

Corporacion America Airsports, S.A.

4th Quarter 2017 Earnings

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CORPORATE PARTICIPANTS

Gimena Albanesi - *Head of Investor Relations*

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Jorge Arruda - *Finance and M&A Manager*

PRESENTATION

Operator

Good morning and welcome to the Corporacion America Airports fourth quarter and year-end 2017 earnings call. A slide presentation will accompany today's webcast, which is available in the Investors section of Corporacion America Airports investor relations webpage at investors.corporacionamericaairports.com.

As a reminder, all participants will be in a listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. As a reminder, today's conference call is being recorded. At this time, I'd like to turn the call over to Ms. Gimena Albanesi, investor relations. Please go ahead, Ma'am.

Gimena Albanesi

Thank you. Good morning everyone and thank you for joining us today. Speaking during today's call will be Martin Eurnekian, our Chief Executive Officer, and Raül Francos, our Chief Financial Officer. Also with us today is Jorge Arruda, Finance and M&A manager. All will be available for the Q&A session. Before we proceed, I would like to make the following safe-harbor statement.

Today's call will contain forward-looking statements, and I will refer you to the forward-looking statements section of our earnings release and also are filing for the SEC. We undertake no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances. With that being said, I would now like to turn the call over to our CEO, Martin Eurnekian.

Martin Eurnekian

Thank you, Gimena. Hello, everyone, and thank you for joining us today. It's a pleasure to welcome you to Corporacion America Airport's first earnings conference call. We are pleased to be discussing a fourth quarter with very good performance across key metrics.

As this is our first earnings call, and many of you may be new to the story, I'm going to take a few minutes to discuss our company and our strategy. I will then discuss the highlights of the quarter. Raül will take you through our financial results.

Afterwards, I will go over our key business segments and our review for the year, and we will then open the call for your questions.

Starting with slide number three, as many of you know, we completed our initial public offering on February 1. This was a strategic milestone for our company, and positions us among the few airport groups fully listed in the US. We sold approximately 28.6 million shares, of which 11.9 million were primary and the remainder secondary.

We are the only airport group solely listed in the New York Stock Exchange. Net proceeds to the company were 185.5 million, which strengthens our financial position, providing us flexibility to continue our growth strategy.

Turning to Slide 4, while I had the opportunity to meet many of you during the recent IPO roadshow, there are many that are new to our story. So before I get into the results of the recent quarter, I want to spend a few minutes discussing who we are and the opportunities ahead of us.

Over our 20-year history, we have transformed our company from one concession and one country operation into the largest private operator in the world in terms of number of airports, and the 10th largest in terms of passenger traffic. We operate a diversified portfolio of 52 airports across several countries, including Argentina, Italy, Brazil, Uruguay, Ecuador, Armenia and Peru.

We hold dominant positions in airport markets in Argentina, Uruguay and Armenia, representing over 90% of total traffic in each of these countries. We have deep operating know how. We have established a strong track record of consistent growth and profitability, which along with a strong balance sheet provides us with a solid footing for sustainable growth in the coming years.

Turning to Slide 5, we manage different business models, including domestic networks in Argentina and Peru, key international airports in Argentina, Italy and Uruguay and hubs in Argentina and Brazil. Throughout our 20 years in operations, we have acquired a deep know-how in what we believe and the five key pillars of the airport business.

First, keep a good and close relationship with the airlines, proactively proposing new routes and the development of new facilities for the airlines such as [unintelligible] centers. Second, fully develop our commercial operations by having the right mix and size to maximize revenues when designing our terminals, to optimize commercial revenues and to facilitate passenger flow.

Finally, we carefully evaluate our parking business to have the right types to maximize revenues. Third, we permanently monitor our operations and keep a very close dialogue with the airlines to meet their needs, to ensure timely operation, keeping our minimum connecting time amongst the lowest in the industry.

