine recalls and until now limited Boeing 737 Max grounding; and 3) lower Mexican tourism competitiveness due to strong Peso appreciation (33% since March 2020).

Exhibit 3: Mexican airports: Total traffic growth estimates
Greater geographical diversification should enable Asur to deliver positive 2024E traffic growth



Source: BofA Global Research estimates

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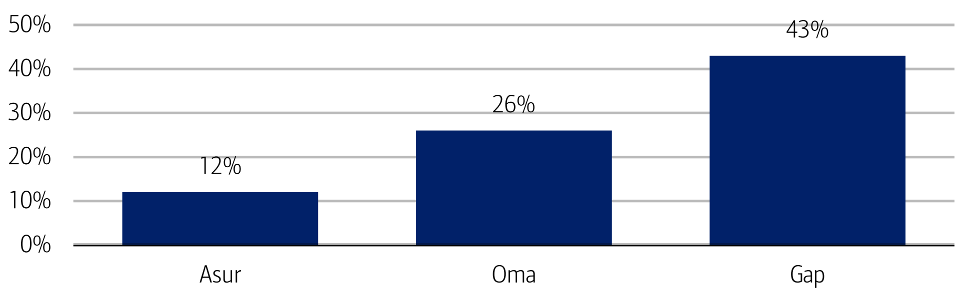
2024E Mexican traffic growth

We estimate Asur should deliver flat Mexican 2024E traffic growth as it has a 12% exposure to Volaris, lowest among MX peers. Oma has a 26% exposure to Volaris and we estimate a MX 2024E traffic growth of 2% on the back of nearshoring while Gap's 43% exposure to Volaris should translate into a MX 2024E traffic drop of -3.5%.

Exhibit 4: Mexican airport: Mexican traffic exposure to Volaris and to Airbus engine recalls
Asur has the lowest exposure to Volaris and Airbus engine recalls



Source: BofA Global Research with company data

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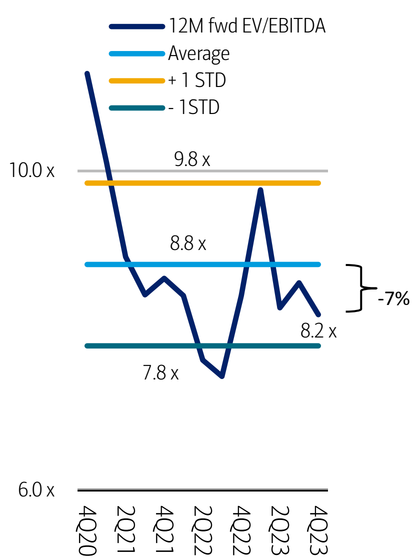
#2 Adj. EBITDA mg. contraction on rise of MX concession fee

On average, we project that MX airports' 2024 total adjusted EBITDA margin will contract by ~364bps due to two main factors: 1) the increase in the MX concession fee to 9% from 5% of total cash revenues; and 2) lower traffic growth in 2024 vs 2023. Asur should face a lower margin contraction of 188bps in 2024 as higher concession fee in Mexico should be partially offset by Asur's MX maximum tariff +23% revision on average in its new 2024–2028 Master Development Plan. In contrast, we project that Oma will deliver a 468bps margin contraction while Gap should have a 435bps margin contraction in 2024 as maximum tariffs will be reviewed until 2024 for Gap & 2025 for Oma.

#3 Sector trading at 1.5% average valuation discount

On average, we estimate that the MX airport sector will deliver a 0.7% EBITDA growth in 2024 while it trades at a 1.5% discount to its 3-year average EV/EBITDA historical multiple. Our top pick is Asur as it offers the most favorable 2024E EBITDTA growth of 10% at the highest 3-year EV/EBITDA average discount of 7% among MX peers.

Exhibit 5: Asur: 12M forward EV/EBITDA
Asur trades at a 14% discount



Source: BofA Global Research

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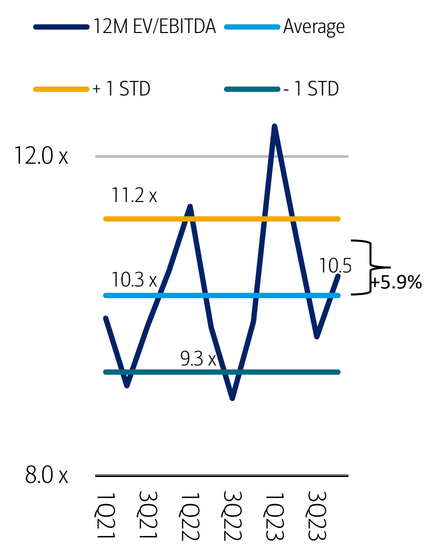
Exhibit 6: Gap: 12M forward EV/EBITDA
Gap trades at a 1.4% premium



