

Groupe ADP IR Call Transcript

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Prepared remarks

Cécile Combeau – Head of Investor Relations & Financial Communication – Groupe ADP

Good morning, everyone, this is Cécile speaking, and I am here with Elliott by my side.

Thank you for being with us for this pre-close group call with sell-side analysts covering Groupe ADP stock.

The format is the same in previous quarters: our objective is to summarize and discuss key public information & business trends before entering the quiet period, during which Groupe ADP refrains from communicating with the financial markets.

Bearing in mind that ADP confirmed two days ago that the operational and financial forecasts for the first half of 2025 are solid, and we reaffirmed our assumptions and financial guidance for the full year, we will try to be concise this morning, while maintaining our objective of comprehensiveness of such pre-close call.

We will be aiming for a call duration of around 30min. Elliott and I will go through prepared remarks for about 10-15 min and we will carry out a short Q&A session. We wouldn't be surprised if you have no remaining question, but as always, we will be happy to answer any residual topic you would like us to address.

As a reminder, we are here to only discuss information that is already public or available. The call will be recorded, and a written transcript will be made available on the company's website. In addition, we invite you to read the pre-close reminders that are available on our website and were sent to you yesterday by Elliott.

As usual, we will not address any material non-public information, nor answer questions related to non-public information. And nothing in what we will say should be taken as guidance in any way.

And so, let's start with short comments on traffic:

So at the end of May, traffic in Paris totalled close to 42 million passengers, up 4.6% compared to the first five months of 2024 and we will release June traffic numbers on the 16th of July.

In terms of outlook for the full year – we continue to see traffic in Paris growing 2.5% to 4% compared to 2024.

Regarding traffic with the US: we see no major divergence with our initial assumption at this stage.

Regarding traffic with China: Nothing new for several quarters. Continuing to expect recovery rate of around 70% compared to 2019 passenger traffic.

Regarding Middle East traffic, I remind you that traffic with this region globally accounted for approximately 5% of total traffic in 2024, and within that: traffic with Israel, Lebanon & Jordan together accounted for less than 1.5% of Paris traffic in 2024 - Traffic with this group of countries was down 25% vs. 2023 due the conflict in Israel. Traffic with countries like Iran, Syria, or Iraq was already null or negligible. And last: traffic with the

Gulf States (UAE, Saudi, Qatar) represented 3% of Paris traffic up 15% compared to 2023, not impacted by the conflict.

So again: overall traffic recorded so far, known flight schedules and capacities are consistent with our traffic growth assumptions for 2025.

Turning now to TAV airports.

So within TAV traffic grew 4.8% in the first five months 2025, to 36 million pax. As already highlighted before, the first quarter of 2024 was atypically strong at TAV, helped at the time by a mild winter in Turkey, providing a tougher comparison basis, while conversely this year's winter conditions were bad and affected domestic traffic in Turkey.

Focusing now again on the exposure to Middle East traffic, which is an area of question that we're getting from some of you: for TAV, this traffic is higher to what it is in Paris in relative terms, at around 13% of international traffic and I am speaking here of 2024 numbers. However, this is also largely driven by Gulf countries and other unaffected areas, so the overall impact has been limited so far.

So overall, TAV is expecting traffic in 2025 between 110m to 120m pax which is 3.5 to 11.5% higher than the 106.5m pax in 2024.

In other International assets, we also have AIG Amman Airport in Jordan, where the situation is more sensitive, due to the country's geographic location between Iran and Israel.

More than half of AIG's traffic is linked to the Middle East, especially the Gulf and neighbouring countries.

As a general comment, you also have to note that VFR traffic - visiting friends and relatives - from the Jordanian diaspora has shown strong resilience over the past 18 months, whereas leisure traffic remains more exposed to geopolitical developments.

And beginning of June, for instance, European low-cost carriers suspended their routes, while Royal Jordanian and other Middle Eastern carriers continued to operate, apart from, of course, temporary closures during specific airspace restrictions that we saw.

Last, about traffic, I will speak about GMR Airports.

After a good start to the year, traffic within GMR Airports was up by less than 1% in the month of May, reflecting mainly the impact of the conflict with Pakistan beginning of May.

Since then, measures taken by Air India following the crash as well as also some work on runway 10/28 in Delhi are expected to weigh on traffic this summer, especially in Delhi as you understand.

So that was for traffic, and I will now hand it over to Elliott to comment on revenue per segment.

Elliott Roch – Investor Relations & Financial Communication Manager – Groupe ADP

Thank you Cécile, Good morning everyone. I will start with the aviation segment.

Regarding regulated tariffs in Paris: you know that H1 2025 tariffs are 4.5% higher than in H1 2024.

