

# **Vinci SA (VCISF) Q2 2024 Earnings Call Transcript**

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**Body**

Vinci SA (VCISF)

Q2 2024 Results Conference Call

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Company Participants

Xavier Huillard - Chairman & Chief Executive Officer

Christian Labeyrie - Executive Vice President & Chief Financial Officer

José María - Chief Executive Officer, Cobra IS

Nicolas Notebaert - Chief Executive Officer, VINCI Concessions

Pierre Coppey - Executive VP & Chairman of VINCI Autoroutes

Arnaud Grison - Chairman and Chief Executive Officer, VINCI Energies

Christophe Pélissié du Rausas - Vice-President, Business Development

Conference Call Participants

Eric Lemarie - CIC

Augustin Cendre - Stifel

Nicolas Mora - Morgan Stanley

Elodie Rall - JPMorgan

Graham Hunt - Jefferies

Presentation

Xavier Huillard

Good morning to you all. Thanks for joining us for this presentation. For obvious logistical reasons, we are at VINCI's head office, just next door to the Arena 92, where the Olympic swimming events will be held as you know. I'm joined by Christian Labeyrie as usual on stage. We have the full Executive Committee and, notably, the bosses of our divisions, who'll be available to take your questions later.

So where we are, obviously, the sea is rougher, the fog is sometimes dense. And therefore, visibility more limited. But what is clear as reflected by our H1 performance is that our ship is steady. We're riding the wave and the ship remains on course with calm and determination over the half. We're seeing an increase in revenue across three business divisions, concessions, energy and construction. Very good growth in EBIT and a limited decrease in net income in spite of the inclusion of the new tax on long-distance transport infrastructure tax that we're combating.

Major financial investments, Edinburgh airport, an acquisition of a minority 20% stay in Budapest airport, a section of the Denver Ring Road, Colorado. But VINCI Construction, good successes in North Africa and the usual number about 15. 15 to be precise small to medium-size acquisition for VINCI Energies. These forward-looking investments lead to an increase of our net debt at the end of June. It dropped to a very low level at the end of 2023, and we maintained a very robust financial situation.

And lastly, and this is a very important, we are recording a new increase of order intake, bringing it to an historic high at over EUR67 billion. Geographies, we're continuing to extend our footprint expanding outside France, focusing on areas offering good growth potential. We're not -- we're barely present in China. North America, where we were barely present 15 years ago, now accounts for 7% of our total business, that's about EUR5 billion for year.

Central and Latin America interesting areas. But one condition, we need to be extremely prudent and selective. Europe has done well. France is faring acceptably. Europe -- outside France, particularly dynamic. Western Europe, plus 13%. Africa is going through a strong destabilization phase across a number of countries. We've been there now almost eight years, if not slightly more, and so we've learned to adapt. That's to say, to be able to leave certain countries when the conditions are no longer met to allow to operate in safe conditions. But whilst retaining the possibility of returning by being patient. The prime quality in Africa is patient.

And then Asia, especially Oceania, for us is also very encouraging. Few years now we've achieved a fine breakthrough. And the area offers good prospects. The slight decrease that you see on Slide #6 is simply due to a phasing issue relating to major projects.

Let's review our major businesses, VINCI Highways, which has suffered from the farm demonstrations earlier in the first half with a few disruptions here and there, recently in June, at the Spanish border. All this coupled with not great weather conditions over the half years, a 1% drop in traffic, minus 0.8% for light vehicles and minus 2.3% for trucks. And as I said, we've taken into account the new tax where EUR120 million tax deductible, as you know. And we challenging that together with our highway peers, but also by our aviation peers. It's currently being reviewed by the constitutional council, and we expect feedback on that by the end by mid-September.

Very good Airport situation. 150 million passengers managed, up 10% over 2023, but also up 1.5% as compared to the first half of 2019. So COVID is behind us. This growth is expressed across our 14 countries, 72 airports, with in particular, and we're very satisfied with that. A very fine performance by the recently acquired airports, Budapest or Edinburgh. A couple of figures, at Budapest, we're at plus 18% versus 2023 and plus 6.5% versus '19. Edinburgh, plus 11.5% versus '23 and plus 4% versus 2019 levels.

Lastly, we continue to systematically roll out our environmental policy. Toulon airport is the first to reach carbon net zero, Lyon Airport will follow in 2026. And our two new assets in Scotland and Hungary already part of a systematic approach aimed at reaching net zero in Europe at least before 2030.

The other Highways. The highlight is a major acquisition of a section of the Denver ring road in the U.S. first traffic risk in the U.S., an asset of excellent quality with 82 years residual duration, robust regulation and great upside for operational and financial results. Engineering and works, order intake sharply up by 9% and versus last year, the end of H1 2023. Progress even at 14% of VINCI Construction owing on the one hand, of good performance of our flow business. But also thanks to the advent of major new contracts, such as, for example, the renewal of 800 railway tracks between 2030.

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And France, eight-year maintenance and improvement of roads contracts. The dismantling of two units of power plant -- nuclear power part in Sweden or the extension construction of a drinking water facility in Cambodia. Those are a few examples. There are many others showing the VINCI Construction like, of course. And first and foremost, VINCI Energy and cobra is at the heart of the investments that are linked to the environment, both in France and outside France.

VINCI Energy is faring very well. Well established across the three very dynamic long-term trends: energy efficiency, the energy transition and its corollary, the gradual ramp-up of electricity in the energy mix. And the digital revolution activity is up 5% over the half, despite of a very high base effect in 2023. You see France is on this slide. We didn't want to complexity, I think, with an increase in activity. Revenue up 3% versus 5%. But in fact, if you leave aside a very small business of services to erase the electrical grid, which by definition fluctuates because it essentially driven by production consumption needs of the grid.