Source: BofA Global Research

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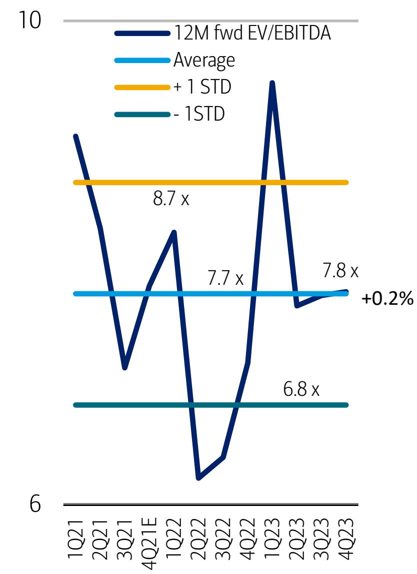
Exhibit 7: Oma: 12M forward EV/EBITDA
Oma trades at its 3-yr average



Source: BofA Global Research

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New estimates

We are revising our estimates by incorporating November and December traffic results, updated macroeconomic assumptions and the higher concession fees for Gap and Oma.

Exhibit 8: Asur: New estimates (P$mn, except for EPS)
Revising estimates with new traffic data

	2023E				2024E			
	Previous	New	Difference	BofAe vs Consensus	Previous	New	Difference	BofAe vs Consensus
Revenues	25,423	25,273	-0.6%	-2%	33,902	31,705	-6.5%	-2%
Cash Revenues	24,598	24,453	-0.6%	0%	29,866	27,666	-7.4%	-2%
EBITDA	17,218	17,114	-0.6%	-2%	20,767	18,842	-9.3%	-3%
Net Income	10,728	10,412	-2.9%	1%	12,796	11,517	-10.0%	-3%
EPS (P$)	35.76	34.71	-2.9%	1%	42.65	38.39	-10.0%	-3%
Traffic (000s PAX)	70,448	70,561	0.2%	0.0%	73,007	72,284	-1.0%	-0.5%
Adjusted EBITDA margin	70.0%	70.0%	-1bps	-128bps	69.5%	68.1%	-143bps	-55bps
Net Income margin	42.2%	41.2%	-100bps	90bps	37.7%	36.3%	-142bps	-34bps

Source: BofA Global Research estimates

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Exhibit 9: Gap: New estimates (P$mn, except for EPS)
Revising estimates with Gap 2024 guidance & higher concession fee

	2023E				2024E			
	Previous	New	Difference	BofAe vs Consensus	Previous	New	Difference	BofAe vs Consensus
Revenues	35,577	34,290	-3.6%	5%	32,325	35,548	10.0%	15%
Cash Revenues	26,468	25,880	-2.2%	0%	28,778	26,548	-7.7%	2%
EBITDA	18,798	17,923	-4.7%	-1%	20,396	17,229	-15.5%	-2%
Net Income	10,422	9,479	-9.1%	-3%	11,533	9,156	-20.6%	3%
EPS (P$)	20.59	18.73	-9.1%	2%	22.82	18.12	-20.6%	8%
Traffic, (000s PAX)	64,099	63,443	-1.0%	-1%	66,066	61,978	-6.2%	1%
Adjusted EBITDA margin	71.0%	69.3%	-177bps	-76bps	70.9%	64.9%	-598bps	-214bps

Exhibit 9: Gap: New estimates (P$mn, except for EPS)
Revising estimates with Gap 2024 guidance & higher concession fee

	2023E				2024E			
	Previous	New	Difference	BofAe vs Consensus	Previous	New	Difference	BofAe vs Consensus
Net Income margin	29.3%	27.6%	-165bps	-230bps	35.7%	25.8%	-992bps	-295bps

Source: BofA Global Research estimates

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Exhibit 9: Oma: New estimates (P$mn, except for EPS)
Incorporating higher concession fee

