

# GAP

Quarterly Report

August 1, 2023

## Raises guidance due to better 1H23 performance

- Gap reported increases supported by passenger growth and inflation-adjusted fares. Although profitability reflected a slightly higher-than-expected pressure, it remained at elevated levels
- The group raised its 2023 guidance to higher passenger and EBITDA growth. This reaffirms the positive outlook, especially as it is one of the companies that would benefit the most from nearshoring

**Operating increases continue, but with a decline in margins (excluding accounting adjustments).** Gap reported a 12.7% y/y increase in passengers in 2Q23, derived from a strong demand dynamism. This, together with the adjustment of maximum rates for inflation, boosted the sum of aeronautical and non-aeronautical revenues by 15.2% to MXN 6.50 billion, in line with expectations. EBITDA rose 12.1% to MXN 4.58 billion, with the EBITDA margin excluding accounting changes (with no impact on EBITDA) declining 1.9pp to 70.4% (vs. our estimate of 70.9%), due to higher advances in technical assistance fees (+15.9%) and concession fees (+38.8%). The group showed a year-on-year decline in comprehensive income attributable to controlling interest of 6.8% to MXN 2.05 billion, where operating performance was offset by a higher amount of interest expense and an adverse FX effect. Including the reported figures, the FV/EBITDAR multiple decreased slightly from 10.2x to 10.0x. **Gap raises its 2023 guidance**, which we somehow anticipated and have incorporated in our estimates, taking into account the better performance in 1H23. The group now expects passenger growth of 10%-12% (vs. 6%-8%e previously), operating revenue growth of 14%-16% (vs. 12%-14%e previously) and EBITDA growth of 12%-14% (vs. 10%-12%e previously), with a margin of 70%±1% (unchanged). This confirms the expectation of continued solid demand, and more so given the additional potential of nearshoring (the airports that would benefit are ~70% of the total passengers of its Mexican operations), so we reiterate our positive outlook for Gap.

Financial Statements				
MXN, million	2021	2022	2023E	2024E
Revenues	19,015	27,380	32,022	33,203
Operating Income	8,857	13,814	15,774	16,971
EBITDA	10,908	16,128	18,367	19,907
EBITDA Margin	57.4%	58.9%	57.4%	60.0%
Net Income	6,510	8,664	9,654	10,726
Net Margin	34.2%	31.6%	30.1%	32.3%
Total Assets	55,323	60,505	68,100	73,230
Cash	13,333	12,371	12,097	13,368
Total Liabilities	34,894	40,677	47,461	49,283
Debt	27,920	34,407	39,551	39,671
Common Equity	20,429	19,828	20,639	23,946

Source: Banorte

Valuation and financial metrics				
	2021	2022	2023E	2024E
FV/EBITDA	15.3x	10.8x	9.8x	9.0x
P/U	23.5x	17.4x	15.7x	14.1x
P/VL	7.9x	8.1x	7.8x	6.6x
ROE	33.8%	46.5%	49.7%	47.2%
ROA	11.8%	14.3%	14.2%	14.6%
EBITDA/Interest exp.	6.5x	6.8x	5.9x	6.5x
Net Debt/EBITDA	1.3x	1.4x	1.5x	1.3x
Debt/Equity	1.4x	1.7x	1.9x	1.7x

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BUY	
Current Price	\$299.15
PT	\$430.00
Dividend	\$7.42
Dividend (%)e	2.5%
Upside Potential	46.2%
ADS Price	US\$177.51
PT ADS	US\$240.00
Shares per ADS	10
Max – Min LTM (\$)	373.6 – 253.4
Market Cap (US\$m)	8,975.9
Shares Outstanding (m)	505
Float	85%
Daily Turnover (\$ m)	352.2
Valuation metrics LTM	
FV/EBITDA	10.0x
P/E	17.9x
MSCI ESG Rating*	BBB

Relative Performance to Mexbol LTM



Winners of the 2023 award for the best economic forecasters in Mexico, awarded by Focus Economics.



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## Gap – Results 2023

MXN, million

Concept	2022	2023	Var %	2023e	Diff % vs Estim.
Revenue	6,610	8,360	26.5%	8,187	2.1%
Operating Income	3,519	3,956	12.4%	4,099	-3.5%
Ebitda	4,082	4,577	12.1%	4,738	-3.4%
Net Income	2,198	2,048	-6.8%	2,298	-10.9%
<b>Margins</b>					
Operating Margin	53.2%	47.3%	-5.9pp	50.1%	-2.7pp
Ebitda Margin	61.7%	54.7%	-7.0pp	57.9%	-3.1pp
Net Margin	33.2%	24.5%	-8.8pp	28.1%	-3.6pp
EPS	\$4.32	\$4.05	-6.2%	\$4.55	-10.9%

