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Earnings Call

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Presentation

Operator

Good morning, and welcome to Corporacion America Airports Fourth Quarter 2025 Conference Call. A slide presentation accompanies today's webcast and is available in the Investors section of the company's website. [Operator Instructions]

At this time, I would like to turn the call over to Patricio Inaki Esnaola, Head of Investor Relations. Patricio, you may go ahead.

Patricio Inaki Esnaola
Investor Relations Manager

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 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 statement 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 IFRIC12. Also, all comparisons discussed are year-over-year, unless otherwise noted.

I will now turn the call over to our CEO, Martin Eurnekian.

Martin Francisco Antranik Eurnekian Bonnarens
CEO & Director

Thank you Iñaki, and good morning to everyone joining us today.

We finished 2025 with a very solid performance. Across the business, we saw continued revenue momentum, strong profitability, and important progress on the strategic front.

Passenger traffic remained robust in the fourth quarter, rising just over 9% year over year and reaching new highs for both the quarter and the full year, with Argentina, Armenia, Italy and Uruguay setting annual traffic records.

Equally important, this performance was broad-based, with positive trends across our main markets, and particularly strong international growth in Argentina.

Revenue growth once again outpaced traffic, supported by solid performance in both our Aeronautical and Commercial businesses, along with further improvement in revenue per passenger. Commercial revenues remained especially strong, with good contributions from cargo, fuel, and passenger-related services across the portfolio.

This positive momentum also translated into strong profitability. We delivered strong Adjusted EBITDA growth in the quarter, together with meaningful margin expansion, as operating leverage and commercial execution continued to support results. At the same time, we ended the year with a healthy balance sheet, low leverage, and strong liquidity, providing significant financial flexibility.

We also made meaningful strategic progress. In Armenia, we secured a 35-year extension of the concession, and in Galápagos we obtained a 6-year extension, both of which enhance the long-term visibility of our portfolio. We have also received concession awards and been declared preferred bidders for two new airport concessions, which I will discuss shortly.

Moving on to passenger traffic on slide 4, we ended the year with another quarter of solid growth across our operations.

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Total passenger traffic reached a record 22.3 million, supported by both domestic and international travel, with particularly strong momentum in the international segment.

International traffic grew 12%, with every country in our portfolio posting year-over-year growth. Argentina was once again the main contributor, accounting for more than half of the total increase in traffic during the quarter, with solid contributions from Italy, Brazil and Armenia. Domestic traffic increased nearly 7%, mainly driven by Argentina and Brazil, with Ecuador also contributing positively.

Let me briefly go through the main markets.

- In Argentina, passenger traffic increased nearly 9%, a record for both the quarter and the full year. Domestic traffic was up 6%, supported by strong load factors and additional capacity across several routes. International traffic was up 15%, reflecting continued route reactivations and frequency increases. During the quarter, we saw positive contributions from airlines such as LATAM, Air Canada, Emirates, Delta, China Eastern and ITA Airways, among others, which continue to strengthen connectivity and support demand. This strong performance continued into January and February, with passenger traffic growing by 7.9% and 5.8% year-over year, respectively.

- In Italy, traffic grew 8%, also reaching new highs for both the quarter and the full year. Growth was mainly driven by the international segment, which increased 11%, with solid performance at both Florence and Pisa. Domestic traffic declined modestly during the quarter, mainly reflecting some operational disruptions at certain airlines. This positive trend continued into January and February, with passenger traffic increasing by 4% and 7.4% YoY, respectively.

- Brazil also posted a strong quarter, with total traffic up 12%. Domestic traffic remained solid, while international traffic also grew at a healthy pace. The improvement reflects a better environment among the main airlines operating in the country and stronger activity during the summer season, including additional frequencies on routes to the United States. This trend extended into January and February, when overall traffic increased by 16% and 8.2% year-over-year, respectively.

- Uruguay returned to growth in the quarter, with traffic up 5% and reaching new highs for both the quarter and the full year. This performance reflects a recovery from the temporary disruption we saw in the third quarter related to the planned runway closure. Traffic also benefited from stronger seasonal operations, new routes, and added frequencies, particularly ahead of the summer season. Traffic in the first two months of the year performed well with year-over-year increases of 1% and 2.4% in January and February, respectively.