	2023E				2024E			
	Previous	New	Difference	BofAe vs Consensus	Previous	New	Difference	BofAe vs Consensus
Cash Revenues	11,499	11,557	1%	-1%	11,968	11,941	0%	4%
Adjusted EBITDA	8,961	9,036	1%	0%	9,222	8,777	-5%	5%
Net Income	4,924	4,999	2%	-2%	5,115	4,863	-5%	5%
EPS (P$)	12.751	12.946	2%	-2%	13.244	12.594	-5%	5%
Traffic (000s PAX)	26,676	26,846	1%	-1%	27,330	27,380	0%	2%
Adjusted EBITDA margin	77.9%	78.2%	26bps	107bps	77.1%	73.5%	-355bps	91bps
Net Income margin	42.8%	43.3%	44bps	-42bps	42.7%	40.7%	-201bps	49bps

Source: BofA Global Research estimates

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New price objectives

Asur

We are increasing our Asur PO to P$609.3 per share (US$354.7/ADR) from P$510.6/share (US$296.7/ADR) driven by a lower cost of equity of 12.9% (prior: 13.6%) in our DCF valuation. Our cost of equity assumes a risk-free rate of 3% (unchanged), a sovereign risk premium of 2.9% (prior: 3.5%), a long-term Peso/USD devaluation of 200bps, a 5.7% equity risk premium and a Beta of 0.96. To calculate the termination value in our DCF valuation method, we apply a perpetuity of 4% in nominal pesos terms.

Exhibit 10: Asur: Discounted cash flow to equity based valuation
Increasing Asur PO to P$609.3 pe share (US$354.7/ADR) from P$510.6/share (US$296.7/ADR)

In Pesos, millions	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032	2033
EBITDA	18,842	21,607	23,330	25,257	27,307	29,433	32,395	35,818	38,459	41,380
- Cash Taxes	-4,279	-5,081	-5,661	-6,453	-7,089	-7,783	-8,757	-9,885	-10,806	-12,080
- Capex	-4,039	-7,144	-8,416	-6,297	-8,344	-2,135	-2,225	-2,322	-1,927	-2,503
- Change in WC	-671	-872	-779	-304	-739	136	-545	-608	-537	-574
= Free Cash Flow to the Firm	9,854	8,511	8,474	12,203	11,134	19,651	20,867	23,004	25,189	26,223
- Net Interest expense	291	327	-75	23	157	448	918	1,460	2,075	2,241
= Free Cash Flow to Equity	10,145	8,837	8,398	12,226	11,291	20,099	21,785	24,464	27,264	28,464
DCF	P$mn Share	US$mn ADR								
DCF Total	91,742	5,570								
Perpetuity	91,035	5,071								
Fair Value	182,777	10,641								
# shares (millions)	300	30								
Fair value per share and ADR	P$609.3	$354.7								

Source: BofA Global Research

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Gap

We are decreasing our Gap PO to P$291.4 per share (US$170.8/ADR) from P$324.7/share (US$181.1/ADR) after lowering our EBITDA estimates by 16% in 2024 and 17% in 2025 versus our prior estimates.

Exhibit 11: Gap: Discounted cash flow to equity based valuation
Decreasing Gap PO to P$291.4 pe share (US$170.8/ADR) from P$324.7/share (US$181.1/ADR)

Pesos, millions	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031	2032	2033
EBITDA	**17,229**	**18,813**	**20,131**	**21,375**	**22,799**	**24,438**	**26,228**	**28,151**	**33,521**	**35,395**
(-) Cash Taxes	-2,783	-3,001	-3,400	-3,333	-4,065	-4,760	-6,117	-6,958	-8,531	-9,218
(+ / -) Working Capital	-855	-656	-584	-770	-763	-920	-993	-998	-1,134	-1,548
(-) Capex	-9,000	-4,954	-5,124	-325	-346	-370	-396	-423	-450	-477
FCFF	**4,591**	**10,202**	**11,023**	**16,947**	**17,626**	**18,387**	**18,723**	**19,772**	**23,406**	**24,151**
- Interest Expense	-2,308	-2,465	-2,165	-1,811	-1,802	-1,422	-304	-586	-753	-136
FCFE P$	2,283	7,736	8,857	15,136	15,824	16,965	18,418	19,186	22,652	24,015

DCF	**Local share**	**ADR**
	P$mn	**US$mn**
DCF Total	77,438	4,511
Perpetuity	86,014	5,072
Fair Value	163,452	9,583
# shares (millions)	561	56
Fair value per share	**P$291.4**	**P$170.8**

Source: BofA Global Research

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Oma

We are decreasing our Oma PO to P$182.1 per share (US$85.5/ADR) from P$222.8/share (US$99.2/ADR) after decreasing our EBITDA estimates by 5% in 2024 and 2025 versus our prior projections and applying a higher cost of equity of 12.5% (prior: 11.6%) in our DCF based valuation. Our cost of equity assumes a risk-free rate of 3% (unchanged), a sovereign risk premium of 3.5% (unchanged), a long-term Peso/USD devaluation of 200bps (unchanged), a 5.7% equity risk premium (unchanged) and a Beta of 1.06. To calculate the termination value in our DCF valuation method, we apply a perpetuity of 4% in nominal pesos terms.

