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VINCI SA (DG.FR)

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MANAGEMENT DISCUSSION SECTION

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

So good morning to you all. Thanks for joining us this morning for the Presentation of our 2023 Annual Results. It's a rather special presentation too, if you'll recall. Jean-Christophe Lefèvre-Moulénq is attending for the last time, and I'm sure later we will express our affection to him. For 35 years, he's been following the construction business in general, and VINCI, for 30 years, we should almost have hired him. Christophe, we're going to miss you, but you'll no doubt come back and attend our various meetings.

So just a few words on the photographs you recognized on the cover page, the preferred stadium of the French people. We're proud of it because we built it together with Bouygues. We know we've been operating it for over 25 years. It's a 30-year concession. It's probably including globally the stadium that will have hosted the greatest density and diversity of major events. You all attended the Beyoncé concert in 2023, the Rugby World Cup in 2023. You're all going to attend the opening or closing – closing ceremony of the games to be held at the Stade de France, as well as that of the Paralympics. We're extremely proud of this and have been present in the group since its existed under the name of VINCI. And it's an asset to which we're particularly attached.

And this shows that the amendment pertaining to the Western bypass of Montpellier, that underwent a few difficulties, is now back on track. The amendment was approved at the end of last year. We're going to be able to start the work keenly awaited by the local population. There are people sometimes who are against it, but essentially widely awaited by the locals.

And this is just to illustrate the fine success of VINCI Airport. The Dominican Republic has granted it a 30-year extension of the concession that will run through to 2060. This is an asset that we've been managing since 2016, which was expiring in 2030. We've extended terminals, re-certified environment projects, a new terminal on Las Américas Airport, Santo Domingo. This, of course, was useful in convincing the government that it made sense to team up with us through 2060.

A symbolic shot of our resolve to roll out highways beyond French borders. We acquired, with a closing in May 2023, Entrevias, managing 570 kilometers of highway in São Paulo. And section after section of this dual carriageway, that was inaugurated for two new sections very recently.

Next, VINCI Energies signed with SENELEC, the Senegal power authority, a fine project. 1,350 kilometers high-voltage power lines with the transformer substations to offer universal access to electricity. This success, hence the photograph, is a fine example of what we call networking, the ability of the various entities to come together to deliver successes. Of course, local teams here, but great many French teams through French BUs and also Moroccan BUs. It's the addition, the combination of these three strengths that allowed to achieve this fine success.

Still, HV lines, this time Cobra in consortium with two partners. One a significant PPP, 35 years on the design, financing, building, operation and maintenance of several hundreds of lines of HV and associated substations to collect green power from new fields inland to deliver it to the coast, where the major consumers are New South Wales, Australia.

It's also important to show you this one because it's part of Cobra specialties. Cobra was a pioneer in PPPs awarded in Brazil for HV lines. They've won and delivered about 20,000 kilometers, maybe 22,000 kilometers over the past 20 years. This is symbolic because it's proof positive for need for the energy transition. As such, the public purse isn't enough. Number of countries before Brazil, now Australia, a number of countries use this to accelerate this transition and to muster private money through PPPs.

We think this PPP model is going to continue to be rolled out on the energy front, perhaps not on all countries, maybe not in France, but in many countries worldwide. And we're, of course, very comfortable with this concept because PPP is what we do well. And engineering, the building and maintenance of HV is a specialty, both of VINCI Energies and Cobra.

But in the interim, before the world has reached a fully electric world, we'll have to continue to use for a while transition energy, gas, LNG. We need producers, storage tanks. We got a real expertise through VINCI Construction in the engineering, building of cryogenic tanks for LNGs. We built the three tanks shown on this photograph, and the client for design and build entrusted us with a fourth tank here in Rotterdam.

And an artist's view of a wonderful joint and intergenerational project given by VINCI Real Estate in downtown Angers. It's both mixed and intergenerational. It's a big tree, a lot of plants everywhere. It's got a nursery, a senior residence, urban B&B, rooftop offices, vegetable garden for those interested, and, of course, housing units with the under relating terraces that you see with wall-to-wall plants. So this is really just to get a better understanding of the group that's sometimes a bit difficult to understand. It's not a sense of that is VINCI.

So to return to our 2023 performance, they can be described as excellent, very good quality, revenue and earnings are sharply up, once again reaching record levels. We continue to expand internationally. That was clearly our road map by the past. International now accounts for 57% of our activity.

Free cash flow, as Christian will agree, has reached an outstanding level, exceeding all expectations, including our own net financial leverage is sharply down. Cherry on the cake, order intake has renewed very satisfactorily. So we're confirming this year-after-year. Collectively, we're very resilient for two main reasons. The first is that we got the right value-creating model in the three business lines: Concessions, Energy, Construction. But we also have the right organization and management model, which means that we are a community of entrepreneurs, very involved, agile, as seen during COVID, but also extremely rigorous and constantly seeking the right balance in the three dimensions that achieve global performance, economic, environmental and social.

In particular, this year confirms and illustrates the opportunities that lie ahead with the very powerful drive on the back of the **energy environmental transition**. And all our activities were directly involved in what is happening regarding the future of the planet. It's a **central challenge for our businesses** today. We're convinced that it will be **increasingly so and increasingly defining for our businesses** going forward. I decided that the leading thread of my swift presentation will be this **economic and energy and environmental transition**.

So in Concessions, **low-carbon transport infrastructure is the precondition** so that we can **continue to move about, travel, ship goods**. And of course, the **mobility needs have never been so high worldwide**. And since **transport represent a significant share of CO2 emissions**, the world won't achieve a net zero if it doesn't look at **de-carbonizing mobility**. It's our conviction. That's what VINCI Autoroutes is with the **low-carbon highway initiative, making available charging stations for passenger vehicles**. That's now done.

There are charging stations everywhere across all the service areas of VINCI Autoroutes, **trialing dynamic recharging by induction or rail in the ground**. It's being trialed on two sections of the A10 just outside Paris. And once we get the results, that is around 2025, we'll have to find the ways and means in conjunction with other stakeholders and the state if it's smart to roll this out across certain corridors so that a particular truck, but not only can partially recharge on the road, offering trucks with electric batteries that are lighter because some of the electric power is captured on the road.

VINCI Highways, car sharing, car parks and multimodal interchanges to promote shared mobility. So with all this equipment, we have pretty much what it takes. When I say that the e-charging stations on the areas everywhere, you might think that the job is done. We can move on to something else. But in fact, we're only at the beginning of the story. **We're going to have to massively increase the number of this infrastructure. When we look at the need for charging stations, the day e-mobility has reached maturity, it's about 7 times more charging stations, probably even more than 7 times in terms of power because the stations will be high power**. We're only at the beginning of the process. And let's not think that because we see these charging stations everywhere, it's just the beginning of the process. We'll need a great many more. Ditto for intermodal, interchanges or car co-sharing platforms to boost mobility investment.

If we really want **to achieve low-carbon roads in highways, so as to achieve net zero by 2050, the investments required are huge**, especially if you add to that, which is even more necessary, that is **investment to adapt to extreme weather events**, because most of the networks worldwide were built, designed at a time where there weren't such extreme weather events. So we must revisit these investments as to **avoid having floods, fires that block the traffic or even significant biodiversity losses**. And of course, these huge challenges can only be addressed collectively, the public, the private, academic, researchers, economists. And that's the purpose of the Alliance for a Low-Carbon road launched by François Gemenne, who's a leading economist, environmentalist, who's co-authored the 6th IPCC report, launched this initiative. And of course, we are actively contributing to that effort.

In Airports, we've become the leading global private airport operator, 2023 at the end, to erase the impact of COVID with very buoyant traffic levels, such as, but not only, Portugal, Serbia. We're emerging stronger from this crisis, thanks to excellent cost containment, improvement of revenue per passenger. It was counterintuitive, but that's what we're seeing, and EBITDA margin, which de facto sharply up. But also, thanks to the integration of Mexican airports benefiting. That was our calculation.

Strong recovery because there's a near-shoring of a number of industries from America. Tesla has decided to set up a plant, I don't know if it's batteries or cars, probably cars, several billion dollars. So the near-shoring impact has really boosted traffic at Monterrey and airport traffic. And the 30-year extension of our six airports in the Dominican Republic, that work very well. And we're going to be able to continue to operate for 30 years.

