

**GRUPO AEROPORTUARIO DEL SURESTE
4Q23 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

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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

Juan Ponce, *Bradesco BBI*

Pablo Monsivais, *Barclays*

Anton Mortenkotter, *GBM*

Andressa Varotto, *UBS*

Isabela Salazar, *GBM*

Gabriel Himelfarb, *Scotiabank*

Jay Singh, *Citibank*

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

Operator:

Good day, ladies, and gentlemen, and welcome to ASUR's Fourth 2023 Results Conference Call. My name is Doug, 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, Doug, 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.

A significant milestone for the quarter was the December 2023 approval of the **2024-2028 Master Development Plan** for our Mexican Airports. This approval occurred under the government's new regulations and the increase of the concession fee to 9% from 5% of total gross revenues starting from January 1st of this year.

Some key highlights of the new MDP include:

- The efficiency factor used to adjust the maximum tariffs increased from 0.7% to 0.8% in the prior MDP.
- The methodology to calculate the discount rate is now based on weighted average cost of capital compared to cost of equity before.
- The new MDP 2024-2028 also calls for a total CAPEX commitment of P\$28.5 bn, measured in December 2022 terms, for the five-year period.
- Of this 5-year capex, 75%, equivalent to 21 billion pesos or approximately 1.4 billion dollars, will be invested at Cancun Airport, 70% of which will be allocated to expansion works. Key projects include the second phase of the expansion of International Terminal 4, which includes an additional 4 boarding gates that had been delayed due to the pandemic, and a new road connecting the Terminals to the Mayan Train. We also plan to rebuild and expand Terminal 1 as well as expand airport roadways. These investments support a new growth phase for Cancun in the years ahead.
- The remaining 25% will be allocated across our 8 smaller airports in Mexico, with approximately 7% allocated to Oaxaca where we plan to reconstruct and expand the terminal building. Finally, minor terminal expansions at four of the other airports.
- For 2024, we plan to invest a total of 3.5 bn pesos, 73% of which will be invested in Cancun.
- Also note that the new MDP rebalances the impact of the recent opening of the Tulum airport.
- We ended the year with a 98.2% maximum tariff compliance, which includes the effect of the 10% passenger fee discount granted during November and December as a result of agreement reached with Mexican Government.

During the quarter, we concluded negotiations with our **strategic partner ITA**, by which starting January 2024 the technical assistance fees have been reduced to 2.5% from 5.0% of the EBITDA generated by Mexican operations.

On December 21 of last year, the Supreme Court of Justice rejected the appeal filed by the **Aeropuerto Internacional de Bávaro**, against judgment that suspended the permit to start construction previously issued by the Civil Aviation Institute.

More recently, on January 5, the President of the Dominican Republic issued a decree canceling the previous decree, issued by the previous president, which had approved the establishment of the Bavaro International Airport. On January 19, an appeal for Constitutional Review was brought before the Constitutional Court against the Supreme Court of Justice Judgment notified on December last year.

On the **sustainability front**, during the 4th quarter we completed installation of solar panels in the airports of Tapachula and Huatulco, which will generate a combined output of 1.5 million kilo-Watt hours in the first year of operations. This is in addition to the solar panel projects already completed in the airports of Cancún, Mérida and Oaxaca, which generated a total of nearly 632,000 kilo-Watt hours of solar energy during 4th the quarter.

As part of our continued sustainability efforts, our airports in Mexico renewed their certification at Level 2 under the Airport Carbon Accreditation program. This program is organised by the Airport Council International to provide a framework for measuring, reducing and compensating carbon emissions. Also in the 4th quarter, we became signatories of the Science Based Targets initiative, with the goal of establishing a roadmap to achieve zero emissions by 2050.

Among the community projects that ASUR is involved in, we provide support to promote eco-tourism activities in Mayan-speaking rural communities in the northern region of the state of Yucatán. Locals are provided with training and equipment, to supplement their income from traditional fishing activity. By the close of 2023, 49 tourist guides with approximately 100 economic dependents were provided with training, and we intend to scale up these activities to additional communities in 2024.

We plan to publish our 2023 Annual Sustainability Report next month and encourage you to read it.

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

Starting with traffic, we saw nearly 18 million passengers traveling across our airport network, the highest level for a fourth quarter, even as the growth rate decelerated to 1%. This brought total traffic for the year to a total record high of over 70 million passengers, with annual increases of 10% in Mexico and 18% in Puerto Rico, partially offset by a decline of nearly 10% in Colombia.