Regarding security & safety revenues:

You know this activity is a cost pass-through, with our expenses being partially covered by the French State. As per the Finance Law for 2025, the State coverage of such expenses has been reduced from 94% to 92%, generating an additional shortfall estimated at around € 12 million of those revenues for this year.

Moving to Retail, we can confirm our outlook for spend per pax in 2025, between 4% to 6% above the level recorded in 2023, meaning between 31.8 to 32.4€ in 2025.

No specific sign at this stage that the euro appreciation against USD challenges this outlook. We will monitor closely.

Regarding the segment financials: I will highlight a few base and scope effects, on which you have full details in the pre-close reminders.

On retail activities, three positive effects that come on top the underlying performance: the reclassification of SDA Croatia here, from the international segment; the integration of Paris Experience Group and P/S after their acquisition at the end of 2024; the reclassification of all hospitality activities from the other income line, albeit this does not move the segment's topline.

About the other income line, you should expect a decrease from: the reclassification I just mentioned; the unfavourable base effect from the Olympic partnership revenue recorded last year, leading to a € 17 million hit in H1, and in the FY as well; finally, lower revenue from re-invoicing of works related to Line 14, now that this project is delivered.

In the other businesses, no new messages from our last calls: car parks are facing headwinds, with changing modal habits, notably since the opening of Line 14 in Orly. Industrial services are mostly related to the infrastructure status. So given our airports are now fully-open since last year, no major driver to flag here.

Moving briefly to real estate. Again, no new message here. Revenue was up 7% in Q1 2025, with rent indexation remaining supportive and new assets contributing.

Now on international assets.

Two small scope effects to remind you in the segment: first, the disposal of ADP Ingenierie in 2024, which therefore doesn't contribute in 2025, versus its revenue of around € 12 million in H1 2024 ; also, as mentioned earlier, the reclassification of SDA Croatia in the Retail segment, with a negative effect of around € 10 million in H1 2025, but being neutral for the full-year.

At TAV Airports: as Cécile explained, Q1 saw challenging comps. Nonetheless, TAV's performance remains solid and well in line their revenue guidance for the year, which stands at €1.75bn to €1.85bn (i.e +5% to +11%). This is driven in part by their airport assets, but also largely by their services companies, growing faster.

On AIG: As Cécile explained, traffic recovery was strong as of May-end, so one can expect a strong performance of AIG in H1, while H2 remains uncertain given the geopolitical context.

Going further down into our P&L, I'll hand over the floor back to Cécile.

Cécile Combeau – ADP

Thank you. So yes, we confirmed earlier this week that the operational and financial estimates for the first half of 2025 are solid, and we reaffirmed our guidance for an EBITDA growing at least 7% in 2025 compared to 2024.

I will factually remind that this target was set in February 2024, before the acquisition of PS and PEG. It is expressed on a like-for-like basis, and the modest contribution of these two entities will come on top.

In February 2024, when we set this guidance, the security cost coverage was 94%. As reminded by Elliott, we now bear an additional burden of € 12 million – shortfall at revenue level.

You will also remember the one-off gain of € 26 million recorded in the second half of 2024, for the return of some real estate assets in full ownership in Paris creating here as well an unfavourable comparison basis - when modelling the full year numbers, you will have to take that into account.

Below EBITDA: As announced on Tuesday, we expect negative impacts at net income level in the first half of 2025: Between € 90 to 110 million for the recognition of non-cash charges linked to FX and between € 60 to 70 million for the surplus of income tax with no change in the overall expectation regarding this tax, but as you understood a higher weight on the first half compared to the second half.

I will finally also highlight the impairment reversal that was booked in the first half of 2024 relating to the extension of AIG concession for Amman Airport, which creates an unfavourable comparison basis of € 61 million at net income level.

So we will leave it there, and give you the floor to open the line for questions. You can use the "raise your hand" feature if you have one. It's a Teams call, so the line is open. Thank you.

OK, so I think I understand that there are no remaining question. So we will leave it there. Thank you again.

We have one question from Graham. Please go ahead.

Q&A

Graham Hunt – JEFFERIES

I'll ask one, as no one else is maybe - can I ask just on the ERA process. I think you mentioned on the call earlier this week or it was mentioned on the call that you expect an estimate from the regulator early 2026 on the WACC that could be used for the ERA. Could you just remind us sort of what the timeline or what the next steps? So you'll have issued your plan at the end of this year, the WACC at the beginning of 2026, then the next steps between that? And are there any clear milestones that we should be thinking about in 2026 before the implementation earliest 2027?

Cécile Combeau - ADP

Yes, thank you, Graham. So indeed our objective is to publish a proposal of ERA at the end of this year.