Exhibit 12: Oma: Discounted cash flow to equity based valuation
Decreasing Oma PO to P$182.1 pe share (US$85.5/ADR) from P$222.8/share (US$99.2/ADR)

In Pesos, millions	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Adjusted EBITDA	8,780	9,581	10,679	11,403	12,053	12,738	13,458	14,157	14,879	15,539
- Cash Taxes	-1,791	-1,947	-2,218	-2,473	-2,731	-3,010	-3,289	-2,488	-3,780	-4,056
- Capex	-3,125	-2,895	-722	-770	-814	-861	-910	-767	-805	-841
- Change in WC	-47	-314	-613	-232	-221	-249	-252	-250	-432	-181
= Free Cash Flow to the Firm	**3,817**	**4,426**	**7,126**	**7,929**	**8,288**	**8,618**	**9,006**	**10,652**	**9,861**	**10,461**
- Net Interest expense	-963	-1,015	-959	-701	-352	37	403	833	891	1,296
= Free Cash Flow to Equity	**2,854**	**3,411**	**6,167**	**7,228**	**7,936**	**8,655**	**9,409**	**11,484**	**10,752**	**11,758**

DCF	**Share**	**ADS**
	P$mn	**US$mn**
DCF Total	40,041	2,157
Perpetuity	30,295	2,048
Total Value	70,336	4,205
# shares (millions)	386	49
Fair value per share	**P$182.1**	**US$85.5**

Source: BofA Global Research

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4Q23 preview

Asur

Exhibit 13: Asur: Q4 estimates (P$mn)

We estimate that Q4E EBITDA will decrease 5% Y/Y as Asur had lower cost of services in 4Q22 on a non-recurring revenue

	4Q22A	BofA 4Q23E	Growth 4Q23E / 4Q22A	Visible Alpha consensus 4Q23E	4Q23E / Consensus
Cash revenues	5,881	6,095	4%	6,119	0%
EBITDA	4,427	4,225	-5%	4,217	0%
Majority net income	2,561	2,745	7%	2,682	2%
Majority EPS	8.54	9.15	7%	8.95	2%
Adjusted EBITDA margin	75.3%	69.3%	-595bps	68.9%	41bps

	4Q22A	4Q23E	Growth 4Q23E / 4Q22A	Visible Alpha consensus 4Q23E	4Q23E / Consensus
Traffic, PAX (millions)	17.6	17.8	1%	17.8	0%

Source: Company report, BofA Global Research estimates, Visible Alpha consensus

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Gap

Exhibit 14: Gap: Q4 estimates (P$mn)

We estimate that Q4 EBITDA will increase 3% Y/Y even though Q4 revenue should grow 8% Y/Y

	4Q22A	4Q23E	4Q23E / 4Q22A	Visible Alpha consensus 4Q23E	4Q23E / Consensus
Cash revenues	6,091	6,555	8%	6,414	2%
EBITDA	4,252	4,380	3%	4,408	-1%
Majority net income	1,817	2,107	16%	2,293	-8%
Majority EPS (P$)	3.57	4.17	17%	4.50	-7%
Adjusted EBITDA margin	69.8%	66.8%	-299bps	68.7%	-190bps

	4Q22A	4Q23E	4Q23E / 4Q22A	Visible Alpha consensus 4Q23E	4Q23E / Consensus
Traffic, PAX (millions)	15.4	15.8	2%	16.2	-2%

Source: Company report, BofA Global Research estimates, Visible Alpha consensus

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Oma

Exhibit 15: Oma: Q4 estimates (P$mn)

We estimate that Q4 revenue and EBITDA will increase at a high single-digit Y/Y growth rate

	4Q22A	BofA 4Q23E	4Q23E / 4Q22A	Visible Alpha consensus 4Q23E	4Q23E / Consensus
Cash revenues	2,559	2,903	13%	3,015	-4%
Adjusted EBITDA	1,939	2,236	15%	2,266	-1%
Majority net income	1,130	1,239	10%	1,330	-7%
Majority EPS	2.93	3.21	10%	3.37	-5%
Adjusted EBITDA margin	75.8%	77.0%	127bps	75.2%	187bps