If you leave aside a very small business that is probably about, what, EUR100 million of revenue in the first half, and you restate what France -- French growth was aside from that business, you land at plus 5%. That is something that is quite consistent with overall growth. VINCI Energy can afford to, once again, boost its operating margin by 20%. 7% versus 6.8% H1 '20, which augurs well.

And lastly, a flow of bolt-on acquisitions, 15 from the start of the year, with the same goal of completing our geographical print and our range of expertise, VINCI Energy is confirming itself year after year, is an extraordinary machine that has a great role to play in the green and digit transition, thanks to its strategic positioning and thanks to its organizational model that's highly decentralized. That doesn't change the systematic quest for technological value-added.

Cobra IS doing very well, with revenue up 8%. 19% in Spain, which is absolutely remarkable. Minus 2% outside Spain that's the result of the phasing of a number of EPC projects, but also high selectivity, notably in Latin America. The EBIT margin is also up by 30 basis points at 7.8% on the half.

Next, just a quick focus on basis of information that you'll find on Page 91 of the booklet, that chart that just summarizes Cobra's successes of the AC/DC offshore conversion station.

Since the integration of Cobra in VINCI Group early 2002, it's almost 14 gigawatts of orders that were booked by our consortium with Siemens Energy, solely to service Germany. That means that we're only at the beginning of this wave. Other countries will follow suit. France is beginning to do so, but great many countries will be developing offshore wind power. A lot of things are happening in offshore wind, we have an EPC posture that's very significant, thanks to our ability to deliver the engineering, the construction and the laying of these AC/DC converter platforms.

And what the share of Dragados Offshore, the Cobra unit that does it, that's about EUR10 billion in revenue to deliver by 2032 for Dragados Offshore. Just to illustrate the tremendous opportunity offered to us by the green transition, but also the EPC agility and expertise of Cobra IS. Still at Cobra, we're on track to develop renewable projects. So I'll just remind you to develop 1.5 gigawatts per year.

Just like to flag two points. Firstly, we're sometimes a bit slowed in our ability to move from ready-to-build to ready-to-produce RTB to RTPY because connection with the grid can be done. But the go ahead to connect in order to inject the power produced by our assets in the transmission and distribution networks is running behind in certain countries simply because these grids haven't been bolstered and strengthened at the necessary pace to absorb all the new production capacity of these new renewable. So we have a stock that's coming out at the ready-to-build stage, but can't move as fast as expected to ready to produce.

It's of no serious consequence. It's going to normalize. But it means that we don't have significantly sized assets that have entered production because there are probably no collection to the grid, but authorizations to connect to distribute to the grid.

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Second major problem is that we acquired two projects with local developers in Texas. Texas is a major geography in the U.S. It's a power electrical island which has needs to roll out renewable assets, even more significant than the rest of the country. We bought two projects from local developers, 250 megawatts total. We've continued to develop that. And we've just crossed a major milestone with the negotiation of a PPA with Google probably to power data centers. That's going to allow us to produce the financial package, so as to plan for the beginning of construction in the second half of the year.

I noted because a year or two ago, we said that we wanted to expand on renewable networks in the U.S. Well, we're currently getting there with those two projects, representing significant megawatts, 250 megawatts. And not small projects.

I'm now on Page 14. VINCI Construction also recorded growth of 2.5%, with France performing well at 4%. Obviously, in France, we are being slightly impacted by the decline in housing projects, but we're also heavily involved in rehabilitation, renovation and projects as well as in public building programs, particularly hospitals, as per the segue government plan.

In addition, whether in France or outside France, road works we're usually pretty resilient, are progressing well. And as far as trends is concerned, this is happening despite the negative calendar effect, lots of weekends and vacation time getting in the way and also poor weather condition conditions.

For VINCI Construction, outside France business was up 1%, especially in specialty trades, but also in the U.K. and in the Americas. As I have already mentioned, order taking was excellent at over -- at 14%. And via those acquisitions, we have strengthened our specialized civil engineering division, including Freyssinet, Menard [Zelitange, Bashi] and others with a number of acquisitions. Also, we have strengthened our presence in North America for roads activities via two acquisitions. And when you add it all up, this accounts for a total of around EUR230 million in additional activity on a full year basis.

Lastly, as for the other businesses that I just referenced, our operating margin rose again by 10 bps. And again, this bodes well for the future. I would remind you that in the construction business, which is extremely seasonal because of the weather, the expected full year margin is, of course, much higher than the margin at June 30.

Lastly, at VINCI Immobilier, VINCI Real Estate, we could settle for the fact that our housing bookings have surged by 36% over the half year. One caveat, however, yes, of course, this is very good news. But this is mostly driven by bulk sales. And the big question is the tenants we're starting to see -- we were seeing before the National Assembly was disbanded. Will those tenants, will those low intensity signs have been -- will they have been nipped in the bud by the current wait-and-see attitude on the part of the political immunity, which is not encouraging investors to move forward.

So it's a bit too early to tell, but what I'm seeing is that we haven't yet seen the end of the deep crisis when it comes to production of housing in this country. Now you may have read the headlines. Obviously, we embarked on a downsizing program at VINCI Immobilier. This program is now over. 140, 150 people have been affected. The program has proceeded at pace in excellent conditions and many thanks to our teams for that.