Fourth, we continuously evaluate expansion opportunities and investment requirements with the goal of achieving an efficient allocation of resources. Fifth, we develop and keep a good relationship with the regulatory authorities, federal and local governments. Turning to Slide 6, we have significant growth potential ahead, supported by favorable microeconomic conditions in some of the markets we operate and positive industry trends.

In particular, given the pure correlation between purchase capacity and trips per capita, we believe there is a significant potential for traffic activity to get closer to levels experienced in developed countries.

As you can see on Slide 7, local carriers are expected to be one of the main drivers of air traffic jobs worldwide, and we believe to be very well-positioned to capture this trend, given the local iteration of local carriers in several of the countries in which we are present. In Argentina, for example, low-cost carriers have only just recently begun operations with the entrance of Norwegian, [unintelligible] among others, supported by the government's Airplane Revolution Plan designed to attract new entrants to the market and further develop the industry.

Actually, we anticipate that over the next three years, low-cost carriers, through competitively-priced fares will absorb around 10 million of the 30 million passengers that currently travel long distance by bus. As these trends materialize, we are leveraging our expertise in relationships developed through our concessions in Italy, mainly the success of low-cost carrier operation at Pisa Airport.

Separately, as a result of a solid macro dynamics and air traffic trends in the region, Latin America is expected to be one of the two most attractive regions worldwide in terms of

passenger growth over the next 20 years, expanding at around 6.2% per year during that period.

Turning to Slide 8, we also seek to grow by extending our concessions. At year-end 2017, our airport portfolio had a weighted average life of approximately 14 years, with the potential of increasing our weighted average life by approximately eight years through concession extensions, reaching a weighted average of 22 years. We have successfully extended two concessions in our portfolio; Curacao Airport in Uruguay and Guayaquil Airport in Ecuador, which have gone through this process to-date.

Turning to Slide 9, we also have three major expansion projects within our portfolio that will enable us to capture additional passenger traffic as well as higher commercial revenues. In Argentina, we are working with the government developing a significant CapEx program to increase capacity and landside infrastructure, mainly at Ezeiza and Aeroparque airports to address the anticipated growth in passenger traffic.

In Brasília Airport, the third largest in the country, and the main domestic hub in Brazil, we seek to unlock higher commercial revenue growth by expanding the commercial area of the existing terminal. We plan to add 40,000 m² of gross leasable area, taking advantage of the airport's area of influence with 500,000 residents, and one of the highest incomes per capita in the country.

At our airport in Florence, we plan to build a new terminal that will have 48,500 square meters, and a new 2,400-meter runway that will be able to capture a higher volume of passengers. Finally, we continuously assess new opportunities, auctions and acquisitions to continue to expand our portfolio, leveraging our expertise and solid balance sheet.

We target airports with room for new infrastructure investments, potential for new routes or have strategies, and potential to capture higher commercial revenues among others. We keep a disciplined approach and seek only to make investments that provide a positive return to our capital. Please turn to Slide 10.

To go through some of the key highlights of the quarter, we had a strong year on the back of positive dynamics across our key operating metrics. Passenger traffic was up almost 8% in the fourth quarter and 7% in the 12 months to 2017, with more than 76 million passengers traveling through our airports worldwide. This good performance was mainly supported by favorable macro and industry trends across the region, along with our efforts to add new routes, frequencies and airlines.

In line with our strategy to enhance airport infrastructure across our operations, we made capital investments of 90 million during the quarter. Mainly focusing on Argentina, Brazil and Italy and bringing total Capex for 2017 to 280 million. We are also very pleased with the addition of our 37th airport in the country through the incorporation to the AA 2000 concession of El Palomar Airport in Greater Buenos Aires granted by the Argentine government last December.

Taking a deeper look at our operating performance by region on Slide 11, we reported strong traffic growth across our operations. Argentina, our main business segment with over 37 million passengers in 2017, delivered strong passenger traffic growth in the quarter, up 13%, reflecting new routes and additional flights to existing destinations, along with the entrance of new airlines, all of which contributed to increase domestic connectivity and expand international travel.

