October 17, 2022

Aeropuertos Argentina 2000.

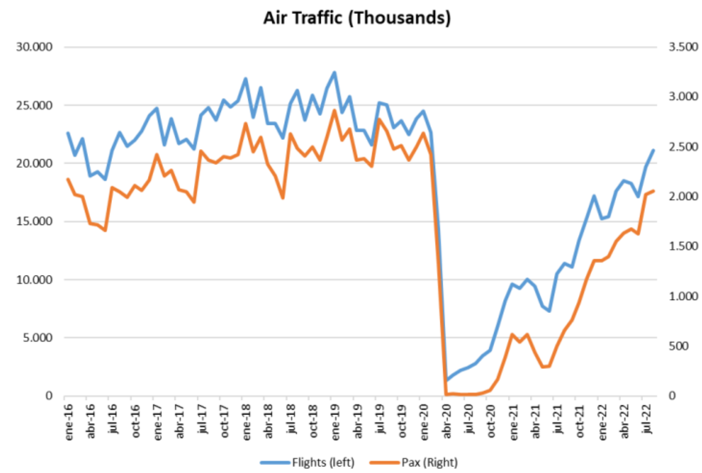
It was founded in 1998 after a group of companies was awarded a 30-year concession to operate Argentina's National Airport System. This concession was extended in 2020 for 10 more years. After the incorporation of both El Palomar and Rio Hondo airports, the company has the right to run 90% of the air traffic through the operation of the 35 most important airports within the 55 that make up the national system.

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

The sector where the company operates was undoubtedly one of the hardest hit by the pandemic crisis. In March 2020, a health emergency was declared with border closures and mandatory quarantine, among other measures, which reduced passenger transport to zero. Only in October 2020 did some of these measures begin to be relaxed. However, in March 2021 the situation worsened and the suspension of flights to and from high-risk countries was ordered. This limit was gradually extended until October 2021.

This second period saw a significant slowdown in the recovery of passenger transport and commercial flight levels, which remained at levels of 20% and 40%, respectively, compared to the same period in 2019.

As a result, the company went through 20 consecutive months with minimal or practically no activity. Since then, operations have maintained a steady recovery path reaching 77% in passenger transport and 84% in commercial flights compared to the same period in 2019.



Source: Sekoia Research based on ANAC data.

Annual Sales

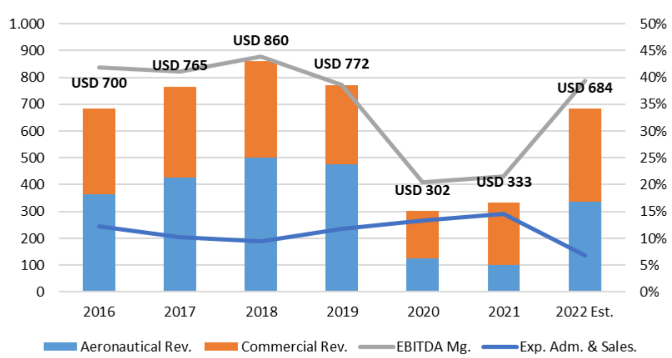
Since 85% of the company's revenues are adjusted to the US dollar, the financial statements will be analyzed in that currency to better understand the company's current situation.

Since the concession was granted under the "cross-subsidization" scheme, the profit generated by some of the airports must subsidize the losses and investments of the rest. In this way, the company takes all the airports as a whole. Even so, the origin of revenues can be classified into two segments: aeronautical revenues (including passenger, aeronautical parking, and landing fees) which historically represent 60% of the total, and commercial revenues, which include cargo transportation, stores inside and outside the duty-free zones, and parking lots. These represent the other 40% of revenues.

Until the outbreak of the pandemic, the company had a sustainable growth rate in total revenues averaging 9% per year, mainly due to the higher volume of passengers. At the same time, it maintained significant control over its commercial costs, which generated an EBITDA of USD 298 MM and an EBITDA margin of 39% in 2019.

Thus, in a conservative extrapolation of the results based on the 2019 scenario and including the cost reduction generated by the aforementioned crisis, the company could have a total revenue of around USD 680 MM in 2022, close to that obtained in 2016, but with better operating margins.

Total Revenues (USD MM)



Source: Sekoia Research based on Balance Sheet data.

Latest Results

The latest available results correspond to the first half of the fiscal year that ended on June 30, 2022. During that period, in addition to the recovery of air traffic, the tariff scheme for domestic passenger transportation was raised by 240% and import tariffs by 5%. Thus, total sales reached USD 331 MM, 152% more than in the same period of 2021 and only 7% less than in 2019. At the same time, it is worth noting the efficiency of commercial expenses which, in the same periodical comparison, fell by 1,100 bps and 300 bps respectively. Thus, the EBITDA closed at USD 154 MM and the EBITDA margin reached 47%.