## Income Statement (Million pesos)

Year	2022	2023	2023	Change	Change
Quarter	2	1	2	% y/y	% q/q
Net Revenue	6,610.1	8,339.9	8,359.6	26.5%	0.2%
Cost of goods sold	0.0	0.0	0.0	N.A.	N.A.
Gross profit	6,610.1	8,339.9	8,359.6	26.5%	0.2%
General expenses	3,091.5	4,261.8	4,404.0	42.5%	3.3%
Operating Income	3,518.6	4,078.1	3,955.6	12.4%	-3.0%
Operating Margin	53.2%	48.9%	47.3%	(5.9pp)	(1.6pp)
Depreciation	563.1	618.1	621.2	10.3%	0.5%
EBITDA	4,081.7	4,696.1	4,576.8	12.1%	-2.5%
EBITDA Margin	61.7%	56.3%	54.7%	(7.0pp)	(1.6pp)
Interest income (expense) net	(288.1)	(674.3)	(508.1)	76.4%	-24.6%
Interest expense	585.1	810.8	779.4	33.2%	-3.9%
Interest income	221.0	303.5	460.8	108.5%	51.8%
Other income (expenses)	0.0	0.0	0.0	N.A.	N.A.
Exchange Income (loss)	78.5	(167.0)	(189.5)	N.A.	13.5%
Unconsolidated subsidiaries	0.0	0.0	0.0	N.A.	N.A.
Income before taxes	3,230.5	3,403.8	3,447.5	6.7%	1.3%
Income taxes	865.8	838.5	959.1	10.8%	14.4%
Discontinued operations	0.0	0.0	0.0	N.A.	N.A.
Consolidated Net Income	2,364.6	2,565.2	2,488.4	5.2%	-3.0%
Minorities	49.0	44.5	38.0	-22.4%	-14.6%
Net Income	2,197.5	2,146.1	2,047.7	-6.8%	-4.6%
Net margin	33.2%	25.7%	24.5%	(8.8pp)	(1.2pp)
EPS	4.321	4.247	4.053	-6.2%	-4.6%

## Balance Sheet (Million pesos)

Total Current Assets	16,150.4	21,686.5	17,846.3	10.5%	-17.7%
Cash & Short Term Investments	13,489.6	18,890.9	14,921.0	10.6%	-21.0%
Long Term Assets	40,501.8	46,873.0	48,785.8	20.5%	4.1%
Property, Plant & Equipment (Net)	3,587.0	3,794.9	3,748.1	4.5%	-1.2%
Intangible Assets (Net)	28,271.2	32,944.4	35,247.2	24.7%	7.0%
Total Assets	56,652.2	68,559.4	66,632.0	17.6%	-2.8%
Current Liabilities	10,301.3	6,544.7	15,917.0	54.5%	143.2%
Short Term Debt	3,075.8	5,261.3	7,150.1	132.5%	35.9%
Accounts Payable	2,170.9	2,176.9	1,714.4	-21.0%	-21.2%
Long Term Liabilities	29,953.1	40,036.8	34,183.4	14.1%	-14.6%
Long Term Debt	28,063.1	35,181.3	32,360.5	15.3%	-8.0%
Total Liabilities	40,254.4	46,581.5	50,100.4	24.5%	7.6%
Common Stock	16,397.8	21,978.0	16,531.7	0.8%	-24.8%
Preferred Stock	1,117.1	1,193.0	1,197.4	7.2%	0.4%
Total Equity	15,280.7	20,784.9	15,334.3	0.4%	-26.2%
Liabilities & Equity	56,652.2	68,559.4	66,632.1	17.6%	-2.8%
Net Debt	17,635.5	21,537.3	24,576.1	39.4%	14.1%

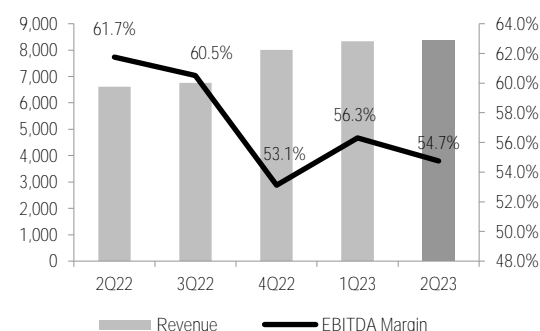
## Cash Flow (Million pesos)

Cash Flow from Operating Activities	3,267.6	4,045.7	2,516.1		
Cash Flow from Investing Activities	(1,983.4)	(2,864.9)	(2,752.6)		
Cash Flow from Financing Activities	(5,075.2)	5,620.3	(3,455.8)		
FX effect on cash	380.6	(281.7)	(277.6)		
Change in Cash Balance	(3,410.3)	6,519.4	(3,969.9)		

Source: Banorte, MSE.

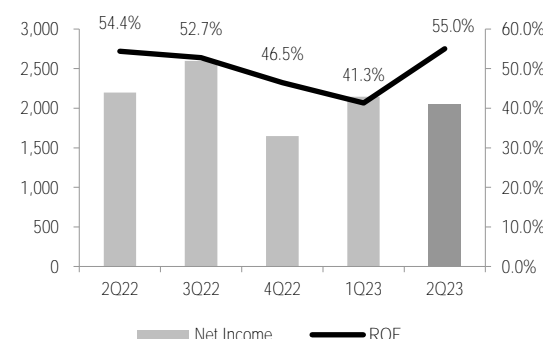
## Revenue & EBITDA Margin

MXN, million



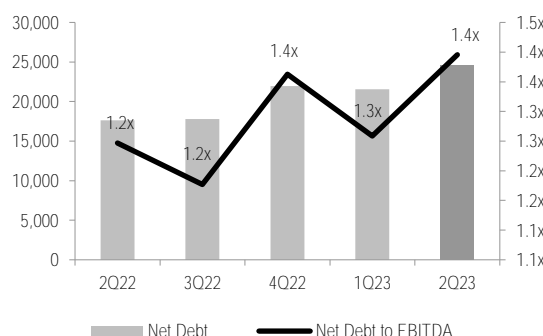
## Net Income & ROE

MXN, million



## Net Debt & Net debt to EBITDA ratio

MXN, million



## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, 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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## Guide for investment recommendations.

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

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## History of PT and Ratings

Emisora	Date	Rating	PT
GAPB	02/20/2023	Buy	\$430.00
GAPB	02/22/2022	Hold	\$300.00
GAPB	10/27/2021	Buy	\$300.00
GAPB	04/28/2021	Buy	\$245.00

## MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

\* The MSCI ESG Rating is an indicator that evaluates companies in Environment, Society and Governance (ESG) metrics.

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