

## Y 2021 Earnings Call

### Company Participants

- Andrea Fernandes, Investor Relations Director
- Marcello Guidotti, Chief Executive Officer, Chief Financial, Investor Relations Officer and Human Resources Management

### Other Participants

- Felipe Nelsing, Analyst
- Guilherme Mendes, Analyst
- Henrique Simoes, Analyst
- Lucas Esteves, Analyst
- Victor Mizusaki, Analyst

### Presentation

#### Operator

Good morning, and welcome to Ecorodovias Fourth Quarter of 2021 Earnings Conference Call. With us here today are Mr. Marcello Guidotti, the CEO; and Andrea Fernandes, IR Director. This presentation is being recorded and all participants will be in listen-only mode during the presentation. After that, we will begin the questions-and-answer session for analysts and investors only, when further instructions will be provided. (Operator Instructions) The audio and the slides of this conference call are being broadcast simultaneously at [ri.ecorodovias.com.br](http://ri.ecorodovias.com.br), where you will find the presentation for download from the webcast platform in the Investor Relations section.

Before proceeding, we would like to clarify that the forward-looking statements that may be made during this conference call relating to Ecorodovias's business prospects, projections and operational and financial targets are based on the management's beliefs and assumptions as well as on currently available information. They involve risks, uncertainties and assumptions as they refer to future events and hence depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future performance of Ecorodovias and lead to results that differ materially from those expressed in such forward-looking statements.

I will now turn the floor to Ms. Andrea Fernandes, who will discuss the fourth quarter of 2021 results. Ms. Andrea, you may proceed.

**Andrea Fernandes** {BIO 21294199 <GO>}

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Good morning. Welcome to Grupo Ecorodovias's conference call today discussing the earnings results of the fourth quarter of 2021. We thank you all for your interest and participation.

This quarter was marked by some important achievements, such as signing the concession agreement for BR-153, Tocantins Goias, to operate it for 35 years and Ecovias dos Imigrantes signing the definitive amendment TAM, which extended the concessions agreement term to November 2033, rebalanced regulatory liabilities, ended lawsuits and included investments. In addition, as of 2024, using the marginal cash flow methodology, the concessionaire will no longer have a revenue risk. These two achievements have increased the duration of the portfolio and are in line with the company's growth strategy.

Moving on to operations performance on Slide 3. Consolidated traffic posted an increase of 4.4% in the fourth quarter and up 16.8% in 2021. Excluding the operation of Ecovias do Cerrado, which began toll collection in November 2020 and concessions Ecovia Caminho do Mar and Ecocataratas, which has their concession contracts terminated in November 2021, comparable traffic posted an increase of 3% in the quarter and 10.2% in the year 2021. The highlight of the quarter was heavy vehicles with an increase of 5%.

As for the group's consolidated financial performance, on Slide 4, we see the evolution of gross revenue with an increase of 19.5% in the fourth quarter. Excluding construction revenues, gross revenue increased by 5.5%, driven by traffic increase and tariff adjustments, in particular the increase of BRL72.2 million in electronic toll collection.

On Slide 5, we show the gross revenue for 2021 with a 16.2% increase, excluding construction revenues. Note the increase of BRL453 million in revenue for highway concessions.

On Slide 6, net revenue, excluding construction revenue, grew 4.9% in the quarter and adjusted cash costs amounted to BRL272 million. This increase is due mainly to the expenses with consulting, technical and legal advisory services for the studies of new businesses for the Dutra, Triangulo Mineiro, CRT and Parana concessions auctions and specialized corporate consulting services to reassess the operating model and propose actions to drive competitiveness and sustainable growth to be implemented throughout 2022. Adjusted cash costs, excluding these effects, increased 11.3% influenced by the inflation increase and the variable costs at Ecoporto.

On Slide 7, adjusted EBITDA amounted to BRL544.7 million in the fourth quarter with an EBITDA margin of 62.4%, a slight decrease due to the termination of the concession agreements for Ecovia Caminho do Mar and Ecocataratas. The adjusted EBITDA for 2021 was BRL2.3 billion, a 14.2% increase and EBITDA margin of 66.7% as we can see on Slide 8.

On Slide 9, we'll see the evolution of recurring net income in the fourth quarter of 2021, up 25.5% compared to the fourth quarter of 2020. This is mainly due to a lower provision for maintenance and better financial result.

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Recurring net income in 2021 amounted to BRL381.3 million, due mainly to the increase on EBITDA, as shown on Slide 10. Investments in the fourth quarter of 2021 on Slide 12 amounted to BRL1.3 billion, including the payment of BRL631 million by Ecovias dos Imigrantes to end the lawsuit in the terms of TAM no. 19, which extended the term of the concession agreement to November of 2033. Excluding this payment, CapEx amounted to BRL644.1 million. The main investments were for the road duplication and pavement conservation works at Eco135 and Eco050, and pavement conservation works at Ecovias do Cerrado.

On Slide 13, we closed the quarter with net debt of BRL7.6 billion, an increase quarter-on-quarter mainly due to the investments made on the quarter. Leverage, measured by the net debt over adjusted EBITDA indicator, was of 3.3 times compared to 3.1 times in the third quarter of 2021.

