



**GRUPO AEROPORTUARIO DEL SURESTE**  
**1Q24 EARNINGS CONFERENCE CALL TRANSCRIPT**

**C O R P O R A T E P A R T I C I P A N T S**

**Adolfo Castro**, *Chief Executive Officer*

**C O N F E R E N C E C A L L P A R T I C I P A N T S**

**Alejandro Fuchs**, *Itau*

**Rodolfo Ramos**, *Bradesco BBI*

**Guilherme Mendes**, *JP Morgan*

**Alberto Valerio**, *UBS*

**Anton Mortenkotter**, *GBM*

**Juan Macedo**, *GBM*

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**P R E S E N T A T I O N**

**Operator**

Good day, ladies, and gentlemen, and welcome to ASUR's First Quarter 2024 Results Conference Call. My name is Cherri, and I'll be your operator. At this time, all participants are in listen-only mode. We will conduct a question-and-answer session toward the end of today's conference. If you would like to ask a question, please press star one. If you want to withdraw your question at any time, please press star 2. If you are using a speaker phone, please lift the handset before making a selection. As a reminder, today's call is being recorded. Now, I'd like to turn this call over to Mr. Adolfo Castro, Chief Executive Officer. Please go ahead, sir.

## **Adolfo Castro, ASUR Chief Executive Officer**

Thank you, Cherri, and good morning, everyone. Before I begin discussing our results, let me remind you that certain statements made during this call may constitute forward-looking statements, which are based on current management expectations and beliefs and are subject to several risks and uncertainties that could cause actual results to differ materially, including factors that may be beyond our Company's control.

As usual, additional details about our quarterly results can be found in our press release, which was issued yesterday after market close and is available on our website in the Investor Relations section. Following my presentation, I will be available for Q&A.

Moving on to the **review of ASUR's operational and financial performance** for the quarter. As usual, all comparisons discussed will be year-on-year unless specified otherwise.

**We saw record-high passenger traffic in the quarter** at 18.6 million travelers – up 4% Year on Year. This good performance was mainly driven by increases of 4% in Mexico and 12% in Puerto Rico, which more than offset a low single-digit decline in Colombia.

By region, **Puerto Rico** again stood out as the region with the strongest traffic growth, with traffic up nearly 12% driven by double-digit increases in both – domestic & international traffic.

**Traffic in Mexico was up nearly 4%, as high single-digit** growth in international passengers driven mainly by traffic to and from US and Canada more than offset a low single-digit decline in domestic travel. In addition to the impact from the initial effects of the P&W engine problem that we have experienced in the last quarters, domestic traffic was also affected by a reduction in air traffic movements at Mexico City Airport starting January 8<sup>th</sup> this year. Recall this airport accounted for 45% of ASUR's domestic passenger traffic in 2023 and we expect this to continue negatively impacting domestic traffic this year.

Lastly, in **Colombia**, traffic started to recover with year-on-year declines moderating - down only 2% in the quarter, driven by easier comps in domestic traffic following the suspension of two local airlines in February of last year that accounted for 20% of our traffic in Colombia in 2022 and a 19% increase in international travel. We expect the recovery in traffic in Colombia to continue through the remainder of the year as Avianca and LatAm Airlines continue to recover some of the lost routes, with March already posting 9% growth in total traffic in Colombia.

Now, turning to the P&L. As a reminder, all references to revenues and costs exclude construction and cost revenues.

**Total revenues** increased 14% to just over 7 billion pesos in the first quarter, Mexico and Colombia stood out with growth in the mid-teens, while Puerto Rico delivered low single digit revenue growth impacted by a stronger peso, despite double digit traffic growth.

**Mexico**, which accounted for 76% of total revenues, posted a 16% increase in its top-line. This was mainly explained by growth in aeronautical services in the mid-twenties, while non-aeronautical revenues increased low single digits.

Revenues in **Puerto Rico**, which accounted for 14% of the total, increased nearly 2% as 10% growth in non-aeronautical revenues was partially offset by a 5% reduction in aeronautical revenues reflecting the strong peso.