Also, VINCI Airports, very well embarked on our road map, ahead of time. Net zero airports. We plan to reduce by 50% our CO2 emissions in 2030 versus 2019. We're already there, VINCI Airports. So VINCI Airports is revising its commitment, now wants to be two-thirds reduction in CO2 in 2030 by – 2019, with airports that will soon be net zero emissions, such as Toulon Airport this year, that of Lyon, that will achieve that status in 2026. These are important things for the planet, of course, but also important for our expansion, because we're seeing that our clients, when they look at who to call upon for their airport assets, realize that we're re-certifying from the environmental standpoint the airports that we operate. We continue to work with our partners on replacement fuels, SAF and probably hydrogen further down the road.

What's important is that no major technological barrier to achieve net zero in air mobility, except when the aircraft goes from one aircraft, flies from one airport to another. There's no major tech barrier. There is, however, a barrier, but essentially economic, and so will take some time to cross. But once it crossed and it'll end up by happening, we'll have air mobility that's carbon-neutral. Maybe I won't see it. Yes, 2096. So I'll see it. It will lead, as for road mobility, to an in-depth transformation of the whole sector.

Our highway development is continuing beyond French border. Bogotá-Girardot, Colombia, and the closing of Entrevias in Brazil, very interesting deal. A 12-year concession to finance, install and operate 106 ultra-fast recharge stations in Germany. We won it all after a German tender. We were entitled to win three lots, and that's what we did.

Energy business, we're a global player, complete along the value chain. These activities are clearly driven by the powerful ground swell of energy transition, such as COP28 wants to see a tripling of renewables by 2030. It may seem unrealistic, but it demonstrates the global awareness on the need to develop swiftly de-carbonized electric power to meet the electrification of all human activities from industry that must electrify through mobility that I mentioned, including buildings that will also be electrified.

Just a quick focus on that. You know that in a country such as France, in the energy mix, you have electricity accounts for 25%. The rest essentially exclusively is fossil fuel. If we want to be net zero by 2050, that 25% must rise almost to 100%. So, obviously, at the same time, there'll be significant efforts that has many opportunities for our VINCI Energies, Cobra, VINCI Construction efforts in terms of improving energy efficiency. But it means that energy – consumption of electricity will be increased by two or threefold over the next. And that's really not [indiscernible] (00:19:54) that we think that we got our nuclear power plants in France that were beginning to export electricity. We sold a bit in Germany, but it's nothing compared to what we'll need because the world is in a phase of electrification. And that's what's driving the momentum of VINCI Energies and Cobra and a bit VINCI Construction. Also concerns nuclear power. That's a new era with the kick-starting of major programs. A country such as France doesn't have enough EPRs. Also, other countries that have understood that renewables won't

solve the equation that I've just mentioned, that is electrification of all segments of human activity with very strong demand for de-carbonized electrical energy.

For €1 invested in the production of green power, we'll have to devote the same amount to reconfiguring, extending power grids that requires huge investment, which, in my view, won't be within reach for the public purse. And the Australian project is kind of heralding what we're going to see in a number of countries, not necessarily in France, because in France, it'd be too long to explain. The grid needs a lot of billions, but not as many as in countries that have current output sources very different from those of the future.

Example, in Germany, EPR was focused on high-polluting plants increasingly because they've rejected nuclear power for the time being. It's essentially renewables from the North Sea. So you can imagine that to bring this electricity to consumers, industries that have intense needs, we have to totally revamp the high-voltage electricity grid. We understood that 10 years ago. That's why we acquired GA Gruppe at VINCI Energies 10 years ago. It took a while to happen, but it's key.

Germany is going to have to devote, how many, I don't know, let's say hundreds of billions to reconfigure, extend. It's a HV transmission network, given the reasoning I've just – all this explained at VINCI Energies strong growth in activity, above €19 billion. Jean-Christophe recalls the level a few years back. That's quite amazing. Strong order intake, over €20 billion, cherry on the cake.

VINCI Energies is once again boosting its EBIT margin to 7%. Cobra's riding the same wave, the same favorable wave with the ramp-up of major projects. EPC, as they're known in particular, high-voltage transmission lines, not a Cobra exclusivity. VINCI Energies does that, but Cobra in countries that are being equipped, such as Brazil, now Australia, and other example, AC/DC converter stations that are absolutely key for offshore wind. When the wind farms, more than 50 kilometers offshore, Cobra's fairing well, has boosted its EBIT margin, rising to 7.5%. Cobra's following a road map for developing renewable EPR, 1.4 gigawatts under construction in addition to the 0.6-giga already under production in Brazil. We should reach at the end of this year 3.5-giga either under construction or in production.

What's true for energy also applies to construction. A growing share of projects are part of environmental energy challenges. The e-battery gigafactories, electric interconnections, that VINCI Construction and Energies won in the Bay of Biscay between France and Spain and future generation of nuclear plants, of course. We're going to build, the government says, at least 14. We think probably more. So we don't need them yet. We'll probably have a lot of work coming from the delivery of these EPRs.

There's also this energy and environmental challenge in the major hydraulic structure, a step. These pumping stations for energy transfer by pumping, the one we're completing at Abdelmoumen in Morocco, but also in transit projects, low-carbon Great Paris Express (sic) [Grand Paris Express] (00:25:18) in France, HS2 in the UK, Toronto Metro Auckland City Rail Link in New Zealand. There's a rise in the number of public transportation projects for the environmental transition. These are opportunities for us.

And of course, final point, let's not forget, probably less visible today, VINCI Construction will also take advantage of investments in climate resilience. Canada, Calgary, we're building a big reservoir that's there to receive the stormwater in the event of considerable rainfall so that the water is temporarily stored before being gradually released so as not to flood the surrounding land. And of course, we must reduce the carbon footprint, improve energy efficiency, preserve natural resources, biodiversity. These are powerful drivers for renewing our building activities.

Striking to see that when four years back, we pledged to reach 90% of low-carbon concrete by 2030. Well, quite frankly, I thought it was a bit ambitious. I didn't see how we were going to get there. But we're going to deliver that sooner and faster than planned. Why? Because our people have embraced this challenge with incredible determination and energy.

The Nantes Hospital, that's under construction, is fully built with low-carbon concrete. So it's happening, and we're seeing proof of that with images to show. So maybe not everywhere in the world, but in geographies where the industry is there, we'll reach 90% low-carbon concrete by 2030 without major difficulties.

So these megatrends of VINCI Construction and good order intake allows us to continue to be highly selective. It's not any more complicated than that. Continue to improve EBIT margin, as was the case in 2023.

VINCI Real Estate, not quite the same situation. VINCI Real Estate is going through a very serious crisis. There's a 30% decrease in housing starts, but VINCI Real Estate continues to expand in the service residences for students, seniors, co-living. We've already got two. And also, VINCI Real Estate is delivering its road map on the pledge made, what was it, 2019, zero net artificialisation that by 2030. We'll be able to demonstrate that they've maybe artificialized when they couldn't do otherwise. But in exchange, they've de-artificialized in projects of urban recycling.

So as you can testify, several years, we've been alerting on the social housing bomb that represents this collapse in the housing sector that doesn't have a major impact for us in terms of works impact. Many other players in the construction sector were there. This time bomb is now exploding. And the good news is we heard the Prime Minister, Gabriel Attal, make a pretty strong statement on housing. We're now waiting for actions to free up planning, permission, encourage local authorities to build, accelerate procedures, and assist first-time buyers.

So it's probably going to be still challenging in 2024. But as long as we start delivering, we need a housing minister, but we should know by the weekend with a decrease in interest rates that should lead to seeing light at the end of the tunnel by the end of the year.

Over to Christian. I was a bit long. So Christian's going to make up for lost time.

Christian Labeyrie

Executive Vice President & Chief Financial Officer, VINCI SA

I don't really see how I'm going to be able to do that, especially as I have a couple of metric tonnes of figures to share with you, starting off with our revenue figures, €69 billion, give or take. For those of you who have an elephant's memory, it was €33 billion or so in 2010. So a little bit more than 10 years ago. We've more than doubled our revenue in a dozen years or so.

That wasn't one of our targets, but it is what ended up happening in 2023; 12% up, 10% of which is organic growth. You have the breakdown on the slide of the growth in each poll. Head of the pack, VINCI Airport, 24% growth like-for-like. In fact, it's actually 47% if you account for scope variation. As Xavier said, this comes from our continuing traffic numbers that continue to go up and also airport and non-airport traffics that keep going up.

