Corporación América Airports S.A. NYSE:CAAP

Earnings Call

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Call Participants

EXECUTIVES

Jorge Arruda Filho
CFO & Head of Business Development

Martin Francisco Antranik Eurnekian Bonnarens
CEO & Director

Patricio Inaki Esnaola
Investor Relations Manager

ANALYSTS

Alejandro Anibal Demichelis
Jefferies LLC, Research Division

Julia Orsi
JPMorgan Chase & Co, Research Division

Presentation

Operator

Good morning, and welcome to Corporación América Airports' First Quarter 2026 Conference Call. A slide presentation accompanies today's webcast and is available in the Investor 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, please 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 started 2026 with a strong first-quarter performance. Across the business, we saw solid traffic growth, continued revenue momentum, strong profitability, and further strengthening of our balance sheet.
Passenger traffic increased 7% year over year, supported by positive trends across all our countries of operation. International traffic remained the main driver of growth, with particularly strong performance in Argentina, where additional routes, higher frequencies and solid summer demand continued to support the recovery in international travel.
Revenue performance was particularly encouraging, with top-line growth well ahead of passenger traffic. This was supported by healthy growth in international passengers, and our ability to continue increasing revenue per passenger in our Commercial activities.
Profitability showed strong progress in the quarter. Adjusted EBITDA increased at a faster pace than traffic, and margins expanded as higher revenues flowed through the cost base, evidencing our disciplined management. Argentina and Armenia were the largest contributors to EBITDA growth, while our other countries also posted positive year-over-year performance.
We closed the quarter with a strong balance sheet. Leverage declined further, providing significant flexibility to invest in our operations, pursue disciplined growth opportunities, and consider the implementation of a dividend policy.
Finally, it is important to highlight the resilience of Armenia. Despite the regional geopolitical situation, the business continued to perform well, supported by increased connectivity and lower than anticipated impact from the Middle East conflict.
Overall, this was a strong start to the year and reinforces the resilience of our portfolio and the benefits of our diversified platform.

Moving on to passenger traffic on slide 4, we posted a strong performance across our operations, with nearly 22 million passengers travelling across our airports. Growth was mainly driven by international travel, which increased nearly 14%, with positive contributions from every country in the portfolio and double-digit growth in Argentina, Italy and Ecuador.
Domestic traffic was broadly stable in the quarter. Growth in Brazil and Ecuador offset softer domestic volumes in Argentina and Italy, where performance was affected by capacity constraints, operational disruptions and, in Argentina, the 24-hour nationwide strike in February.
Looking at the main markets:

- In Argentina, passenger traffic increased close to 6% year over year. International traffic growth remained very strong, up 19%, driven by traffic with Brazil and the Caribbean, and solid demand during the summer and Carnival periods. Domestic traffic was slightly lower, mainly reflecting temporary fleet constraints at some of the airlines, together with a one-day nationwide labor strike in February that disrupted operations. Even with these headwinds, key leisure destinations such as Bariloche, Córdoba, Iguazú and Mendoza performed well during the quarter.

- In Italy, traffic grew just over 7%, driven by international passengers, which accounted for close to 80% of total traffic and increased more than 10% year over year. Both Florence and Pisa contributed to this performance. Domestic traffic was modestly lower, mainly due to reduced activity at Florence, while adverse weather in January also led to some cancellations and diversions.
- In Brazil, traffic increased by 12%, reflecting a better environment, after the constraints seen in the aviation sector in prior periods. Domestic traffic grew by nearly 6%, transit passengers increased by more than 20%, and international traffic also contributed positively. Brasília continued to benefit from its geographic location and large infrastructure, allowing it to maintain its role as an important domestic hub in the country.
- Passenger traffic in Uruguay increased by nearly 4%, supported by the summer season and additional frequencies. Both new and resumed routes connecting Montevideo and Punta del Este with destinations in Brazil and Argentina, including services from GOL, Aerolíneas Argentinas and Azul, helped support demand during the quarter.
- In Armenia, traffic was up 8.5%, supported by expanded airline activity, additional routes and higher frequencies. The new Wizz Air base at Zvartnots, launched in late 2025, continued to support connectivity with Europe. March was affected by regional disruptions related to the conflict in the Middle East, including flight cancellations due to airspace restrictions; however, the impact was more limited than initially expected.
- Lastly, traffic in Ecuador increased 7%, despite ongoing security concerns. International traffic was up more than 10%, supported mainly by higher frequencies to the US and continued activity on European routes. Domestic traffic also improved, although high airfares remain a constraint on demand.
- In sum, traffic growth in the first quarter was healthy and broad-based, with international demand continuing to be the key driver across the portfolio.

Turning to cargo on slide 5, we also delivered a strong quarter in our cargo business, with cargo-related revenues up 16% year over year, supported by solid contributions from Argentina and Uruguay.
On the volume side, results were mixed across the portfolio. Total cargo volume was up 1.7% versus last year, with growth in Armenia and Argentina offset by softer trends in Brazil, Italy, Uruguay and Ecuador.
Looking ahead, we remain focused on strengthening our cargo platform, improving our commercial capabilities, and continuing to capture growth opportunities across the network.
Let me now turn the call over to Jorge, who will review our financial results. Please, go ahead.