In Brazil, we are encouraged with the 4% growth in traffic at Brasília Airport in the fourth quarter of 2017, contributing to annual traffic of 17 million passengers, signaling a recovery from the recession experienced earlier in the year.

I will now hand off the call to Raül Francos, who will tell you our operations and financial results. Please, Raül, go ahead.

Raül Francos

Thank you, Martin, good day everyone. I am pleased to be discussing our solid performance during our first earnings call. Coming to Slide 12, we delivered solid topline growth across the organization, with total revenue up over 8% year on year in the quarter and 6% when excluding constructions.

Aeronautical revenues increased 8% in the period, mainly driven by Argentina and Italy, with the majority of our segments also contributing to topline growth. Commercial revenues were up 5%, a gain principally reflecting a strong performance in Argentina driven by higher passenger traffic further supported by good performance in Armenia.

Moving down the P&L to Slide 13, total operating costs and expenses rose almost 3.7% year on year to 336 million in the quarter and we're flat, including construction costs. Note, however, that concessions were impacted by certain one-time items in both quarters.

Fourth quarter 2017 includes a one-time 2.8 million benefit from an adjustment in the concession fee in our Brazilian Airports due to an increase in the discount rate used to calculate this fee. SG&A in the quarter also includes one-time IPO expense for 3.8 million.

Fourth quarter 2016, in turn includes a one-time expense of 16.6 million in Brazil as a result of the write-down of the value of the Natal Concession Agreement. Including construction costs, and these non-regarded items, operating costs and expenses would have increased 6.3% year on year. This was mainly the result of the impact of inflation in Argentina.

Now, moving on to our profitability on Slide 14, adjusted EBITDA increased 17.8% year on year to 106.9 million in the quarter. However, as I mentioned in the previous slide, our results were impacted by one-time items in both quarters. In addition to those items included in our operation cost and expenses, Adjusted EBITDA was hit by a 9.4 million provision in connection with the termination of Chinchero-Cusco International Airport concession in Peru.

This expense is reported under the "Share of Loss in Associates" line item. Excluding one-time items and construction service revenues and costs in both quarters, Adjusted EBITDA would have increased 6.3% year on year or 6.8 million to 113.8 million. This growth was principally driven by Argentina as a result of the 13% increase in passenger traffic in the period, further supported by Italy and Armenia.

Adjusted EBITDA margin ex-IFRIC and including one-time items that have remained relatively stable at 33.6% for fourth quarter, 2017.

In terms of balance sheet, on Slide 15, our strong financial position provides us with a solid foundation and financial flexibility to continue to grow our business. Total net debt at year-end was 1.3 billion, the majority of which is held at the subsidiary level. This compares with a net debt of 0.9 billion at December, 2015.

We have a healthy maturity profile with only 20% of our debt maturing this year. 52% of our debt was in dollars, 37 in Reais, and 11% in Euros. Net debt to adjusted EBITDA in 2017 was 2.7 times compared with 2.1 times in the prior year. Since then, we have paid down 126.7 million with proceeds from the offering.

Let me now turn the call back to Martin, who will go over performance at our key business segments and I will comment on our outlook.

Martin Eurnekian

Thanks, Raül. Taking a deeper look at our main business segments, starting with Argentina on Slide 16. We reported a robust passenger traffic growth in the quarter and year resulting in revenue growth, ex-construction, of 7% in the quarter and almost 12% in the year.

A significant highlight in the quarter was the award by the government of the El Palomar Airport, bringing the AA2000 concession to a total of 34 airports. The strategy for this airport is to attract low-cost airlines that will contribute to satisfy increase in demand in the greater Buenos Aires area.

Flybondi began operations at that airport this February, and we expect to see continued growth in the near future. We also invested \$70 million in Argentina, mainly for the construction of the new terminal building at the Pisa airport, which is expected to be finalized in 2019, and the improvement works on the runway at that airport.

