Corporacion America Airports Discusses AA2000 10-Year Concession Agreement Extension

Tuesday, December 1, 2020, 10:30 AM Eastern

PARTICIPANTS

Gimena Albanesi - *Investor Relations*

Martín Eurnekian - *Chief Executive Officer*

Operator
Good morning. Welcome to Corporacion America Airports to Discuss AA2000 10-year Concession Agreement Extension Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. Please note that this event is being recorded.

I would now like to turn the conference over to Gimena Albanesi from Investor Relations. Go ahead.

Gimena Albanesi
Good morning, everyone, and thanks for joining us today to discuss the 10-year extension of our AA2000 concession agreement.

Before we begin our formal remarks, allow me to remind you that certain statements made during the course of the discussion may constitute forward-looking statements which are based on management's current expectations and beliefs, and are subject to a number of risks and uncertainties that could cause actual results to materially differ, including factors that may be beyond the company's control. For a description of these risks, please refer to our filings with the SEC and our press release.

Speaking on today's call will be Martín Eurnekian, our Chief Executive Officer. Also with us today are Raúl Francos, our Chief Financial Officer, and Jorge Arruda, Head of Finance and M&A. After a brief presentation, we will open the call to your questions.

Martín, please go ahead.

Martín Eurnekian
Thank you, Gimena, and thank you all for joining us this morning. We thought it was important to be able to discuss our announcement published yesterday afternoon and answer your questions.

As you read in the press release, we are very pleased to announce that we entered into an agreement with ORSNA, the Argentine airport system regulator, extending the AA2000 concession agreement for a 10-year period ending 2038. This significant milestone for our company represents the achievement of the goal we established a few years ago and underscores AA2000's long-term sustainability.

AA2000 operates an airport network comprised of 35 airports in Argentina, which in 2019 accounted for nearly 50% of our total passenger traffic, over 90% of the commercial passenger traffic in the country. As is customary in these types of processes, the agreement is subject to the issuance of a presidential decree, which we expect will be completed over the next couple of weeks. At that time, we also plan to publish the revised regulatory model of the concession equity agreement.

Now let me discuss the key items of this agreement. First, the AA2000 concession agreement was extended for 10 years through 2038 as provided under the terms of the existing concession agreement. Second, to further strengthen our platform for long-term success while providing the best experience to passengers traveling through our airports, we will invest approximately $500 million in the AA2000 concession, to be carried out in two phases.

In the first phase, the plan calls for investments of $336 million to take place preferably during 2022 and 2023. During the second phase, which covers 2024 to 2027, we will invest approximately $164 million spread out in equal annual amounts of approximately $41 million. Beyond 2027 and through 2038, capital investments will be established according to the operational requirements and will take into account the economic equilibrium of the concession.

In addition to our investment commitment, we expect that the concession will generate, through specific allocation of revenues, additional funds to be deposited in development trusts managed by ORSNA to enable significant additional investments. In sum, through the end of the concession, AA2000 is expected to enable capital expenditures of $2.5 billion across the Argentine airport system.

Importantly, AA2000 has the option to redeem the preferred shares outstanding during 2022, which amounted to approximately $126 million as of September 30th, and credit the amount redeemed towards the reduction of the Phase 1 CapEx program.

Finally, the agreement also calls for obligations of approximately $77 million, mainly in connection with the conclusion by December 2021 of certain works that were suspended due to the pandemic, along with the settlement of outstanding payments to CapEx suppliers and VAT amounts related to the trust funds.

To wrap up, we have built a strong network of international and domestic airports in Argentina that delivered a 9% CAGR in passenger traffic between 2015 through 2019. And while in the near term our operations, along with travel in general worldwide, are severely impacted by the pandemic, we are encouraged by the various recent announcements indicating important advances in connection with the development of COVID-19 vaccines, which will contribute to regain passenger confidence to travel.

Looking into the longer term, the extension of the AA2000 concession agreement is a major milestone that significantly strengthens our operation and supports our long-term growth strategy. We believe this is a win-win for Corporacion America Airports and the continued development of the nationwide airport system in Argentina, an important engine for long-term growth in the country. We look forward to sharing additional information on this agreement as soon as the presidential decree is issued in the near future.

This ends our presentation. We will happily take your questions now. Operator, please open the line for questions.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

Our first question is from Osmar Camilo from Goldman Sachs. Go ahead.

Osmar Camilo
Hello. Good morning, everyone. Thank you for taking my question. Could you provide more color on the CapEx for 2028 to '38? Is the amount to be deployed in this period the necessary amount to keep the concession at its regulatory IRR, or are these new investments under the same regulatory IRR? That's the first question.

If I may, I'd like to make a second question on the $2.5 billion CapEx mentioned in the release. I understood that it includes the $500 million CapEx announced plus other investments. Are these other investments the '28 to '38 CapEx, or they other kinds of investments? Thank you.

Martín Eurnekian
Thank you for your questions, and I think that they are both connected. On one hand, from 2028 to 2038, there is no investments agreed upon beyond what we agree each year regarding the operational requirements of the airports and taking into account the economic equilibrium of the concession.

So, the $2.5 billion that were announced is an estimate that comes from the sum of all the flows that will go into the trust funds that would probably go into CapEx deployments with the estimate of the regulatory model of the concession. That, put together with the CapEx expenditures that we have agreed upon, adds up to those $2.5 billion. that will run from today to the end of the concession in 2038. I hope that answers your question.

Osmar Camilo
Sure. Thank you, very clear.

Operator
Our next question is from Alejandro Demichalis from Nau Securities. Go ahead.

Alejandro Demichalis
Yes. Good morning. Thank you very much for taking my question. The question is, have you already locked the conversion price for the redemption of the preferred shares, or that still needs to be negotiated?

Martín Eurnekian
No, the preferred shares do not go through a negotiation. They get updated with inflation and the rate is applied on the preferred shares. But that's an amount that has to be calculated every time, but it does not go through a negotiation.

Alejandro Demichalis
And then my understanding was that, in the original agreement, you had the possibility of listing the shares in the Buenos Aires Stock Exchange. Is that still a possibility, or with this the listing goes away?

Martín Eurnekian
The possibility of the listing was for not for the purchase but for ordinary shares of the company. And that's still a possibility, it's not forbidden, if that is the question you are asking. Thank you very much.

Alejandro Demichalis
No, the question is if you have a plan to list the shares now or not.

Martín Eurnekian
We have not discussed that internally and it's not in our agenda. But since it's not forbidden, it's always a possibility. But it's not something that we are considering right now.

Alejandro Demichalis
That's clear. Thank you.

Martín Eurnekian
No problem.

Operator
Again, if you have a question, please press star then one.

At this time, we have no more questions, so this concludes our question and answer session. I would now like to turn the conference back to Martín Eurnekian for closing remarks.

CONCLUSION

Martín Eurnekian
Well, I'd like to thank everybody again for joining us today. We look forward to providing updates on our business initiatives as they become available. In the meantime, the team remains available to answer any questions that you may have. Thank you and bye-bye.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.