	4Q22A	4Q23A	4Q23E / 4Q22A	Visible Alpha consensus 4Q23E	4Q23E / Consensus
Traffic, PAX (millions)	6.5	6.8	5%	7.1	-4%

Source: Company report, BofA Global Research estimates, Visible Alpha consensus

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Exhibit 16: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
ASR	ASR US	Grupo Aeroportuario	US$ 303.82	B-1-7
ASRMF	ASURB MM	Grupo Aeroportuario	MXN 516.79	B-1-7
GPAEF	GAPB MM	Grupo Aeroportuario	MXN 266.28	B-2-8
PAC	PAC US	Grupo Aeroportuario	US$ 155.98	B-2-8
GAERF	OMAB MM	OMA	MXN 155.00	B-1-8
OMAB	OMAB US	OMA	US$ 72.47	C-1-8

Source: BofA Global Research

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Price objective basis & risk

GAP (PAC)

Our price objective of P$291.4 per share (US$170.8 per ADS) is based on a discounted free cash flow to equity (FCFE) valuation model. Our discounted FCFE analysis uses a 13.5% cost of equity in nominal pesos. Our cost of equity assumes a risk free rate of 3%, a sovereign risk premium of 3.5%, a long-term Peso/USD devaluation of 200bps, a 5.7% equity risk premium and a Beta of 0.94. To calculate the termination value in our valuation method, we apply a perpetuity growth of 4% in nominal Pesos terms.

Downside risks to our PO: If economic growth is slower than expected, the potential impact from an economic recession that is deeper and longer than expected and the approval of new legislation regarding concessions in Mexico, GAP's results could surprise to the downside. Finally, if the engine recall impact is larger-than-expect, GAP's results could surprise on the downside. Upside risks: higher than expected traffic and higher-than-expected adjusted EBITDA margin expansion.

Grupo Aeroportuario del Centro Norte (GAERF)

Our OMA price objective of P$182.1 per share (US$85.5 per ADS) is based on a discounted free cash flow to equity (FCFE) valuation model. Our discounted FCFE analysis uses a 12.5% cost of equity in nominal pesos. Our cost of equity assumes a risk free rate of 3%, sovereign risk premium of 3.5%, a long-term Peso/USD devaluation of 200bps, a 5.7% equity risk premium and a Beta of 1.06. To calculate the termination value in our valuation method we apply a perpetuity of 4% in Peso nominal terms.

Downside risks to our PO: If economic growth is slower than expected, then OMA's results could surprise to the downside. Moreover, the approval of new legislation regarding Mexican concessions could also put downward pressure on Oma's stock price. Finally, if the engine recall impact is larger-than-expect, OMA's results could surprise on the downside.

Upside risks: higher-than-expected recovery in economic growth and faster-than-expected recovery in business travel.

Grupo Aeroportuario del Centro Norte (OMAB)

Our OMA price objective of P$182.1 per share (US$85.5 per ADS) is based on a discounted free cash flow to equity (FCFE) valuation model. Our discounted FCFE analysis uses a 12.5% cost of equity in nominal pesos. Our cost of equity assumes a risk free rate of 3%, sovereign risk premium of 3.5%, a long-term Peso/USD devaluation of 200bps, a 5.7% equity risk premium and a Beta of 1.06. To calculate the termination value in our valuation method we apply a perpetuity of 4% in Peso nominal terms.

Downside risks to our PO: If economic growth is slower than expected, then OMA's results could surprise to the downside. Moreover, the approval of new legislation regarding Mexican concessions could also put downward pressure on Oma's stock price. Finally, if the engine recall impact is larger-than-expect, OMA's results could surprise on the downside.

Upside risks: higher-than-expected recovery in economic growth and faster-than-expected recovery in business travel.

Grupo Aeroportuario del Pacifico (GPAEF)

Our price objective of P$291.4 per share (US$170.8 per ADS) is based on a discounted free cash flow to equity (FCFE) valuation model. Our discounted FCFE analysis uses a 13.5% cost of equity in nominal pesos. Our cost of equity assumes a risk free rate of 3%, a sovereign risk premium of 3.5%, a long-term Peso/USD devaluation of 200bps, a 5.7% equity risk premium and a Beta of 0.94. To calculate the termination value in our valuation method, we apply a perpetuity growth of 4% in nominal Pesos terms.