Cobra is up 18% as well. VINCI Energies is up 11%, which, for the overall branch, means we're at 15% growth. And Construction is keeping up well, with an increase of about 10% there. VINCI Motorways 5%, which for VINCI Motorways given the maturity of the network is very good performance as well in terms of revenue growth. The only blemish on the report is, of course, the drop in revenue for VINCI Real Estate. 19% negative there, mainly

residential properties, which account for about three-quarters of overall revenue. But just to give you an understanding of this, VINCI Real Estate only accounts for 2% of overall revenue for the whole group.

Scope variation, 2.5% here, which does mean €1.6 billion in revenue shifts, including the integration of OMA in Mexico by VINCI Airports, about €640 million in revenue there and recent acquisitions of VINCI Energies in 2022, which are now applied full year in 2023 and also the 2023 acquisitions.

Overall, about 30 acquisitions per annum. €860 million in extra revenue from those acquisitions. The main impact come from the end of 2022 acquisition of the IT services of Kontron, a German group, now present all around Eastern and Central Europe, an extra €400 million in revenue there. And more recently, January 2023, we acquired Otera in Norway. This is a company that works on electric grids in Norway.

Forex is negative, which is often the case for us, because the euro keeps going up. That was the case in 2023 versus the American dollar and the pound sterling. The pound sterling, the UK is our second largest market with more than £5 billion in revenue from there. And the US is our fifth largest market with revenue at about \$3.4 billion.

On the next slide, you can see a comparison between France and International segments. The growth in revenue is very significant internationally, plus 16%, 13% organic. That's twice the growth we're seeing in France, which is a little bit less than 6% organic growth, which is still solid nevertheless and is higher than inflation, which was a little bit less than 5% in 2023 in France.

VINCI is, therefore, continuing to become more international as a group, as you already heard from Xavier. We're now at 57% of overall revenue coming from non-French sources. That was exactly the opposite, not just a few years ago. I've already mentioned the UK and the US as our markets. Germany is our third largest market with €4.8 billion in revenue from there. And Spain, thanks to Cobra, is our fourth largest market with €3.5 billion in revenue from Spain.

Moving on to our operating profit, what we call ROPA in our jargon. So this is our overall integrated companies. We're €8.4 billion nearly, an increase of 22% versus 2022. All poles are contributing to this increase in profit. So it's a remarkable performance across the board. VINCI Airports doubled its contribution versus 2022, €1.9 billion from them. This €900 million swing year-on-year beyond the effects that I've already mentioned, such as air traffic coming back, such as revenue per passenger going up as well, also is due to proper cost control and the integration of OMA, which accounts for about 40% of the increase of the contribution to profit from VINCI Airports, about 23% of the overall.

VINCI Motorways on their side have also put in an excellent performance, €3.4 billion, a 7.5% increase versus the previous year, more than the increase in revenue therefore. And VINCI Energies, Cobra IS and VINCI Construction also have contributed record levels of profit in revenue and margin. 7% for VINCI Energies, a contribution of €1.4 billion. That's 20 base points more than last year.

Across business lines, geographies, poles and regions, we've seen basically improvement and contribution at about 7%. Cobra is at €490 million, a 7.5% margin there. 10 basis points up last year. Overall, €2 billion contribution, which is roughly the same share of the total at about 22% as VINCI Airports.

VINCI Construction also keeping up with the pack with €1.3 billion contributed in operating profit, 4.4% of revenue, 20 basis points up versus 2022. This comes from the new organization that was set up two years ago

over there, seven divisions, three geographical divisions, two business line divisions and four for France, and the highly selective order policy that we've applied, thanks to Xavier.

VINCI Real Estate is losing about €53 million. This is due to the impact of sales. When you sell in batches, of course, you make less money in terms of margin than when you sell individually. And also, we have provisions on stocks, especially office real estate.

Continuing down, IFRS 2, which is related to the employee shareholder plan and the employee saving plan of VINCI. That IFRS 2 part remains stable, but it is likely to increase in 2024 because the accounting doctrine has moved forward in the interim and is going to force us to do things a little bit differently to the way we've done it in the past. And also, our increase in share price is driving up the IFRS 2 costs.

The other indicators are also significantly improved. We've got the impact of the contribution in equity share, which is up as well. Kansai Airports as well are now back in the black in 2023 when they've been losing money for a while after COVID.

In this, you'll also see ADP's dividend. Dividend is now sharing – is now paying out a dividend once again, which wasn't the case since COVID. And in 2022, we also had provisions for our Russian investments, which you would have found in this part four. Non-recurring items, €105 million negative. This is a recalculation in part of earn-out, so the extra money that we have to pay to ACS as part of our development of Cobra's renewable energy development. We have to pay €40 million for every gigawatt to ACS.

The cost of debt has gone up significantly. I mentioned it, although not quite as much as what we expected for this year, an increase in cost of debt of about €300 million; €280 million more precisely. About €150 million comes from the increase in rates. So this is the net impact of rate increases on our variable rate debt. We've been able to mitigate that impact by increasing the yield of our treasury investments, which are short-term managed. So they're variable by definition. And also, we have restructured the acquisition debt for Gatwick, which has helped us keep it limited to just €150 million increase in financial costs related to increase in rates. And on top of that, we have the impact of companies which were out of scope until recently, such as the Colombian Motorway, which carries debt at a relatively high rate as well; and also the impact of external growth, mainly the acquisition of OMA.

We've seen other significant swings in other financial indicators. We had €157 million there versus €279 million for other financial income and expenses. Let me explain what happened there. Actually, the rates went down at the end of 2023, whereas, of course, full year, they're higher than they were on average in 2022. That meant that we had to re-update our provisions, which, as we said, our long-term provisions are updated at current value. So if the rates go down, then that leads to not a cash cost, but an accounting negative, including for VINCI Motorways, especially in this case.

There's also an ADP effect, as I said. Since we deconsolidated ADP at the end of 2020, the share price of ADP has an impact on our accounts with the 8% stake we have there. You'll remember when their price went up, it was an extra €100 million. This time, we have the opposite. We have a cost because ADP saw negative changes in share price in 2023, but things have gone back up since.

As a reminder, also in 2022, we had exceptional profit from Gatwick, which had paid back some bonds early with €130 million in profit from that. All of this goes to explain the significant swing that you can see in these financial indicators.

Moving on now – previous slide, yeah. Taxes are up, which makes sense because our profit is up. The tax rate is about the same, 28%. Once you take into account minority interests, you can see minority stakes here. So companies that we don't owe 100%, but their share prices have gone up. So the money that goes to our partners has gone up as well in OMA, in Gatwick and the Lyon Airport as well. Net profit, €4.7 billion, €8.18 per share, up 10%.

Here, we have the changes in debt across the year 2023 with a €2.4 billion drop in net debt. We've got €6.6 billion in free cash flow, €1 billion in financial investment, which is added to that to €6.6 billion, and then €3.2 billion handed out to shareholders through dividends and share buybacks. So that explains the €2.4 billion.

Now, you might be saying, okay, €6.6 billion, tell us more about that €6.6 billion. And I need to be cautious about this because I gave forecasts last year, which ended up being pretty far off the mark. We actually far outperformed my forecasts.

EBITDA in 2023 beat our expectations. This is from the good results that I already explained. EBITDA, €12 billion versus €10 billion the previous year, an increase of €1.8 billion there, half of which comes from VINCI Airports. On VINCI Airports, about half of that comes from the integration of OMA, and the rest is the organic improvements in the profitability of VINCI Airports. We also have a contribution for VINCI Motorways, about €267 million there. VINCI Construction, €200 million; and the Energies branch €365 million. This is spread about two-thirds across VINCI Energies and one-third for Cobra. All of the poles, therefore, contributed to the significant increase in EBITDA.

On top of that, as you can see, we saw positive variations, so a financial windfall of working capital requirement, a delta of €1.5 billion, so €1.5 billion more. This is a sum of a number of different components. Of course, we took in more money than we had any right to expect. As I remember, about €250 million in a single day. Given the size of the group, that's a big number. That means that all it takes is messing up the forecast by a few days, and our free cash flow forecast set out. Also, some big contracts in Cobra. About €400 million in prepayment came in for Cobra, and some provisions for operations, which, as VINCI always does, were done conservatively.