Moving on to Slide 14, we closed 2021 with cash balance of BRL2.3 billion. In 2022, maturities in the first half of the year are already acquainted with the issues of the holding and of Ecovias dos Imigrantes in the amount of BRL1.9 billion, cash availability and the company's cash generation. In the second half, the main maturity is at Ecorodovias Concessões and it will be settled through new funding.

On Slide 15, we highlight the highways that the company is studying. Federal concessions in Parana, CRT and Triangulo Mineiro in the state of Minas Gerais and Ecorodovias's drivers of growth. The capitalization of the company in the amount of BRL1.7 billion as well as partnerships in future bids, target projects that generate cash already on D+0, extension of the contract for Ecovias dos Imigrantes, dividend distribution in line with the growth cycle and future cash generation shall enable the search for opportunities to invest in the Brazilian highway market with capital discipline in a sustainable manner. We take this opportunity to mention that Ecovias do Araguaia continues to invest in pavement conservation works and in the toll plazas and toll collection is expected to begin in the fourth quarter of 2022.

On Slide 17 through 21, we present the main ESG indicators, highlighting the conclusion of the study on climate vulnerabilities and the B Score on CDP above the global average. The strategic plan was revised and we have included ESG goals linked to the leadership's variable remuneration, representing up to 8% of individual target plans, which have been expanded to include relevant topics, such as diversity and inclusion. ESG practices adopted by the company guaranteed its presence for the 11th consecutive year in B3's Corporate Sustainability Index, which selects the companies with the best performance on sustainability, corporate governance, commitment with the community, environmental and climate strategies among other criteria. More details on our ESG agenda are available on our earnings release.

This concludes our presentation, and we would like to move on to the question-and-answer session. Operator, we are ready to take questions from our analysts and investors. Thank you.

## Questions And Answers

## Operator

Thank you. We will now begin the question-and-answer session for investors and analysts. (Operator Instructions) First question, Lucas Esteves, Santander.

### Q - Lucas Esteves {BIO 22482027 <GO>}

Good morning, Guidotti, Andrea. Congratulations on the result and thank you for taking my question. We know that toll collection hasn't started in Araguaia yet, but can you give us an idea of the current behavior of traffic there and if you believe that the Central Network has any impact in the projects that the company planned at the time of the auction? Thank you.

### A - Marcello Guidotti {BIO 16618352 <GO>}

Lucas, good morning. Thank you for your question. This is Marcello. About traffic at Araguaia, we are monitoring it and the traffic behavior is completely in line with what we had seen at the time of the proposal. So I don't think we'll have any surprise in that sense in Araguaia. And about Lumo [ph] of the network impact, it was considered in the studies, of course. It was not in an impacts, because in Araguaia, it's not a crop flow, it's not a relevant traffic, so the impact would not be large, but it was already considered it was already included in the Araguaia study.

### Q - Lucas Esteves {BIO 22482027 <GO>}

Thank you. Have a good day.

## Operator

And second question, Victor Mizusaki, Bradesco BBI.

### Q - Victor Mizusaki {BIO 4087162 <GO>}

Good morning. Congratulations on the result; and Guidotti, congratulations on the appointment as the new CEO of the Ecorodovias Group. I have two questions. The first is related to CapEx, the update now on the fourth quarter. One point that you mentioned in the release, it shows some savings in the CapEx options. In our math, if you take the realized CapEx and how much you were able to save, we're talking about a savings of about 20% of CapEx. My first question is, if it's possible to consider in this contracted CapEx any additional savings? And the second question also related to traffic, how do you see traffic evolution for 2022?

### A - Marcello Guidotti {BIO 16618352 <GO>}

Good morning, Victor. Thank you for your question. About CapEx, the actual CapEx was referring to 2021, the cost reductions are future reductions, changes in projects on the long term, but they're all changes in projects in estimated quantities that have been detected and funded. So when you compare the actual with the reductions indicated there on the work at Ecorodovias within the evaluation of future CapEx as soon as possible and the -- as the projects advance from functional to advanced functional

projects to executives and the hiring phase, we will find savings, so we continue on that process.

About traffic, the evolution has been positive. The most recent data indicates traffic of 6% above 2021 that indicates a performance that will be above the Adjudicate B as expected for 2021. But the mix of light vehicles, industrial vehicles and crop vehicles are giving good results, so traffic results and all the tariff adjustment side and the concession contract, so the first impression we have of the year and the expectation we have are good.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Great. Thank you.

## Operator

Our next question comes from Felipe Nelsing [ph], Citibank.

**Q - Felipe Nelsing**

Good morning. I have a question about the debt. I saw that you increased the leverage in this quarter. There is this perspective of continuing increasing in the leverage, but there was a change in the debt profile, increase the IPCA linked debt, reduction of the CDI linked debt and the debt that was issued to refinance the ones that are maturing now have been maintained on CDI. So I'd like to understand whether there has been a change in strategy allocating in the indices in the debt profile? And whether you have any idea of a projection of how much you intend to place on CDI on the short-term or long-term considering the increase on the rates in the short term.