Handing over now to Christian Labeyrie.

Christian Labeyrie

Thank you, Xavier. Hello, everyone. Let's discuss revenue despite a high base effect, because business was particularly buoyant last year in the first half of last year. Now despite this high base effect sales continue to grow in H1 to varying degrees, obviously. So plus 4.4%, almost EUR34 billion. So this trend bears out the dynamic performance of the group's three businesses: concessions, energy and construction. I'm not going to give back to the underlying growth trends of our three businesses. Xavier has already done that.

Regarding VINCI Immobilier, the 10% drop in sales is mostly ascribed to the decline in commercial property production with one hopeful note. However, the new stability in VINCI Immobilier's business in Q2. Changes in the scope of consolidation added 0.5% to growth, representing some EUR160 million in additional sales over the half year, mainly at VINCI Energies. So 15 acquisitions in H1, 2024 and 34 acquisitions in 2023, which are producing effects over the half year. Exchange rate fluctuations had enormous neutral impact on sales this half year. The positive effect of sterling rising against the euro has been offset by the fall of most of the other currencies in which our sales are denominated.

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I'd like to take this opportunity to point out to you that VINCI stadiums business was pretty low in the first half due to proprietary work carried out in all of our arenas, particularly at the side of France, preparatory work ahead with the Paris 2024 Olympic and Paralympic games. So let me remind you the main markets in which we operate. We saw this in the previous slide, but we're talking over EUR3 billion in sales in the U.K. over the half year, over EUR2 billion in Germany, EUR2 billion in Spain, EUR1.5 billion in the U.S., nearly EUR2 billion in Latin America and a little over EUR1 billion in Australia and New Zealand.

I won't list all the countries where the group operates, but it's worth noting that VINCI now has a strong global presence with a wide range of countries. And this enables us to chart our course through a variety of crises, be it financial, health related or geopolitical without too much struggle. So the proportion of sales generated outside France continues to grow year-on-year. This is the result of a long-standing strategy which combines organic growth, and a policy of bolt-on acquisitions to increase our presence in our major markets. We're not trying to be everywhere. We're trying to get stronger wherever we already operate.

So next slide, earnings before interest and tax, or Europe, we call it in-house, came to EUR3.9 billion, up 9%. This represents 11% of sales, so 50 basis points better than in the first half of 2023. And this increase is particularly remarkable since the financial statements included an expense of EUR120 million related to the new levy on long distance transport infrastructure in France, which share some exclusively motorway concession companies. So in concessions, VINCI Airports saw its EBIT rise EUR227 million, crossing the symbolic threshold, EUR1 billion, a level never before achieved. And the EBIT over sales ratio thus reached almost 50% compared with 44% in H1 2023. In addition to the effect of higher sales, which improved the coverage of fixed costs, this excellent performance shows operating expenses that are well under control.

Now I'd like to take this opportunity to report that after trading there, we will put online a toolbox, that's what it's called to give you a little more color, a little more detailed information regarding our airport situation. In energy and construction, so VINCI Energies, Cobra IS and VINCI Construction, their EBIT also rose to record levels. For VINCI Energy, this represents a margin of 7%, 20 basis points higher than in H1, 2023, and all the business line activities in geographic areas contributed to the performance. On November 26, 2024, VINCI Energies will hold its Investor Day right here at our headquarters in L'Archipel. We will share with you our prospects as we did last year for Cobra in Madrid.

So 7.8% margin for Cobra IS, 30 basis points higher than last year. So our Spanish subsidiary continues to post strong sales growth but has also succeeded in further improving its profitability, thanks to particularly efficient and rigorous business management. VINCI Construction operating margin is improving by 10 bps to 2.1%. I'd like to remind you that this does not reflect the performance expected for the entire year because of the high seasonal variations in some activities, notably roadworks and railways, and also certain geographies, such as Central Europe and North America, including the U.S. and Canada.

VINCI Immobilier has a negative EBIT, which is basically unchanged from last year, a natural fact. This factors in a restructuring plan to address overheads, about EUR20 million, with a slightly positive impact over the whole year.

Other items in the P&L. Next slide, please. I think I already talked about that last year. We're seeing an increase of the expense under IFRS 2. From an accounting point of view, this translates to the employee benefits for employees that subscribe to VINCI shares as part of a company savings plan. This is part of a change in methodology that we've had to do under regulatory requirements. And this is offset by an improved contribution of our equity-accounted subsidiaries. Thanks in particular to Kansai Airport in Japan, whose contribution returned to positive territory after the pandemic.

Now non-recurring items include a EUR72 million expense, which includes EUR50 million in the earn-out, that's what is called, and this is reflected in the P&L. So, in respect to the earnout O2C in connection with the development by Cobra IS of new renewable energy projects. Remember, there was an earnout that depending on the gigawatts developed over the years.

Now regarding our financial situation. Net interest amounted to EUR554 million. Most of the difference, EUR167 million, corresponds to non-recurring income recorded last year, following the restructuring of the debt used to acquire London Gatwick airport. The balance is due mostly to change in the scope of consolidation. So net interest expense remained pretty stable from one half to another because the increase in the cost of gross debt following the increase in interest rates, which had a full period effect on Q2 last year, was largely offset by the improved yield of our cash flow investments, not just at headquarters, not just at the holding company level, but also in our various businesses.

Now regarding other financial items, we're seeing a charge of EUR44 million. This includes the ADP share price going down in our balance sheet because we have obligation to post that impact depending on the number of shares. Last year, there was a positive movement. This year, it's a negative movement, because the ADP share has not performed very well in the first half. Going down from EUR117 to EUR113 last year. Versus last year, with an increase from EUR125 to EUR131.

