ASUR

Q3 2025 Earnings Call Transcript

Operator

Good day, ladies and gentlemen, and welcome to ASUR's Third Quarter 2025 Results Conference Call.

My name is Latonya and I will be your operator.

At this time, all participants are in a listen-only mode. We will conduct a question-and-answer session toward the end of today's conference. If you would like to ask a question, please press star, then one. If you want to withdraw your question at any time, please press star, then two. If you're using a speakerphone, please lift a handset before making a selection.

As a reminder, today's call is being recorded.

Now, I'd like to turn this call over to Mr. Adolfo Castro, Chief Executive Officer. Please go ahead, sir.

Adolfo Castro

Thank you, Latonya, and good morning, everyone.

Before I begin discussing our results, let me remind you that certain statements made during the call today may constitute forward-looking statements which are based on current Management expectations and beliefs, and are subject to several risks and uncertainties that could cause active results to differ materially, including factors that may be beyond our Company's control. Additional details about our third quarter 2025 results can be found in our press release, which was issued yesterday after market close, and is available on our website in the Investor Relations section.

Following my presentation, I will be available for Q&A.

As usual, all comparisons discussed on this call will be year-on-year, and figures are expressed in Mexican pesos unless specified otherwise.

Before discussing our results, I would like to begin today’s call with an important strategic development.

As recently announced, we entered into a definitive agreement to acquire URW Airports for an enterprise value of 295 million dollars. This transaction marks a significant step forward in ASUR’s international expansion strategy, building on our established presence in the U.S. which began with the operation of the San Juan Airport in 2013.

URW Airports manages commercial programs at three of the most iconic and high-traffic airports in the United States: Los Angeles International Airport, with six terminals, Chicago O’Hare International Airport at Terminal 5 and the John F. Kennedy International Airport, covering Terminal 8 and the upcoming New Terminal 1. Together, these terminals process around 40 million enplanements annually.

This acquisition provides ASUR with a strategic foothold in three of the largest U.S. air travel markets and strengthens our position strengthens our position in the high-growth, non-regulated commercial segment of the U.S. airport industry.

The acquisition will be financed by JPMorgan Chase. As with all our strategic decisions, we are approaching this opportunity with the financial discipline and operational rigor that has long defined ASUR's execution. Closing is expected during the second half of 2025, subject to customary regulatory approvals. We look forward to keeping you updated on our progress.

Now turning to our third quarter performance. We served over 17 million passengers across our airports, with traffic remaining practically flat as continued growth in Colombia and Puerto Rico helping to offset persistent headwinds in Mexico.

Starting with Colombia, passenger traffic rose 3% to close to 5 million, supported by a solid 11% increase in international traffic and modest growth of just under 1% in domestic volumes.

In **Puerto Rico**, total traffic was up 1%, reaching over 3 million passengers. Growth was driven by international passengers, which increased nearly 12% year-on-year, offsetting a 0.5% decline in domestic traffic.

In **Mexico**, traffic declined 1%, to nearly 10 million passengers for the quarter. The decrease reflects softer demand in both domestic traffic, which was down nearly 2%, and the international, which saw a slight contraction of 0.3%.

Passenger volumes from the United States, our largest international source market, decreased just 0.2% while and South America contracted 7.2%. On a positive note, Canada and Europe increased by 9.3 % and 1.1% respectively.

Looking ahead, we anticipate a more balanced operating environment across our portfolio.

- In **Mexico**, we expect traffic to gradually stabilize over the next year as aircraft availability improves.

- In **Puerto Rico** and **Colombia**, we expect continued positive momentum supported by healthy international demand and improving connectivity.

Now turning to a review of our financial results. As a reminder, all figures exclude construction revenue and costs and comparisons are all year-on-year unless otherwise noted.

Mexico, at 70% of total revenues, posted a slight low single digit decline, with aeronautical revenues practically flat and non-aeronautical revenues down in the mid-single digits. Revenue growth was limited by softer passenger volumes and the stronger peso, which continues to weigh on the U.S. dollar-linked revenue streams.

Puerto Rico, at nearly 18% of the total revenues, reported revenue growth in the high single digits driven by increases of 5% in aeronautical revenues and 10% in non-aeronautical revenues. This performance reflects positive passenger traffic trends and sustained demand across commercial activities.

Colombia, which accounted for 12% of total revenues, delivered revenue growth in the high single digits, reflecting a mid-single digit increase in aeronautical revenues while non-aeronautical revenues were up in the high teens. This good performance was supported by passenger traffic growth and solid commercial performance, partially offset by a strong Mexican peso.

