

# Mexican Airports

## Mixed Q4 for Asur & Gap with EBITDA declining Y/Y; reiterate Buy on Asur

Earnings Review

### Asur mixed Q4: EBITDA down 6%Y/Y in line with VA cons

Q4 cash revenue totaled P\$6.2bn, increasing 5% Y/Y, beating BofAe and Visible Alpha's (VA) consensus by 1%. Single-digit Y/Y top line growth was driven by an increase in traffic of 1% Y/Y and higher tariffs Y/Y. Aeronautical services revenue rose 3.7% Y/Y (63% of total cash revenue) while non-aeronautical services revenue increased 6.6% Y/Y (37% of total cash revenue) in 4Q23. EBITDA reached P\$4.2bn in Q4 translating into a 3% Y/Y decrease that came in 1% below BofAe and VA consensus. EBITDA margin decreased 757bps Y/Y due to higher cost of services (up 18% Y/Y) and higher administrative expenses Y/Y (up 16% Y/Y) ending at 67.7% in Q4. Finally, Q4 EPS totaled P\$8.46, decreasing 1% Y/Y that missed BofAe by 8% and VA consensus by 4% due mainly to a higher-than-expected FX loss.

### Reiterate Buy on Asur on 2024 EBITDA growth

In our view, Asur offers the most attractive 2024E EBITDA growth & valuation trade-off among Mexican (MX) peers. Asur trades at a 2024E EV/EBITDA multiple of 8.1x, an 8% 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 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 in March 2023.

### Gap mixed Q4: EBITDA down 3% Y/Y, 5% below consensus

Q4 cash revenue totaled P\$6.1bn, flat Y/Y and missed BofAe by 7% and VA consensus by 4%. Top line was negatively impacted by an 11% Y/Y appreciation of the Peso that affected international tariffs as well as by the discounts granted in passenger fees in November and December. Q4 EBITDA reached P\$4.1bn, translating into a 3% Y/Y decrease that came in 5% below BofAe and VA consensus. Q4 adjusted EBITDA margin contracted 200bps Y/Y ending at 67.8% negatively impacted by higher costs of services (up 4% Y/Y) and higher concession taxes (up 20% Y/Y). Finally, EPS totaled P\$4.45, up 25% Y/Y and beat BofAe by 7% and VA consensus by 3% mainly due to lower-than-expected taxes.

### Maintain Neutral on Gap on fair valuation

Gap trades at a 2024E EV/EBITDA multiple of 10.1x, in line with its 3-year historic average multiple. Moreover, Gap trades at a 30% premium to the average 2024E EV/EBITDA multiple of its Mexican peers while its 2024E EBITDA is estimated to decrease 3.9%, the largest decline among peers.

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## 4Q23 review

### Exhibit 1: Asur: Q4 results summary (P\$m, except EPS)

Mixed Q4 with revenue growing 5% Y/Y while EBITDA decreasing 6% Y/Y

	4Q22A	4Q23A	4Q23A / 4Q22E BofA	BofA 4Q23E	4Q23A / 4Q22A	Visible Alpha consensus 4Q23E	4Q23A / Consensus
Cash revenues	5,881	6,161	1%	6,095	5%	6,101	1%
EBITDA	4,427	4,171	-1%	4,225	-6%	4,205	-1%
Majority net income	2,561	2,537	-8%	2,745	-1%	2,647	-4%
Majority EPS	8.54	8.46	-8%	9.15	-1%	8.82	-4%
Adjusted EBITDA margin	75.3%	67.7%	-161bps	69.3%	-757bps	68.9%	-122bps

	4Q22A	4Q23A	4Q23A / 4Q22E BofA	4Q23E	4Q23A / 4Q22A	Visible Alpha consensus 4Q23E	4Q23A / Consensus
Traffic, PAX (millions)	17.6	17.8	0%	17.8	1%	17.8	0%

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

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### Exhibit 2: Gap: Q4 results summary (P\$m, except EPS)

Mixed Q4 with EBITDA decreasing 3% Y/Y while EPS grew 25% Y/Y

	4Q22A	4Q23A	Difference 4Q23A / 4Q22A	4Q23E	4Q23A / 4Q23E	Visible Alpha consensus 4Q23E	4Q23A / Consensus
Cash revenues	6,091	6,108	0%	6,555	-7%	6,384	-4%
EBITDA	4,252	4,142	-3%	4,380	-5%	4,368	-5%
Majority net income	1,817	2,249	24%	2,107	7%	2,221	1%
Majority EPS (P\$)	3.57	4.45	25%	4.17	7%	4.34	3%
Adjusted EBITDA margin	69.8%	67.8%	-200bps	66.8%	99bps	68.4%	-62bps

