

## Y 2018 Earnings Call

### Company Participants

- Andrea Fernandes, 'Investor Relation Manager'
- Marcello Guidotti, 'Chief Financial IR Officer & HR Management and Member of Executive Board'
- Marcelo Lucon, 'Chief Legal Officer'

### Other Participants

- Roberto Otero
- Stephen Trent

### Presentation

#### Operator

Good morning and Welcome to EcoRodovias' Fourth Quarter of 2018 Earnings Conference Call. With us here today are Mr.Marcello Guidotti, CFO and IRO; Ms.Andrea Fernandes the IR Officer and Executives of the Company. This presentation is being recorded and all participants will be in listen-only mode during this presentation. After that, we will begin the questions and answers session, for analysts and investors only and further instructions will then be provided.

(Operator Instructions). The audio and the slides of this conference call are being broadcast simultaneously at [www.ecorodovias.com.br/ir](http://www.ecorodovias.com.br/ir). There 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' 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 the assumptions as they refer to future events and hence depend on circumstances that may or may not occur. Investors should understand the 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 over to Mrs.Andrea Fernandes, who will discuss the fourth quarter of 2018 results.

Ms.Andrea, please you may proceed.

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

Good morning. Welcome to Grupo EcoRodovias conference call. Today regarding the results of the fourth quarter of 2018.

We thank you all for your interest and participation. Before we begin our presentation, on the results, we would like to mention some important events. In February 2019, the special independent committee concluded its work and the final report was submitted to the Board of Directors and then it was warmed-up [ph]. About the conclusion of the purchase of MGO, ANTT has approved the transfer control of concession condition to the fulfillment of the publication targets expected for the second quarter of 2019.

As for the North Beltway, we know that the works are delayed and we are waiting for a position from the Sao Paulo Government regarding the conclusion of works and the contract signing. As for ECO135, the existing system has already been transferred to the concessionaire and the beginning of collection is expected for April 2019. In 2018, we signed the contractual amendment for EcoRodovias immigrants has adding more than seven months to the final duration of this concession. In the fourth quarter, we had the impact of an increase of Asphalt binder CAP in the future maintenance CapEx of all concessions in the amount of BRL261 million.

We note, that this amount will not be disbursed in 2019, but rather during the entire concession contract. The result of the fourth quarter of 2018 have been affected by the total exemption for suspended Ecosul's [ph] at Ecovia Caminho do Mar, EcoRodovias, Ecovia dos Imigrantes and Ecopistas. The toll exemptions for suspended axles, will be subjected to contractual re-balancing. We can see on slide 2 that consolidated traffic of equivalent paying vehicles in the fourth quarter, decreased 0.7% and in 2018 1.4%.

Excluding the exemption of tolls for suspended axles. The comparable consolidated traffic, posted an increase of 1.7% in the quarter and in the year 2018. In the fourth quarter, the comparable traffic of heavy vehicles increased that Ecopistas and ECO101 due to the recovery of industrial production, and at Ecocataratas and Ecosul due to a greater flow of grain exports in the regions. In addition, light vehicle traffic was positively affected by the increasing tourist flow, due to favorable weather conditions in the majority of our concessions.

As for the group's consolidated performance on slide 3. The pro forma net revenue amounted to BRL641 million in the quarter. Net revenue at highway concessions totaled BRL611 million with the negative impact of the beginning of exemption for suspended axles. In the year of 2018, the concessions net revenue was also affected by the truckers strike.

Moving to slide 4. Comparable cash cost in the quarter amounted to BRL195 million, a 1.7% decrease in the fourth quarter, excluding expenses with operational start up at a of ECO135 in the amount of BRL6.4 million and with a specialized consulting services to support the special independent and Crisis Management Committees working on ongoing investigations related to integration one and two operations in the amount of BRL16.6 million. Note that comparable cash costs and highway concessions the most

relevant segments in the group's consolidated results decreased by 2.2 %, compared to the fourth quarter of 2017. Even with an inflation rate of 3.7% in the period.

As a result of our continued efforts for operational efficiency carries out over the last few years. Pro forma EBITDA was BRL427 million in the fourth quarter with a margin of 67% and in 2018 it amounted to BRL1.8 billion with a margin at 70%. Excluding non-comparable costs, with the operational side up of ECO135 and the costs of specialized consulting to support the committee's, comparable pro-forma EBITDA amounted to BRL415 million in the fourth quarter with a margin of 70%. In the year of 2018, the comparable pro-forma EBITDA amounted to BRL1.8 billion with a margin of 71%.

Despite the impacts of the truckers strike and the exemption of suspended axles. The majority of concessions still posed EBITDA growth in 2018 as we can see on slides 5 and 6. Highlighting the 11% increased at Ecosul, 10% at Ecopistas, 9% in the Ecopontes EBITDA and 5% at ECO101. On slide 7.