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Now the tax charge rose to almost EUR900 million, and this means an effective tax rate higher than 29% versus 27% last year. And this is the result of the fact that the levy on highways is not tax deductible. Minority interest represents a share of earnings attributable to shareholders other than VINCI, in companies which we do not hold, including London Gatwick, Oman, Cambodia and Aéroport de Lyon. Because those improve our profit, the contribution goes our shareholders increased as well. So still a pretty good performance.

Consolidated income attributable owners of the [indiscernible] to almost EUR2 million. When it comes to cash flow. Free cash flow generation is positive over the whole year, despite the impact of unfavorable seasonable variations at the start of the year. And this is a source of satisfaction for this first half. Free cash flow for the period stood at EUR360 million, close to its record for the first half, EUR381 million in H1 2021, even though penalized in H1 2024 by the freeway tax. So EBITDA EUR5.7 billion, up EUR364 million, VINCI Airports contributes to 50% of the improved EBITDA. VINCI Construction and VINCI Energy and Cobra account for the other half.

Changes WCR from income provisions reducing negative in the first half of the year due to the seasonal nature of our business, is less negative than last year by about EUR600 million and this is mostly due to Cobra because cash and a number of advances on major EPC projects that have already been referenced, particularly new offshore platforms in the North Sea. So those are two items, improvement in EBITDA and the lower consumption of WCR more than offset the increase in interest paid over the whole year. And like I said, last year, there was a EUR267 million one-off inflow of cash and also the improvement in CapEx and also investments in concessions, which have increased by EUR200 million to over EUR800 million. That reflected at Cobra, VINCI Airport.

Turning now to new acquisitions. CapEx, EUR5.7 billion. As mentioned, strategic developments of VINCI Airports and VINCI Highways. The prime goal, of course, is to enrich our portfolio of concessions contract by booking very long-term contracts, so as to grow the residual duration of our portfolios and the maturing of our interurban concessions at VINCI Highways. VINCI Airports invested EUR3.2 billion, Edinburgh, Budapest. VINCI Highways, EUR1.5 billion, includes the debt taken up in the assets acquired.

In terms of expansion, VINCI Construction and Energies continued VINCI Concession intensified its presence in the U.S. and Quebec, with companies that represent full year over EUR300 million in revenue, EUR230 million in North America. VINCI Construction also continued to expand the specialty businesses of Soletanche Freyssinet. VINCI Energy acquired 50 companies for annual revenue, EUR140 million, over EUR120 million internationally, all that's reflected in the change in debt. Sharply up over the half, 7.2% gone from EUR16 billion to EUR23 billion. The variation over 12 months, only EUR1.5 billion debt is important, of course, but fully proportional to our ability not only to reimburse it, but to generate cash.

Next slide, gives you the perspective of 15 years. We see that cash generation of VINCI steadily grow over the period with a record as due in 2023, EUR6.6 billion. 10 years ago, barely EUR2 billion. So that's a remarkable track record. But you also see in the first half, we're not generating like cash flow, sometimes negative cash. But it wasn't the case this year, nor last year. So we need to remain modest and prudent because cash flow will be generated over the months in the second half, right at the end of the year.

We can't extrapolate this good performance in H1 and because the key remains to be done. I won't say any more about that. The balance sheet is very strong. VINCI balance sheet, as you all know, we can continue to view our expansion with confidence. Capital employed topping EUR61 billion, over 80% invested in non-recurring assets that is long term. Assets concessions and PPPs have grown strongly in the period, EUR6.3 billion. That's resulting from VINCI Airport, VINCI Highways equity, EUR33 billion, EUR 4.6 billion on minorities. EUR 23.4 billion net debt. Gross debt, close on EUR32 billion. And EUR8.5 million cash debt that is fully sustainable in respect of our strong free cash flow generation.

Turning to our financial policy. As we regularly restate, we attach great importance to have liquidity available at all times. It's even true in these troubled times for individuals, for corporate, it's a price of independence maneuverability to seize acquisition opportunities that arise that we're interested in. Also to pick the right time to refinance given the rate volatility, there can be long-term trends, but a lot of volatility. With these trends, we need to be opportunistic and decide the right time where we issue new bonds. So we're well equipped to continue to meet the unexpended EUR8.5 billion in cash, slightly up over the half.

And bank credit facility, [6.5.] We reduced at no point having too much cost money and locked up capacity at our banking partners that need to be better used on other fronts. Rating, long-term credit rating A mius S&P, A3 Moody's on change stable. Confirmed for many years now very good relations with these two agencies with whom we meet regularly. This rating agency confidence reflects our diversification, model, concessions, contracting, geographic footprint, very diversified, cautious financial management, and we convert welcome that the quality of our management is thus recognized. So these conditions were able to refinance over the half of the good conditions.

In particular, we performed taps that is we're able to draw on existing loans over-the-counter opportunists for a total of EUR1.2 billion on average rate. That's quite good of EUR3.6 million ASF. We invested a longstanding EUR600 million bond that matured with about 3.1 was offset in terms of cost. In terms of project financing, another component of the group's financial policy, the activity was busy. In the Dominican Republic, a new loans successfully raised on the era dom to refine existing bonds that we set up at the time of the acquisition a few years back. And also refinanced a large part of the upfront fee that we paid out to obtain the 30-year concession under good conditions in dollars from North American investment funds.