Continuing our ongoing focus on commercial development, we added 45 new commercial spaces across our airports over the last 12 months, including 31 in Colombia, 8 in Puerto Rico, and 6 in Mexico. This supported a low single digit increase in commercial revenues, as solid growth in Puerto Rico and Colombia was partially offset by a weaker performance in Mexico.

On a per-passenger basis, commercial revenue rose 1% to 126 pesos. By region, Colombia led with a 14% increase, followed by Puerto Rico up 10%, while Mexico posted a 4% decline reaching 144 pesos per passenger.

Turning to costs, total expenses were up nearly 17% year-on-year. By region, Mexico posted a 4% increase, largely due to higher minimum wages and service costs. Puerto Rico reported expense increases of nearly 8%, reflecting inflationary pressures and higher operating activity. While in Colombia costs increased 76% mainly driven by an adjustment in the amortization method of the concession. Without this, the increase would have been 5.4%. Lastly, in Puerto Rico and Colombia, costs benefitted from the appreciation of the Mexican peso against both the U.S. dollar

On the profitability front, **Consolidated EBITDA** declined just over 1% year-on-year to 4.6 billion pesos in the quarter. Puerto Rico and Colombia delivered EBITDA growth, up nearly 5% and 10%, respectively, while EBITDA in Mexico declined close to 4%, mainly reflecting lower traffic and higher operating costs.

The **Adjusted EBITDA margin**, which excludes construction-related revenues and costs under IFRIC 12, declined by 157 basis points to 66.7%. This reflects lower margin contribution from the Mexican and Puerto Rico operations, where the margin contracted 152 and 151 basis points, respectively. In contrast, Colombia reported an 81-basis point margin expansion.

Our **bottom line** this quarter was negatively impacted by the appreciation of the Mexican peso against the U.S. dollar which resulted in a foreign exchange loss of 1 billion pesos compared to the reverse effect during the third quarter of last year. Profitability was also affected by the 333 million pesos adjustment in the concession amortization method in Colombia I just explained.

Now moving on to our balance sheet. We closed the quarter with a solid cash position of 16 billion pesos, down 19% from December 31, 2024, primarily reflecting dividend payments made during the period. Our net debt-to-EBITDA ratio remained at a healthy 0.2 times.

In terms of capital deployment, in September we paid an extraordinary dividend of 15 pesos per share funded from retained earnings. Note that in November we will be paying an additional dividend of 15 pesos per share each.

Lastly, we invested close to 1.9 billion pesos during the quarter, primarily directed to projects at our Mexican airports, including the reconstruction and expansion of Terminal 1 at Cancún Airport and the terminal expansion in Oaxaca. In Puerto Rico, we progressing on the new pedestrian bridge for Terminal A, while in Colombia we invested in maintenance capex.

In closing, our third quarter results reflect the resilience of our multi-country platform and the value of our disciplined execution amid a more tempered demand environment. While traffic in Mexico continues to face near-term headwinds, we are encouraged by the ongoing momentum in Puerto Rico and Colombia. We remain focused on advancing our commercial strategy, investing in infrastructure, and maintaining a prudent financial profile.

This concludes my prepared remarks. Latonya, please open the floor for questions.

Operator
Thank you. We will now begin the question-and-answer session. To ask a question, dial in by phone and press star then one on your telephone keypad. Please be sure your mute function is turned off and if you are using a speakerphone, please pick up your headset before pressing the keys. To withdraw your question, press star then two. At this time we will pause

momentarily to assemble our roster. Thank you. Our first question comes from the line of Jens fees with Morgan Stanley. Please proceed with your question.

Thank you. We will now begin the question and answer session. To ask a question, dial in by phone and press the Star, then 1. On your telephone keypad, make sure your mute function is turned off and if you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press the star, then two. At this time, we will pause momentarily to assemble our roster. One moment. The first question comes from Rodolfo Ramos with Bradesco BBI. Please proceed.

Rodolfo Ramos, BBI
Good morning, Adolfo. Thanks for taking my question. I have a couple, if I may. The first one is in regards to the URW acquisition. Can you shed a bit of light on the economics, revenue per tax, how much EBITDA contribution you're expecting from these assets on annualized basis? And the second is on Colombia. Can you elaborate on this adjustment to the concession amortization method that we saw during the quarter? Was this a one off or should it be a new level going forward? I don't know if it has to do something with the economics of your concession title there. Thank you.

Adolfo Castro
Hi, Rodolfo. Good morning. Thank you for your questions. In the case of URW, I cannot yet share numbers with you until all of this is approved. In the case of Colombia, basically what we have done is to change the amortization method, because in accordance with our estimates, during 2027 we will not receive regulated revenues anymore and the concession should be over by 2032. So we are aligning the amortization in accordance with the revenue generation there. It´s not a one off; it's going to be from now the same level.

