

CAAP Earnings Call Transcript

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Quarter: 3

Operator: Good morning, and welcome to the Corporación América Airports S.A. Third Quarter 2025 Conference Call. A slide presentation accompanies today's webcast and is available in the Investors section of the company's website. As a reminder, all participants are in a listen-only mode. There will be an opportunity to ask questions at the end of the presentation. At this time, I would like to turn the call over to Patricio Inaki Esnaola, Head of Investor Relations. Please go ahead, Patricio. Thank you.

Patricio Inaki Esnaola: Good morning, everyone, and thank you for joining us today. Speaking during today's call will be Martin Eurnekian, our Chief Executive Officer, and Jorge Arruda, our Chief Financial Officer. Before we proceed, I would like to make the following Safe Harbor statement. Today's call will contain forward-looking statements, and I refer you to the forward-looking statements section of our earnings release and recent filings with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances. Please note that throughout this call, all references to revenues, costs, adjusted EBITDA, and margin will refer to figures excluding IFRIC 12. Also, all comparisons discussed are year-over-year unless otherwise noted. I will now turn the call over to our CEO, Martin Eurnekian.

Martin Eurnekian: Thank you, Inaki. Good day, everyone, and thank you for joining us today. We delivered another very strong quarter at Corporación América Airports S.A. with solid execution across the board. Passenger traffic was up more than 9%, supported by good momentum in other markets. Italy and Armenia reached historical records, and Argentina continued to perform exceptionally well, with double-digit growth in both international and domestic travel. Revenue growth once again outpaced traffic, rising 17% in the quarter. Aeronautical revenues posted solid double-digit gains, and commercial revenues were up 18%, driven by continued strength in cargo, fuel, VIP lounges, and other passenger-related services. We also continue to see healthy traction in revenue per passenger, which increased nearly 7%, reflecting the ongoing success of our commercial initiatives. This strong operating performance carried into profitability metrics. Adjusted EBITDA increased 34% to \$194 million, marking a new record for the company, geared mainly by Argentina, Armenia, Brazil, and Italy. The margin expanded over five percentage points, with easier comparisons also contributing to the strong results in Argentina. We also maintain a solid financial position, providing us flexibility to continue moving forward with our investment plans and long-term growth strategy. On the investment side, CapEx program approvals are underway in Armenia and Italy. Last week, the Italian government issued the Environmental Impact Assessment Decree, representing an important milestone in connection with the approval process of the Florence Airport master plan. We also continue advancing our inorganic expansion projects as we evaluate opportunities across our key target markets. All in all, it was another quarter of strong performance and disciplined execution. We are very proud of our team of executives. Turning to Brazil's traffic on slide four, we delivered another quarter of healthy traffic growth across most markets. A total of 23.3 million passengers traveled across our airport network this quarter, up over 9%, supported by solid domestic and international trends. Domestic volumes increased just over 10%, driven primarily by Argentina and Brazil, with additional contributions from Italy. International traffic rose 8%, with growth in nearly all countries, led by strong performances in Argentina, Italy, and Brazil. Let me walk you through performance by country. Argentina continued to stand out, with total passenger traffic up nearly 13%, marking a third-quarter record. Domestic traffic grew nearly 11%,