Lastly, **Colombia**, which represented 10% of revenues, posted a mid-teen increase in top-line reflecting a good performance in both aeronautical and non-aeronautical revenues which benefitted from international traffic growth and a strong Colombian peso.

Executing our strategy of expanding our commercial offering, over the past twelve months, we opened 17 new commercial spaces in Mexico, six in Puerto Rico, and 22 in Colombia. **Commercial revenues** were up nearly 5% - slightly above passenger traffic growth, mainly driven by increases of 3% in Mexico, while Puerto Rico and Colombia posted increases of 10% and 14%, respectively.

**On a per-passenger basis, commercial revenues** increased 2% year-on-year to nearly 125 pesos. This performance was mainly driven by growth in the high teens in Colombia again reflecting strong FX, which more than offset low single-digit declines in Mexico and Puerto Rico.

On the **cost front**, consolidated expenses increased nearly 14%, generally in line with total revenue growth in the quarter. This was mainly driven by Mexico, which reported higher concession fees due to the increase by 80% established by the Mexican Government and a 20% increase in minimum wages—both effective January 1<sup>st</sup>—partly offset by 50% reduction in the technical assistance fee.

**Consolidated EBITDA** increased 13% year-on-year to 5.1 billion pesos in the quarter, while the **Adjusted EBITDA margin**, which excludes construction, was 71.4% compared with 71.9% in the year-ago quarter.

**All regions contributed to EBITDA growth.** Mexico remains the main driver of profitability, with EBITDA increasing 15%, followed by Colombia with an increase of nearly 11% and Puerto Rico with just over 1%.

**Moving on to the balance sheet**, we closed the quarter with a strong cash and equivalents position of nearly 17 billion pesos, up 21% from the same quarter last year. Total debt declined 4% from year end 2023, reflecting the appreciation of the Mexican and Colombian pesos and the payment of the principal amounts of outstanding debt in Mexico. In turn, the leverage ratio was negative 0.3 times.

Tomorrow, April 24<sup>th</sup>, the Annual Shareholders' Meeting is being held, for which we have proposed the distribution of an ordinary cash dividend of 10.926 pesos per share payable in May and an extraordinary cash dividend of 10 pesos per share payable this June.

Lastly, last week we published our 2023 sustainability report, 20-F and Circular Unica and encourage you to read them. All of which can be found on our website.

Wrapping up, first quarter 2024 delivered solid results even as we faced the ongoing issues with the P&W engines and the capacity reduction at Mexico's City Airport. Our good performance reflects increased traffic through our airports along with the improved passenger experience we are delivering. These trends bode well for the remainder of the year. We are committed to supporting our growth potential and enhancing the passenger experience through investments in capacity and our commercial offerings. Importantly, our financial position is healthy, and our capital allocation priorities are balanced between investing for growth and returning cash to shareholders.

This ends my prepared remarks. Operator, please open the floor for questions.

**Operator**

Thank you. (Operator Instructions) Our first question is from Alejandro Fuchs with Itaú. Please proceed.

**Alejandro Fuchs**

Yes. Hello, Adolfo. Thank you for the call and the space for questions, and congratulations on the results. Two quick questions from my end. First is on Mexico. I was a little bit surprised to see administrative costs and cost of service increasing 2% and 10%. Can you walk us through some of the initiatives that explain and the company's taking this cost control that you guys are having? That's the first one. Then the second one is very quickly on Punta Cana. There was no mention in the release about the current situation with

the government of the Dominican Republic. Wanted to know if you can give us a brief update of where we are, or any color is appreciated. Thank you.

**Adolfo Castro**

Thank you, Alejandro. In terms of cost control, the most important thing was the reduction of the 50% technical assistance fee. That is basically offsetting the increase in the concession fee within the quarter. In terms of other costs, of course, as you are mentioning, administrative cost, just 2%, this has to do mainly with some efforts we have done in terms of insurance cost. The other negative effect was the 20% increase in minimum wage that affects basically security and cleaning. That is what I can say for the moment.

In the case of the Dominican Republic, we do not see any updates. The last update was the decree issued by the President on January the 5th, canceling the previous decree issued by the previous President that approved the construction of the airport. We have presented our legal procedures and those are ongoing. Once we know something from them, we will let you know.