We have energy and construction provisions, which are done very conservatively. So that went up by about €500 million. All of this explains €1.5 billion total WCR, an increase in financial costs and taxes, taking €3 billion versus €2 billion last year. And CapEx, as I announced, is significantly up, €3.1 billion to €3.8 billion in CapEx, spread across €600 million VINCI Motorway. That's relatively stable year-on-year. VINCI Airports is also at €600 million. That's double what we had last year. VINCI Energies, €600 million versus €500 million last year. So an increase there. Stability for Cobra at €600 million as well, but with a different mix in CapEx, moving more towards renewables. But it's pretty much the same thing. And Construction is also up €200 million in CapEx versus last year.

As you can see, all of the poles are growing and investing, leading us to €3.8 billion in CapEx, €1 billion in investments, acquisitions. It's a relatively low year historically for us, acquisitions for about €350 million in VINCI Energies. The acquisition of the stake in Brazil, as Xavier mentioned, for Entrevias motorway, €300 million there. And we integrated the Colombian motorway into our books, which hadn't been consolidated in the past. That was a further €250 million.

Here's a reminder of how cash flow is generated at VINCI. It's a little bit different from a lot of other companies, which are much more regular. What is regular at VINCI is the cash flow generated by Concessions, especially motorway concessions, although, there's a lot less traffic at the beginning of the year versus the summer. It's still quite regular, as is the case for VINCI Airports. However, for Construction and Energy, it is the second part of the

year that we see a lot more. It's a very seasonal business with its ups and downs. So it's actually very difficult to come up with reliable forecasts for free cash flow. December is in itself about a third to a full half of free cash flow for the year. So for these reasons, I will not be formulating any forecasts for free cash flow for the coming year. I tried it once. I got wrong. So this time I will hold my peace.

Next, we have the long-term outlook. We can see that we have overcome some thresholds. We were above €2 billion, then we were above €3 billion, then we were pushing €4 billion before COVID, and now €5 billion and €6 billion. Now, it's not going to go up by €1 billion every year. But it just goes to show how far we've come with average growth of 12% per year, more than profit, which is 9% per year. We generate more cash flow than profit with a ramp-up since 2018.

Things to take into account in cash flow. We have WCR requirements that vary based on the cash flow for large, major projects, and also our investment programs. Our investment programs are mainly tied to our motorway, airport and renewables concessions contracts. So that's the kind of impact that we're going to see on our cash flow going forward. And we'll be able to provide you with more information on our assets, such as airports, of course. We're very aware that we need to give you more details on airports and our assets in renewables as well, and the energy business, more generally.

The consolidated balance sheet for VINCI is not all that different with €50 billion in capital employed, mainly in long-term assets such as Concessions. It's a pretty even spread between VINCI Motorways, a bit less than €20 billion of VINCI Airports, which is about €20 billion as well in capital employed. And the Energies branch, which is ramping up with about €10 billion in capital employed there if you include the acquisition of Cobra.

Equity is at €32 billion and €16 billion in debt, which we previously analyzed, the EBITDA versus debt is 1.35, which is very good, and that is because acquisitions were relatively average last year. That does not include our investments in Dominican Republic, €7 million, €8 million there, because that will be booked in 2024. The economic reality is that actually, it's a bit more than €1 billion in financial investment, which is the figure that I gave you earlier.

These are some pie charts, but you know them already off by heart. This is mainly for the people who don't really know the VINCI model very well and the relative weighting of our various business lines and the weight of those on our indicators.

Construction and Energies is very present in our revenue, less in our capital employed. Concessions are more the opposite of that, with a lot of our capital employed being in that and less of our revenue, and it's about a two-thirds, one-third split between our long-term businesses, "and our more short-term, less long-term businesses."

And to wrap up my part, our financial policy for the group. You know this already because I say it every year, but it's important to give you a refresher. What you can see on the left is that on the bar charts, liquidity is relatively unchanged, about €19 billion to €20 billion total, and that is spread between credit lines that we have with our banks and cash that we have on hand.

As net cash managed has gone up significantly, which is because of the high number of incoming payments at the end of 2023, we felt that it was not necessary to keep €10 billion in credit lines. So we drew that down to €6.5 billion at the beginning of 2024. This reduced our financial costs related to those credit lines and also helps open up more credit facilities on other things in the future.

Our credit rating is still the same. I think we're even outperforming the ratios that the ratings agencies give us. But that's a good thing, and it might change over time. And despite an overall financial market that is challenging, we were able to issue €1.7 billion in new debt. Now, this isn't necessarily public debt. There's a private investment that's more than our reimbursements, €800 million. We got an average majority of six years at a rate of 3.5%, which is pretty good given the current rates for 2023.

And our VINCI Concession project finance teams and our Cobra teams were also able to, over the course of the year, implement a number of mechanisms to finance projects, such as the Colombian motorway, Lyon, Belfast Airport as well, where there's going to be investment required there, Cape Verde, which is a contract we won recently, and the significant photovoltaic plant for Spain for Cobra. All of this means that the stars are aligning for project funding. More than €1.1 billion added to that €1.7 billion, a pretty active year in terms of our funding activities.

And to wrap up here, we have our traditional slide on the cost of debt. We've gone from about 2%, which was our average cost of debt up until 2022. That went up to 4%. We don't know where this is going after this, but I believe that it's going to stabilize. And it might even go down a little bit. One can dream maybe even for the Eurozone. Euros are about two-thirds of our debt. So we're quite exposed to other currencies, such as GBP through Gatwick. And you can see that pound went up and the dollar went up as well. And other currencies, the more exotic currencies as well, such as South American currencies also impact our accounts, because they have rates that are much higher than OECD countries.

We've reduced our exposure to variable rate loans, which is important to note. We don't have the graph. I don't know. You might find it in one of the appendixes. But our variable part of rate of the debt is completely offset by cash. So our exposure to variable rate debt is very low for 2024, and it makes us less exposed as a group to the cost of debt changes.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

Thank you very much, Christian. Thank you, Christian. Briefly, before we move to Q&A, we are addressing the year 2024 with a lot of calm and confidence. French highways, you see here that they're returning to their growth profile. That's to say, correlated with major macro indicators, we expect to record a slight growth as long as events such as the recent farmer's crisis that impacted us a fair bit don't happen again during the course of the year. Time will tell.

VINCI Airports, we expect to slightly exceed traffic levels recorded in 2019. We said earlier that it was the case right at the end of 2023. The challenge is to ensure that that continues in 2024 full year. And in particular, thanks to the continued catch-up in Japan that was running a bit late, but picked up sharply these past few months in the integration of Cape Verde Airports and the construction business.

Order books are at an all-time high. Watch point is that it'd be difficult, possibly even a bit hazardous, to continue to grow at the same pace as 2023 for a simple reason. Sign a deal is easy. Even I can do that. But then you have to deliver. And for that, you need talents at all professional levels and cyclically. Well, the talents are pretty scarce. Let's not carry it away. Let's not sign what we can't implement and be even more selective year-after-year than we have been so far.

Just as an aside on this, many clients, many countries, through their public procurement approaches, are solely focused on the financial luggage and don't incorporate what results from the change of paradigm, the world for talents. Select a supplier, a constructor who has an acceptable price, but who has the ability to deliver. That's

what's changed since COVID, and it's not going to change any time soon. It's going to waste our talent. And let's not grow the machine too fast; avoid to die by overdose in signing contracts that we can't successfully deliver on because human resources are not as extensive as what we thought. So all this is favorable for our margins.

Take a look at what's happening in Japan. Nicolas could tell you about that later in Japan. €500 million works to do. You have to get down on all fours. The constructor offers sake if you're lucky. There's one who's happy to look at your application. Then you're being really flexible. Mr. Constructor, of the clause is okay. Terms and conditions, prices a bit more, a bit more cost plus fee. Of course, I'm overstating here. Why? Because Japan has a shortage, probably growing, of people who can deliver, particularly in our businesses. I'm not claiming that we're all worldwide in that same trip. But gradually, little by little, we're changing paradigm, and the ability to deliver will be at least as important as price. No need to say that all our clients don't agree with that argument.