supported by sustained demand and incremental capacity, particularly for JetSmart and Aerolineas Argentinas. International traffic increased 16%, reflecting strong connectivity gains, including new and resumed routes from LATAM, GOL, Copa, and JetSmart, among others. Operations were deeply disrupted by attempts at union strikes and adverse weather, but the overall momentum remained very solid. This strong performance continued into October, with domestic and international passenger traffic increasing by 10% and 15%, respectively. In Italy, traffic was up nearly 10%, reaching a record high. International traffic, which represents over 80% of the total, increased almost 7%, driven by strong results at Florence and Pisa. Pisa also supported domestic traffic, which rose nearly 6%. This positive trend continued into October, with domestic and international passenger traffic increasing by 2% and 8%, respectively. Brazil delivered a growth of over 8% in total traffic, with both domestic and international segments growing at double-digit rates, reflecting improved trends. Traffic in October remained solid, up 10% year-on-year. Uruguay saw a 5.3% decline in traffic, affected by several days of adverse weather as well as a six-day planned closure of the main runway to complete the installation of a new Precision Instrument Landing System. During the quarter, Azul launched a new route between Montevideo and Campinas, which should support traffic going forward. In October, however, traffic recorded a rise of 6.9% versus the same month last year. Armenia continued to perform well, with traffic up just over 6%, reaching a record high. The traffic increase was supported by strong international demand and expanded connectivity from new airline entrants. Wizz Air also established a new base at Zvartnots, adding eight new European routes in October, further strengthening Armenia's positioning as a growing regional hub. As a result, traffic in October rose by a strong 15% against the same period last year. Lastly, Ecuador posted a slight 1% decline in total traffic, reflecting a still challenging security environment and softer international demand. JetBlue and Avianca increased frequencies on several international routes, while domestic traffic was stable. Although operations were temporarily affected by a two-day planned runway closure in September, in October, traffic increased by 1.2% compared to the same month last year. In summary, it was another quarter of broad-based traffic growth across most of our markets, underscoring the strength of our network and the depth of demand across our operations. Moving on to Cargo on Slide five, we delivered another strong quarter, with cargo revenues up 20% year-over-year, driven by a 23% increase in Argentina and double-digit growth in both Brazil and Uruguay. This performance reflected improved pricing dynamics, including the new cargo business model implemented in mid-March in Argentina, which is performing as planned. Looking ahead, we will continue to build this momentum by enhancing our current capabilities and leveraging growth opportunities across our airports while maintaining a competitive and efficient cost structure. I will now turn the call over to Jorge, who will review our financial results. Please go ahead.

Jorge Arruda: Thank you, Martin, and good day, everyone. Let's begin with our top line on slide six. Total revenues excluding IFRIC 12 increased 16.6%, nearly doubling passenger traffic growth of 9.3%. This strong performance was driven by double-digit growth in both our aeronautical and commercial revenues, supported by positive contributions across all of our operations, with Argentina, Armenia, Brazil, and Italy each delivering double-digit revenue growth. Our revenue per passenger was up 6.7%, reaching \$20.2 compared with \$19 in the same quarter last year. Aeronautical revenues increased 15.2%, mainly driven by a strong performance in Argentina, complemented by broad-based increases across most countries, with the exceptions of Ecuador and Uruguay. Argentina was once again the key driver, with aeronautical revenues up 22.1%, mainly reflecting a 15.9% increase in international traffic volumes. Strong momentum continued in Brazil and Armenia, each delivering double-digit growth, while Italy posted a 9.8% revenue increase, all consistent with passenger traffic trends. In contrast, Uruguay and Ecuador reported slight declines in aeronautical revenues due to lower passenger traffic resulting from scheduled runway closures related to the installation of a new instrument landing system in Uruguay and runway repaving works in Ecuador. Commercial revenues were up 18%, well above the 9.3% increase in traffic, supported by higher contributions from cargo revenues and solid growth across VIP lounges, parking facilities, food and beverage services, as well as other passenger-related services. Fuel-related revenues, primarily in Armenia, also supported the increase. Overall, we saw solid performance across all markets. Armenia and Argentina stood out, with commercial revenues up 22% and 19%, respectively, while Italy and Brazil also delivered double-digit growth, highlighting the