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To end a few words on the cost of debt. The final slide is we've seen strong increases in the past few years following the end of the COVID crisis and resulting situation. We're seeing a leveling off of rates. We hope that will continue and that they even come down a bit, perhaps by the end of the year in the various currencies in which we borrow. Henceforth, our debt is no longer just in euro. Euro represents about 60% of our total debt, the rest is sterling, 22%. U.S. dollar 7%. But also expensive currencies. Latin American, 7%. That's over EUR2 billion. The costs frequently double-digit. And so that impacts our total cost of debt.

If we look at the end of the period, end of June versus end of -- the average cost of our financial debt was [472] to end of June, slightly down versus the [480] end of December, thanks to the declining dollar and euro rates, we can hope that will continue. Thank you.

Xavier Huillard

Thank you, Christian. So just a few minutes to tell you a bit about how we, to date, view the landing at the end of 2024. On the Autoroutes, the highways, we indicated six months ago to expect traffic level slightly up. We expect today that traffic will be broadly stable. But of course, we'll see clearer after the current summer period. Airports, as you can see, for three quarters now, traffic levels above 2019 levels, that will remain the case with, of course, differences across airports.

In engineering and works, we're benefiting from a very strong order book, 13.8 months of average business allows us, and that's very important. It means we can remain both confident and highly selective and do a good job. The consequences that we're expecting both of VINCI Energy, but of course, to a lesser proportion than that seen in 2023, with a slight improvement in the operating margin. What was always in the Champion League at 7% last year. As I said, to improve it slightly this year. Growth slightly more significant. Revenue at Cobra with possibly slight increase in the operating margin. Of course, we continue to roll out our offshore wind plants.

VINCI Construction should be equal to the results in 2023 with there, again, a slight increase in the operating margin. So when we consolidate all that, what we can say is that we expect further growth in revenue and income in '24, but less in percentage terms than in 2023. Net income that's impacted by the tax to the tune some EUR280 million full year on the French highways. In spite of that tax, we expect net income that will move close to the level reached last year.

It's after taking into account all this at the Board of Directors of the group that met yesterday, dividend down. Interim dividend of EUR1.05 per share in spite of the slight decrease in net income that we just set out.

In conclusion, you're seeing once again VINCI is a very solid company, highly diversified in terms of its businesses. Geography is very well positioned on the very compelling long-term trend of the energy transition. Digital revolution very agile. It's really nimble footed through its organization. That's the best way to weather crisis and highly competitive. So we're very well equipped to continue on our course of sustainable and long-term growth. And Pierre Anjolras, who fully embodies a VINCI culture and who possesses extensive experience in the group, will be leading the group after our next shareholders meeting in April 2025.

That's what we wish to tell you before giving you the floor for any questions. If anything we said was not crystal clear. Thank you.

Question-and-Answer Session

Operator

[Operator Instructions] The first question comes to us from Eric Lemarie from CIC.

Eric Lemarie

I got three. The first question, unless to have comments to make on the political risk in France considering the current political certainty, possible impact on your business. If you have further comments to make on the transport tax. That's the first question.

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Second question on EBIT. The holding line item that's positive this year H1, it was negative in H1 2023. If you could give us some color on that.

Thirdly, have you made progress to dispose Polo Carmopolis that you acquired when you acquired Cobra last year.

Xavier Huillard

The system matter, it's not one question. It's systematically three questions that are asked. Regarding the political uncertainties, what we can say is that we're in businesses that benefit from a very long lag effect. It's obviously the case for concessions, but also engineering and works because of the scale of our order book. So if there are macroeconomic consequences stemming from, say, current political uncertainties, well, we could end up by feeling the effects of those, but that would be with the lag effect of several months, if not several years. So no visible impact today. So we're unable to give you any answer on that.

The other notable point is in countries such as France, the countries such as France, the bulk of our business for the public sphere for local municipalities and so these local authorities, municipalities. And the second part of the electoral cycle that is rather in the phase had various political leaders in the municipalities are beginning to resume works ahead of the next electoral process, which is generally favorable. I can't say much on it, but I'll ask my colleagues to chip in if they wish to say anything about that.

On the holding line, the ROPA, I've no idea the EBIT. Christian is bound to know. Well, perhaps you should know given that it was raised in the notes that were released last year. Of course, previously, we combine holding and real estate assets really. I mean, there's no circa here. There's internal billings between holding companies and the subsidiaries, so we could distribute this balance. But when the various divisions on a pro rata basis, so we're not doing. But at this level, we have the integration of Cobra when we acquired Cobra, and we did PPA all the accounting work to analyze the Cobra accounts and integrate them in VINCI. The goodwill was allocated to the Cobra order book. And so gradually, as that order book is executed, we amortized. It's reduced over the years. As a result, we're seeing a draw depreciation of goodwill for Cobra.

And also when we consolidate Cobra, we included provisions for a number of risks that have been identified during the due diligence process for a number of job sites, and those risks did not materialize. And this means we were able to reverse some of the provisions because the risk did not materialize. But that's mostly for Cobra.

Now from one year to another, the reversal of provisions and charges, that's most for Cobra.

So you have question had to do with Carmopolis, if I understand correctly. Before Christophe adds to my answer, I'd like to clarify that Jose Maria may not be with us in person, but he's attending remotely. So he's on hand. He's on hand if we need additional information. It might be a little truly technically, but it's possible. Now we didn't particularly state that we would sell. We said the business would go under strategic review. So we fell behind for exogenous reasons that are externalities that we had to incorporate.