- In Armenia we saw a pick-up in passenger traffic up nearly 14%, breaking another record for both the quarter and full year. Growth was supported by sustained international demand and expanded connectivity. During the quarter, Wizz Air established its new base at Zvartnots and launched ten new routes to Europe, which further strengthens the airport's position as an important regional hub. This strong performance continued into January and February, with passenger traffic increasing by 10% and 11.6% YoY, respectively.

- Finally, Ecuador returned to growth, with traffic up 1%. While the environment remains challenging, performance improved versus the prior quarter, supported by a recovery following the runway works completed earlier in the year and modest growth in both domestic and international traffic. Traffic in the first two months of the year performed well with year-over-year increases of 5% and 8.6% in January and February, respectively.

Overall, the fourth quarter contributed to a very strong year for passenger traffic, with healthy momentum across the portfolio and record levels in several of our key markets.

Turning to cargo on slide 5, we also delivered a strong quarter, with cargo revenues up 22% year over year, supported by solid contributions from Argentina, Uruguay and Brazil.

On the volume side, results were mixed across the portfolio. Total cargo volume was slightly below last year, with growth in Argentina and Uruguay offset by softer trends in Brazil, Italy, Armenia and Ecuador. Even so, the strong overall revenue performance highlights our ability to capture value from the cargo business.

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Looking ahead, we remain focused on strengthening our cargo platform, improving our commercial capabilities, and continuing to capture growth opportunities across the network.

I will now turn the call over to Jorge, who will review our financial results. Please, go ahead.

Jorge Arruda Filho
Chief Financial Officer

Thank you, Martin, and good day everyone. Let's begin with our top line on slide 6. Total revenues ex-IFRIC 12, increased 17%, nearly doubling passenger traffic growth of 9%. This strong performance was driven by double-digit growth in both Aeronautical and Commercial revenues, supported by positive contributions across all countries of operation, with all countries but Ecuador delivering double-digit revenue growth. Revenue per passenger was up nearly 8%, reaching 20.8 dollars, compared with 19.4 dollars in the same quarter last year.

Aeronautical revenues increased 17%, mainly driven by strong results in Argentina and further supported by broad-based growth across the portfolio. Argentina remained the main contributor, with aeronautical revenues up 21%, largely reflecting a 15% increase in international traffic volumes. Strong momentum continued in Brazil, Armenia and Italy each delivering double-digit growth, all in line with passenger traffic trends.

Commercial revenues were up 16%, well above the 9% increase in traffic. This was supported by higher contributions from Cargo and fuel revenues and solid growth across VIP lounges, parking facilities, and Duty-free. Overall performance was consistent across the portfolio, with all countries except Ecuador achieving double-digit growth.

Turning to Slide 7. Total costs and expenses, excluding IFRIC 12, increased nearly 11%, broadly in line with higher operating activity and well below revenue growth of 17%, resulting in positive operating leverage during the quarter.

Cost of services were up 11%, largely due to higher concession fees in line with revenue growth as well as higher fuel costs in Armenia, consistent with the expansion in fuel revenues, and higher D&A expenses.

SG&A expenses increased 6%, mainly reflecting higher maintenance, and payroll expenses particularly in Argentina.