continuous strength of our commercial portfolio and our ability to drive value beyond the core aeronautical business. Turning to Slide seven, total costs and expenses excluding IFRIC 12 increased 7.9%, aligned with higher activity, but remained well below revenue growth of nearly 17%. Cost of services were up 5%, largely due to a higher concession fee aligned with revenue growth, as well as higher fuel costs in Armenia, consistent with the growth in fuel revenues. This was partially offset by lower services and fees and maintenance expenses. SG&A increased 20%, mainly reflecting taxes and salaries in Argentina. In Argentina, total costs and expenses were up 3.3%, benefiting from favorable comparisons as the same quarter last year had absorbed significant inflation-driven cost increases, along with continued focus on cost efficiency. The comparison was further supported by the faster pace of currency devaluation relative to inflation during the quarter, which diluted peso-denominated costs when translated into US dollars. Moving on to profitability on slide eight, adjusted EBITDA excluding IFRIC 12 was up 34%, reaching a record of \$194 million, reflecting strong performance across all countries except Uruguay, with double-digit growth in Argentina, Armenia, and Brazil. Argentina delivered another outstanding quarter, with adjusted EBITDA up 68%, supported by the aforementioned easier comparisons, solid top-line growth, strong passenger trends, and continued momentum in our commercial activities. Armenia also performed very well, with adjusted EBITDA up 25%, driven by higher passenger traffic and improved fuel margins. At Brazil Airport, adjusted EBITDA increased 19%, reflecting healthy traffic growth and strong performance across VIP lounges and cargo operations. Italy posted a 10% increase, or 18% when excluding construction service at Toscana Aeroporti. This increase was driven by higher passenger traffic and solid growth in duty-free, VIP lounges, and parking revenues. In Uruguay, results reflect a temporary operational impact, with adjusted EBITDA down 11% following a six-day planned runway closure to install a new instrument landing system. Finally, Ecuador delivered a 4% increase in adjusted EBITDA, supported by stronger duty-free and retail revenues. Overall, adjusted EBITDA margin excluding IFRIC 12 expanded 5.2 percentage points to 41.2%, driven by significant improvement in Argentina and continued operational efficiency across most markets. Notably, in Argentina, we delivered a 12 percentage point margin expansion, driven by easy comparisons, strong revenue growth, and effective cost controls. Turning to Slide nine, supported by continued strong operating and financial performance, we ended the quarter with a total liquidity position of \$661 million, up 26% from the \$526 million recorded at year-end 2024. Importantly, all of our operating subsidiaries generated year-to-date cash flow from operating activities, underscoring the strength and consistency of our cash generation across markets. Cash used in financing activities mainly reflected debt repayments in Brazil and Ecuador, as well as dividends paid to non-controlling interests in Corporación América Airports S.A. subsidiaries. Moving on to the debt and maturity profile on slide 10, total debt at quarter-end was \$1.1 billion, while our net debt further decreased to \$579 million from \$718 million in December 2024. Our net leverage ratio also improved, reaching 0.9 times. To wrap up, we delivered another quarter of strong results marked by strong execution and financial discipline. Our balance sheet remains robust, providing the capacity to pursue new growth opportunities, both organic and inorganic, to continue creating value across our portfolio. I will now hand the call back to Martin, who will provide closing remarks and discuss our view for the remainder of the year.

Martin Eurnekian: Thank you, Jorge. Let's turn to Slide 12 to wrap up our presentation. This was another very strong quarter for Corporación América Airports S.A., marked by solid performance across our portfolio. We delivered higher profitability with further margin expansion, all while preserving a strong financial position. Overall, the quarter highlights the strength of our portfolio and the quality of our management team. We are also making good progress on initiatives that enhance the passenger experience and expand our commercial offering. In Argentina, we inaugurated a new centralized car rental hub and a new digital mobility platform. In Brazil, the Brasilia shopping mall is on track to open in 2026. Armenia opened a fully redesigned duty-free store, and Uruguay is moving ahead with expanding its duty-free and VIP lounge areas. Strategic priorities across our concessions continue to advance. We continue to make progress in both the AA2000 rebalance in Argentina as well as the approval of the CapEx program in Armenia. In Italy, the government issued the Environmental Impact Assessment Decree last week, marking an important milestone in connection with the approval process of the Florence Airport master plan. Turning to our inorganic expansion pipeline, we recently signed an award

agreement for the Baghdad Airport project in Iraq, and the government process continues for the Angola tender. In Montenegro, the government's tenders commission announced the result and ranked Corporación América Airports S.A. in second place. We continue evaluating additional opportunities across other countries. Looking ahead, we anticipate positive traffic trends to continue into the fourth quarter, though with a more moderate pace of domestic traffic growth in Argentina. Overall, we anticipate solid results in the fourth quarter, although not benefiting from the easier comparisons that supported the third-quarter performance in Argentina. In summary, our third-quarter performance reinforces the resilience of our business model, the quality of our assets, and the strong execution by our teams across all markets. Operator, please open the line for questions.

