



## CONFERENCE CALL PARTICIPANTS

**Adolfo Castro**, ASUR Chief Executive Officer

**Juan Ponce**, Bradesco BBI

**Guilherme Mendes**, JP Morgan

**Fernanda Recchia**, BTG Pactual

**Bruno Amorim**, Goldman Sachs

**Alberto Valerio**, UBS

**Anton Mortenkotter**, GBM

**Stephen Trent**, Citi

**Pablo Ricalde**, Santander

**Pablo Monsivais**, Barclays

**Arthur Suelotto**, Apo Capital

**Luis Lama**, BlackRock

## PRESENTATION

### Operator:

Good day, ladies and gentlemen, and welcome to ASUR's Third Quarter 2023 Results Conference Call. My name is Ryan, 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 followed by one. If you want to withdraw your question at any time, please press star followed by 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, Ryan, 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.

Before getting into a discussion of the quarterly results, let me start today's call with a recap of recent developments in connection with the concession agreements of our Mexican operations, as recently announced.

On October 4, ASUR received a notification from the Mexican Federal Civil Aviation Agency that it has decided to amend with immediate effect the terms of the tariff base regulation. These terms were laid out in Exhibit 7 of the concession agreements established in 1998 and then amended in 1999.

On October 19, ASUR received notification from the Mexican Federal Civil Aviation Agency, which modified the document received on October 4, 2023. The full text of amended Exhibit 7 was filed with the BMV and SEC.

On October 18, the lower house of the Mexican Congress approved the initiative to increase the concession fee from 5% to 9%, which is now under review by the Senate. We do not know when this may be approved and when the change in the case will be effective.

ASUR is currently evaluating the changes implemented by the Mexican Federal Civil Aviation Agency and the potential impact that it may have on its business, including its financials.

Now, moving on to ASUR's operating and financial performance for the quarter. Before starting, note that all comparisons are year-on-year unless otherwise noted.

Starting with Traffic. On a consolidated basis, 17.6 million passengers traveled through our airports in the third quarter - a record high for a third quarter. We accomplished this even as the growth rate slowed to 3.4%. Additionally, traffic trends by country were mixed:

As in the prior quarter, the suspension of two Colombian airlines earlier in the year, together with the increase in VAT taxes, resulted in a contraction of nearly 15% in total traffic in Colombia.

By contrast, Puerto Rico again delivered the fastest growth, up nearly 25%, driven by solid performance in both domestic and international traffic.

Lastly, traffic in Mexico was up close to 6%, driven by domestic traffic that offset a 0.6% decline in international travel. This was primarily due to a slight year-on-year decrease in passenger traffic to and from Europe and South America, offset by higher traffic from the US and Canada.

Moving on to the P&L, as a reminder, all references to revenues and costs exclude construction and cost revenues. Also note that Puerto Rico and Colombia figures reflect the strong Mexican peso, which appreciated over 13% and 2%, versus the US dollar and the Colombian peso, since the end of the third quarter 2022 through the end of the third quarter of this year, respectively.

With this, revenues increased over 3% to just over 6 billion pesos in the third quarter, mainly driven by growth in aeronautical and non-aeronautical revenues in Mexico, while Puerto Rico and Colombia posted declines of nearly 1% and 16%, respectively. However, measured in local currency, revenues increased 18.6% in Puerto Rico and 3.4% in Colombia.

Overall, Mexico represented 73% of total revenues, while Puerto Rico and Colombia accounted for nearly 16% and 11%, respectively.

Commercial revenues were up 3% percent in line with passenger traffic growth, driven by increases of 2% in Mexico and 8% in Puerto Rico, partly offset by a 1% decline in Colombia.

On a per-passenger basis, commercial revenues remained flat at 116.5 pesos, with Mexico and Puerto Rico contracting to 136 and 139 pesos per passenger, respectively, while Colombia posted a mid-teen increase to 43 pesos.

In local currency, Puerto Rico and Colombia posted increases in commercial revenues per passenger of approximately 2.5% and 27.3%, respectively. These increases were partially driven by actions we have undertaken to further enhance our passengers' travel experience. This includes 66 new commercial spaces opened across our airport network during the last twelve months. Of these, 16 were opened in Mexico, 4 in Puerto Rico, and 46 in Colombia.