All this to say that VINCI Energies is expected to post renewed organic growth, not to mention M&A that it's familiar with, less than in 2023. It's a good news for the reasons outlined. Whilst confirming its excellent level of operating margin, Cobra will record a further increase in revenue. There's no M&A at Cobra, and maintain the high level of margin achieved in 2023, 7.5%.

The total capacity of renewables, we should be at 3.5-giga, either under construction or operation. At the end of 2024 of VINCI Construction, the goal, as for last year, remains to continue to improve the operating margin without searching for growth in particular. I said the same thing last year, but we had both.

Had we focused on revenue, we wouldn't have had margin growth. The fact that we're focusing on the margin and to have, maybe as a cherry on the cake, sometimes revenue growth there at work. So the right method is that focus on the margin. VINCI Construction hasn't yet reached the margin level that it laid claim to. We need to continue to work on that, which means to be increasingly selective, so as to gradually generate a bit more than 4% margin for VINCI overall.

What do we expect? Further increase in activity, but more limited than in 2023, and inflation should continue to trend downwards. Of course, in 2024, we'll have to begin to factor in the tax on long-distance transport infrastructure for an amount close to €280 million, even if, and we can return to that later, we are determined to fight against it this time. And we think we have some pretty compelling arguments allowing us to quash it.

In spite of this negative impact of the tax that's, of course, going to impact, of course, net income. Like any tax, it's not tax-deductible. The 2024 result should be close to the level reached in 2023. So on this basis, the board will propose to the AGM to pay a dividend of €4.5 per share, €1.05 interim dividend already paid out.

And just to end, spend three minutes on the last and final slide, which I view as interesting. On the left, we've got the situation calculated pro forma for ASF and Escota acquired back in 2006, pro forma 2006, full year, concerning the arrival of ASF, Escota. Back then, Autoroutes represented 60%, highway total EBITDA. The rest was essentially other small concessions and some energy. Today, if you do the same calculation, you see that in the interim, that is over 17 years. First off, we improved by €8 billion our EBITDA. And the way in which this EBITDA is formed is very different, thanks to the very proactive efforts on the development of VINCI Airports and other concessions outside and the spectacular growth of our Energy division in 2023.

VINCI Energies plus VINCI Airports plus a few smaller concessions represent EBITDA generation number higher than that of the highways, leading the highways to learning account, 39% of EBITDA generation. So, basically, it's the summary of the strategy we've implemented over 17 years. It's not rocket science, the idea. We're aware that highway concessions will come to an end, even if we're not despairing of having the possibility of extending them

a bit. No need to make – let's not injure the future. Of course, these concessions are going to come to an end. The largest ASF is expiring in 12 years, others further out, but more modest than ASF.

And so, the goal is to make sure that when that day comes, of course, we'll book a drop in EBITDA. But in relevant terms, it's less of a hardship given all the other proactive developments done in the interim VINCI Airports. And Energies, that's what this slide tells us. It's basically with numbers what the message that we've been driving home for 17 years now, I think.

Okay, Jean-Christophe gets to ask the first question. Once you've retired, you won't be able to speak first.

QUESTION AND ANSWER SECTION

Jean-Christophe Lefèvre-Mouleng

Analyst, CIC Market Solutions SA

Q

Thank you very much. I have two questions that are not actually related to the Concession side of the business, but actually Real Estate and VINCI Construction. If we look at real estate, VINCI Real Estate Immobilier is a little part of the company, about €60 million of losses though, despite their size, in large part because of under covering of costs.

On the one hand, is it going to be possible to put a finger in the dike in next year? And also, would it be something that could be considered? Because at the moment, it's autonomous from VINCI Construction, but there are other groups that have integrated this kind of business into others. And could you give us also, secondly, more information on changes in the margins on VINCI Construction, Soletanche Bachy and in Afrique, the specialty businesses generated a lot of the increase. Did they account for a lot of the contribution to growth, or is it just due to better risk management and cost management and optimization?

Now, I'm not sure I understood that.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Since I didn't answer the second question, I'll let Pierre Anjolras answer it. I'll answer the first question. Don't run the risk of raising that point with the people from VINCI Real Estate. The answer is a resounding no. That's why we organize. VINCI Construction also does real estate, but not with the same rules. VINCI Construction, their real estate assembly, where we never take the risks relating to the land or construction from scratch. We reserve the land with an option. We have a couple of years to develop a product. Once we develop it, it's pre-sold to a number of players. Very often, they're mixed products with housing, offices, commercial. And once we've achieved that, on the same day, we sign the deeds of sale with the buyer and we sign the sale deed with the owner of the land. There's never a risk. Okay, sometimes there are a bit of risk, but VINCI Construction's allowed to do that and we follow that as stringently as we follow VINCI Real Estate.

The loss at VINCI are SG&A costs and also resulting from the fact that [indiscernible] (01:03:53), we're having to sell by releasing a bit of margin, sometimes even a bit more, especially when it's a bulk sale to major players such as CDC. That's good. So thanks to the government for opening the floodgates for bulk sales with those people who are using the collective purse.

And secondly, that project's dragging out. We're not in any hurry to kickstart projects. VINCI Real Estate must be properly focused, doing the job properly, so as to weather this rather tricky phase. And it's not very significant for us. We're leaving them the time to do things well, so that they can bounce back the day when inevitably the market will pick up, because I can't imagine our country with a reduction in the housing stock. Otherwise, it's the road to revolution. Housing is important for all households that devote a large part of their budget to that.

Christian Labeyrie

Executive Vice President & Chief Financial Officer, VINCI SA

A

I just wanted to add to that, that the losses in 2023 are mainly due to provisions on stock. What that means is that the business is down 19%, but actually, in many ways, it was well-balanced. Our outside of France exposure in a country known as Monaco doesn't really know a real estate crisis in the same way as other people. They're experiencing other crises, but not a real estate one. So there are no losses there. Things are well-balanced there. But we had experts come in and reassess some of our assets, such as office space, and that led us to a depreciation. So it's not like we're not absorbing costs well. It's because the appraisal of our assets is different with different capitalization rates and investors' appetite in putting money in that.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Luxury housing in Monaco. Yes, they're at about €60,000 to €100,000 per square meter there. We're not going to spend too long on real estate, but it would have been possible to be the French leader in property development had we decided to go down that road. It's not hugely complicated. Why was that not the case? Because we knew that the crisis was going to come. We didn't know when. But real estate's obviously cyclical and [indiscernible] (01:06:26) have experienced the crisis back in 1992, 1996. So we sensed that crisis coming more keenly than others who didn't expect.

But when you're in a crisis, you've got two possible options. Either you can sit it out, in which case you can afford to do that, in which case you can carry a number of assets waiting the market to pick up; or you're really pressured financially. You have to sell it. If you sell, well, then obviously you take the loss. So that's why we wanted to take it a reasonable level of size. We want to be in this part of the value chain. There was no point in being the global leader, because had we been too big, we'd have outstandings that would probably have led us to book our losses that would have been far more significant. It's no accident. We didn't answer the first question even if we tried to duck it. Pierre?

Pierre Anjolas

Chairman, VINCI Construction, VINCI SA

A

Maybe just to follow-up on that, on the VINCI Construction side of things, I believe, and I know I'm not the only one at VINCI Construction, that we're much better organized with the split between VINCI Construction and VINCI Real Estate. If this wasn't the case, it would lead our construction teams to be trying to feed VINCI Real Estate, and then there would be a kind of incestuous situation, which led to precisely the 1990s crisis. So we don't want our construction companies trying to look after VINCI Real Estate. I think it's much better with the split as it is.

And our business in France in construction is actually doing quite well. Volume is up and performance is up. And without having to worry about real estate, they're better able to adapt to coming market shifts and they can move to different types of buildings beyond housing as well, because they are free to do so.

VINCI Construction's performance is, I think as Xavier, Christian said, this already is in part due to a new organization and also being much more selective in the projects that we accept. The new organization which was

set up, I think it was a year-and-a-half ago, with clear delimitation by business line, by geography, with synergies and networks within single businesses, networks between businesses on contracts. It's much clearer, it's much more readable. This wasn't a cost-cutting exercise. Actually, it's the opposite. We're lacking talent. It's a more performance-driven, business unit-driven change with a business unit has geography and business to do. And this is the case of the specialty businesses, which also have grown.

In Africa that you mentioned, there was a bit of a drawdown, but that was due to four coup d'états that happened, Burkina Faso, Mali, Niger, and Gabon, for different reasons in all four cases. But that had a marginal impact, but the African teams are used to adapting.