Downside risks to our PO: If economic growth is slower than expected, the potential impact from an economic recession that is deeper and longer than expected and the approval of new legislation regarding concessions in Mexico, GAP's results could surprise to the downside. Finally, if the engine recall impact is larger-than-expect, GAP's results could surprise on the downside. Upside risks: higher than expected traffic and higher-than-expected adjusted EBITDA margin expansion.

Grupo Aeroportuario del Sureste (ASR)

Our ASUR price objective of P$609.3 per share (US$354.7 per ADS) is based on a discounted free cash flow to equity valuation model. Our discounted FCFE analysis uses a 12.9% cost of equity in nominal pesos. Our cost of equity assumes a risk-free rate of 3%, a sovereign risk premium of 2.9%, a long-term Peso/USD devaluation of 200bps, a 5.7% equity risk premium and a Beta of 0.96. To calculate the termination value in our DCF valuation method, we apply a perpetuity of 4% in nominal pesos terms.

Downside risks are slower than expected traffic recovery in ASUR's Puerto Rico and Colombian airports that could put downside risk to our EBITDA projections and the approval of new legislation regarding concessions in Mexico. Finally, if the engine recall impact is larger-than-expect, ASUR's results could surprise on the downside. Upside risks are higher-than-expected traffic and a faster-than-expected recovery in Colombian traffic.

Grupo Aeroportuario del Sureste (ASRMF)

Our ASUR price objective of P$609.3 per share (US$354.7 per ADS) is based on a discounted free cash flow to equity valuation model. Our discounted FCFE analysis uses a 12.9% cost of equity in nominal pesos. Our cost of equity assumes a risk-free rate of 3%, a sovereign risk premium of 2.9%, a long-term Peso/USD devaluation of 200bps, a 5.7% equity risk premium and a Beta of 0.96. To calculate the termination value in our DCF valuation method, we apply a perpetuity of 4% in nominal pesos terms.

Downside risks are slower than expected traffic recovery in ASUR's Puerto Rico and Colombian airports that could put downside risk to our EBITDA projections and the approval of new legislation regarding concessions in Mexico. Finally, if the engine recall impact is larger-than-expect, ASUR's results could surprise on the downside. Upside risks are higher-than-expected traffic and a faster-than-expected recovery in Colombian traffic.

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Latin America - Mexico Construction/Homebuilders & RE Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Cemex	CX	CX US	Carlos Peyrelongue
	Danhos	GRFFF	DANHOS13 MM	Carlos Peyrelongue
	FIBRA Macquarie Mexico	DBMBF	FIBRAMQ MM	Carlos Peyrelongue
	GCC, S.A.B. de C.V.	GCWOF	GCC* MM	Carlos Peyrelongue
	Grupo Aeroportuario del Centro Norte	OMAB	OMAB US	Carlos Peyrelongue
	Grupo Aeroportuario del Centro Norte	GAERF	OMAB MM	Carlos Peyrelongue
	Grupo Aeroportuario del Sureste	ASR	ASR US	Carlos Peyrelongue
	Grupo Aeroportuario del Sureste	ASRMF	ASURB MM	Carlos Peyrelongue
	Grupo Mexico Transportes	GMXTF	GMXT* MM	Carlos Peyrelongue
	Grupo Traxion SAB de CV	GRPOF	TRAXIONA MM	Carlos Peyrelongue
	Vesta	VESTF	VESTA* MM	Carlos Peyrelongue
	Vesta	VTMX	VTMX US	Carlos Peyrelongue
NEUTRAL				
	FIBRA Prologis	FBBPF	FIBRAPL MM	Carlos Peyrelongue
	GAP	PAC	PAC US	Carlos Peyrelongue
	Grupo Aeroportuario del Pacifico	GPAEF	GAPB MM	Carlos Peyrelongue
	PINFRA	PYOIF	PINFRA* MM	Alan Macias
UNDERPERFORM				
	Cencosho	XCWCF	CENCOSHO CI	Carlos Peyrelongue
	Loma Negra Cia Industrial Argentina	LOMA	LOMA US	Carlos Peyrelongue
	Parque Arauco	XNNJF	PARAUCO CI	Carlos Peyrelongue
RSTR				
	FUNO	FBASF	FUNO11 MM	Carlos Peyrelongue

Disclosures

Important Disclosures

Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	67	50.38%	Buy	44	65.67%
Hold	31	23.31%	Hold	13	41.94%
Sell	35	26.32%	Sell	17	48.57%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster[R2]
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

[R2]Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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