Jorge Arruda Filho
CFO & Head of Business Development

Thank you, Martin, and good day everyone. Starting with the top line on slide 6, total revenues, excluding IFRIC 12, increased 19%, nearly three times the 7% growth in passenger traffic. Most notably, total revenues grew by 16% in Argentina, 39% in Armenia and 31% in Brazil, with all other countries also posting double-digit growth. The 11% appreciation of the Euro and 10% of the Brazilian real, supported our U.S. dollar results. Revenue per passenger was up 11% to 22.7 dollars, compared with 20.5 dollars in the same quarter last year.
Aeronautical revenues increased 17%, led by Argentina and supported by broad-based growth across the portfolio. Argentina remained the largest contributor, with revenues up 18%, reflecting a strong 19% increase in international traffic volumes. Brazil, Armenia, Uruguay, and Italy also delivered double-digit growth, driven by solid passenger traffic trends across all four markets. Tariff increases in Brazil, Uruguay, and Ecuador also contributed to aeronautical revenue growth.

Commercial revenues were up 21%, well ahead of traffic growth. Higher contributions from fuel revenues and cargo, combined with solid growth across VIP lounges, Food & beverage, Duty-Free and parking facilities, supported this result. Notably, performance was consistent across the portfolio, with every country achieving double-digit growth.

Turning to Slide 7. Total costs and expenses, excluding IFRIC 12, increased 13%, well below revenue growth of 19%, supporting EBITDA margin expansion.
Cost of services were up 14%, largely due to higher fuel costs in Armenia, consistent with the expansion in fuel revenues, as well as higher Concession fees in line with revenue growth and increased Salaries and social contributions, mainly in Argentina.
SG&A expenses increased 19%, mainly reflecting higher Salaries and social contributions, and increased Service fees associated with our new business activities.
In Argentina, total Costs and Expenses increased just over 9% year-over-year, well below revenue growth of 16%. This reflects strong operating leverage, supported by sustained cost discipline and our continued focus on mitigating Argentine peso-denominated cost pressures, with inflation outpacing the Peso depreciation by 14 percentage points.

Moving on to profitability on Slide 8.
Adjusted EBITDA ex- IFRIC 12 was up 26% to 196 million dollars, with margin expanding 2.3 percentage points, supported by positive contributions from every country of operation and double-digit growth across the portfolio, except in Italy.
Strong momentum continued in Argentina, with Adjusted EBITDA up 28% and margin expanding 4.1 percentage points driven by strong international passenger trends and disciplined management of Argentine peso-denominated cost pressures.

Armenia also delivered a strong quarter, with Adjusted EBITDA up 34%, driven by robust revenue growth. Margin contraction during the quarter primarily reflected a higher contribution from the fuel business, which structurally carries lower margins than core airport operations.
At Brasilia Airport, Adjusted EBITDA increased 44% year over year, with margin expanding 3.7 percentage points, supported by strong traffic growth. Italy posted a 4% increase, or 10% when excluding construction services at Toscana Aeroporti Costruzioni. In Uruguay, Adjusted EBITDA increased 16%, while the margin remained relatively stable, as strong passenger trends were partially offset by higher Salaries and Maintenance expenses, as well as the appreciation of the Uruguayan peso, which also weighed on margins. Finally, Ecuador delivered a strong recovery, with Adjusted EBITDA increasing 16% and margin expanding 1.8 percentage points, supported by solid traffic trends and higher Duty-Free revenues.
The appreciation of the Euro and the Brazilian real as discussed above, also supported our U.S. dollar results.

Turning to Slide 9. Supported by strong cash flow generation, we closed the quarter with total liquidity of 772 million dollars, up 8% from 715 million dollars at year-end 2025.
Importantly, all operating subsidiaries generated positive cash flow during the quarter, with the exception of Italy and Ecuador, where capital expenditure and concession fee payments, respectively, weighed on free cash flow generation.
Investing activities contributed with 10 million dollars to our total liquidity position.
Finally, cash used in financing activities primarily reflected 27 million dollars in loan repayments, mainly in Argentina.

Moving on to the debt and maturity profile on Slide 10.
Total debt at quarter-end stood at 1.1 billion dollars, while net debt declined to 419 million dollars from 502 million dollars at year-end 2025. Supported by stable debt levels and cash generation, our net leverage ratio stood at 0.5 times.
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 Francisco Antranik Eurnekian Bonnarens
CEO & Director