**Alejandro Fuchs**

Okay, thank you.

**Adolfo Castro**

You're welcome.

**Operator**

Our next question is from Rodolfo Ramos with Bradesco BBI. Please proceed.

**Rodolfo Ramos**

Thank you. Good morning, Adolfo. Two questions on my side. Elaborating a bit on your comment about the headwinds that you're seeing in Mexico City with the slot reductions there. How viable do you think it is for Felipe Angeles and even Toluca, which we have seen picking up to absorb and develop some of the traffic? I personally haven't had a good experience flying in and out of Felipe Angeles but would like to get your thoughts on how these metropolitan airports might help you out there. Then I have a second question on CapEx.

**Adolfo Castro**

Okay. In the case of Mexico City Airport, as I have said in the initial remarks, there was a restriction in capacity. There was a reduction from 52 to 43 air traffic movements per hour. That's a 70% decrease in terms of capacity. Basically, this reduction has been applied to domestic carriers, not to international. I can say for the quarter, Mexico City Airport has lost, more or less, compared with last year, almost a million passengers.

In terms of Santa Lucia, I would say that not all the passengers that are not able to fly from Mexico City due to the lack of operations are willing to go to Santa Lucia. In that sense, the system is losing a lot of passengers. In terms of Toluca, Toluca is basically the same as it was last year. Toluca partly has been capped in terms of no more frequencies or no more operations from the government.

**Rodolfo Ramos**

Thank you. My second question was on your CapEx program. As you embark on this historic CapEx program, do you expect any disruptions to your commercial revenues per passenger as you roll out some of these projects? What could be the impact in between, if any?

**Adolfo Castro**

I don't see any disruption in terms of the commercial revenues because of the construction or because of expansions. In terms of the CapEx, basically today we are preparing the projects in order to make the bidding process to find a contractor, that's why you are seeing a very small amount during the first quarter. But I don't see any disruption. The two or the three main expansions we will have are those related to Terminal 4, the expansion and reconstruction of Terminal 1, and expansion of the terminal in Oaxaca. All of them are outside the operating area. We will be able to construct without affecting the operation of the airport.

**Rodolfo Ramos**

Great. Thank you, Adolfo.

**Operator**

Our next question is from Guilherme Mendes with JP Morgan. Please proceed.

**Guilherme Mendes**

Hi, Adolfo. Good morning. Thanks for taking my question. First question is regarding the MDP tariffs. I recall on the last conference call you mentioned about starting the MDP tariff increase in April. Just wondering if you were able to do so and how you're tracking on this price increase. The second question, if you could please comment about the traffic outlook and especially think about the breakdown between international passengers and domestic. Thank you.

**Adolfo Castro**

Okay. In the case of the MDP, as you know, there was an adjustment approved by the government at the end of last year, it was December 13 when we disclosed that. We immediately started our internal procedures to adjust our implicit rates so, the rates of the products. Those are going to be adjusted as from the first of April this year. The first quarter does not affect any increasing tariffs, in the implicit tariffs so far.

In terms of the traffic outlook, you know the present Pratt & Whitney situation and the restriction of Mexico City will impact in a significant way the domestic traffic. Probably, you can see a small decrease by the year in the domestic traffic, we are hoping to be supported by the international traffic as it has been for the first quarter, basically, with the U.S. and Canada. Of course, a challenging moment is going to be the summer because Canada does not travel in summer. The only engine or the only support should have to come from the U.S.

**Guilherme Mendes**

Okay, that's clear. Thank you. Have a good day.

**Operator**

Our next question is from Alberto Valerio with UBS. Please proceed.

**Alberto Valerio**

Hi. Thank you for taking my question, Adolfo. My question should be more on the bottom line. Against our projections and also year-over-year, we will see higher financial results. I would like to know if you have any non-recurring events on this line. That's all I'm asking. Thank you.

**Adolfo Castro**

I'm sorry, but your sound is really bad. I cannot understand your question, Alberto.

**Alberto Valerio**

I'll try again. Just if you have any non-recurring events on financial results.

**Adolfo Castro**

I can't hear you.

**Operator**

I believe it was if there are any more current events on financial results?

**Adolfo Castro**

Sorry?