Operator: Thank you. You will then hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press star followed by two. And if you are using a speakerphone, you will need to lift the handset first before pressing any keys. And out of consideration for other callers on the line today and the time allotted, we ask that you please limit yourself to one question and one follow-up. Thank you. And your first question will be from Guilherme G. Mendes at JPMorgan. Please go ahead.

Guilherme G. Mendes: Yes. Thanks, guys. Good morning, Martin, Jorge, and Inaki. My first question is on the rebalancing in Argentina. Martin, you mentioned that these discussions are progressing well. Can you share what are the main milestones that we could expect for the near term? And the timing for the potential approval? And a follow-up on the commercial revenues overall, congrats on the strong performance. What can we expect going forward? Is this a more normalized level, or can we still expect some kind of improvement on the commercial revenues per passenger? Thank you.

Jorge Arruda: Hi, Guilherme. How are you? This is Jorge. Thanks for your question. So in connection with Argentina, we continue to make progress both at a technical and political level. It's difficult for us in management to provide a timetable, but the message again is that we continue to make good progress in connection with the rebalance of the concession agreement. In connection with your second question, commercial revenues, commercial revenues in the quarter were up 18% versus last year. It's a very good performance, and as we reported, there are a number of reasons including VIP lounges, car rental, fueling, cargo, etc. We continue to see the same trend. I'm not sure that it is accelerating, but definitely, we will continue to see the trend continue.

Guilherme G. Mendes: Very clear, Jorge. Thank you.

Jorge Arruda: Thank you.

Operator: Next question will be from Andres Cardona at Citigroup. Please go ahead.

Andres Cardona: Hi. Good morning. Hello. My question is about any update you could share with us about the Armenia and Italy investment opportunities. If you have any update or visibility about the timeline to provide more details of the projects. Thank you.

Jorge Arruda: Hi, Andres. It's Jorge again here, and thanks for your questions. So let me start with the second one. In Italy, as Martin has mentioned, we have recently obtained the approval for the environmental assessment of the project. The next step formally is the so-called Conferenza di Servizi to take place, which is a kind of forum of various government entities led by the Ministry of Infrastructure. We expect that to commence towards the end of the first quarter, and it's a process that should take approximately three months, after which then we would basically be ready to start the work. So that's the current timeline that we have been told. Again, when we are dealing with the government, it's difficult for us in management to set up a precise timetable. But that's our best guess as of today, and we will continue to keep the market updated. In connection with Armenia, we continue to make good progress in terms of discussions and connection with discussions with the government and government officials in general. And again, it's difficult for us to provide a precise timetable, but again, we'll keep the market posted.

Operator: Thank you. Next question will be from Daniel Rojas at Bank of America. Please go ahead.

Daniel Rojas: Good morning, gentlemen. Can you hear me?

Operator: Please go ahead, Daniel.

Daniel Rojas: My question was regarding the Baghdad Airport. Can you give us an idea of the size of the opportunity? And what else can you share with us in terms of potential traffic in that airport? Thank you.

Jorge Arruda: Hi, Daniel. It's Jorge again. Thank you very much. As we have announced, we signed an award agreement, which is a document that is non-binding in connection with the process. We are expecting to be called by the government to finalize the process and sign the concession agreement. Once that happens, we will inform the market and provide more details about our financial plan in many aspects, including debt, equity, CapEx, etc. But what I wanted to anticipate is that we have a very constructive view in connection with the potential growth of traffic in that country and in that region.

Daniel Rojas: Okay. That's fair. Thank you.

Operator: Thank you. And at this time, we have no other questions registered. I would like to turn the call back over to Martin.

Martin Eurnekian: I would just like to thank everybody for your time and participation and remind you that our team is always available to take any additional questions. Enjoy the rest of your day. Thank you very much.

Operator: Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. And at this time, we do ask that you please disconnect your line.