**A - Marcello Guidotti** {BIO 16618352 <GO>}

Felipe, good morning. Thank you for your question. The company, as a strategy, tends to maintain a debt level linked to the IPCA that is higher. We have a flow of revenues, all linked to IPCA. So it doesn't make sense to have -- it does make sense to have this predominance of IPCA on the projects and future projections. But, of course, we also have to analyze the market conditions, sometimes the IPCA market may not be to open or vice versa, but it increased and we need to see the issues of Ecovias do Araguaia, that's 3.6% [ph], considering today's value for 15 years. At the holdings, we have more access to the CDI. So the debt of holdings are linked to the CDI. We have two rollouts, one yesterday. Ecorodovias Infraestrutura e Logística canceling a debt that was funded CDI + 4% and rolling the smaller one now, already paying some of the debt as CDI + 2% of five years. So the strategy is that the holding has more access to the CDI and the operational where the debt is related to the projects with the revenue linked to IPCA, we prefer to maintain it on IPCA for that reason.

**Q - Felipe Nelsing**

Thank you. I have another question, if you allow me, about competition. If you could give us some color, how much competition do you see for the coming bids and what's the foreign participation or share in this competition? What are the factors if they tend to be very present or not participating at this time?

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### **A - Marcello Guidotti** {BIO 16618352 <GO>}

Felipe, the competition level will depend on the type of project. Smaller projects stage programs may have the participation of more regional projects and companies that join and construction companies that may participate in programs in Mato Grosso, Rio Grande do Sul, Minas, but the federal program saw few -- little competition last year. It was us and other known players and it tends to remain like that. We are not seeing a lot of movement from foreigners coming in. But the major operators or foreign operators are already in Brazil. Our controllers, TEDE's and others are already concerned with foreign investors, because they already operate in Brazil. But it does not -- we do not anticipate the entry of international players. This is in the highway industry, within the highway sector and the highways already have the main -- the major international players.

### **Q - Felipe Nelsing**

Excellent. Thank you.

### **Operator**

Our next question, Guilherme Mendes, JPMorgan.

### **Q - Guilherme Mendes** {BIO 20011867 <GO>}

I have a question about the COVID balancing. Are you still in discussions if you have a timing expectation to resolve this?

### **A - Marcello Guidotti** {BIO 16618352 <GO>}

Thank you for your question, Guilherme. In the federal level, the discussions are advanced. There is a methodology of regulation and the discussions are moving on. They may be rebalanced. In the Sao Paulo level, the discussion has been delayed a little bit, but in our case we had a very busy agenda to sign the TAM in recent months with the Ecorodovias Concessões and that changed our focus a little bit, but we will resume these discussions in Sao Paulo.

### **Q - Guilherme Mendes** {BIO 20011867 <GO>}

Thank you, Guidotti. To clarify, will it only be through tariffs on the federal level, if you can give us an indication of the magnitude of the increase?

### **A - Marcello Guidotti** {BIO 16618352 <GO>}

No, the means of rebalancing, it can be on tariffs scaled. There aren't relevant values. Luckily, in the federal level -- different than some concessions in Sao Paulo. But in the federal level, most of the concessions had a relatively good performance during the pandemic, so the values are not that relevant.

### **Q - Guilherme Mendes** {BIO 20011867 <GO>}

Excellent. Thank you, Guidotti.

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## Operator

(Operator Instructions) Next question, Henrique Simoes, Credit Suisse.

### Q - Henrique Simoes

Good morning, Guidotti, Andrea. I'd like to ask about the adjustment of inputs of prices, what were the assumptions used if you're considering higher prices throughout the curves, if it is normalizing, I'd expect maybe a higher value than close something to 1% of the total CapEx balance? Thank you.

### A - Marcello Guidotti {BIO 16618352 <GO>}

Good morning. Thank you for the question, Henrique. These adjustments are calculated in the entire CapEx value today, of course. So they capture the variation up to date. We have a beginning of a return in the medium term to a normalized inflation values, so, of course, we'll need to monitor and see whether the increase will last, if it will continue to increasing more. The adjustments that was done on prices so far, especially in the CapEx amount, and we will resume a confluence of values in line with the inflation. And I have this coverage on revenue as well. So we will keep track of it, of course, but we work in the efficiencies and economies and savings that, as I said, as we advance in the projects, they tend to appear as the way of controlling these variations year-on-year. As you see, it's nothing too relevance, nothing large, our CapEx is under control. We have full capacity to react and manage these movements without major impacts to the company.

### Q - Henrique Simoes

Thank you.

## Operator

If there are no further questions, we now conclude our questions-and-answer sessions. I would like to turn the floor over to Ms. Andrea Fernandes for her final considerations. Andrea, you may go ahead.

### A - Andrea Fernandes {BIO 21294199 <GO>}

I thank you all for your participation. The team and I are available for any doubts. Have a great week. Thank you.

## Operator

Ecorodovias's conference call is now closed. Thank you very much for your participation. We wish you a very good day.

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