In Argentina, our strategy contains significant investments at Ezeiza, Aeroparque and El Palomar airports to absorb passenger traffic growth resulting from continued improved macro conditions and the government's Airplane Revolution Plan to attract new airlines, including low-cost carriers and opened a new routes to serve the expected growth in demand.

Accordingly, we are working closely with the government to develop the CapEx for the next years to satisfy this anticipated increase in passenger traffic.

Moving to Brazil, on Slide 17, traffic increased almost 3%, reversing the negative trend we had seen earlier in the year and signaling a recovery from the recession we have experienced in the country for the past two years. In line with our strategy in the quarter, we added new frequencies to existing domestic destinations, which also contributed to this improved performance.

Keep in mind that growth was mainly driven by good performance at our Brasília airport, up 4%. Natal airport, a summer tourist destination, posted negative single-digit figures as operations were still impacted from the maintenance of the main runway that took place in the third quarter of 2017, which we view as temporary.

Revenues declined almost 11% year on year, affected by the devaluation of the riyal against the US dollar. In a local currency, however, revenues showed a positive trend, growing low single digits along with the recovery in passenger traffic on the back of the incipient economic recovery.

At Brasília airport, we continued to make headway in the development of the expansion plan for the commercial area. We have received approval from the airport regulator and expect construction to begin during the latter half of 2018.

Finally, taking a look at Italy on Slide 18, we continue to deliver extended passenger growth, up almost 2% year on year. We delivered strong aeronautical revenues, which were up 13% in the quarter with commercial revenues of almost 7%, driven by the Euro appreciation in the period, along with passenger growth.

We invested 8 million in the quarter, mainly to reconfigure the terminal at Florence Airport to adapt to higher traffic and Master plan projects. During the quarter, we also received environmental approval for the construction of a new runway at Florence Airport. We expected to begin construction in the second half of the year.

Moving ahead, we are confident that we will continue to see growth opportunities in our market, supported by healthy macro dynamics and airline trends. In this context, we are focused on increasing capacity to capture expected passenger traffic growth and higher commercial revenues, particularly in Argentina, Brazil and Italy, as I just mentioned.

Our strong balance sheet provides a solid foundation to further support our organic and inorganic growth initiatives, to continue building our platform. We are now ready to take questions please. Operator, please open the call for questions.

QUESTION AND ANSWER

Operator

Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press the star key followed by the one key on your touchtone phone now. If at any time you'd like to remove yourself from the questioning queue, press the star, two. First question, Roberto Otero, Bank of America.

Roberto Otero

Hi, good morning everyone. Thank you for picking up my question. I just have a follow-up question on El Palomar. If you could share with us more details on this new airport in terms of the concession terms and conditions. Your expectation for future capacity and traffic and also the Cap-Ex demanded for this project as well. This is my question. Thank you very much.

Martín Eurnekian

Thank you, Roberto. This is Martín on again. El Palomar Airport is not a separate concession. It was included into our main concession in Argentina, Aeropuertos Argentina, in 2000 as a concession for the Group A of the National Airport System in Argentina.

So far, 33 airports [unintelligible] cost in the contract that allows airports to that Group A of airports, with our consent, to include this 34th airport into the same concession with the same regulatory framework as the other 33. So it's now one 34 airports concession that before was 33. But the concession terms are the same.

Regarding the Airport [unintelligible], we made an initial investment put in the operations that had a part on the air side area of the airport, revamping runway lighting and [unintelligible] to make the airport operational as well as other ancillary works. And also, on the land side, we did a very quick CapEx program to [unintelligible] increasing a small terminal that was there to be able to handle commercial operations, and we think that's very [unintelligible] that terminal was opened and [unintelligible], this first low-cost carrier from Argentina, a startup company, started flying to [unintelligible] airport and is currently doing it.

The overall CapEx program entails three stages. What we've just done is Stage 0, which is this quick work to make the airport operational commercially. Then, we have a Stage 1 which entails turning into hangars, passenger terminals to also fairly quickly and operational capacity to the airport. And then a third stage, or a Stage 2, that's creating a new terminal in [unintelligible] in the opposite side of the airport, the other side of the runway for the commercial operations.