Consolidated EBITDA for the quarter increased year-on-year 3% to 4.2 billion pesos with Mexico remaining the main contributor to profitability posting a 3% increase to 3.3 billion pesos followed by a recovery in Puerto Rico with EBITDA up 8% to just over 500 million pesos. Performance in Colombia also improved, with EBITDA of 411 million pesos. Although this represented a decline of nearly 10%, it was better than the 24% decrease reported in 2Q23.

In turn, Consolidated Adjusted EBITDA margin, which excludes construction, remained relatively flat at 69.6% year-on-year. A strong performance in Puerto Rico, which delivered a 400-basis point margin increase, offset declines of 90 and 300 basis points in Mexico and Colombia, respectively.

In summary, we delivered another good quarter despite the strong peso. Good results in Mexico were further supported by a strong performance in Puerto Rico and improving profitability in Colombia, reflecting the suspension of operations of two Colombian Airlines earlier in the year and higher VAT taxes.

We maintain a strong and healthy balance sheet with cash and cash equivalents of over 16.9 billion pesos and a healthy debt profile. Our strong financial position enables us to return cash to shareholders in the form of dividends. Specifically, in May, we paid an ordinary dividend that amounted to nearly three billion pesos, and in November, we will be paying an extraordinary cash dividend of 10 pesos per share, equivalent to approximately another three billion pesos.

Finally, capital expenditures in the quarter totaled 367 million pesos. Of this, 64% was allocated to Mexico, 35% to Puerto Rico, and the remainder to Colombia.

This ends my presentation, Ryan. Please open the floor for questions.

**Operator:**

Thank you. (Operator instructions) Our first question comes from Juan Ponce with Bradesco BBI. Please go ahead.

**Juan Ponce:**

Hi Adolfo. Good morning. Good morning, everybody. Thank you for taking my question. Considering that the MDP negotiation is a long process and the fact that you are now in the last stretch of the tariff negotiation, what are the implications of the regulatory changes on your MDP negotiating process? That's my first question.

My second question would be, do you agree that perhaps the initial tariff impact could be around 10%, which is what some members of the SCT have mentioned, and if the financial impact is unknown or if we get an even greater negative impact, are there any legal avenues you can take to curtail those measures? Thank you very, very much.

**Adolfo Castro:**

Okay. Juan, good morning. In the case of the MDP process, as you have mentioned, this is almost a two-year process. We were almost at the end of the process, and now, with this document, we will have to restart again in terms of the document that we will have to present to the authorities in the coming days, I would say. As we speak, we are adjusting the document in accordance with the new regulation that we received last week. We are now in the process to evaluate what the impacts may be in this respect.

In terms of what you're saying about the 10% tariff reduction, etc., it's not something that we are, for the moment, available to answer. We will have to see and wait. Until this new basis of regulations is applied in the numbers of the Company, and that I believe is going to be toward the end of the year, probably in the third week of January, when we are going to be able to say what was the implication of these new base tariff regulation on the numbers of the Company.

**Juan Ponce:**

Okay, thank you very much, Adolfo. Regarding any legal avenues you can take to curtail these measures and if there's a possibility or not at all, not in the cards? Thank you.

**Adolfo Castro:**

For the moment, we are not considering any legal action in this respect.

**Juan Ponce:**

Got it. Thank you very much, Adolfo.

**Operator:**

Thank you. Our next question comes from the line of Guilherme Mendes with JP Morgan. Please go ahead.

**Guilherme Mendes:**

Good morning, Adolfo, and thanks for taking my question. I have a follow-up on the MDP, and the regulatory changes, which are related to the concession fees. In the old contract, there used to be compensation on tariffs regarding any potential increase in concession fees. Just wondering how we should think about this going forward. Would this increase from 5% to 9% on the concession fees be fully incorporated by companies, or there are going to be some kind of compensation on the new contracts?

The second question is regarding the investment in the Dominican Republic. If there's any update on that front. If you could share any details in terms of timing or potentially the financials of the project? Thank you.

**Adolfo Castro:**

Good morning. In the case of the 5% to 9%, as I have mentioned during the initial remarks, this has not been approved yet in the first place. It's subject to Senate approval. Second, we don't know when this is going to be applicable or as from when in the case Senate approves. In that sense, we don't know yet how the new document or the new types of regulations are going to treat these charts.

In the case of your second question, could you repeat that again?

**Guilherme Mendes:**

Yes, sure. It's regarding the investments in the Dominican Republic that you announced in the previous quarter, if there's any update on this project, or if you could share in terms of timing or the financials of the investment? Thank you.