Secondly, selectivity and project selection. What I mean by that is that we are now aware that the bottleneck is our ability to do the work, and there are some contracts that we shouldn't even consider. The Ukraine war broke out two years ago. And a month after that, we all decided to stop answering, to stop even responding to fixed cost contracts. That's selectivity. Some people go forward with these, some people don't. But when you do, do it this way. It's much easier to manage increases in cost, because we're not bearing the risk entirely for that. It's shared with the client. So that's the kind of selectivity in contract selection that means that we're not just pushing for revenue, but the revenue still goes up.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Yeah. But that's kind of less material when you've got €1 billion in revenue. You can't explain. I mean, that was true when we did, what, 3 times less revenue. So it's no longer as material as it used to be.

Elodie Rall

Analyst, JPMorgan Securities Plc

Q

Good morning, Xavier. Good morning, Christian. Would it be possible to come back on guidance? We know that you are generally pretty conservative in your guidance. Last year, you mentioned a slight increase in net income. You ended up delivering 10%. This year, the guidance is a little bit below consensus again. Are there any real reasons to believe that there might be some disappointments down the road? Maybe you are concerned about certain business lines, but I'm not getting that impression? Or is it just business as usual with a conservative estimate with a closing that's likely to be pretty similar or a little bit higher than last year? So that was my first question on guidance.

Now, secondly, on free cash flow. Christian, I understand that you do not want to have put out any guidance on free cash flow, but could you give us maybe a floor and give us an idea of upcoming CapEx? Or in any case, reasons why you wouldn't want to give a minimum value what CapEx is going to go up. We've got renewables that are out there in the mix. What do you think are going to be the major changes on investment in 2024?

Christian Labeyrie

Executive Vice President & Chief Financial Officer, VINCI SA

A

Well, I'm not going to give you any forecast, but I can tell you that we are very ambitious for Cobra and the renewables side. The timeline for investment is never what you expect, and we want to give ourselves enough time to optimize things, to optimize purchasing. In Brazil, for example, we've decided to push back the opening of the Belmonte wind farm a little bit, because we don't want to be rushing projects just to show that we can do them quickly. So the overall amounts may be invested in 2024 or 2025, so we don't want to forecast for a year. We're talking about hundreds of millions of euros here.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

On the prudence, you're asking us not to be prudent for the sake of being prudent. I mean, the trees don't reach the sky. We've just emerged from four years of quite a bit of disruption. The year 2023 was basically a catch-up year. So the message is what, in terms of the underlying trend, we're very comfortable because of energy and environmental transition. But, I mean, there's no denying it. It's a megatrend that can experience ups and downs, and there are sufficient kind of moving parts affecting the macro picture calling for caution at the start of the year.

If we were overly prudent, we'll say it. We're going to continue to grow organically. VINCI Energies continue to grow organically, because there's no M&A. Cobra, in fact, we gave guidance to Cobra. During the Capital Market Day, we said Cobra was going to deliver €7.5 billion by the end of 2025. If you interpolate that, it means that basically €6.5 billion, €7 billion. €7 billion versus €6.5 billion, that's pretty significant actual growth. So we believe in those two businesses.

VINCI Construction is being consistent with our people. We're asking them not to focus on volume. We don't need it. We have a problem accessing human resources. So the goal is not to grow, but to focus our attention on the margin. If cherry on the cake, we have a bit of that. We won't be unhappy as long as the overall margin is up over last year. So we're never going to say the opposite. We said the same thing last year, and we had growth in addition to an improved margin.

Next, on the highways, you saw the charts. It's going to be zero plus because the underlying macro metrics for road traffic in France, I mean, are not gigantic metrics. So that's pretty cautious. And a bit worried after the farmer's crisis that, of course, has impacted us sufficiently to have a material impact on our full year traffic levels, because two or three weeks with a great deal of disruption, of course, that impacts the numbers for the year in airports, because we're cautious even if the facts give the light to that, but we prefer it in that direction than the other.

Elodie Rall

Analyst, JPMorgan Securities Plc

Q

So I've got a couple of follow-up questions. There, you mentioned the farmer crisis. Can you give us any metrics or impact there?

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

No, we're going to disclose the traffic levels in a few days. It's pretty concentrated on January. Well, it overshoot January a little bit. You'll see that in the traffic figures what we did during the crisis. We had to deal with the network, road safety and informing everyone. They were great. They were second to none. There was a crisis in comms unit, working with the authorities, the local law enforcement authorities. And, of course, the accounts, how much it costs, how much it impacts traffic levels. We'll see later. I mean, it's done; it's done. But let's assume that for different reasons and with similar ingredients, too much red tape killing off everyone. The other sectors think that the farmers obtained some backtracking on excessive red tape; and to do that, they had to take to the streets. Well, it could give others some ideas.

Elodie Rall

Analyst, JPMorgan Securities Plc

Q

To stay on motorways, again, you said that the tax is enforced now. So the obvious follow-up question to that is, what next? Can you tell us the story of this and what you're planning to do with regards that infrastructure tax?

And still on motorways, you mentioned a lot of low-carbon and de-carbonizing projects. How are you going to fund them, and how are you going to value them?

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

I'm going to answer the first one. Then, I'm going to let Pierre Coppey jump in for the second part of the question. So that's the real problem. What you mentioned is the whole problem. We can't fund the whole thing ourselves. It's unthinkable. It's not part of our contract, and it's completely out of reach for us. So it has to be PPPs. We have to talk; and to talk, you have to have someone to talk to. For the time being, we don't even have a transport minister.

Now, on that first question.

Pierre Coppey

Executive Vice President-VINCI & Chairman-VINCI Autoroutes, VINCI SA

A

So this is the motorway tax, which is a tax on the people who operate long-range transport infrastructure. The constitutional court on December 28 did not rule in one way or another on the text itself. This was actually related to feasibility in the sector. So the next step would be contesting the actual content of the law, the application decrees and the enforcement rulings. This isn't available because the texts haven't been published yet. But as soon as they have been published, we will have the ability to take it to the administrative court for the enforcement and also to make a request for a preliminary ruling on constitutionality. This is something that the entire sector is willing and wishing to do based on the principle of fairness. But beyond fairness, there are all sorts of different reasons to not want this law, and legally it doesn't really hold water.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

The good news is all of the motorway operators agree, although, they might be a little bit less affected. The airport operators are the same. Everyone's on board. This is related to what Pierre said, first of all, but also a tax needs to do something. And what's the goal of this tax? We're told that it's to reduce carbon, but that's a lie. A tax that reduces carbon would be a tax that would be handed down to the customers to change their behaviors. Even that would have been absurd, though, because everyone understands that 90% of passenger and freight traffic is on motorways right now. And even if we were to change everything to try and do that, it might just shift the needle by a couple of percentage points. But sustainably, going forward, motorways are going to remain the main mode of transport and freight travel going forward, and that needs to be de-carbonized.

So we need to get out of this idea that there's a fight between the railways and the roads, because that's the old way of thinking. The reality of the matter is that both modes of transport are necessary, so long as there can be junctions between them. These are called multimodal junction poles. But rail and roads are going to be required, and all of the energy in the road sector should be going towards reducing carbon on the roads rather than being shackled with a tax that's supposed to make them less competitive versus rail.

And then, we're going to regret this going forward in a couple of years. We're going to realize that actually we have fallen behind in the maintenance of our road networks as we realized after the fact that we fell behind on the maintenance of our railways in the past. These are very short-sighted measures, and I think that even just for that, we should fight this through.

Pierre Coppey

Executive Vice President-VINCI & Chairman-VINCI Autoroutes, VINCI SA

A

An argument that I forgot to give in my first answer as well is that it's surprising that this tax is explicitly mentioned in the ADP contract, whilst also saying that it cannot be handed down in costs to the client.

Elodie Rall

Analyst, JPMorgan Securities Plc

Q

Yes, absolutely. And a final question, because I know I need to give some other people a chance to ask questions. Capital employed and what should be expected in 2024. 2023, you've already said, was not a year for any major acquisitions. 2024, are you looking at any particular strategy? Maybe airports? I know that Budapest might be ongoing. What about managed lanes in the US? What about energy? Maybe not energy. And payout is at 55%. Is that going to go up significantly?