**Operator**

Any more current events on the financial results.

**Adolfo Castro**

The exchange rate is going to be extremely important for us. You have seen some adjustments during the last two weeks and that has to do with international traffic in our case as you have seen for the first quarter. If you see the growth in our aeronautical revenues for the first quarter, that probably won't surprise you, but that has to come with a difference between the 6.8 and the 6.2 million passengers in terms of international passengers in the first quarter. The exchange rate is crucial.

**Alberto Valerio**

Gracias.

**Operator**

Our next question is from Anton Mortenkotter with GBM. Please proceed.

**Anton Mortenkotter**

Hi, Adolfo. Thank you for the call and congrats on the results. I have two quick questions. One is related to trade receivables. Just wondering what the dynamics are seeing this quarter and why did that increase so much? The second one is regarding capital allocation. Understanding that even when accounting for the high CapEx commitments for this year and also for the already announced dividends, the net cash position seems to be set to continue increasing during the year. Could we expect an additional announcement on a dividend or is there anything that's been thought about on that front? Thank you.

**Adolfo Castro**

Hi. In the case of trade receivables from the quarter, you can see a very nice adjustment or decrease in the case of Puerto Rico. That has to do with the recuperation of the result of the trial we have there, the 2% of the fuel flowage. In terms of Mexico, that has to do with the normal operation and the same in the case of Colombia. In terms of capital allocation, we ended the quarter with 17 billion pesos. The dividends that are proposed for tomorrow's shareholders meeting will be roughly speaking 6.6, 6.7.

Then we have to see the CapEx. But as I said in the initial remarks, we're trying to be on one side very supportive on the growth. As you know, we have a 29 billion pesos CapEx for the next five years. On the other side, we are paying these extraordinary dividends this year, which is almost the same as it was last year.

**Anton Mortenkotter**

Thank you.

**Operator**

Our next question is from Juan Macedo with GBM. Please proceed.

**Juan Macedo**

Hi, Adolfo. Thanks for the call and congrats on the results. My first question would be a follow-up on a previous question regarding tariffs. You mentioned that the first quarter there wasn't an adjustment for the new max tariff. Do you mean by this that there was only a partial adjustment or was there none at all?

**Adolfo Castro**

There were no adjustments on the first quarter.

**Juan Macedo**

All right, that's very clear. Thank you. Just an additional question. You mentioned that on the first of April you would do this adjustment. Is this for the 100% of the maximum tariff or at what level should we expect this adjustment?

**Adolfo Castro**

Of course, will not be 100%, the rest will have to be less than that. The most, again, critical point will be the situation of the exchange rate. As I mentioned, more than 50% of the traffic is international and don't pay in U.S. dollars.

**Juan Macedo**

Yes. All right. That's very clear. Thank you, Adolfo.

**Adolfo Castro**

You're welcome.

**Operator**

Our next question is from Fernanda Mejia with BTG. Please proceed.

**Fernanda Mejia**

Hi. Thank you, and also, congrats on the results. Two follow-up questions on our side. The first, regarding traffic output, you provided an outlook for Mexico, but could you comment a little bit more on Puerto Rico and Colombia? As you spoke on your initial remarks, Colombia started to see a normalization. How should we expect the traffic for the year-end? Puerto Rico, do you expect a slowdown on the double-digit growth rate that they are posting?

My second question is on commercial revenues. As you mentioned on our initial remarks, it reached close to 125 on a consolidated basis. How should we expect this indicator to move along the year? Do you expect as you deploy more CapEx in Mexico to increase the Mexico ratio? Thank you.

**Adolfo Castro**

In the case of the traffic for Puerto Rico and Colombia, both will be, in my opinion, normalized during the year. One that has to do with the bankruptcy of the two airlines in February last year. In that sense, we show the first quarter negative of 2%, but we see on a monthly basis, we saw an increase of 9% for the month of March. I hope, what I'm expecting is this to continue throughout the end of the year and then that we are able to recuperate what we have lost from these two airlines.