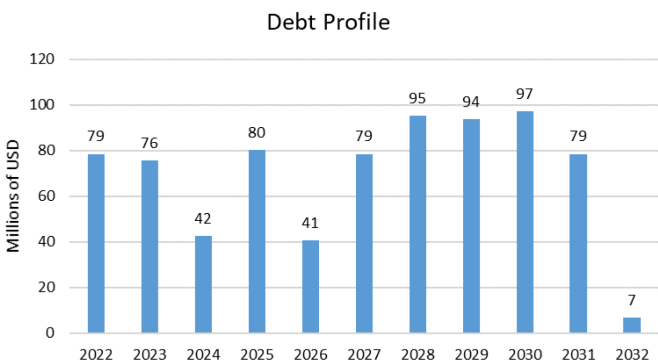
AA2000 (USD MM)	6M22	6M21	Var (%)	6M19	Var (%)
Aeronautical Rev.	163	37	345%	222	-26%
Commercial Rev.	168	95	77%	136	24%
Total Sales	331	131	152%	358	-7%
Adm. Expen.	16	21	-27%	27	-43%
Exp. Adm. & Sales.	5%	16%	(1.100) pb	8%	(300) pb
EBITDA	154	22	607%	163	-6%
Operating Income	105	-12	-	113	-7%
Net Result	179	-16	-	126	42%
Operating Mg	32%	-9%	4.200 pb	32%	-
EBITDA Mg	47%	17%	3.000 pb	46%	100 pb

Source: Sekoia Research based on Balance Sheet data.

Debt Profile

At the close of the latest financial statements, Aeropuertos Argentina 2000 reported total financial debt of USD 691 MM, up 35% year-on-year (y/y) and 74% compared to the same period in 2019. 90% of the debt is made up of corporate bonds, between hard dollar and dollar-linked. The remaining 10% are bank loans. Thus, 65% of the debt is denominated in hard currency and 35% is adjusted by the official exchange rate.

The COVID crisis involved significant liability management. In this way, the company was able to successfully refinance the amortization payments of the syndicated loan for USD 120 MM of which (at the date of preparation of this report) 62% has been paid. Likewise, it was able to achieve two refinancing of its secured Notes with 87% and 67% participation of the holders on each occasion. It also was well received in the local peso market (dollar-linked), accessing rates between 0% and 5.5%. Thus, the company significantly improved its maturity profile, as shown in the chart below.



Source: Sekoia Research based on institutional presentation.

On the other hand, despite the significant increase in total debt, the company's net debt is USD 479 MM, a growth of only 6% y/y. The stability of this metric is mainly due to the strong increase in its cash position and investments, which reported a 240% y/y increase. It should be noted that 63% of its cash and equivalents are denominated in dollars. At the same time, going back to our conservative estimate, it would give an annualized EBITDA of around USD 270 MM (the average EBITDA before the crisis was USD 310 MM). Thus, this would represent a net leverage of 1.8, close to the company's historical levels.

However, in a financial stress scenario where the company's access to the foreign exchange market is completely restricted, this would imply dollarizing the operating cash flow and its cash position at the free exchange rate or the blue-chip swap. Basically, the risk is the widening of the exchange rate gap together with new restrictions on access to the official exchange rate. In this regard, AA200 has 85% of its revenues adjusted to the exchange rate and 63% of its cash position in hard currency. This would increase its net debt to USD 518 MM and the annualized EBITDA level would be reduced to USD 208 MM bringing the net leverage ratio to 2.5x and the interest coverage to 3x.

AA2000 (USD MM)	6M22	6M21	Var (%)	6M19	Var (%)
Total Debt	691	513	35%	396	74%
Cash & Eq.	159	42	275%	61	159%
Financial Invest.	53	20	163%	0	-
Net Debt	479	451	6%	335	43%
EBITDA Annualized	270	72	274%	298	-10%
Net Leverage	1,8	6,3	-4,5	1,1	0,7
Interest Annualized	69	58	19%	38	82%
Interest Coverage	3,9	1,2	2,7	7,9	-4,0

Source: Sekoia Research based on Balance Sheet data.

As shown in the table below, AA200 has nine bonds. Five of them are in pesos at variable rates with interest payments and amortizations adjusted by the official exchange rate. As for its hard dollar bonds, the company has four issues, but as mentioned above, it restructured twice class I and made an extension through the issuance of class IV, leaving small holdouts in the "class I series 2017 and 2020".

Thus, the largest trading is in its bonds maturing in 2031. It is secured, firstly, by the international and regional air station usage fees and the concession indemnity rights, and, secondly, by revenues from the cargo terminal. The security has a minimum nominal amount of 1,000 and pays quarterly coupons at an annual rate of 8.5%, trades at 73%, and yields 14%. Amortization will be made in twenty quarterly installments starting in February 2026.