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Well, let me answer the second two questions. Then, I'll let Nicolas jump in. The payout, we've always said is going to go up gradually. That's what we're doing. We were at 53-point-something last year, now we're at 55% this year. So we're keeping our promises there.

Question about acquisitions will be for Nicolas. Managed lanes in the US? Well, managed lanes in the US is something that comes up every time. Give me five managed lanes contracts that are on the table accessible right now in the US. There aren't any. You weren't on Atlanta, I think. Nicolas can answer that. I think, though, I did hear you ask a question about renewables in the US, that it wasn't really our thing. I would say the opposite. Actually, we're working very hard on it. And that is going to take shape in the form of contracts in the coming months maybe, but to coming years certainly.

Nicolas?

Nicolas Dominique Notebaert

Chief Executive Officer-VINCI Concessions, VINCI SA

A

For big infrastructure acquisitions, 2023 was mainly affected by two things. First of all, that traffic recovery in airports was still sketchy and also interest rates were very high. And you've been able to see what that means for infrastructure concession deals. Right now, the trend is much better in 2024 because traffic levels are coming back to more normal levels. You say that, rates are stable and maybe go down, which means that there are lot more sales that are in the works. So with this non-annual market that we have, maybe there's a lot more potential in airports and motorways in 2024.

Of course, we were very active because we have these annual cutoffs. We closed the OMA deal at the end of 2022, 35% revenue increase there, 18% traffic, 18% profit, better than forecasted. And what Christian said earlier is that this is an investment, €675 million in investment in Dominican Republic for 30 years extension on the concession deal. From a financial perspective, that'll be early 2024, but actually this is a deal that was signed at the end of 2023.

We can't really talk about acquisitions, of course. But the investment fund, so the secondary market, is going to be more active as now they're expecting valuations that are going to be better with rates stabilizing. And then, the countries that were in a different situation because of rates and COVID might be putting more assets up for sale as well.

This is true for motorways too, because on the motorways, there are brownfield fund secondary market deals as well to be had. And the US depends on the nature and the amount of their project. There's not a huge market for managed lanes. There are a couple of states out there that are using big ranges in toll fees to their advantage.

And as I've said with my colleagues in construction and elsewhere, it's important to find the right level of CapEx, the state which needs to be somewhere where we already have a footprint. It's a micro market, and there hasn't been any recent developments in managed lanes.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

This is fully in line with the paradigm shift that I explained earlier. When you're dealing with a €3 billion deal in managed lanes in the US, what's difficult about that? It's about getting it on the table. €3 billion in the US in a place where we don't really have much of a presence, much of a footprint for a construction entrepreneur, that's a big deal. So we're very careful because it's not about signing the contract. It's not about the blinking lights and the electronics, although you do need to be smart about that. You need to do project financing and the like. But when it comes down to it, you need to be able to make the thing in the first place and do it at the right cost.

All right, Jean-Christophe and Elodie have said everything that needs to be said apparently. Okay, in that case, back to Elodie, if there are no other questions, and then we'll take phone line.

Elodie Rall

Analyst, JPMorgan Securities Plc

Q

Well, seeing as I've got your ear. VINCI Energies, energy transition, especially electrification of the economy for the time being, VINCI Energies, as I understand it, mainly works on small, recurring, low-risk, contracts. What is the risk profile and is it going to change?

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Well, we'll bring Arnaud in. But why would everything that I said only apply to major projects? When an industrial player needs to electrify their industrial process, optimize the energy performance of what they do, they're not going to build a new factory to replace the old one. There are all sorts of little things that aren't necessarily hugely significant in and of themselves that pull them in the right direction. That's what VINCI Energies does, and that's what Cobra does for the business side of things, although a little bit less in the industry. And that's what VINCI Energies does.

Arnaud?

Arnaud Grison

Chairman & Chief Executive Officer-VINCI Energies, VINCI SA

A

Well, Xavier, actually, you said everything. The risk profile hasn't changed that much. Yes, there might be some bigger contracts. But a big contract, by our definition, is more than €5 million, generally less than €50 million in any case. And if we have one or two big contracts, and you saw the beautiful pictures from Senegal, we cut that up into lots of small little contracts, so it doesn't really change the risk profile, because that's just what VINCI Energies does. We chop things up, keep them at a reasonable size, and then spread it out.

The energy transition is going to affect industry, services, it's going to affect telecommunications, information, because that needs a more optimization of data, study and science. So everything that VINCI Energies does is going to be affected by the changes. It's just an underlying trend, but that doesn't significantly change our risk profile, but it's a good trend for growth.

A

Okay. Moving on to the questions on the phone. [Operator Instructions] FYI, we have three questions on the English channel and we're just waiting to see if anything comes through on the French. So shifting over to the English question, please.

Operator: Luis Prieto, Kepler. Please go ahead.

Luis Prieto

Analyst, Kepler Cheuvreux SA (Spain)

Q

Good afternoon, everyone. Thanks for taking my questions. I have two, if I could. The first one is, you just commented that de-carbonization is a conversation that needs to take place, but I guess that the tax implemented by the government does not pave the way for the opening of the debate anytime soon. Should we, therefore, think about a base case of maybe an equalization of the toll road sector asset lives to 2036, and then a re-auction of all these assets in a very different configuration to that of today?

And my second question would be, and excuse me if I missed the previous comment on this, but is there any progress on the strategic review of Polo Carmópolis that I understand was expected to take place last year? Thank you.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

That first question is related to what's going to happen at the end of the current contracts. And the answer is that no one really knows what's going to happen at the end of the current concession contracts. Even the state that's going to be handling it doesn't know what's happening. However, what is obvious is that, if we wait for 2035, to start considering de-carbonizing motorways when the targets come in, in 2050, we're not going to get anywhere.

So we need to find ways to trigger, to jumpstart de-carbonizing motorways based on the existing contracts. And there are many ways to do that, but for that, you need someone to talk to. You need to actually have dialogue and you need to be in a state of mind where people are cooperating and thinking together and putting their heads together between public and private sectors. Right now, those conditions aren't really there so that we can start that process. And I think that's a real shame because we're wasting time.

For Polo Carmópolis, what can we say about that? Well, we were a little bit late in ramping up production for the shafts that we handle for two reasons, but there's mainly one reason. First of all, the systems ended up being a little bit more complicated to set up than what we had been previously told. And secondly, the business environment meant that there wasn't much availability in drilling. So the capacity that our subcontractors have to clean out the wells and to drill more.

But we got there a little bit late, and that is what explains why the oil production curve is a little bit behind what we had initially thought. That, however, does not change our desire to continue to strategically consider that asset; i.e., looking for a partner. However, our hands were tied for contractual reasons that disappeared at the end of

2023, as I recall. So no changes on strategy, but a little bit of a delay in the way that these wells can produce, but no worries because we're basically back on track now.

No problem.

Q

Thank you very much for the questions. Maybe just one on Mexico. Could you just give us your updated thinking there in terms of its attractiveness as a market to deploy incremental capital, obviously benefiting from strong on-shoring trends, but there's also been some political volatility last year. Just wanted to get your thoughts on potentially doing more deals in that market. Thank you.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Our main asset is Airports. So I think that that is the approach we should take by giving the floor to Nicolas.

Nicolas Dominique Notebaert

Chief Executive Officer-VINCI Concessions, VINCI SA

A

As in any country, there are multiple factors that feed into the analysis, near-shoring being one of them. The US is near-shoring a lot of activities to the north of Mexico out of China. So we think that this is a sustainable trend that we're going to continue to see going forward worldwide. This is good for Mexico. That increases volumes in business there. We've also got population growth in Mexico. There are a lot of business relations between the two countries. We've got Monterrey, Phoenix, for example, which is a line that is being opened.

So overall, this is very positive with an increase in volume and with regulatory frameworks that are good for us. Sometimes, as in any country, the tax in France being an example of what can happen, we can get surprises that come down from policy; and sometimes these surprises are bad. But the overall outlook is very good between the underlying economic dynamics. We've got a great company there. We've got a great team. We've got great staff over there. So the coming months and years are looking very bright for us, and we're very happy in this significant investment we made in Mexico, Monterrey, North Mexico with OMA.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

And I would add to that, that I was talking about the high capital intense assets. But in the works of businesses, we have about €1 billion in revenue coming from Mexico, mainly from Cobra and VINCI Construction, and we're very selective on those contracts. There are clients that we don't particularly get on well with, or maybe we get on less well with them than others, and some people we get on very well with. And €1 billion is pretty small at Mexico's scale, which means that we can be selective, and that means that we can get good margins from what we do, except you shouldn't just take anything on in Mexico. €400 million between Cobra and then Soletanche Bachy, Freyssinet.