Looking at the quarterly performance by region, **Puerto Rico** delivered the strongest growth, with traffic up nearly 13% driven by a solid performance in both - domestic and international traffic.

In Mexico, traffic increased 4%, supported by low single-digit growth in domestic and international passengers. Traffic to and from, US and Canada remain the key growth engine, while domestic traffic is experiencing the initial effects of the P&W engine problem. Also noteworthy, as from January 8th, the Mexico City Airport reduced its air traffic movements per

hour to 43 from 52. This airport accounted for 45% of the domestic passenger traffic in 2023 and thus is also expected to negatively impact domestic traffic this year.

Additionally, the strength of the Mexican peso has been impacting results for the quarter.

Lastly, **Colombia** posted a 13% decline in traffic – as domestic travel remained impacted by the suspension of two local airlines in February of last year, partially offset by a 2% increase in international travel. Recall that these two airlines accounted for 20% of our traffic in Colombia in 2022. Avianca and LatAm Airlines have been absorbing some of that traffic. Starting this March, we expect to start seeing a recovery in traffic growth 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 nearly 5% to just over 6 billion pesos in the fourth quarter, as growth in Mexico and Colombia was partially offset by a weaker performance in Puerto Rico due to the exchange rate.

Mexico, which accounted for 74% of revenues, posted a 6% increase in the top line driven by mid to high single-digit growth with aeronautical services up 5% and non-aeronautical services increasing 7%, mainly reflecting higher passenger traffic.

Puerto Rico, which accounted for 14% of total revenues, reported a 1% decline in revenues mainly due to a 4% decrease in aeronautical revenues, partially offset by the 2% increase in commercial revenues.

Lastly, **Colombia**, which represented 11% of revenues, posted a mid-single digit top-line increase, supported by growth of 3% in aeronautical revenues and 8% in non-aeronautical services.

Reflecting our sustained focus on expanding our commercial offering across our airport network, **commercial revenues** were up 7% - above the 1% increase in passenger traffic, driven by high single digit increases in Mexico and Colombia both up 8%, together with 3% growth in Puerto Rico.

On a per-passenger basis, commercial revenues reached 119 pesos, up 6% on a consolidated basis. Per country, in Mexico and Colombia commercial revenues per passenger increased 4% and 26% respectively, while Puerto Rico decreased nearly 9%.

In local currency, Puerto Rico and Colombia posted increases in commercial revenues of 15.2% and 1.2% and in commercial revenues per passenger of approximately 2.4% and 19.1%, respectively. These increases partially reflect our initiatives to continue enhancing our passengers' travel experience. This includes the opening of 65 new commercial spaces across our airport network during the last twelve months. Of these, 17 were opened in Mexico, 4 in Puerto Rico, and 44 in Colombia.

Comparable Consolidated EBITDA, excluding other non-recurring income in the year-ago quarter, increased 1% to 4.1 billion pesos. Recall that fourth quarter 2022 results included a one-time other income of 300 million pesos in Puerto Rico in connection with a favorable judgment in connection with the right to charge a fee for each gallon of aviation fuel dispatched at the airport between 2013 and 2021.

Mexico remains the main driver of profitability, with EBITDA up 5%, followed by Puerto Rico with a 1% comparable increase. By contrast, Colombia posted a 23% drop in EBITDA impacted by softer passenger traffic.

In turn, comparable Adjusted EBITDA margin, which excludes construction, as well as other non-recurring income in 4Q22, was nearly 68% versus a comparable 70% margin in 4Q22.

Last, moving on to the balance sheet, we closed the year with a strong cash position of nearly 16 billion pesos and a negative leverage ratio of 0.2x.

Wrapping up, we finished 2023 on a very solid note, which we believe puts us on a solid path going into 2024 and 2025. Our long-term opportunity is supported by our ongoing investments to further enhance the travel experience of the passengers traveling through our airports, continuing to expand our commercial offerings and extend capacity to support future growth while maintaining a balanced use of cash.

This ends my presentation. Doug, please open the floor for questions.

Q&A

Operator

Thank you. (Operator instructions)

Our first question comes from Juan Ponce with Bradesco BBI. Please proceed with your question.

Juan Ponce

Hi Adolfo. Good morning everybody. Thanks for taking my question. I have two questions, one on traffic and the other one on expenses. On traffic, how much of an impact are you seeing in domestic traffic from the Pratt & Whitney inspection schedule? We just saw Volaris say that they secured additional capacity to compensate for the impact. What are you seeing on the ground? If you can quantify the impact that you're seeing for domestic traffic in Mexico, that would be great. My second question would be on operating expenses. We did see them go up more than expected this quarter. I just wanted to get some more color on where you're seeing the margin for this year. Thank you very much.