**Adolfo Castro:**

Yes. We are in the process today as we speak of finalizing the design of the buildings, and we believe that we will initiate construction in the first half of next year.

**Guilherme Mendes:**

Thank you, Adolfo.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. Our next question comes from the line of Fernanda Recchia with BTG Pactual. Please go ahead.

**Fernanda Recchia:**

Yes, Adolfo, good morning. Thanks for taking my question. I have two. First on the issue that we saw that might impact Volaris and Viva. Just wondering how you are expecting the impact on ASUR. I know it maybe could be early, but you know that Cancun has great exposure to Volaris. If you could give us your preliminary thoughts on whether you expect this capacity to be absorbed by other airlines or if it could impact ASUR?

Second, on traffic evolution, as you mentioned in your remarks, Puerto Rico is doing very well. Just wondering about your forecast for Puerto Rico going forward. Colombia, they are down by more than 10%, more or less. I think the last time we spoke, you mentioned a 20% shortfall that you were expecting. Just wondering if you are still forecasting this number and when we should start to see the growth pace starting to normalize. Thank you.

**Adolfo Castro:**

You're welcome. In the case of your first question, that has to do with the (inaudible) engines. It is not just Viva and Volaris; this is all around the world. It's 3,000 engines that must be recalled, that's 1,500 airplanes, and that accounts for many other airlines. I know that JetBlue had some, Spirit had some, and American Airlines, very few of them. To be honest, today, we do not have enough information to say what the implication are going to be in the traffic of the world.

In the case of Viva and Volaris, Viva has said to us that they do not see a major implication with this situation. In the case of Volaris, what I understand is that around 60% of their fleet has this kind of engine. We are expecting a major impact from Volaris, and we would view that Cancun has a lot of flights with these airlines.

The best way to evaluate this situation will be to hear Volaris and to see what they're going to say during their conference. But yes, we do expect some effects of this next year that will, of course, depend on how fast and how the manufacturer recalls the engines of Volaris. That has to do with the cycles they have in their engines, and it's something that we don't know yet.

In the case of Colombia, the 20% was what we have said that these two airlines meant 20% of our traffic last year. Whatever number is better than the 20%, that means that the other two airlines Avianca and LATAM are recuperating from these two airlines that disappeared or that want to stop operations.

The number we have recently published is, in my opinion, a good number because it's lower than 20%. Remember that these airlines were out since February this year, so from February next year, we will see the traffic start growing again.

**Fernanda Recchia:**

Thank you. Just a follow-up on Puerto Rico. Do you expect to keep this double digit growth going forward?

**Adolfo Castro:**

The extraordinary growth we are seeing in Puerto Rico right now has to come with a new airline, an ultra-local carrier that has started operations in Puerto Rico and they have increased our traffic substantially. This is good news for Puerto Rico. We don't know how much or how long it's going to last, but for the moment, we are very happy to see this 20-something percent increase year-over-year.

**Fernanda Recchia:**

Thank you, Adolfo. Have a good day.

**Adolfo Castro:**

Thank you.

**Operator:**

Thank you. Our next question comes from the line of Bruno Amorim with Goldman Sachs. Please go ahead.

**Bruno Amorim:**

Yes, good morning. Thank you for taking my questions. I have two. The first one, I just wanted to reconcile the big picture here. Directionally, the government is increasing the concession fee. They have stated that they want to lower tariffs. If you want to keep the contract balanced, meaning allowing for the private operators to earn the allowed return on invested capital, I guess, you could extend the life of the concession or eventually postpone CapEx. The question is, are those two levers still on the table and are you in talks with the government to eventually postpone CapEx or to extend the life of the concessions? That's the first question.

The follow-up on that is, if we get to a situation where it's not possible to square all those variables, if the contract is not balanced if the concession is not earning the allowed return, is it still an option to go to the courts or not? How do you think about this tradeoff going to the courts or not? What could trigger this decision? Thank you.

**Adolfo Castro:**

In the case of your first question, extending the concession or diminishing CapEx, first of all, I have to say that CapEx is not because we want it. The CapEx is the mathematical relation in terms of the demand. If demand increases, of course, CapEx increases. We will have to construct whatever is necessary to support the level of service for the demand that is coming. We are not in talks about extending the concession contract.

In terms of the balance, I do agree with your question about how to reduce rates if you're increasing fees. It's something that we will have to see once we apply this new regulation and documents in our numbers or in our MDP towards the end of the year.

