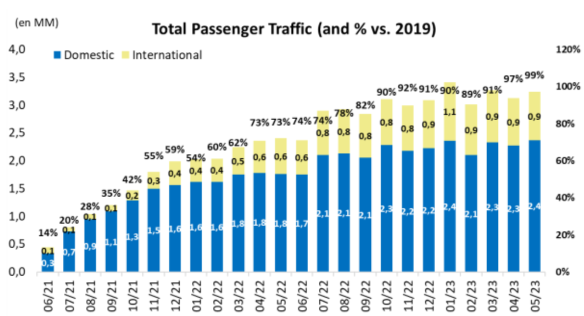
June 13th, 2023

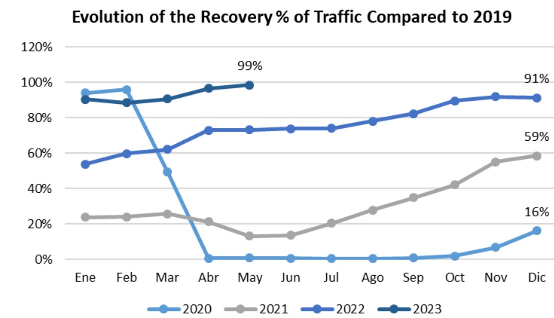
Aeropuertos Argentina 2000

The company holds the operating rights for 90% of Argentine air traffic, operating 35 of the most important airports out of the 55 that make up the National Airport System of the Argentine Republic. The company must allocate 15% of its total revenue to infrastructure projects as a concession agreement. The concession was granted in 1998 for a 30-year term and was extended in 2020 for an additional 10 years, expiring in February 2038.

The company is owned by Corporación América S.A., which directly holds 45.9% of the shares and indirectly holds 29.75% through Corporación América Sudamericana S.A., and 9.35% through Cedicor S.A. The ultimate beneficiary of 85% of AA2000 shares is the Southern Cone Foundation, which belongs to the Eurnekian family. The remaining 15% of shares are held by the National Government.

In 2020, the sector was undoubtedly one of the most affected by the pandemic. From March 2020 to October 2021, the level of airport traffic averaged 16% compared to the same period in 2019. Since then, operations have recovered and reached 99% of the historical peak recorded in 2019.





Source: Sekoia Research based on ANAC data.

Annual Results

Since 85% of revenues are adjusted to the exchange rate, the financial statements will be analyzed in dollars, using the average official exchange rate or the closing rate.

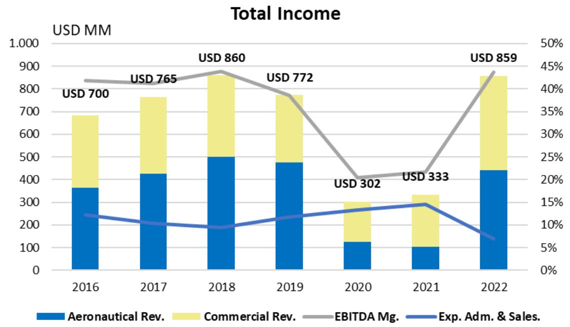
Airport operations are carried out through a scheme of "cross-subsidies." The profits and funds generated by some airports must subsidize the losses and investments of the others, causing the company to consider all airports as a single business unit.

Furthermore, AA2000 classifies its revenue into two segments: aeronautical revenue (including passenger fees, aeronautical parking, and landing fees), historically representing 60% of the total, and commercial revenue, representing the remaining 40%, including cargo transportation, commerce either inside or outside the duty-free zones, and parking fees.

In 2022, the company's consolidated revenue fully recovered from the operational stress caused by the pandemic, reaching USD 859 mm, an 11% increase compared to 2019. This recovery was associated with an 88% increase in passenger traffic. The company also benefited from increases in international fees, up to USD 57 mm, a 12% increase from March 2021, and a 240% increase in domestic fees from March

2022. Additionally, the company managed to recover bad debts.

The EBITDA margin reached 44%, representing a 500 basis points increase over 2019. This increase in margins was mainly driven by strict controls on administrative and sales expenses, which contracted by 34% compared to 2019.



Source: Sekoia Research based on Balance Sheet data.

Latest Results

The latest results correspond to the first quarter of the fiscal year ending on March 31, 2023. This period was marked by a strong recovery in international passenger traffic, increasing by 83% compared to the same period in 2022 and reaching 78% compared to the first quarter of 2019.

As a result, total sales reached USD 209 mm, a 48% increase compared to the first quarter of 2022 and a 15% increase compared to the same period in 2019, driven by an 80% increase in aeronautical and a 20% increase in commercial revenue. Administration and sales expenses decreased by 20% compared to the same period in 2019, resulting in an EBITDA margin of 46%. Finally, the net result decreased by 28% compared to 2019 due to income tax provisions and inflation adjustments, which offset the improved operating result.