I'd like to remind you that this contract was negotiated before the beginning of 2022. And a number of wells were in mediocre condition worse than we had imagined. And there was a shortage of local companies capable of ginning up the well, so it risks to normal output levels. And so the shortage of drilling systems meant that this -- meant a delay in resumption of production. And if I remember correctly, it took a year. And during that one year period, there was nothing we could do. Because if we had done anything, there would have been contractual problems with the concession grantor. So like I said, the strategic review is underway. Christophe, anything you'd like to add?

Christophe Pélissié du Rausas

No, I agree with what you said regarding the works carried out to improve our production. And the lockup period came to an end in the end December 2023. And so yes, the strategic review underway. We also would like an extension that's as long as possible when it comes to the concession contract because there are several, and that's been achieved for 80%, 85% of the whole site.

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Operator

[Operator Instructions] Next question, Augustin Cendre, Stifel.

Augustin Cendre

I have just one question. Regarding Belmonte, which is part of your Cobra IS business, what's their contribution to the top line and to Cobra's top line and EBIT? Because when I try to adjust more figures, it seems as though this would 7.4% contracted margin for Cobra. Is it the same as last year? I'd like to understand a little bit more Belmonte's contribution.

Xavier Huillard

I'm not sure I understand. Belmonte's margin, I don't have that top of mind. But the contribution is peanuts. That's not material. 580 megawatt Belmonte just started production about a year ago, if I remember correctly. It's not even on the same scale as the profit capacity of Cobra. Eventually, it will get bigger once we have consolidated the 1.5 gigawatts that we intend to develop year-on-year, then it will become material. Right now, it's not. It's peanuts.

Augustin Cendre

Could you give us better visibility regarding when you will split off the renewable energies division from Cobra?

Xavier Huillard

I'm sorry, the terminology is important. That's not how you should ask that question. The question is, we have always explained that as part of our agreements with ACS, the plan was this, once we achieve a certain output level as expressed in gigawatts, then we are required to propose a transfer of this asset at market value to a joint structure, a shared structure. So consolidation, 51% of the capital. And then this structure, this entity, would carry those assets over the long term. We're not there yet. So the question is mixed.

ACS has that option. But if they're not interested in taking over a particular asset, then we'll hold on to the asset. And of course, over the long-term, we're not going to maintain that asset as part of Cobra, because Cobra balance sheet would not make that possible. Then we will create another structure, even if this means bringing in third-party investors as minority shareholders. I know it's premature. It's early -- too early to ask that question. Right now, output is less than gigawatt peak in terms of renewable energy.

Operator

[Operator Instructions] Last question from Nicolas Mora, Morgan Stanley.

Nicolas Mora

I have three, maybe four questions. On the subject of Cobra, you just announced another contract regarding those big converter platforms. What about available capacity, will they continue to grow? What about leasing the yard in Al Jazeera, are you going to continue that type of project, with potentially new orders, whether in France or outside France?

Second question regarding VINCI Energies, between 3.5% and 4% organic growth since the beginning of the year, that's a cruising speed, that's also the speed at which order intake is growing in Q1 and Q2. What does that mean? Does that mean you've reached cruising speed, so inflation plus 1% to 2%?

Third question regarding airports. Could you give us more color regarding operating performance, we believe operating performance is excellent. But what about operating performance in the first half in terms of contribution? Is it Gatwick? Is it [Anna]? Is it retail? I would like to understand the trend, the dynamics.

Xavier Huillard

Thank you for keeping it down to only three questions and sticking to tradition. Cobra, Christophe, correct me if I'm wrong. Rather, maybe we should hand over to Jose Maria or should I take care of it? All on my own. Okay. Until we figure things out, technically speaking, let me answer question number two. I hope Jose, correct me if I'm wrong. Now when it comes to VINCI Energy's model, what's most important, we want to improve our selective approach. We want to grow increasingly selective. And the result of that philosophy, our growth rate underperforms the market growth rate. That's the only way to continue improving our profit margin while becoming increasingly selective.

So market growth is 2%, it makes no sense. It actually means that we're below that, that our growth is only 1%. As a result, the additional wealth extracted from that philosophy means we're able to free up financial capacity, and this means we're able to grow through M&A. And all-in-all, this means significant growth in our top line. Mechanically, that's what we've been doing with VINCI Energies over the past 20 years. Again, Jose correct me, if I'm wrong, did ask properly. Arnaud, anything you'd like to add?

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Arnaud Grison

Yes. I don't know whether you remember that last year, we enjoyed double-digit growth, significant double-digit growth. So it makes sense that this year the growth rate seems to be slowing down. We can't always enjoy double-digit growth. But the growth rate you're seeing is extremely decent for the year. And when it comes to next year, we'll cross that bridge when we get there. As was rightly said, it all depends on our management capabilities. We need to cope with market demand while remaining selective. And also, M&A is part and parcel of our model. You've seen the 15 acquisitions we've made and for that we need the teams. And we also need a sufficiently strong back bone.

Xavier Huillard

Jose Maria, are you read to take the question?

Jose Maria

All of our slots included the major capacity we have now with [indiscernible] is occupied until 2032. Then what we could do is sell the slots 2023 and ahead, not before. Then in terms of backlog, backlog we can grow. In terms of revenue in the next few years, we can.

XavierHuillard

We currently have four yards, including Algeciras. And those four yards mean we're able to with order intake until 2032. Is that what Jose Maria said? The sound quality was too poor unfortunately. For those words to be translated, I -- now the slides are being sold until 2032. The backlog can grow -- we cannot grow the revenue until that year because all of the capacities have been sold. But that's mostly for our Spanish yards, Algeciras and Carres.