We are still [unintelligible] with the government on when to execute Stages 1 and 2. At the current stage, and investment of 5 million dollars in Stage 0. Stage 1 will require around 40 million dollars and Stage 3 is still [unintelligible] in terms of the CapEx size.

Roberto Otero

Great. Thank you, Martìn.

Operator

Our next question comes from Ian Zaffino, Oppenheimer.

Ian Zaffino

Hi, great, thank you very much. I just wanted to know, Martìn, have you done any other discussions with the Argentinian government surrounding AA2000, or maybe give us an idea of how that's going and if there's a chance we might be able to see kind of an early renewal of the contract. Thanks.

Martìn Eurnekian

Okay, so correct me, you asked me about the possible extension of AA2000?

Ian Zaffino

Yeah, so the question was have you been in discussions now with the government regarding the renewal or the extension of AA2000, and is there a chance that maybe we could see kind of an early renewal to get the contract extended or we're not going to see something for several years. Thanks.

Martìn Eurnekian

Okay. Well, first of all, the concession contract allows this extension to be executed up to the previous year before the last of the concessions. And we have [unintelligible] 2027. On the other hand, the government has been discussing with us extending the CapEx program of the company. To try to develop the industry, the government has a very aggressive plan for the aviation industry in Argentina. They call it the Airplane Revolution and that entails doubling the [unintelligible] actually in the first four-year term. They are aiming for that.

And with that in mind, the conversation we've been having with the government is on increasing [unintelligible] in Argentina to allow this growth to happen. These are conversations we've been having with the government. At the same time, we also acknowledged that the government has hired a consultancy firm to assess the capacity and have an idea on passenger forecast, airport capacity and [unintelligible] the airport in Argentina, which we believe is going to be the first step into being able to sit down with the government to do negotiation revision of our contract.

How long can that take? There are technical, political and bureaucratic issues around this. We hope that this happens very soon, but it is difficult to put, timing wise, a clear idea of if it would take six months or a year and a half.

We know that the government has around four more months to finalize and deliver the results. And we know for sure that nothing will happen until that consultancy finishes.

Ian Zaffino

Okay, thank you. And also, can you just touch upon some of the M&A opportunities you're seeing out there or anything, maybe timing or size or just something. Any type of detail you can give us on what you're doing on the M&A front.

Martin Eurnekian

Okay. On that sense, what we discussed during the [unintelligible], we will be active in looking for the opportunities. Our focus is still the Americas and Southern and Eastern Europe. We are looking [unintelligible] processes. We are looking at a process that Jamaica is carrying out on the Kingston airport, and that is also of public knowledge.

And we are looking at the opportunities in the next round of airport talks in the Brazil and will be actively looking for new opportunities that may arise in Eastern Europe and the Americas. So far, all of those are in the early stages and we will still remain active into the sector looking for opportunities of inorganic growth.

That being said, we have most of our [unintelligible] put into delivering the [unintelligible] and being able to take the opportunities that our current concessions are offering, mainly Argentina, with the big passenger growth that we are expecting with this aggressive [unintelligible], and the CapEx program to go with it will not only enable passenger growth but also enable the growth of commercial revenues that are very important for our company.

We are very happy on seeing that the economic crisis is over, and we went through a tipping point where passenger volume started to pick up again. It's pushing us to go ahead into our plans in Brazil to further expand Brasília Airport to really take its potential in commercial revenues, as well. And we are [unintelligible] Airport, and that management is very focused on delivering those parts of the business plan that we discussed before.

And also, Italy, where the potential for Tuscany will be [unintelligible] impaired by this lack of infrastructure, mainly in Florence. So our plan and efforts into creating this new runway in Florence that [unintelligible] is a very important. We are putting a lot of our management effort into that, and as we know, actually, we have an important milestone for that, which is environmental approval for the new runway [unintelligible].