Operator: Gregor Kuglitsch, UBS. Please go ahead.

Gregor Kuglitsch

Analyst, UBS AG (London Branch)

Q

Hi. Thank you for taking my questions. I've got a few left, please. The first one is to come back on construction margins. I think you're looking for an increase. I guess I want to understand your confidence sort of getting back to, I think you used to say maybe 4.5%, 5%, whether you think you're on track to sort of go there over time, obviously not necessarily this year. But give us a little bit of color how that's working out for you?

The second question is just coming back to the 2023 numbers. Is there a way to sort of summarize all the sort of one-offs? I think you mentioned you booked a large provision that was flown in the working capital comment. I guess you did some real estate write-downs. There was the ACS burnout. On the other side, you had the Gatwick refinancing. Can you just maybe summarize the list of the different bits and to what extent which ones you think are sort of recurring and which ones aren't?

And then, the third question is working capital. So I see now, if I look at the last five years, you've had €6 billion cumulative inflow, which is obviously huge. Do you expect that that will come out one day or do you think you can, give or take, structurally hold on to that? Or is it just hard to call? Thank you.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Okay. I'll answer the first question, and then I'll let Christian Labeyrie answer the second one. So the margin improvements in VINCI Construction, to paraphrase the President of VINCI Construction, it's important to take your time to go fast. What I mean by that is we would rather see gradual incremental increase in margins. And that's been the case for a couple of years now and that's going to continue. We're hoping that it's going to continue to improve at the same speed. To land at 4.5%, we'd be pretty happy; and a little bit more than that, we'd be even happier. This requires discipline and it requires being very precise and exacting in what we do in all of our businesses.

I would add to that that there is a part that I won't put a number on from our free cash flow, can be explained by the fact that the books were closed conservatively; meaning that a lot of people in the group were given the opportunity to store up for the winter. And we think that that's very healthy because money begets money. And an entity with some provisions in the back pocket is likely to be a little bit more proactive in the risks that they take, but also they're going to be able to manage those risks much better due to these back pocket provisions and then turn that into profit in turn. That's the mindset.

Christian Labeyrie

Executive Vice President & Chief Financial Officer, VINCI SA

A

On the non-recurring items – exceptional items, they basically offset each other. We've got a positive effect on the restructuring of Gatwick debt; €160 million roughly there, positive. And on the other hand, we have a depreciation of the securities for ADP due to the share price, and an €80 million provision on ACS earn-out. So actually they offset each other. I don't think that the provisions that Xavier mentioned should be considered one-off. It's spread across lots of projects. It's gradual and it's just part of a generally conservative approach.

I didn't understand the final question, though.

Gregor Kuglitsch

Analyst, UBS AG (London Branch)

Q

The final question was...

Christian Labeyrie

Executive Vice President & Chief Financial Officer, VINCI SA

A

Okay. So this was on WCR. We said that there'd be a swing in 2022 and then in 2023. That didn't happen either, because we're not the ones bringing in the money here. We're not the ones at corporate HQ who are actually making the money. I think that people in the field who are making the money are aware of the system, which is very decentralized. They're aware that they need to bring money in, but also it goes both ways because you end up paying your suppliers faster. There are maybe some investment issues that we're not aware of. We have a budget, but budget never lands precisely where you expect it. As I mentioned, renewables and some large contracts that we can't really predict with some prepayments that may or may not be expected. The fact is that we are looking very closely at cash and not just profit across our organization.

A

Final question in English.

Q

Yes. It's just one question. On the absence of free cash flow guidance, exactly a year ago, you also failed to provide a free cash flow target. But a couple of days later, you provided one guidance between €4 billion and €4.5 billion, if I recall correctly. Could this be the same this year, and that a few days later, you come up with some indication? Thank you very much.

Christian Labeyrie

Executive Vice President & Chief Financial Officer, VINCI SA

A

So as I understand your question, you're saying that actually you revised your... no, the question is, why are you not giving guidance on free cash flow. Well, if I communicated on guidance, the AMF would be knocking at my door and I'd have to do a press release. And for all of the reasons and uncertainties that I mentioned, it's not reasonable for me to mention any guidance on free cash flow.

A

Shifting over to the French questions now. Next question from Nicolas Mora in line from Morgan Stanley. The floor is yours.

Nicolas J. Mora

Analyst, Morgan Stanley & Co. International Plc

Q

Good morning, gentlemen. Just coming back to the question on those €6 billion inflow accumulated since 2019. Now, we understand that there are ups and downs, there's some positive and some negative, and the cash flow focus is something that we're hearing loud and clear from all of your competitors, although they don't really have a cumulated €6 billion. At the end of the day, is there not a huge difference in appraisal between VINCI Construction and VINCI Energies over the last years?

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

Thank you, Nicolas. But I think it depends on what you mean by a large discrepancy. It's not an undervaluation. It's the logic behind the provisions that I mentioned earlier. VINCI Energies has some corporate culture. It's likely that during the good years, such as the ones that we have just come out of, that corporate culture might be more pronounced. Arnaud, correct me, if I'm wrong. But there's always been significant provisions for VINCI Energies. It's just part of what they do. And that is why VINCI Energies is so profitable. It might seem paradoxical, but that's how it works. It's the psychological reasons that I was mentioning earlier.

For VINCI Construction, you may remember that a couple of years ago, we were down in the mines. We were at a pretty low point in provisions. And it makes sense that we use these couple of good years to get back to more business as usual, especially on our major projects, because major projects, of course, carry more risk. Sometimes they blow up for whatever reason. And therefore, it makes financial sense to give major projects enough provisions to face those ups and downs.

We've had a couple of years that have been nicer, more growth, profitability is up, and we use that opportunity to build up provisions that we had spent during the bad years.

Nicolas J. Mora

Analyst, Morgan Stanley & Co. International Plc

Q

So for M&A and capital employed, you mentioned concessions and that kind of thing. We're seeing a slowdown in VINCI Energies and less focus on external growth over the last year, year-and-a-half, which is due to strong organic growth. Take that all together, in 2024, is the pendulum going to swing back? Is it important to get that M&A machine running again, especially in North America?

Arnaud Grison

Chairman & Chief Executive Officer-VINCI Energies, VINCI SA

A

The M&A engine is still running. It's part of VINCI Energies' culture, but there are two things to remember here. First of all, you need M&A targets that are up at a reasonable price when it comes to North America. Valuations in North America are much higher than in Europe, so it's difficult to find reasonable M&A acquisition targets. And secondly, you need people to integrate. As Xavier said, it's not about just signing on the dotted line; you also need to integrate the companies, you need to integrate them into our network, our companies; we need to deploy our model within these new companies. That takes time, and that's why we're not planning to speed up or slow down. We're just making sure that we can seize opportunities as they arise. And every week and every month, we look at targets. Sometimes these are targets that are flying under your radar because they're very small little targets, what are known as bolt-ons, and they can be integrated much faster into our network.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

A

And for the US, Nicolas, I think we've already mentioned this. The first phase was acquiring PrimeLine eight years ago, I think it was. And it took time to integrate them. In fact, it took longer than expected. Now that that's done and it's been done properly and well, we can get back on a forward footing continuing to develop PrimeLine, which is more an infrastructure business, and maybe working on other components of VINCI Energies business. Why not what we call Actemium, which is the industrial side of things, automation and industrial IT. This is a business in which we feel that there is build-up capacity, consolidation potential by buying up a number of regional companies that do this, and we're talking about €100 million or €200 million in revenue for each. So it's not out of the question that we might look in those in the future. And yes, for the last four or five years, we've been buying up €10 million or €20 million companies every year just to get a foothold in America.

Christian Labeyrie

Executive Vice President & Chief Financial Officer, VINCI SA

A

We are planning a VINCI Energies Capital Market Day in the second financial half of this year, and that will be an opportunity to tell you more about what's going on and what our acquisition criteria are for businesses and placement.

Xavier Huillard

Chairman & Chief Executive Officer, VINCI SA

No questions in the room? Okay. In that case, there we go. Thank you very much.

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