Now I'd like to add that over the next 10 years, we can well imagine opening up in Europe, but there be several headwinds. First of all, we need to find it, okay, and it's not like they're growing on trees. We've done a great job of securing the Algeciras yard. It did not exist in 2022. And secondly, we need to be reasonable. I mean we don't want to bite off more than we can chew. 2032 is around corner. And this means we would need to mobilize hundreds of technicians and engineers and project managers. We already have our platform. So let's be reasonable.

Question number three, handing over to Nicolas.

Nicolas Notebaert

Now that our combined factors that explain the surge of EBITDA at EUR62.2 million and ROPAR or EBIT is close to 50%. First of all, 2024 is not yet mature. We're still seeing a catch-up effect when it comes to traffic. Proof in H1 was only 8.2%, so we're expecting traffic levels to exceed the 2019 levels. So there's still a traffic impact, which has been reported in the platforms with added in those airports. EBITDA is expected to be higher than last year. So there is a regulatory factor as well, when it comes to the impact of inflation. And this year, we are benefiting from the end of the hyperinflation period that we've been through. So we're seeing the final significant increase in tariffs, particularly in Portugal and in Gatwick.

Third impact, the yields just like last year, are higher than they were in 2019. And there's a strong impact of car parts and food and beverage sectors, which were taken over from retail, which was pretty profitable already. So you may have noticed that when you board a plane, there's less and less food and beverage services being served because a lot of consumers or passengers eat and drink while they're still at the airport. So the baseline, excluding inflation, is lower than in 2019, but our operating profit margin has increased. So those are all of the factors that are having a major impact when you aggregate them all in all of our airports.

And as Christian rightly said, the toolbox will make it possible to monitor all those indicators on regular basis, which are pretty homogeneous from one network to another. Now Japan's recovery is even stronger elsewhere. Getting closer and closer to the 2019 levels, except for maybe China, China is almost there, but not there yet. So we're talking Taiwan and other countries, which have all exceeded 2019 levels.

Operator

We've moved to the next question. Next question comes from CIC.

Eric Lemarie

Again, I've got three follow-up questions. Firstly, on M&A for VINCI Energy. You're paying your bolt-on acquisitions at the same time where our price is changing up or down. Is there a margin difference between VINCI Energies and Cobra? Part of that difference is due to the business mix naturally, can we expect mid-term convergence of margins between VINCI Energies and Cobra? Last question, how do you manage the risk of disruptions of the protesters in your airports? Frankfurt, there were protests there, is that a real risk or merely anecdotal?

XavierHuillard

Okay. So that's going to be easy. No, we'll address the first two points because for Cobra, it's not a matter of catch-up with VINCI Energy, but the opposite. On the bolt-on multiples, they're not changing. We remain disciplined, but we sense for the biggest transactions. There's an inflationary trend, but we don't do those. We remain reasonable multiples on the value added of what it brings to our book. We remain very selective in that regard. What we're seeing on these major deals, as you may have read the press, there are some expectations that are presented. But at the end of the day, they don't find a takers or in a period of uncertainty.

Secondly on margins, we, of course, like to leave the levels of Cobra, but we're not in the same business mix. We're not in the same geographies and size. We remind you, over EUR19 billion last year, it's on those volumes. They're significant volumes. And so that's why we're at good levels of margin today versus our peers. If you look at [spear bodily], you see that these are levels that are close to our own, probably slightly -- even slightly better. But I mean, trees don't reach the sky. We need to remain reasonable, keep a cool head so as to remain profitable over time and to manage the investment making on our workforce on the bolt-ons, new projects.

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I'd like to just add this something. I hope that the Capital Market Day, the CMD, in November, you have the opportunity of identifying everything VINCI has done over the past 15 years in terms of information, communication, technology, ICT, it's under a brand called Axioms. This year about generating about EUR4 billion in revenue. There are businesses that are more traditional, installing communications network, optical fiber. But in there for about half, there's a hyper technological business, cloud, AI, network management and rolling out communication solutions inside all buildings. And that's a nugget where we gradually can generate margins that are higher to the average than the advance VINCI Energy margin.

You're worried about VINCI Energy margins at a good level. They'll remain at that good level. I think that at the CMD, you'll also be able to revisit the valuation of VINCI Energy and to see them rise to levels that are consistent with what we do elsewhere. On the environmental protests that might impact airports, Nicolas, do you want to say a word about that?

Nicolas Notebaert

So two comments. Well, firstly, as the traffic numbers show those of air traffic, mobility vital for mid- and long distance and our ambition is to be the leader of the environmental transition of airports. Two examples, the first for us, we'll be the only players to be zero net emissions, to reduce all our emissions by more than 90%, 2030 across our EU airports, in particular Portugal. But also Budapest, that's agreed to this challenge from the acquisition. London Gatwick and a very broad airport footprint, reducing its emissions versus 2018 by 80%, the residual subject to offset.

But we're the only player on that scale to do it. That's for our own scope for our partners that are, of course, the airlines, passengers. You'll have noted, they're extremely active in partnerships with airbus because after Leon Santiago, Kansai airports, we signed a new partnership at Gatwick to the future adjustment of airports to the production storage of ASF new generation of hydrogen-based SAFs and hydrogen -- the hydrogen plane in the future. We're also upping production capacity at green airports and airports that were somewhat discarded. We got a target of just over 1 gigawatt peak. So we're very active on this sector that allows us to continue to attract young to our teams that testifies to the credibility of our initiatives in that regard.