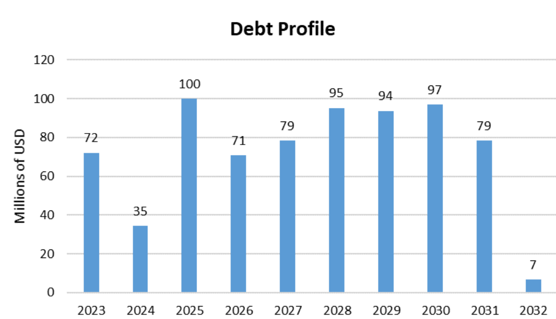
AA2000 (USD MM)	1Q23	1Q22	Var (%)	1Q19	Var (%)
Aeronautical Rev.	120	67	80%	116	3%
Commercial Rev.	90	75	20%	66	35%
Total Sales	209	141	48%	183	15%
Adm. Expen.	16	10	62%	20	-20%
Exp. Adm. & Sales.	8%	7%	65 bps	11%	(328) bps
EBITDA	97	64	50%	88	10%
Operating Income	74	42	74%	63	16%
Net Result	40	61	-33%	56	-28%
Operating Mg	35%	30%	516 bps	35%	52 bps
EBITDA Mg	46%	46%	50 bps	48%	(189) bps

Source: Sekoia Research based on Balance Sheet data.

Debt Profile

As of the latest financial statements, Aeropuertos Argentina 2000 reported a total financial debt of USD 731 mm, a 9% decrease compared to the first quarter of 2022. Dollar and dollar-linked bonds represent 94% while the remaining 6% is explained by bank loans. Thus, 65% of the debt is denominated in hard currency, and 35% is adjusted according to the official exchange rate.

In previous reports (see here), we described the successful renegotiation of the company's commitments during the crisis, significantly improving its debt profile. Since then, the company has paid off USD 17 mm corresponding to the syndicated loan. It has also had a great reception in the local pesos market with dollar-linked bonds with two issuances (USD 50 mm in total at a 0% rate).



Source: Sekoia Research based on the company's institutional presentation.

Furthermore, the company is in the process of redeeming preferred shares for a total of ARS 117,226 mm adjusted to inflation or USD 160 mm at the exchange rate as of March 2022, with a maturity date in December 2024. Since our last report, AA2000 has used USD 79 mm to pay off this obligation. Thus, net debt amounts to USD 572 mm, a 35% y/y increase. It is important to note that only 36% of cash is denominated in hard currency.

Nevertheless, the company has a strong operating cash flow. The EBITDA for the last 12 months is around USD 407 mm. Therefore, its leverage ratio stands at 1.4x. An acceptable level and close to the company's historical levels.

However, under a scenario of financial stress where the company is completely barred from accessing the FX market, the operational cash flow and cash position would be dollarized at the blue-chip swap exchange rate. Since 85% of its revenue adjusts to the official exchange rate and 36% of its cash position is already in hard currency, this would increase its net debt to USD 621 mm, reduce the annualized EBITDA to USD 377 mm, and leave the company with a net leverage ratio of 1.6x and an interest coverage ratio of 4.6x. In a worst-case scenario, the company would pay off debt at the blue-chip swap rate, but since its revenue remains tied to the official exchange rate, the debt ratios would still remain manageable.

AA2000 (USD MM)	1Q23	1Q22	Var (%)	1Q19	Var (%)
Total Debt	731	807	-9%	405	80%
Cash & Eq.	158	272	-42%	109	46%
Financial Invest.	0	112	-100%	0	-
Net Debt	572	422	35%	296	93%
EBITDA Annualized	407	125	225%	363	12%
Net Leverage	1,4	3,4	-2,0	0,8	0,6
Interest Annualized	82	66	25%	32	159%
Interest Coverage	5,0	1,9	3,1	11,5	-6,5

Source: Sekoia Research based on Balance Sheet data.

Bond	Currency	Coupon	Principal	Mty.	Min. Invest	Outstand. (USD MM)	Law
Class I Series 2017	USD	6,875%	Qtly inst from 2019	2027	150.000	19	NY
Class I Series 2020	USD	6,875%	Qtly inst from 2021	2027	130.000	79	NY
Class I Series 2021	USD	8,500%	Qtly inst from 2026	2031	1.000	273	NY
Class IV	USD	9,5%	Qtly inst from 2025	2028	150.000	62	NY
Class III	ARS	DL + 4%	At Mty	2023	1	30	ARG
Class V	ARS	DL + 5,5%	Qtly inst from 2027 + 33,4% at Mty	2032	10.000	138	ARG
Class VI	ARS	DL + 2%	At Mty	2025	10.000	36	ARG
Class VII	ARS	DL + 0%	At Mty	2025	1	20	ARG
Class IX	ARS	DL + 0%	3 install from 2026	2026	1	30	ARG

Source: Sekoia Research based on Balance Sheet data.

The most significant issuance is the one due in 2031, which is first guaranteed by international and regional airport usage fees and concession rights, and secondarily by assigned revenues from the cargo terminal. Additionally, the company has a specific resource allocation policy for the cancellation of this bond.

The bond has a minimum of 1,000 nominal units, pays quarterly coupons with an annual rate of 8.5%, trades at 92%, and offers a yield of 10.4% and a duration of 4.6. The amortization schedule begins in February 2026 with twenty quarterly installments.

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Source: Bloomberg.

Aeropuertos Argentina 2000 has a strong financial position with consistent and predictable cash generation. It is the only airport operator in the country and has broad international support. It is worth noting that the issuer of its debt is not Corporación América, the owner of other foreign airports, which ties the business risk to the local market. Having said that, the group's international business provides an additional appeal. Despite the complex domestic context, this bond is an attractive investment at current prices. Our fixed-income funds support this view with significant holdings in AEROAR 2031.

Best regards.

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