Bond	Currency	Coupon	Principal	Mty.	Min. Invest	Outstand. (USD MM)	Law
Clase I Serie 2017	USD	6,875%	Ctas trim dsd 2019	2027	150.000	23	NY
Clase I Serie 2020	USD	6,875%	Ctas trim dsd 2021	2027	130.000	86	NY
Clase I Serie 2021	USD	8,500%	Ctas trim dsd 2026	2031	1.000	273	NY
Clase IV	USD	9,5%	Ctas trim dsd 2025	2028	150.000	62	NY
Clase III	ARS	DL + 4%	A vto.	2023	1	30	ARG
Clase IV	ARS	DL + 5,5%	Ctas trim dsd 2027 + 33,4% a vto.	2032	10.000	138	ARG
Clase VI	ARS	DL + 2%	A vto.	2025	10.000	36	ARG
Clase VII	ARS	DL + 0%	A vto.	2025	1	20	ARG
Clase IX	ARS	DL + 0%	3 ctas dsd 2026	2026	1	30	ARG

Source: Sekoia Research based on Balance Sheet data. [1]

[1] Classes VII and IX correspond to the role of Class II post accounting period.

AEROAR 8 ½ 08/01/31

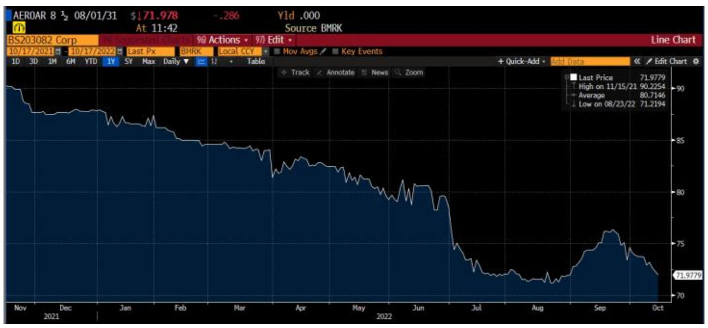
25) Bond Description | 26) Issuer Description

Pages: 11) Bond Info, 12) Addtl Info, 13) Reg/Tax, 14) Covenants, 15) Guarantors, 16) Bond Ratings, 17) Identifiers, 18) Exchanges, 19) Inv Parties, 20) Fees, Restrict, 21) Schedules, 22) Coupons, 23) Impact

Quick Links: 32) ALLQ Pricing, 33) QRD Qt Recap, 34) TDH Trade Hist, 35) CACS Corp Action, 36) CF Prospectus, 37) CN Sec News, 38) HDS Holders, 66) Send Bond

Issuer Information				Identifiers	
Name	AEROPUERTOS ARGENT 2000			FIGI	BBG01385L5T6
Industry	Transportation Services (BCLASS)			ISIN	USP0092MAJ29
Security Information				ID Number	BS2030820
Mkt Iss	EURO-DOLLAR			**Bond Ratings**	
Ctry/Reg	AR	Currency	USD	Moody's	Caa3
Rank	1st lien	Series	REGS	S&P	CCC+
Coupon	8.500000	Type	Fixed	Composite	CCC
Cpn Freq	Quarterly				
Day Cnt	ISMA-30/360	Iss Price		**Issuance & Trading**	
Maturity	08/01/2031			Aggregated Amount Issued/Out	
MAKE WHOLE @50.000 until 02/01/26/SINKABLE ...				USD	272,949.63 (M) /
Iss Sprd				USD	272,949.63 (M)
Calc Type	(77)PRO-RATA:PAR SINKS			Min Piece/Increment	1,000.00/ 1.00
Pricing Date	09/28/2021				
Interest Accrual Date	10/28/2021			Par Amount	1.00
1st Settle Date	10/28/2021			Book Runner	
1st Coupon Date	02/01/2022			Reporting	TRACE

ISS'D IN EXCH OF 00786PAC8/USP0092MAE32 AND 00786PAD6/USP0092MAF07.
COUPON CONVENTION IS MODIFIED FOLLOWING ADJUSTED.



Source: Bloomberg.

With great effort, the company was able to recover the financial soundness that characterizes it; it is the only airport operator in Argentina and has broad international backing. It is worth mentioning that the issuer of the bond is not Corporación América, owner of other international airports, so the business risk is local. Despite the complex international and domestic context, it is a security to hold in the portfolio at current prices. Our funds hold Aeropuertos Argentina 2000 bonds.

Best regards.

juan@sekoia.com.uy

ian@sekoia.com.uy

manuel@sekoia.com.uy

tomasmangino@sekoia.com.uy