Adolfo Castro

Good morning. Thank you for your questions. In the case of Pratt & Whitney the initial remarks, we are seeing weaker passenger traffic for the domestic side. How can we measure this? It's very clear when we see upper seats and when we see the increasing of the load factor, it's very clear to me that Volaris has increased their load factor and that they also have increased their rates. Of course, this is creating less amount of passengers in the case of domestic. That is not the case of Viva. In the case of Viva, they were able to increase the upper seats and also the increase of passenger traffic, but they were not able to offset the decrease of Volaris. The only thing that is extremely important from now, from January 8th,

is what I just mentioned in the case of Mexico City. In the case of Mexico City reducing their air traffic (inaudible) per hour from 52 to 43, and of course, that is having also an impact on our passenger traffic. Both things, I believe, we'll be seeing during the first quarter of this year.

In terms of the expenses, well the main effects, the main increase in expenses was coming from Colombia. In that sense, it was due to the increase in salaries. We adjusted salaries thinking that we were not doing or that we stopped doing because of the (inaudible) situation. So that is why the increase in the case of Colombia is so strong. But of course, together with the passenger traffic, it decreased, the results in Colombia doesn't look well. What I hope is that this year will be the end of this situation with two airlines. As from March, we will see a different situation.

Juan Ponce

Got it. Very clear. Thank you.

Operator

Our next question comes from the line of Pablo Monsivais with Barclays. Please proceed with your question.

Pablo Monsivais

Hi, Adolfo. Thank you for taking my question. I have two on my side. The first one is if you can provide the amount on each project that you have in Cancun and in Terminal 1 and divisional gates. Also, my second question, I heard you said something about Dominican Republic. If you can tell us again what's the update there. Thank you.

Adolfo Castro

Well, Pablo, in the case of the project, as I said, 21 billion pesos in Cancun and 70% of that is expansion projects. Those expansion projects are in the case of Terminal 4, which will have the four additional gates that were not completed during COVID. If you go back to March 2021, the performing CapEx was nearly 2 billion pesos. Also, in the case of Cancun, we will next reconstruct and expand Terminal 1. Those are the three major projects in terms of terminal expansions, plus the additional connection through the Maya train and the roads to the airport.

In the case the airports in the Dominican Republic, the situation is that the legal—there was a legal process that stopped the beginning of the construction, and that has been confirmed in December 16 last year. Also, on top of that, the President issued a decree canceling the previous decree that was issued by the previous president authorizing the airport.

We have presented legal recourses for both things and we will have to wait and see what is the outcome of these legal processes, but it's clear to me that the project has been put on hold at least for the next 12 months.

Pablo Monsivais

Okay. Thank you very much.

Adolfo Castro

You're welcome.

Operator

Our next question comes from the line of Anton Mortenkotter with GBM. Please proceed with your question.

Anton Mortenkotter

Hi, Adolfo. Thank you for taking my question and congrats on the results. I have just a quick one. Any thoughts about capital allocation, maybe on extraordinary dividend or maybe some buybacks now also considering the potential savings from the reduction in the technical assistance?

Adolfo Castro

Well, it's two different things. One is in the case of the capital allocation, we will review this once we have completed—we have finished the year and we will review the results and the current situation, the future CapEx stacks and all of that and we will make our proposal to both directors, that we'll have a meeting in the first week of March, and then to the shareholders assembly.

In the case of the technical assistance fee, that it was in accordance of what we received from the Mexican government during the negotiation process. Basically, we were able to negotiate with ITA the adjustment in the fee by a 50% reduction.

Anton Mortenkotter

Sorry, just to see if I heard you right. The reduction in the technical assistance fee was something that was also discussed with the Mexican authorities and incorporated in the MDP?

Adolfo Castro

Well, the Mexican authorities in the new rules, they reflected the reduction in the recognition of the technical assistance and that is why we have to negotiate with ITA.

Anton Mortenkotter

Okay, thank you.

Adolfo Castro

You're welcome.

Operator

Our next question comes from the line of Andressa Varotto with UBS. Please proceed with your question.