In the case of Puerto Rico, the normalization goes exactly the opposite. Because last year we had a very nice increase when Frontier got into the island and that's why we saw very high traffic last year, above 20s, which is not normal. During the first quarter you saw the 12% increase, which is reducing from these 20s that we saw last year, that the 2023 increase in Puerto Rico was 18%. The normalization will be towards the second and third quarter to see a more normal growth in the case of Puerto Rico.

In terms of commercial revenues, I have to say that today we're still struggling in the case of Mexico because of two things. One has to do with exchange rate, of course, and the other one has to do with the lack of expansion. Commercial revenues from an operational perspective will continue to suffer this situation in the case of Cancun, basically Terminal 2, until we are able to expand the area, that should occur at the end of '25.

**Fernanda Mejia**

Perfect. Thank you very much.

**Adolfo Castro**

You're welcome.

**Operator**

Our next question is from Jay Singh with Citi. Please proceed.

**Jay Singh**

Hey, thanks for taking my question. It's Jay dialing in from Stephen Trent's team. The first question I want to ask, was it only in January you reduced the technical assistance fees, or did you do it in the subsequent quarter?

**Adolfo Castro**

You said January what?

**Jay Singh**



Where you reduced the technical assistance fee?

**Adolfo Castro**

The technical assistance reduction is as from the first of January this year and it will be 2.5% for the next five years.

**Jay Singh**

Great, thanks. My next question is that I know you already spoke a bit about Mexico City Airport area, but do you have any further comments on competition from Tulum?

**Adolfo Castro**

In the case of Tulum, what we know, roughly speaking, the numbers that have been published by the government are around 40,000, 41,000, 42,000 for the months of December, January and February, versus more than 3 million in the case of Cancun.

**Jay Singh**

Thanks a lot.

**Operator**

Our next question is from Joao Frizo with Goldman Sachs. Please proceed.

**Joao Frizo**

Hello Adolfo. Good morning. Thanks for taking my questions. I have two quick follow-ups. The first one is on the tariff side. If you could please help us reconcile what drove the increase quarter-on-quarter on passenger revenues in the first quarter? We saw a sharp increase. As you mentioned, you did not adjust for the MDP until April, so this is not the driver. Maybe, was this a function of reducing the discounts you guys offered in the fourth quarter last year? Or maybe something else, if you could just help us reconcile that would be great. My second follow-up is on Cancun Airport. Could you please just remind us what the expected capacity would be once the expansion is completed? Thank you very much.

**Adolfo Castro**

In the case of the tariffs, you mentioned one of the effects if we compare tariffs from the fourth quarter with the first quarter this year. First of all, we didn't adjust the tariffs during the first quarter. We are charging exactly the same as we were in the fourth quarter last year. Let me put that very clear. Of course, as you have mentioned, during the months of November and December, we had to give a 10% discount on the passenger fee, both international and domestic.

But the other effect, and that's what I have mentioned in the initial remarks, is the proportion of domestic and international. For this quarter, you can see the difference between 6.8 million in international versus 6.2 million last year. International traffic pays more due to the additional space we have to provide them for Customs and Immigration, and that is why you probably are seeing an increase. But in terms of the tariffs of the specific products, there was no increase for the quarter.

In terms of the capacity of Cancun, what we are going to increase is, as I have mentioned, we are going to reconstruct and expand Terminal 1. Terminal 1 should be more likely to 4 million passengers on a yearly basis. Of course, the capacity has to do with the level of service. In the case of Terminal 4, we are in the

process to expand four additional boarding gates. That would be more or less three-something million in addition. Finally, towards the end of the five-year period, we will add another eight to 10 aircraft stands, also in Terminal 4, and that should be more or less 5 million to 6 million additional passengers on a yearly basis capacity.

**Joao Frizo**

Super clear. Thank you very much.

**Adolfo Castro**

You're welcome.

**Operator**

Our next question is from Pablo Ricalde Martinez with Santander. Please proceed.

**Pablo Ricalde Martinez**

Hi, Adolfo. Maybe a follow-up on the Mexico non aeronautical revenues. That international contribution within passengers, how should we think in that one in terms of USD? Do you increase that year-over-year in USD terms?