And we had a development last week where the aviation authority in Italy also gave the first step into that actually happening, which is what they call [unintelligible], which is the first step into putting all of the entities and government bodies in one room to coordinate the efforts, the first one being land to build this runway, and the government has published last Friday the land to be extricated by our company to start that. This is a huge milestone for our entire operation, and part of these efforts that we are putting into harnessing the potential of our current operations.

Operator

Excuse me, ladies and gentleman, please restrict yourself to one question and one follow-up question. Thank you. The next question comes from Stephen Trent with Citi.

Stephen Trent

Hi. Good morning, everybody, and thanks for taking my questions. Just two for me at this point. I'm wondering, in terms of El Palomar transfer from the Argentine government to the company,

could you just remind me, and I may have missed it, you know, where you are in the process. Is this now fully finalized or are there any municipal requirements or tax requirements that have to be met before the transfer occurs?

And a second question pertains to a follow up on the gentleman who just asked, you know, in terms of M&A or new auctions, is there a threshold that you guys have in mind in terms of the size of new auctions, you know, at which you would have to raise debt or equity capital in order to get the M&A done? Thanks very much.

Martìn Eurnekian

Thank you for the questions. In terms of El Palomar, the government issued [unintelligible] in December 27, awarding at the airport or putting it inside our AA2000 concession. So that was the main event, putting that airport into our hands, and that actually happened in December. And since then, we've started [unintelligible] the Stage 0 that I was talking about before, where flights already start...commercial flights already started going in and out of El Palomar from the terminal.

So as of today, the airport is operational and we are managing it. So there are no other steps taken for that to happen. The airport is there and passages are flowing in and out every day since February. Regarding, as we said, we are going to opportunistically keep looking for operations, for new opportunities.

I couldn't say we have a sweet spot, because even if you look at our current [unintelligible] airports within our portfolio, and no matter the size, we find opportunities for a good investment in [unintelligible] airport. So we're quite open in that sense, looking at different opportunities.

And as far as we are today and in the foreseeable future with the processes where [unintelligible], we do not see the need to go back to the market, raising more equity. If anything happens in that sense, we expect to fund it with [unintelligible] and debt at the operational level, as we've done so far. But that will evolve as we look at different opportunities.

Stephen Trent

Okay. I really appreciate the color and apologize on that first question. Part of your call cut off, so I couldn't hear your initial explanation, but appreciate that and I'll let someone else ask a question.

Operator

The next question comes from Matt Rustle with Goldman Sachs.

Matt Rustle

Thanks for taking my question. I just wanted to step back to one of the earlier questions and make sure I understood your outlook properly. So is it your belief that the government wants, in Argentina, wants to resolve the CapEx program before the next general election in 2019? Did I understand that correctly and is that what gives you the outlook for the 6 to 18 month resolution around that CapEx program and any update on the concession.

Martìn Eurnekian

So [unintelligible] the equation that made us give that wide range in terms of what we think it might take to have an idea on any conversations with the government, but that is one element.

Bureaucracy is another element, and then also, of course, the technical discussions and issues around it. So I could say yes, but that is not the only driver for how long it's going to take.

Matt Rustle

Absolutely. Yeah, I fully understand. There's several drivers, but just wanted to understand where we were coming up with the range. And then if we just step back and look at the business as a whole moving into 2018, and this is another situation where there is a lot of different drivers, but if you were to look at the margin profile of the business, do you think it's reasonable to see EBITDA margin expansion resume in 2018?

Raül Francos

Yes, here is Raül Francos. Well, yes, we expect, due to the evolution of traffic in Argentina because of this Revolution of Airplanes Plan that the government has implemented, and also in Brazilian recovery, we expect, then, this number for passengers and for revenues will increase, and that means that margins will [unintelligible].

Matt Rustle

Great. Thank you for taking my question.

Operator

The next question comes from Michael Simpson with Barings.