Thank you, Jorge. On Slide 12, I would like to leave you with a few key messages.
Our first-quarter results reinforce the positive start to the year. Performance was broad-based, supported by international traffic growth, commercial execution and operating leverage across the portfolio. At the same time, our balance sheet remains strong, giving us flexibility to continue advancing on our growth strategy and enhancing shareholder return.
On the strategic front, we achieved an important milestone in Armenia, extending the concession by 35 years to 2067 and agreeing to a new 425 million dollars investment program. This plan will allow us to significantly expand our infrastructure, paving the way for sustainable growth in both passenger traffic and commercial activities, while further developing Zvartnots airport as an important regional hub. In Ecuador, the Galápagos extension and economic rebalancing further enhance our presence in the country. We also continue to advance discussions in Iraq and Angola following the Baghdad and Luanda awards, while selectively evaluating new tender processes and M&A opportunities. Across our existing operations, we remain focused on infrastructure upgrades and commercial initiatives that support better connectivity, an improved passenger experience and higher revenue per passenger.
Looking ahead, demand trends remain strong, particularly in international markets. Supported by our solid balance sheet, we are considering the introduction of a dividend policy as part of a broader framework to enhance shareholder returns, while preserving the flexibility to invest in our operations and pursue growth opportunities that create value. At the same time, we will continue to monitor geopolitical developments in the Middle East and any potential implications for traffic and airline capacity.
With that, we are ready to take your questions.
Operator, please open the line for questions.

Patricio Inaki Esnaola
Investor Relations Manager

Hello, everyone, and thank you for joining us today. This is Inaki Esnaola. Before we move to Q&A, I would like to note that Martin Eurnekian was unfortunately unable to join us live today due to travel delays impacting his return flight schedule. But fortunately, he was able to participate in the prerecorded portion of the call, and Jorge will now take over for the live Q&A session.
Operator?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Alejandro Demichelis from Jefferies.

Alejandro Anibal Demichelis
Jefferies LLC, Research Division

A couple of questions, if I may. The first one is, I think in the prepared remarks you were talking about kind of demand growth and so on. So are you seeing any kind of changes in demand across your portfolio because of the higher kind of fuel prices or kind of high airfare tickets. So any kind of insight that you can give us on that, that will be kind of very helpful.

And then the second one is you just announced kind of a potential framework for dividend. Could you please give us some indication of how we should be thinking about the dividend in terms of the distribution, what kind of payout ratio we should be thinking about and so on?

Jorge Arruda Filho
CFO & Head of Business Development

So on fuel prices and how that impacts our portfolio, according to the information we have in connection -- which is based on seat offer, we do not see so far an impact. There was an impact in Armenia in connection with the traffic with the Middle East that in the first few months of the year is down. However, more than compensating with significant growth with all other markets for Armenia. So, the overall number for Armenia is positive, despite the fact that the traffic, particularly with the Middle East, was down.

Overall, in the portfolio, again, we haven't seen an impact. We note that the majority of the airlines are hedged for several months, if not a full year, on oil prices. Obviously, we have been monitoring the situation. But again, so far, we haven't seen an impact.

In connection with dividend policy, as you can see in the numbers, we have been accumulating cash. Our portfolio of companies are performing well, are generating cash, and some of that being upstream to the holding company. So we are in the process of discussing internally and with our Board and at our Executive Committee a dividend policy, and we will get back to the market in the near term with our views on how we should -- how and when we should implement a dividend policy.

Operator

Our next question comes from Julia Orsi from JPMorgan.

Julia Orsi
JPMorgan Chase & Co, Research Division

So, two points on our side. The first one, can you provide more details on how the negotiations with Argentina and Italy are trending in the context of the renegotiation processes?

And the second one, thinking about capital allocation, there's still the Iraq and Angola process that's going on. But how should we think of your participation on the coming auctions? Is there anything on the pipeline in the short to medium term that is worth flagging to us?

Jorge Arruda Filho
CFO & Head of Business Development

In connection with Argentina, as we have noted in previous calls and interaction with investors and analysts. Discussions with the technical teams are largely concluded, and the key aspects have basically been agreed. The process requires a national decree, and as a consequence it involves several parts of the government, several public administration bodies. The process overall is confidential, but we'll continue to keep the market posted.

In connection with your second question, which is capital allocation, as we have reported in the past, we have recently been awarded on two concessions, for the Luanda Airport in Angola and for the Baghdad Airport in Iraq. In both cases the processes are moving, we have been having several interactions with the governments. The amount of equity required in these projects are marginal.

Other than that, we are looking at a handful of other opportunities that we consider are executable in the next 6 to 12 months. In none of them we believe that there is gonna be a large equity contribution, but however, all of them will bring a lot of value to our portfolio both, in terms of monetary, and strategic and growth perspective. Obviously, we will continue to keep the market posted, but in terms of capital allocation and new businesses, this is what it's in our pipeline.

Julia Orsi
JPMorgan Chase & Co, Research Division

Got it, thank you. And just to clarify, what's the latest on the Italy discussion?

Jorge Arruda Filho
CFO & Head of Business Development

We continued to make progress. There have been baby steps in terms of progress but in the right direction, and currently our local management believes that we should have all authorizations by year end. And therefore, be able to begin constructions.

Julia Orsi
JPMorgan Chase & Co, Research Division

Got it, thank you.

Operator

We have no further questions. I would like to turn the call back over to Jorge Arruda for closing remarks.

Jorge Arruda Filho
CFO & Head of Business Development

On behalf of Corporación América, I'd like to thank you for your participation in the call and for your questions. Myself, Inaki and Martin remain fully available if you have any further questions or doubts that you'd like to discuss with us. Thank you very much and have a great day.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.