**Adolfo Castro**

In terms of international traffic, first of all, maximum rates are stated in Mexican pesos. The effect of the international versus domestic at the end, we reach close to the 100. There is no difference. But the quantities during the quarter compared with the quarter last year, international paid more pesos in comparison with the domestic. That's why we were able to see a better regulated revenue per passenger.

**Pablo Ricalde Martinez**

Okay. So, in yearly terms, because we saw a short Mexico decrease year-over-year, and besides that, revenue is good, almost 20% in that country.

**Adolfo Castro**

In that sense, again, if we see a domestic traffic decrease during the year, that could be offset by international traffic. That will help, of course, from this perspective. That's why I was saying also the effect of the exchange rate, Mexican versus dollar, will be extremely important for the year.

**Pablo Ricalde Martinez**

Okay. Thanks.

**Operator**

Our next question is from Gabriel Himelfarb with Scotiabank. Please proceed.

**Gabriel Himelfarb**

Hi Adolfo, congrats on the results. Just a quick follow-up question. In terms of new investments, are you seeing any new investments perhaps outside Mexico maybe in the U.S. or in the Caribbean? Thank you.

**Adolfo Castro**

For the moment, we do not have any project in front.

**Gabriel Himelfarb**

Okay, thank you. Congrats on the results.

**Adolfo Castro**

Thanks.

**Operator**

Our next question is from Arthur Suelotto with Apo Capital. Please proceed.

**Arthur Suelotto**

Hi, thank you. Thank you, Adolfo, and congratulations for the results. Just a quick question on my side. You announced at the end of last year the new MDP that will be valid from 2024 onwards. Just to know if you have any particular adjustments to the value of your concession on the balance sheet regarding this particular change in the way the MDP is calculated. Is this recognized in the balance sheet of the first quarter of 2023 or in this first quarter of 2024? Thank you.

**Adolfo Castro**

The adjustments from the balance sheet are once we construct the MDP, we do not have any adjustments because of the approval we received last year.

**Arthur Suelotto**

Thank you. Very clear.

**Adolfo Castro**

You're welcome.

**Operator**

(Operator Instructions) Our next question is from Francisco Suarez with Scotiabank. Please proceed.

**Francisco Suarez**

Hey, Adolfo. Good morning. Thanks for the call and congrats on your results. The question I have is on your projects related with water security. Just to confirm, the two airports that you are speaking about that are part of the MDP are Huatulco and Oaxaca, is that correct?

**Adolfo Castro**

In terms of water?

**Francisco Suarez**

Yes, the water security improvements to water-related projects that are part of the MDP.

**Adolfo Castro**

Yes, we have some other projects in some airports related to water, but of course the most critical are the ones that you have mentioned, Oaxaca and Huatulco, because of, I don't want to say, the lack of the water, but there are some restrictions in both. That's why we are working in those as we speak.

**Francisco Suarez**

I got it. On that regard, noticing that you have committed to on your science-based targets, two questions on that front. How far your ambition may go? Are you aiming to 1.5 degrees, or is it well below 2 degrees? Secondly, do you think that the current framework, the population framework on the MDP might be supportive to put investments that are consistent with these targets?

**Adolfo Castro**

Of course, we are putting those and those should be consistent on this quarter. Let me go back again to the most important initiative we have, which was signed on December 2015. At the moment, it represented 100% of the energy we were consuming, and that contract was to receive energy from solar sources. The company that was in charge of this project has not been able yet to deliver the energy. The solar farm is ready or has been ready for the last two years and they have not been able to be connected due to the government restrictions. On that front, we're talking about roughly speaking 80 million kilowatt hours yearly that today could represent 80% of the energy we have, or we are consuming. That is the most critical thing we have because if they are not able to be connected, we will have to find out how to solve this situation.

In the case of the current MDP, as you have mentioned, there is some focus on energy, but the most important focus now is also water.

**Francisco Suarez**

Got it. Thanks. Congrats again.

**Adolfo Castro**

You're welcome.

**Operator**

That concludes the question-and-answer portion of today's call. I would like to turn the call back over to Mr. Castro for closing remarks.

**Adolfo Castro**

Thank you, Sherry, and thank you all of you again for joining us today in this first quarter 2024 conference call. On behalf of us all, we wish you a good day and goodbye. Now you may disconnect.