Operator

Our next question, Elodie Rall, JPMorgan.

Elodie Rall

I hope my question has only been asked. I have a question regarding the new levy on French long distance transport infrastructure. So what is your approach? I understand you're challenging this new levy before the Conseil Constitutionnel and you're expecting your ruling. What kind of ruling are you expecting? And also when it comes to your M&A pipeline, you've been extremely active on the airport front this year. So what's your outlook for H2 in terms of financial firepower? Could you give us a little more color on that?

XavierHuillard

I'll hand over to Pierre Coppey when it comes to the new level.

Pierre Coppey

Elodie, I think you understand everything already. What can we say? Well, this new motorway tax has been the subject of order, actually was part of the -- it was provided for under the Appropriations Act. And the order, implementing order, is being challenged by the motorway concession companies that are being targeted. They're saying this law is abusive. The Conseil has referred the matter to the Conseil Constitutionnel. The Conseil Constitutionnel started reviewing the matter because it is a priority. And the courts are reviewing all of the memoranda by the parties, including the world of airports, the aerospace community airports as well.

So there was a hearing on July 12, you can check it out online. And the different parties put forward their arguments, and now the Conseil Constitutionnel has started deliberations. And as Xavier rightly said, the ruling is expected before mid-September. If the process does not lead to a cancellation of Article 11 of the Appropriations Act for 2024, there are other remedies we can actuate. In particular, there's a whole compensation process we can trigger, because there are clauses that are boilerplate clauses in all of our concession contracts. So we have ways and remedies.

Xavier Huillard

Thank you, Pierre. In terms of mergers and acquisitions, as you rightly said, we've been quite active during the first half of the year. Why? Well, because we're not necessarily in the driver seat when it comes to opportunities arising. Who knows when opportunities arise? And so there are opportunities in the pipeline, we're going to spend some time working on them. And it happens that some of those opportunities all crystallize at the same time. So that keeps us pretty busy. There were a number of opportunities in the pipeline for a number of months, for a number of years. And as it happens, they will turn out to materialize at the same time.

So let's be reasonable. We're not going to do this again in the second half. It's not a question of financial capabilities, but we don't want to bite off more than we can chew. We're not bulimic. So yes, there are opportunities in the pipeline that I'm not going to refer to specifically, but we will continue with our bolt-on acquisitions at VINCI Energies and that are opportunities that we are also pursuing on the construction front. So maybe not over the next few months.

But as you may remember, that last year, we made an acquisition in Brazil. Entrevias is a company that we bought because it was part of a very clear strategy in Brazil. It's one of those countries that we're starting to understand really well. One of the countries with huge development potential when it comes to consume models. And considering the size of the country and the huge mobility needs that are yet unmet in that country. And we decided we wanted to be a part of that market. So step one, we made that acquisition and it's going well. The work is underway. Everything is going according to plan. And it's a possibility over the next few months and years, we may have the possibility of being part of a competitive in process. So we will be awarded another yellow field, such as Entrevias. It's probably going to happen one of those days.

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Now let's now switch in to questions in English.

Operator

The first question comes from Graham Hunt of Jefferies.

Graham Hunt

I've just got two questions left. First, staying with M&A, I just wanted to discuss the North America portfolio where you've done a few deals. Are you now happy with your footprint there? Or would you like to increase your scale in the U.S. and North America further? And then second question, just on Gatwick. I think the U.K. government has made some positive comments around airport expansion in general. Could you just remind us where we are in terms of the expansion plan there? And if you've had any conversations with the U.K. government regarding Gatwick recently?

Xavier Huillard

Nicolas is going to answer about Gatwick.

Nicolas Notebaert

Yes, on Gatwick, the DCO process that I've already positioned to bring into service, the Northern runway to up the capacity for reasonable and rapid CapEx is on track. The current government has been informed of this project and is in continuity with what was done previously. And recall, its growth ambition through unlocking capacity in London. So short-term, that solution is part of the only ones that can be activated rapidly. So we're hopeful.

But it's a process of public usefulness that has a measure of constraints. The milestones, I mean, is March 2025. So no change. The British government, on the current tree -- the current British government recognizes the interest of unlocking airport capacity. The kind of the northern way, Gatwick, of the only short-term solutions to meet the capacity crunch in London.

Xavier Huillard

On your first question, if I understood you right, are we happy with our footprint in the U.S. in terms of highway concessions or do we plan to expand to continue? The answer is simple, is that we needed really to plant our flag more significantly, and that was the purpose of taking over this very fine concession, which is the Denver ring road, of course. We're not going to multiply those brownfield concessions, but we're still interested in taking part in competition to award highway concessions or managed lanes or light managed lanes, as we said on many occasions.

We're prudent people. And so we're waiting until we find the issue that fits us right, that is located in the right place in the U.S. We're not comfortable with having to do major works projects just anywhere in the U.S. As long as we find the right partners, as long as the project is sufficiently technical as it were, allowing us to fully express our capabilities. And not too big, whilst at the same time being not too small. So we're constantly looking at opportunities that are often will end up by finding something that will end up by winning that will install us on highway greenfield or yellow field highway concessions in the U.S.

Operator

No more questions.

Xavier Huillard

Other infringement, Jean Christophe has gone off into retirement. So that was one question -- we had Eric twice, correct? Well, if indeed, there are no further questions, it remains for us to thank you for joining us on this call presenting our results and our H1 performance to wish that you actively take part in the Olympic Games events opening this evening and then to enjoy excellent holidays. So see you soon after the summer break. Thank you.

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