In Argentina, total Costs and Expenses increased just over 7% year-over-year, well below revenue growth of 18%, reflecting strong operating leverage, continued cost discipline and favorable currency fluctuation.
Moving on to profitability on Slide 8.
Adjusted EBITDA ex- IFRIC 12 was up nearly 40% to 211 million dollars, reflecting strong performances in Argentina and Armenia, as well as the 32.5-million-dollar positive impact on EBITDA, related to the Arbitration Award payment received from the Government of Peru.
Argentina delivered another outstanding quarter, with Adjusted EBITDA up 43% with margin expansion of 7.5 percentage points supported by strong passenger trends, continued momentum in our commercial initiatives as well as effective cost controls. Armenia also performed very well, with Adjusted EBITDA up 15%, driven by record passenger levels. Margin contraction during the quarter primarily reflected higher operating expenses and a greater contribution from the fuel business, which structurally carries lower margins than the core airport operations.
At Brasilia Airport, Adjusted EBITDA year on year comparisons were impacted by the 110 million Reais Covid related economic re-equilibrium received in 4Q24. Excluding this item, Adjusted EBITDA increased 44% year on year with a margin expansion of 6.4 percentage points, reflecting healthy traffic growth and strong performance across VIP lounges and other passenger-related revenues. Italy posted an 11% decrease, or 4% increase when excluding construction services at Toscana Aeroporti Costruzioni. In Uruguay, Adjusted EBITDA was slightly down 2%, reflecting higher Salaries and Maintenance expenses along with the YoY appreciation of the Uruguayan peso, which also impacted margins. Finally, in Ecuador Adjusted EBITDA declined 12%, mainly due to higher Maintenance expenses concentrated in 4Q25.
Overall, excluding the 110 million Reais Covid-related economic re-equilibrium in Brazil in 4Q24 and the 32.5 million dollars Arbitration Award recognized in 4Q25, Adjusted EBITDA ex-IFRIC 12 increased 33.3% year-over-year to 178 million dollars with a margin expansion of 4.6 percentage points to 38.3%.

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Moving on to the debt and maturity profile on Slide 10.

Total debt at year-end was 1.1 billion dollars, while our net debt decreased further down to 502 million dollars from 718 million dollars in December 2024. As a result of lower net debt and continued strong financial performance, our net leverage ratio continued to improve reaching 0.7 times at year end.

To wrap up, our results reflect the great momentum of our portfolio and the quality of our management team. We closed the year with the strongest balance sheet in our history, giving us the financial flexibility to advance our growth strategy through both organic initiatives and inorganic opportunities.

I will now hand the call back to Martin, who will provide closing remarks and discuss our view for the year.

Martin Francisco Antranik Eurnekian Bonnarens
CEO & Director
Thank you, Jorge. Turning now to slide 12, I will briefly summarize the key takeaways from the last quarter and from 2025.
2025 was a record year for CAAP. We delivered record passenger traffic, strong revenue growth, meaningful EBITDA margin expansion, and closed the year with a very solid balance sheet. These results reflect the resilience and quality of our portfolio, the disciplined execution of our teams, and the benefits of our diversified geographic footprint.
Beyond the strong operating and financial performance, we also made important progress in strengthening the long-term visibility of our portfolio and advancing our expansion pipeline. In Armenia, we secured a 35-year extension of the concession through 2067, which includes a 425 million dollars investment program and a significant expansion of our infrastructure. In Ecuador, we achieved a 6-year extension of the Galápagos concession.
On the inorganic growth front, we have received concession awards and been selected as preferred bidders for both Baghdad in Iraq and Luanda in Angola, while continuing to evaluate additional bidding processes and M&A opportunities across multiple regions. While these projects remain subject to the execution of definitive concession agreements, both opportunities offer attractive long-term growth potential. At the same time, we remain disciplined in our capital allocation. This disciplined approach remains central to how we allocate capital and expand our portfolio.
Our operating performance was also matched by strong industry recognition. During the year, Aeropuertos Argentina was named Best Airport Operator in South America, Brasília was ranked number two worldwide in punctuality among medium airports, Carrasco was recognized as Best Airport in Latin America and the Caribbean in its category, and Zvartnots was named Best Airport in Europe and Most Dedicated Staff in its segment. These recognitions reflect our continued focus on operational excellence and customer experience.
Looking ahead, we remain focused on execution and value creation. We expect continued positive momentum in passenger traffic across our key markets, supported in particular by strong international traffic trends in Argentina. At the same time, we will continue to prioritize commercial optimization and revenue per passenger growth across the portfolio. We are also closely monitoring the evolving geopolitical situation in the Middle East and remain attentive to any potential implications for international travel.
I'll now turn the call over for questions.

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Question and Answer

Operator

[Operator Instructions] Your first question will be from Alessandro Demichelis at Jefferies.

Alejandro Anibal Demichelis
Jefferies LLC, Research Division

Martin, you mentioned the strong traffic growth that you expect for the rest of the year. We have seen an increase in profitability across the business so should we assume that what we have seen in terms of margins, profitability is like the new base for CAAP going forward? That's the first question. And then the follow-up is, have you actually seen any kind of impact from the war in terms of your operations in Armenia, please?