	4Q22A	4Q23A	Difference 4Q23A / 4Q22A	4Q23E	4Q23A / 4Q23E	Visible Alpha consensus 4Q23E	4Q23A / Consensus
Traffic, PAX (millions)	15.4	15.8	2%	15.8	0%	16.1	-2%

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

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**Exhibit 3: 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\$ 298.71	B-1-7
ASRMF	ASURB MM	Grupo Aeroportuario	MXN 509.21	B-1-7
GPAEF	GAPB MM	Grupo Aeroportuario	MXN 259.08	B-2-8
PAC	PAC US	Grupo Aeroportuario	US\$ 151.45	C-2-8

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 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-expected, 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-expected, 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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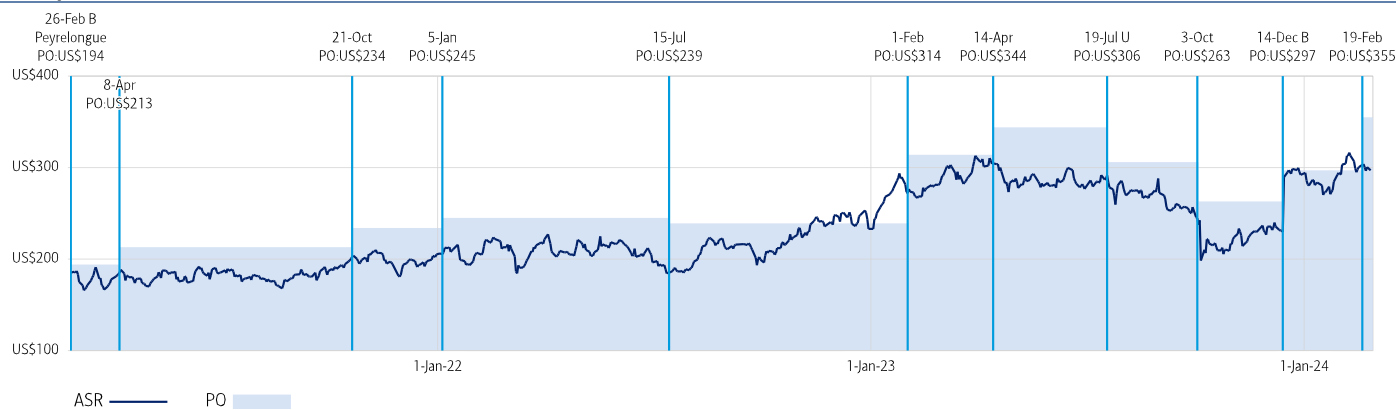
## Latin America - Mexico Construction/Homebuilders &amp; RE Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	FIBRA Prologis	FBPBF	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
<b>UNDERPERFORM</b>				
	Cencosho	XCWCF	CENCOSHO CI	Carlos Peyrelongue
	Loma Negra Cia Industrial Argentina	LOMA	LOMA US	Carlos Peyrelongue
	Parque Arauco	XNNJF	PARAUCO CI	Carlos Peyrelongue
<b>RSTR</b>				
	FUNO	FBASF	FUNO11 MM	Carlos Peyrelongue

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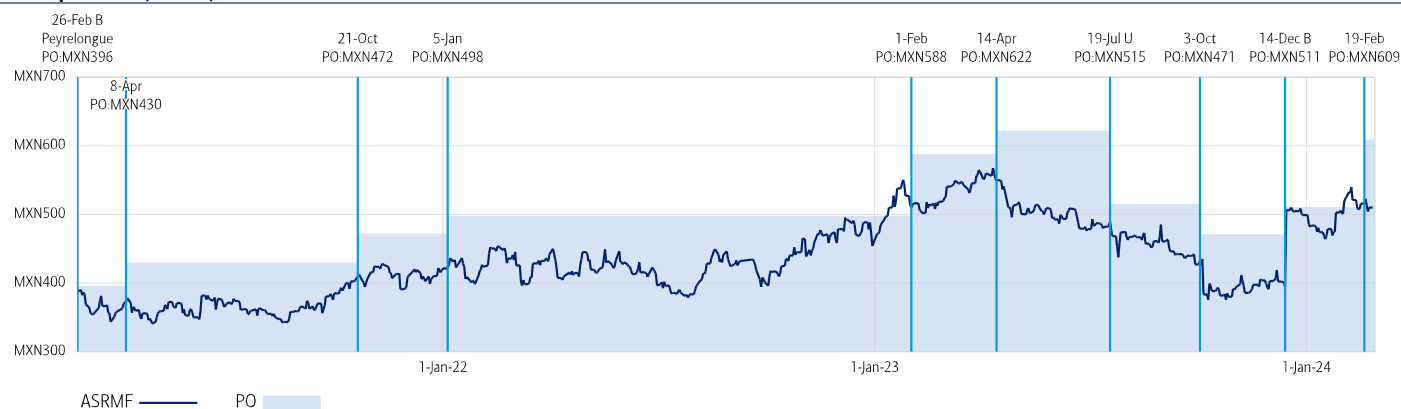
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## Grupo Aeroportuario (ASR) Price Chart