Michael Simpson

Hi. Good afternoon, thank you for taking my question. It's actually three questions, if I may. The first one is could you give a little bit of color regarding the decline in revenues on an annual basis in Brazil. It was down 10%. Perhaps that's currency or it's more of a one off, because it's a change in trend.

The other question is regarding the Chincheros Airport in Peru, the 9.4 million loss. If you could just give us a little bit more color on that. I didn't know that there were loans given to that airport concession that has been scrapped. And the third one, do you have any color on what's going on in the country of Armenia? It seems like the president has resigned and there is some political situations there, and if you expect any impact on your business as a result of what's going on in that country. Thanks, guys.

Raül Francos

Yes, here is Raül again. Your question was about the revenues of Brazil. In dollars, those revenues went a little down, but this is a matter of exchange rate. In local currency, in riyals, there was a low increase in it. And that's due to the initial recovery from the recession that this country suffered from the last two years.

We saw last quarter that passenger traffic went up again, but up slowly, a very low path at the beginning. In local currencies, revenues increased.

For the second question, about the situation [unintelligible] Airport, the loss of that we mentioned there is a one-time event was due to the provision there that this new project with Aeropuertos Andinos Del Perú is an operating concession there in Peru. And that was just a one-time effect. It won't happen [unintelligible]. As you know, and you mentioned before, the Chinchero concession is finished.

Michael Simpson

Okay, so that's truly a one-time item that we should not expect that anything should be coming from in the future?

Raül Francos

Exactly, yes. For the last question you mentioned about Armenia--.

Martín Eurnekian

--This is Martin again, I'll take on the [unintelligible]. There were constitutional changes in Armenia, changing the way the government is elected, going from a presidential model to a parliamentary. And after that change, the chosen prime minister, which was the former president, has a very low support from the people and there were a lot of [unintelligible] and social unrest because of his nomination.

His resignation, to me, is actually good news because it's lowering the social pressure and turning things back to normal in Armenia. We expect the business to be affected by this as long as we hope social unrest will end with his resignation [unintelligible].

Michael Simpson

Okay, thank you.

Operator

Our next question comes from Luis Perito with NAU.

Luis Perito

Hello. Good morning. I had a question. I understand, from what you said before, that you are already starting CapEx in Argentina that is not part of the current economic balance of the concession, and therefore it would require the extension of the concession to get properly rewarded. So I take it from this that you obviously see a high probability of the concession being extended. But what happens? What if the concession is not extended or if it's extended at a lower allowed return? Thank you.

Martín Eurnekian

So as of today, we have a valid contract with [unintelligible] kind of a regulatory model. So despite any future negotiation with the government regarding an extension of the contract, our current contract provides for the inclusion of additional CapEx. The contract already has a provision for CapEx that has not been executed under the current form of the concession contract.

That is the current situation, and we are fairly confident that despite any uncertainty [unintelligible] regulatory model is good and it can serve to do the CapEx that already remains in the current contract and [unintelligible] going to be gone.

Luis Perito

And regarding precisely what you said, am I right to think that those CapEx additions to the existing economic balance are limited in terms of amount or unlimited? You could add whatever? And it's just a matter of the years left of concession you have to get the full reward?

Martín Eurnekian

There is no fixed or established [unintelligible] that can be agreed with the government. So as long as there is mutual agreement, we can proceed doing CapEx.

Luis Perito

Okay, thank you.

Operator

This concludes today's question and answer session. I'd like to invite Mr. Martin Eurnekian to proceed with his closing statements. Please go ahead, sir.

CONCLUSION

Martin Eurnekian

Well, if there are no more questions, I'd like to thank all of you for joining us today. We really appreciate your interest in our company. We look forward to meeting more of you over the coming months [unintelligible] business update next quarter. In the interim, the team remains available to answer any questions that you may have. Thank you and enjoy the rest of your day.

Operator

That does conclude the Corporacion America Airports quarter conference call today. Thank you very much for your participation and have a good day.