Jorge Arruda Filho
Chief Financial Officer

It's Jorge here. Thank you very much for your question. So regarding margins, profitability, what we saw in the first two months of the year, you probably have seen our traffic numbers. We increased by approximately 8%, 7.8% more precisely. Overall, with international, 14.5% and domestic, 1.5%. So we expect -- we remain constructive for the next few months. And we expect our business to continue growing according to passengers and a bit over passengers, in fact. Margins in terms of EBITDA margin is stable for the time being.

In terms of your second question, approximately 10% to 15% of the traffic in Armenia has been affected by the war. The first few months of the year were very positive, around 11% growth for the first two months. And what we have observed since the war is it's flat. It's no growth, no decline. But I think it's totally tied to the war and when this war ends, traffic would resume very quickly. It's very difficult to say at this point in time. But also part of this traffic is connecting traffic in the Middle East that probably, at least some of them, should be going through other routes that are available in Armenia. But again, the impact that we saw in the first few days of the war is a flat growth.

Operator

The next question will be from Andres Cardona at Citi Group.

Andres Felipe Cardona Gómez
Citigroup Inc., Research Division

So my two questions are about any update about the Argentina concession rebalance. Anything you could share in terms of timing or expectations? And second, if you have also an update in the Italy investment opportunity, I also understand it hasn't been approved, but what are you expecting in terms of timing?

Jorge Arruda Filho
Chief Financial Officer

Okay. So thank you for your questions. This is Jorge again here. On Argentina, we are in the right track. However, it's very difficult for us to provide, publicly, a timing for the outcome of the rebalance given the political and bureaucracy dynamics associated with a process like this one. But again, we are in the right track. We are in very frequent discussions with the government, and we will keep the market updated as we receive concrete news from the government.

In connection with Italy, it's also very difficult for us to provide a timetable as to when this will be finalized, and we will be able to begin constructions. But we are making progress. I think the approval that we got was the environmental approval, there is a few more processes to go before we are fully approved to begin construction. But again, we are in the right track. And again, we will keep the market posted as we receive concrete news. Thank you.

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Operator

[Operator Instructions] Our next question will be from Julia Orsi at JPMorgan.

Julia Orsi
JPMorgan Chase & Co, Research Division

Yes. Hello, everyone. Good morning. Thanks for taking the time. Can you comment a bit on your capital allocation strategy going forward? I know you mentioned a disciplined strategy, but can you comment a bit on what you're expecting in terms of new regions and concessions that you might be willing to invest. And second, what should we think of the commercial revenue growth going forward and the main drivers behind it?

Jorge Arruda Filho
Chief Financial Officer

Thank you for your questions. In connection with capital allocation, we -- as Martin has mentioned in the call, we have been awarded in Iraq and Angola. We are pursuing those opportunities. Obviously, with the situation in Iran and the war, et cetera, this process, we expect to be delayed, and in Angola, we are in frequent discussions with the government to try to move ahead and finalize this process. Besides that, we are looking at other opportunities in the Middle East, in Central Asia, in Africa and in the Americas. As I reported in previous conference calls, we have significantly boosted our new business team and are actively looking at various opportunities. And we believe that the best use of our liquidity is to grow the portfolio. And that's what we are working 24/7 to achieve.

In connection with commercial revenues. We indeed saw a very good year in 2025 with growth across the board, particularly in VIP lounges, in parking, in fueling as well, in some markets on the cargo. And what we are seeing in the first few months of the year is a bit more of the same, perhaps not as intense as we saw in 2025, but the portfolio is performing very well.

Operator

The next question will be from Pablo Ricalde at Itau.

Pablo Ricalde Martinez
Itaú Corretora de Valores S.A., Research Division

Maybe you can give follow-up on the capital allocation. What are you thinking in terms of funding to do all these acquisitions outside of Argentina?

Jorge Arruda Filho
Chief Financial Officer

Sorry, I think the targets that we are currently looking at, the funding would come primarily from cash at hand, given the size of the opportunity that we are looking at.

Operator

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

Martin Francisco Antranik Eurnekian Bonnarens
CEO & Director
I wanted to thank everybody for joining us today and remind you that our Investor Relations team is available for any further questions and have a very good rest of your day.

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