We see the evolution of net income in the fourth quarter. Negatively impacted by the higher maintenance provision due to the review of the concessionaires, future schedules for the remaining periods. Including the increase in the cost of Asphalt Cement, CAP and non-comparable expenses of BRL23 million with the consulting services and the startup of ECO135. Net income in 2018 amounted to BRL393 million, down 2% year-on-year.

As regards investments on slide 8. CapEx since 2018 was BRL888 million. The estimated CapEx for 2019, is of approximately BRL1.4 billion. We highlight the road widening works at ECO101, the construction from axles from Ponte Rio-Niterói to the red line and to the Port Avenue at Ecoponte, the construction works were elected to the contractual amendment of Ecovias dos Imigrantes in the initial works at ECO135.

Moving on to slide 4. I'm sorry, slide 9, we ended December 2018 with BRL2.7 billion cash and longer debt profile. Boosting our financial robustness. The net debt comparable pro-forma EBITDA indicator was up 2.7 times.

These figures enable us to implement our commitments to invest in the assets recently acquired as well as to evaluate future privatization programs. The debt by index breakdown was 55% in CDI and 37% in IPCA The average debt cost was 6.75% in December 2018. We would like to conclude noting that we remain focused on the study of contractual amendments and the participation in federal and state auctions. The recent acquisitions demonstrated our commitment to our growth strategy, aiming at prolonging the duration of our concession portfolio of approximately 17 years.

We note, that investment opportunities are always analyzed, considering capital discipline and according to our financial capacity and the return of each project. This concludes our presentation. We would like to now move on to the questions-and-answers session. Operator, we are ready to take questions from our analysts and investors.

Thank you. (Question And Answer)

## Operator

Thank you. We will now begin the questions-and-answer sessions for investors and analysts. (Operator Instructions) Our first question from Roberto Otero, Bank of America.

### Roberto Otero {BIO 16689399 <GO>}

Good morning. My question about the CapEx review those who the price adjustment on the CAP, if you can share with us a little bit more details about this investment. And how this additional amount affects your short-term disbursement and what concessions would be affected? Thank you.

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

Good morning, thank you.

This is Marcello. As we described in the release, this increase in the Asphalt binder is due to the increase in almost 75% and its price and the Asphalt binder is an important aspect of the maintenance CapEx. The maintenance CapEx response to about 40% of our entire CapEx. So we were precisely forced to adjust this value and this reflects of 260 million and as Andrea said, it doesn't impact 2019, it impacted minimally the short term.

This is the amount in today's currency into the end of all the concessions that main concessions that will fill this affect are Ecopistas and the ECO101 and the bridge as well. So this is an adjustment that was necessary due to the relevance of maintenance in our CapEx of close to 40% on the other hand, we are absorbing a peak of this price. So we can expect productions. We are working on some projects that may revert this effect and we're testing solutions with concrete and rigid materials that appear competitive and we're studying the possibility of importing Asphalt binder so we never forget the balance and to give you an idea, the net presented the new index -- indices for the construction works at the confessions it's a good precedent, because it includes the prices of Asphalt binder.

So the public works will be adjusted according to this binder. So, this is a peak. We have a project for improvement and the re-balancing price makes sense. Thank you.

### Roberto Otero {BIO 16689399 <GO>}

Thank you, Guidotti.

## Operator

Our next question will be in English with Stephen Trent from Citi. You may go on sir.

### Stephen Trent {BIO 5581382 <GO>}

Thank you very much and appreciate you taking my questions.

I have two for you, one if you could provide, a little update or a timetable on potential federal toll road auctions this year. And two apologies, if I missed it but is there an update regarding the construction of the Santos Guarujá Bridge which could maybe extend -- may grant you some more/

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

Stephen, thank you for your question. Stephen was asking us for an update on the petrol concessions program for the upcoming quarters as well as an update on the contractual amendment that Ecovias dos Imigrantes has that would be the bridge from the right margin to the left margin. About the federal program, we understand the highway, that's closer to ready to being auctioned is 364, 365.

There have been some news and questions about the -- from the to (inaudible) . The accounts courts and we believe that it can be sorted soon. So 364, 365 may be auctioned in the first quarter, and the other concession for 2019 that has a potential for auction is BR101 in Santa Catarina. These two projects I believe have the highest probability of being in a for auction as for an update on the Ecovias amendment as was published by Ecovias already presented its project to our test.

The agency has a period to study and suggest corrections on the project and from there, we will be able to start this courtesy, if approved we can discuss the contract amendment. We expect to conclude this in 2019.

### **Marcelo Lucon** {BIO 18680320 <GO>}

I've just adding to what he said on auctions in 2019, the center of years in the state of São Paulo is also planned to go for auction during the third quarter of this year.

### **Stephen Trent** {BIO 5581382 <GO>}

Very helpful, thank you very much.

### **Operator**

EcoRodovias Q&A session is now closed. I'll turn the floor over to Andrea Fernandes for her final remarks.

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

I thank you all for your participation. If you have any doubts, you please be free to contact myself or the Investor Relations department, thank you.

### **Operator**

EcoRodovias' conference call is now concluded. We thank you very much for your participation and wish you a very good day.

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