Andressa Varotto

Hi, Adolfo. Thank you for taking my question. I have two questions on my side. The first one is on how, with the implementation of the new maximum tariff, going so far. If you can provide maybe a timeline that you are expecting to reach the maximum tariff. I have a second question on Colombia, where we saw a passenger drop but an expansion in both aeronautical tariff and non-aeronautical revenue per passenger. Just wanted to know what is driving that also if cost-expansion in Colombia in the quarter if it includes any nonrecurring events. That's it from my end. Thank you.

Adolfo Castro

Okay. In the case of the new maximum rate, the increases that we saw from the new MDP, we have already started the process for that. It will take more or less four months, so I do believe that as from the month of April, the new increase in cars will be in place. During the first quarter you will see no increases, and the increases will come as from April.

In the case of Colombia, we do not have any nonrecurring. It is important to see the Colombia numbers in Colombian pesos, and then you will be able to understand better the situation. That is during the quarter, the Colombia peso appreciated against the Mexican peso, and that was the first quarter over the last couple of years. So if we see what is happening in Colombia pesos, and going into the case of the passenger, the commercial revenue per passenger, as I said before, in Colombia pesos the increase was really important during the quarter.

So, I will recommend you to make the analysis on a comparable basis, so excluding the FX.

Andressa Varotto

Okay. Thank you very much, Adolfo.

Operator

Our next question comes from the line of Isabela Salazar with GBM. Please proceed with your question.

Isabela Salazar

Thank you for taking my question. Regarding the technical assistance in reduction, I understand that it is a very positive action. However, I was wondering if you could give us some more color behind the rationale for the reduction, because I would like to understand if it will result in some costs moving to the ASUR level or if there will be a direct saving.

Adolfo Castro

Well, it depends on how you measure this. If you see the new maximum rates, well, those are the ones that are going to be in place from this year. If your forecast was considering for

this year at 5%, then you have—you can place a 2.5% (inaudible) and then it will be for you a reduction or a saving.

Isabela Salazar

Okay, thank you.

Operator

Our next question comes from the line of Gabriel Himelfarb with Scotiabank. Please proceed with your question. Gabriel, your line is live.

Gabriel Himelfarb

Hi. Thanks for the call. Sorry, my line was on mute. Just a quick question about the dividend policy. Are you planning to propose a higher dividend or keep the dividend stable? I would say that is up to the Board, but what's the strategy that the Company's seeking for the division for this year? Thank you.

Adolfo Castro

Hi, Gabriel. Well, as you know that we do not have a dividend policy in writing, that we review that thing every single year, and once I finish with you, I will start referring that proposal for the Board and then to the shareholders assembly as I said before. I want to explore the directors the first week of March. I do believe that the first week of March we will figure out what I have proposed and what they have accepted.

Gabriel Himelfarb

Okay, thank you.

Adolfo Castro

You're welcome.

Operator

(Operator Instructions)

Our next question comes from the line of Jay Singh with Citibank. Please proceed with your question.

Jay Singh

Thanks guys. Jay Singh calling for Stephen Trent's group. I just want to ask two questions on end. First one is, what are you seeing on tourism bookings to South Eastern Mexico? My other one is, should the authorities block the airport project in the deal, would you sort of be looking at any other overseas investments? What seems to be going wrong with the process right now? Thank you.

Adolfo Castro

Could you repeat your second question?

Jay Singh

Sure. Should the deal or the airport project in the deal get blocked, would ASUR be considering any other overseas investments? If so, what seems to be going wrong with the process right now with the Dominican Republic?

Adolfo Castro

Well, let me come first with the bookings one. In the case of bookings, as I said in my initial remarks, we're seeing very good bookings coming from the U.S. and Canada. It's not the case of domestic with the problems we are having with the Pratt & Whitney and the case of Mexico City airport. Just to say that during the month of January we lost it in terms of domestic traffic to and from Mexico City, around 100,000. So that will have an impact, this 100,000 are not willing to go to Santa Lucia. Yes, Santa Lucia is growing but not absolutely one of these, all of these passengers.

In the case of Dominican Republic, as we've said before, until we get the final dealings in these legal proceedings will have the—we will not be able to start the construction of the airport. My expectation is that it will at least last the whole year.

Jay Singh

Awesome. Thanks a lot.

Operator

There are no further questions in the queue. I'd like to hand the call back to Mr. Castro for closing remarks.

Adolfo Castro

Thank you, Doug. And thank you all of you again for joining us today in this fourth quarter 2023 conference call. On behalf of ASUR, we wish you a good day and goodbye. Now you may disconnect.

Operator

Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.