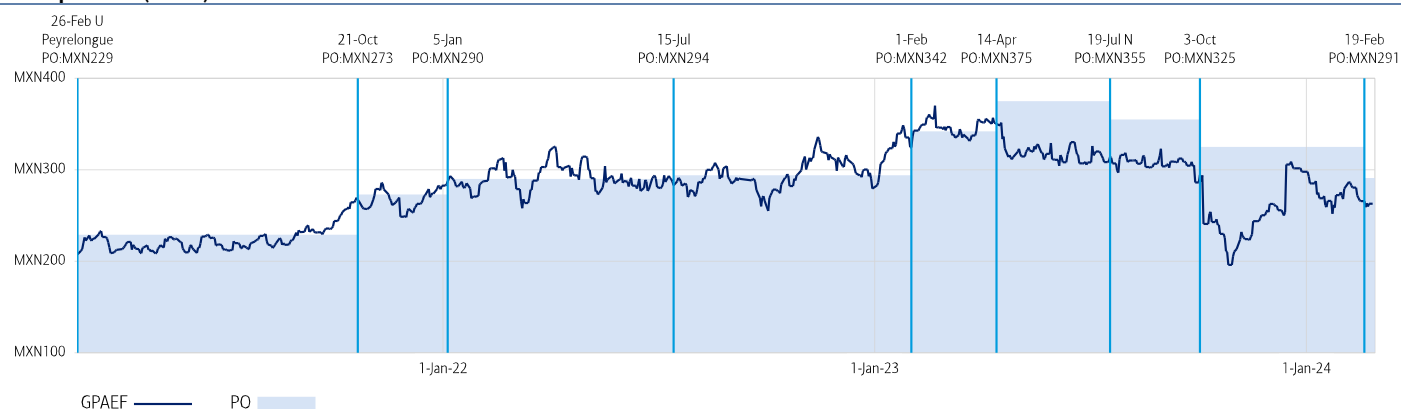
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**Grupo Aeroportuario (ASRMF) Price Chart**

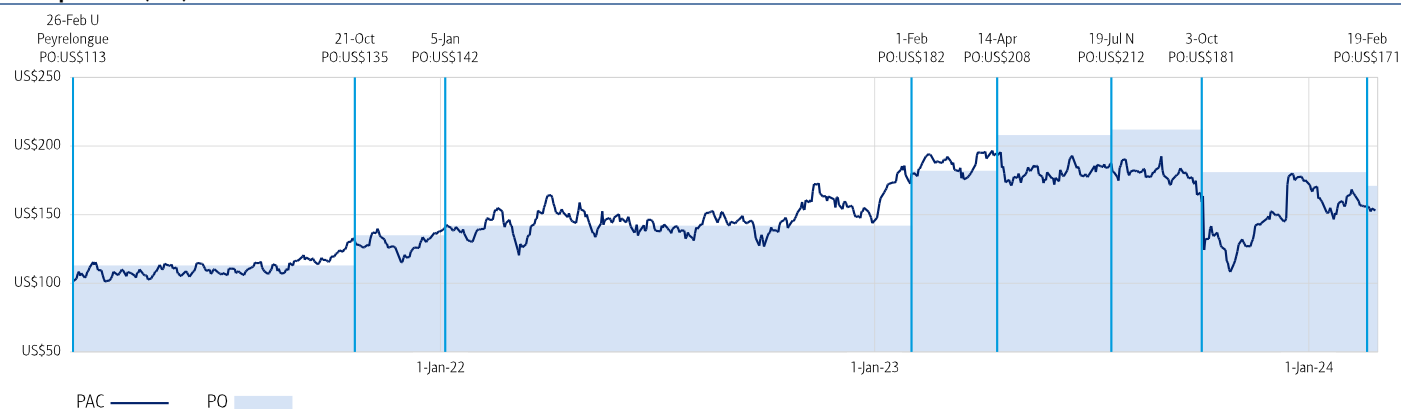
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**Grupo Aeroportuario (GPAEF) Price Chart**

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**Grupo Aeroportuario (PAC) Price Chart**

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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