According to the usual process in parallel, you need to keep in mind that we will have to manage the tariff for 2026. So it's a parallel element, but which gives also some indications around where the regulator stands in terms of regulated WACC. The timing for the 2026 tariff process will be the usual annual tariff process, meaning that normally we submit the proposal during the fall around the month of October. And we get the views of the regulator at the beginning - I mean, there is a decision made public at the beginning of the next year, so beginning of 26.

So coming back to the process of ERA, so we aim to submit the proposal of economic regulation agreement towards the end of this year. And according to the process to set up a ERA, the regulator will give a non binding indication approximately 2 months or within two months we will have made public the proposal. This is something new compared to the previous economic regulation agreement processes, because thanks to this non-binding indication from the regulator, we will have a better view around how we should continue the negotiations and if we have to make some adjustments. Objective is then to have the negotiation along 2026, and then to sign the contract at the end of 26. As you know, to sign the contract, the French state, which is the party with which we will sign this contract, the French state has to obtain the green light, meaning a positive binding indication from the regulator.

And so this is expected to be towards the end of 26 so that we have a contract in place starting at the beginning of 2027.

Graham Hunt – JEFFERIES

Got it. Thanks. And maybe I'll just ask one follow up on the scope changes that you detailed on revenue for retail this year, but is there any indication you can give us on the profit effects like M&A I think you've spoken to? But just the reallocation as well, is there any guidance you can give in terms of the scope impact for EBITDA level. Thanks.

Elliott Roch - ADP

Well, the three scope effects into the retail activities are: first as I mentioned SDA-Croatia moving from the international segment. So, this is a business which makes a revenue about €10 million in H1 last year, and it's a retail activity : so you can expect fairly modest margin and again this one has been reclassified at the 2024 results. So, it's only an effect in H1, not in the full year results.

Then the most important one is indeed the acquisition of PS and PEG as Cécile mentioned. As we mentioned in the past: their combined revenue before the acquisition was €150 million back in 2023. Those are services companies, so obviously with fairly low margins. And PS is not a fully mature company as well. So again, they have a modest contribution that's supportive to the EBITDA, but not something that is huge, given those elements.

And lastly, it's a very small one. The reallocation between some lines into the segment. It's of hospitality activities. It doesn't move anything at the top line level and consolidated EBITDA.

Graham Hunt – JEFFERIES

Yeah. Thanks very much. Thanks for hosting the call.

Cécile Combeau – ADP

Christian, I see that you raised your hand. Please go ahead.

Cristian Nedelcu - UBS

Yes, thank you very much. Just could you remind us on OpEx for Paris, how we should think about it this, this? They're - like number of employees growing wage inflation, subcontracting, electricity, if you can remind us. And I guess the similar on the CapEx, I know you reiterated the guidance for the last few years you've been spending less than planned. So if you can remind us the method there uh for this year, next year. Thank you.

Eliott Roch - ADP

Well, maybe on the last point on the CapEx: our guidance is slightly different from the one from last year. But indeed we've confirmed it. The outlook is in Paris of actually up to €1 billion capex for ADP SA, the mother company. And for the group level, about up to € 1.4 billion capex.

Regarding OpEx, we have no new message to flag. Um. You mentioned first on energy costs. You know our pricing mix has been secured for the year and we did not flag it to be a major driver for this year in terms of cost, it's less of a challenge than in the previous years.

On subcontracting, you know that last year we had to renegotiate about 40% of our contracts, so leading to a step up in some of those during last year and this year as well, to step up with recent inflation over the past few years. But clearly the costs are not expected to be as dynamic in 25 as they were in 24. We don't have the costs related to the Olympics. You know that we had 41 million of OpEx directly related to those plus € 17 million, part of those were offset but there was still 16 million net impact from Olympic related costs.

And lastly, you mentioned the labor costs. No, there is just the ordinary salary increases to be expected this year. We'll continue some recruitments in some key areas, but the dynamics are less high than in 2024.

Cristian Nedelcu - UBS

Thank you very much.

Cécile Combeau - ADP

Thank you.

Seems there are no other question

All right. So well, thank you again for taking the time to listen to us again today. If you if you still have any question, of course we are still available today and until Monday, which will be the start of the quiet period.

So as every quarter we kindly ask you to share your latest estimates. Elliot just sent you yesterday the spreadsheet to be filled in. Some of you already started. Thank you in advance for your contribution and we will aim to share the consensus on our website about 10 to 15 days ahead of the results.

And then publication on the 30th of July, as you remember and conference call with the management on the 31st of July at 11 Paris time.

So thank you again for your time and your input. We really appreciate the dialogue. Thank you. Enjoy the rest of the day. Bye.

Forward looking statements

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