**Bruno Amorim:**

Thank you, Adolfo. If, at the end of the day, there is no offset for the higher concession fees for the lower tariffs, is it fair to say the returns would likely be lower than what they should be? In that case, could the Company go to the courts?

**Adolfo Castro:**

Bruno, in the case of the document, you already have the full text of the document. In terms of the discount rate, I do believe that you all have all the information, the necessary information to calculate what that number is today, no? It's now more than ever completely transparent for you to calculate this number.

**Bruno Amorim:**

Thank you, Adolfo. We can follow up offline if necessary. Thank you.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. Our next question comes from the line of Alberto Valerio with UBS. Please go ahead.

**Alberto Valerio:**

Hi. Thanks, Adolfo, for taking my question. My first one, I would like to—if you could provide us with some details on Mexican traffic. We see resilient domestic demand and often international. This is the trend. It's something that we should see not recovering next quarter and next year. My second one, if you could give us some color as well on Mexicana de Aviación. How should we treat it? Should we see firstly some increase in supply, and then we might see some companies struggling to follow the price? What is your color on it? Thank you.

**Adolfo Castro:**

You're welcome. In the case of the Mexican traffic, as I have said, yes, we do expect some negative effects next year due to the fact of these Pratt & Whitney engines, in the case of Volaris. Of course, on the other side, as you have mentioned, the government has announced that they will initiate operations with Mexicana Airlines. These—what we have heard from them is that they will initiate with 10 aircrafts. Just to give you an idea, to date, a Mexican fleet is around 356 aircrafts. If we add 10, it is not an important effect on the whole scenario.

In the case of Pratt & Whitney engines for Volaris, that means more or less 60 aircrafts that could be stopped for 200 or 250 days. The negative effect is offsetting these new additional airlines of Mexicana de Aviación. What we know is that they have not received, as of today, the license to start operations even though they were saying that they would be initiating flights on December 1 this year. That maybe it will take more time.

**Alberto Valerio:**

Okay. Thank you.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. Our next question comes from the line of Anton Mortenkotter with GBM. Please go ahead.

**Anton Mortenkotter:**

Hi Adolfo. Thank you for taking my question. Without getting much into details, I understand you're still evaluating the effects of the regulatory change we have. Thinking in a more



strategic way and knowing the more relevant changes of these amendments, what would you say are the main ways that these modifications could affect your way of looking at the past and decisions taken on ASUR going forward?

**Adolfo Castro:**

Again, in that sense, Anton, we are transforming or updating or adjusting our documents to these new regulatory today that we received last Thursday. It's too early to tell. Once they apply this new regulatory regime, we will be able to say what the effects were in the case of our MDP.

**Anton Mortenkotter:**

Okay, thank you. Also, just a quick follow-up, I didn't get—I'm not sure if I got this right. But given that the adjustments were so quickly and you were already at the end of the MDP, is it possible for you to delay the final outcome of the MDP, or does this have to be ready for the beginning of next year?

**Adolfo Castro:**

I do believe that it has to be ready by the end of the year unless they say that they are not ready. We will—I do believe that we will deliver our documents, updated with these new regulatory base in the coming days, and we will take it from there.

**Anton Mortenkotter:**

Perfect. Thank you.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. Our next question comes from the line of Stephen Trent with Citi. Please go ahead.

**Stephen Trent:**

Good morning, Adolfo, and thanks very much for taking my question. The first is actually a follow-up from Alberto Valerio and AMLO's new airline. Are you hearing anything at all, pushback-wise, with respect to the government arguably having control of some airports and an airline in the same market?

**Adolfo Castro:**

As far as I understand, they have adjusted the law because, in the past, that was not possible. There was no way that someone would have airports and airlines in both senses of more than 5% from one to the other. I do believe that they adjusted the law in order so that they can have this.

**Stephen Trent:**

Wow! Okay. Appreciate it, Adolfo. Just one other very quick one for me. I know that AMLO also has this Tulum airport that seems to be in the works. Do you have any high-level view with respect to whether the risk to charter traffic could impact your joint maximum tariff?

**Adolfo Castro:**

In the case of Tulum airport, and that's a good question, Aeromexico, and Viva started to sell tickets as from December 1 from that airport. It's something that you can see on their web page or their reservations page; they will start on December 13.