Rodolfo Ramos, BBI
Thank you, Adolfo

Adolfo Castro
You're welcome.

Operator
The next question comes from Anton Mortenkotter with GBM. Please proceed.

Anton Mortenkotter, GBM
Hi, Adolfo. Thank you for the call. I wanted to follow up a little bit on URW. I understand you cannot discuss the financials, but leaving that aside, it seems like a great way to gain some strategic insight into the consumer that goes from your airports to the U.S. I just was wondering if you could discuss a little bit what kind of synergies you see, or what is the strategic rationale behind this acquisition. Thank you.

Adolfo Castro
Thank you, Anton. Well, basically, the most important for us is to put a foot in the US market. The US market represents 22% of the aviation market of the world, and these terminals are extremely important for the US market. So putting our name there, it's extremely important. And this should be the platform for future growth in the United States, probably in the same kind of contracts that we are entering right now. That is the most important thing.

Anton Mortenkotter, GBM
Perfect. Thanks.

Operator
Thank you. Our next question comes from Andressa Varotto with UBS. Please proceed.

Andressa Varotto, UBS
Hi, Adolfo. Thank you for taking my question. I have two here on my side. The first one is about Motiva Airports that are for sale. We've been seeing in the news flow that Asur is one of the candidates interested in this airport. So just wondering if you could provide some more information. If you're looking, for example, at all of the airports or just a subset of them, and how would the company finance this? And my next question is regarding the traffic trends that you've been seeing for Mexico. We've been seeing recently on news that Tulum airport has been facing some cancellations. And if you think that this could help Cancun Airport in the near future. Thank you. These are my two questions.

Adolfo Castro
Thanks and good morning. In the case of Motiva, I cannot comment. In the case of the traffic trends, what I see today is a slow recuperation in the domestic market because of Pratt and Whittney engines. This is something that should improve, in my opinion, during the next year. For the moment, the traffic is really weak and demand is weak in the case of the region. If we see Cancun and Tulum together for the first eight months of the year, and I'm saying eight months because that is the latest public figure. For the case of the airport of Tulum, the traffic for the region is a decrease of 3.1. If we go to the latest month that has been published for the case of the airport of Tulum, which is the month of August this year, August versus August last year, the traffic of the region was a decrease of 5.1%. So the traffic is strong nevertheless of what you are seeing in terms of the recent cancellations to the airport of Tulum.

Operator
Thank you. Our next question comes from Pablo Ricalde with Itau. Please proceed.

Pablo Ricalde, Itau
My question is related to the new Terminal 1 in Cancun. Is it still expected to be opened around Q326, or there are delays in the construction of that one?

Adolfo Castros
Pablo. Hi, good morning. What we are expecting is to open this new facility during the third quarter of 2026.

Pablo Ricalde, Itau
Okay, so as expected.

Operator
The next question comes from Gabrielle (Uninteligible) with Deutsche Bank. Please proceed.

Gabrielle (Unintelligible), Deutsche Bank
Adolfo, thanks for the call. Just two questions. First, is there any way or somehow that capacity allocation from carriers has been shifting from Cancun? And the second one is if the decrease in traffic could somehow make the pace of rising the tariffs toward the maximum tariff faster for either this year or next year. Thank you.

Adolfo Castro
Well, in terms of capacity, we are not seeing a shift in capacity. What we are seeing basically is weak demand, as I said, from domestic traffic resulting from Pratt and Whitney and some other elements. And in the case of the US, the numbers for the quarter is a 0.2% increase, which is small, but it's the largest market we have. Let's see how the winter comes. I hope the winter will be very strong in the northern part of the Americas, and then they the positive side is the case of Canada, which is up for the quarter, And I hope that it will be up during the fourth quarter as well.

Gabrielle (Unintelligible), Deutsche Bank

Okay, thank you. And in the case of the traffic that has somehow decreased, that could accelerate the pace on which tariffs are increased up to the maximum tariff?

Adolfo Castro
No, I don't see that in our maximum tariff compliance. This year should be similar to what it was last year, so more than 99%.

Gabrielle (Unintelligible), Deutsche Bank
Okay, thank you.

Adolfo Castro
You're welcome.

Operator
Once again, to ask a question, please press Star one at this time. One moment. At this time, we'll turn the call back over to Mr. Adolfo Castro for closing comments.

Adolfo Castro
Thank you. And thank you all of you again for joining us on our conference call for the third quarter 2025. We wish you a good day and goodbye.

Operator
Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a great day.