In the case of charter flights, I do believe that charter flights that have final destinations, let's say, 10 kilometers south of Playa del Carmen, they should be using Tulum as an airport because their final destination is closer to that airport. That, of course, will have an impact on Cancun, and that has been considered in our MDP, and that, technically speaking, may result in an increase of the tariffs in Cancun airport.

**Stephen Trent:**

Okay, perfect. Appreciate the color Adolfo, and thanks for the time.

**Adolfo Castro:**

Thank you.

**Operator:**

Thank you. Our next question comes from the line of Pablo Ricalde with Santander. Please go ahead.

**Pablo Ricalde:**

Hi Adolfo. Thanks for taking my question. I have a question on the regulation as well. Now that you have to discount (inaudible), which level of that do you have to use? The one that they have on the Mexico structure or the one that you have consolidated? That's my first question.

**Adolfo Castro:**

Pablo, there is no way to understand what you're saying. Your line is cutting in a very bad way.

**Pablo Ricalde:**

I don't know if you can hear me better now.

**Adolfo Castro:**

More or less.

**Pablo Ricalde:**

I have a question about the debt you have to use to calculate the WAC and the new discount rate. Do we have to use the one in Mexico, or do we have to use the one consolidated?

**Adolfo Castro:**

In the case of that, you can see a part of that in the document we have filed last week that says that in terms of the debt, it should only be included the operations in Mexico. If you're using consolidated financial statements of Cancun, you must exclude what is related to Puerto Rico and Colombia.

**Pablo Ricalde:**

Okay. Perfect.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. Our next question comes from the line of Pablo Monsivais with Barclays. Please go ahead.

**Pablo Monsivais:**

Hi Adolfo. Thanks for taking my question. I just have two quick questions. The first one is on the commercial revenues per passenger in Mexico. On a dollar basis, it has increased a lot, and you just mentioned the opening of new spaces. But if you have more detail would be good. Also, on the expectation for year-end on international travel to Cancun. International travel has decreased over the last few months. How are you seeing the final stretch for the year? Thank you.

**Adolfo Castro:**

In the case of commercial revenues, we're having some effects, of course, from the Mexican strong peso. That is the case of duty-free. That is the case with some other activities that are related to foreign people.

In the case of the traffic, as I have mentioned during the initial remarks, what we saw from the quarter, on the first side, we have to understand that there should be a normalization of the numbers. Normalization means that no more double-digit numbers, no more extraordinary growth. But in the case of the international, the decrease was related to the traffic to and from Europe and to and from South America.

In the case of the U.S. and Canada, there was a slight increase that offsets these negatives. But the strong peso, of course, is taking—at this point people out of this country. That's true.

**Pablo Monsivais:**

Thank you.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. Our next question comes from the line of Arthur Suelotto with Apo Capital. Please go ahead.

**Arthur Suelotto:**

Thank you. Good morning, Adolfo. Just a quick follow-up, please, regarding the concessions. Are you in talks to extend the terms of your concession at this point? I know that someone asked this previously, but I just couldn't get your answer. Just to check if you are discussing this with the government at this point, considering all the changes that were announced recently. Thank you.

**Adolfo Castro:**

We are exactly in the middle of the term. The original term was 50 years. We have 25 in front. As I have mentioned, we are not in talks at all about an extension of the concession.

**Arthur Suelotto:**

Very clear. Thank you.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. Our next question comes from the line of Luis Lama with BlackRock. Please go ahead.

**Luis Lama:**

Hi Adolfo. Thanks for taking the question. I'm just trying to clarify something that is a bit ambiguous on the new regulatory document. Are these changes to be applied at the end of this current MDP cycle or only for the next cycle?

**Adolfo Castro:**

This document is enforceable as we speak. In the case of us, the main implications, of course, are with the next MDP, which is in process. I would say if everything is okay in terms of time, from the authorities' respect, this document would be applied as—before the year's over with our rates from the first day of next year.

**Luis Lama:**

Okay. Thank you.

**Adolfo Castro:**

You're welcome.

**Operator:**

Thank you. (Operator Instructions) As there are no further questions, that concludes the question-and-answer portion of today's conference call. I would now like to turn the call back over to Mr. Castro for closing remarks.

**Adolfo Castro:**

Thank you, Ryan, and thank you all of you again for participating in our third-quarter results conference call. On behalf of ASUR, we wish you a good day and goodbye. Now you may disconnect.

**Operator:**

Thank you. Ladies and gentlemen, that concludes ASUR's Third Quarter 2023 Results conference call. We would like to thank you again for your participation. You may now disconnect your lines.