

Q1 2015 Earnings Call

Company Participants

- Daniel Kuratomi, Investor Relations
- Flavia Godoy, Investor Relations

Other Participants

- Stephen Trent, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for waiting. We'd like to welcome everyone to the First Quarter 2015 Earnings Conference Call of CCR SA. We would like to inform that all participants will be in a listen-only mode during the company's presentation. After the company's remarks are completed, there will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements about CCR's business prospects and financial and operating goals are based on the beliefs and assumptions of CCR's management and on information currently available to the company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions because they relate to future events and, therefore, depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of CCR and could cause those results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Daniel Kuratomi, CCR's IR Analyst. Mr. Kuratomi, you may begin.

Daniel Kuratomi

Thank you, operator. Good morning, everyone and thank you for attending our earnings conference call for the first quarter of '15. With us here today are Arthur Piotto, our Chief Financial and Investor Relations Officer; Marcus Macedo, Flavia Godoy and Leandro Mathias, Members of the IR team. The earnings release is available on the company's website at www.ccr.com.br/ir.

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Before coming into the highlights, let's take a quick look at some of the macroeconomic indicators we consider important for the performance of our business. We would like to draw your attention to the unemployment rate which stood at 6.2% in March '15, 120 bps higher than in March '14, and 30 bps up from February '15. The real average normal income of the quarter was BRL2,134 in March '15, 3% lower than in March '14.

IBG's data on industrial production show a decline of 5.9% in the first three months of '15 and by 3.5% in March '15, compared to the same month of the previous year. According to the latest credit figures released by the Central Bank in March '15, credit ranking in the financial system grew by 11.2% in the last 12 months.

(inaudible) market credit increased by 5.2% and 18.4% in the same period, while the consumer credit grew 0.8% in the month in the month and increased 12.6% in the last 12 months.

Credit to finance vehicles fell 2.5% between March '14 and '15, and by 5.4% in the last 12 months. It is more safer side that there are some of these sectors is closely linked to press [ph] growth, and has a huge influence owning the stability.

The number of licensed vehicles fell 17% year-on-year in first quarter '15 and reduced 25% in May '15 while vehicle production declined by 15% and 22% in the same period, according to recent data from Anfavea, the Brazilian Auto Manufacturers Association.

On to our operating numbers. For the quarter consolidated traffic at our concessionaires fell 3.8% in first quarter '15, considering Renovias as compared with the same period in '14. Commercial vehicle traffic declined by 7.3% year-on-year, while light vehicle traffic increased by 0.5%. In our press release, you will find more information on traffic spends for our concessionaires.

We now show the key pro forma numbers for first quarter '15, considering all businesses consolidated according to CCR's share of each. We also adjusted the comparison basis very -- excluding some calculations, those businesses that were not in the company's portfolio in first quarter '14 as a whole and businesses which are still in implementation phase and do not generate operational revenues.

In addition, on the same basis, we excluded the one-off effect from the tax provision related to Ponte. And according with this criteria of same basis, cash cost increased 7.3% over first quarter '14. Same basis adjusted EBITDA totaled BRL1.1 billion, 2.8% up on first quarter '14, with a margin of 55.6%.

Net income totaled BRL199 million in first quarter '15, 42% down from first quarter '14. This result was negatively impacted by the one-off effect from tax provision related to Ponte. And also this figure was impacted by the new business that has not yet reached maturity or are still pre-operational and therefore do not generate operational revenue.

On the same basis, net income reached BRL330 million, a reduction of 13.8% reflecting the reducing volume of traffic and the impact from the financial results influenced by the higher interest rates.

Regarding our debt leverage measured by the pro forma net debt to EBITDA ratio stood at 2.4 times in first quarter '15.

We believe that this level is comfortable for the company to meet its investment commitments assumed in the recently acquired businesses. The 2015 Annual Shareholders Meeting held in April approved the distribution (technical difficulty) totaling a BRL100.8 million, representing approximately R\$0.06 per share.

We will now open to question-and-answer session. Operator, please go ahead.

Operator

And okay. Yeah. Okay. The and thank okay. Okay. Okay. Okay. Okay. The Monterey yeah.

Okay. The okay. The so no, no. I have and the here in US for the year. Okay. 2 okay. Hi. Okay. Yeah.

Questions And Answers

Operator

(Operator Instructions) Excuse me, our first question comes from Stephen Trent with Citigroup.

Q - Stephen Trent {BIO 5581382 <GO>}

Hi, good morning (technical difficulty) and do you have any kind of indication as to what range is real unlevered (technical difficulty) you need to see, that you guys are really interested in participating?

A - Flavia Godoy

Hello, Stephen, this is Flavia. Your first question related to the investments, CCR executed the amount 600 million during the 1Q. During the 1Q'14 CCR released a CapEx released or estimated for 2015 and the total is close 5 billion [ph]. It's too early to do anything -- I think we do believe that CCR is going to repeat those numbers. I mean, 5 billion. It's important to mention that a big portion of our investment according to our historical information, a big portion is expected by the second half of the year. So, with respect to this 5 billion and we do not see major trends in the last quarter.

Answering your second question in terms of returns, it really depend on the process and it balancing program [ph] that CCR can count (inaudible) is not a diversification, the

company can require (inaudible) diversification, obviously (inaudible). I would say that at the moment the minimum I need, that CCR could require around 9.5% will on leverage.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay. So that -- I'm sorry, just to clarify. That would be up for any kind of new project that the government announce for those later this -- or next month?

A - Flavia Godoy

Actually, we still don't know which level of return the government is going to announce those new opportunities. According to the local press, they are doing all the feasibility study, they are inviting some companies to do that. And we do expect to have some renewals in the short term, but we need to wait and see what kind or what level of return the government is going to release those opportunities.

The last in the process that we had here in Brazil, I mean, the Ponte Rio-Niteroi. According to the government, the return was 7.2% (inaudible). We know that there are some discussions that the government intend to increase the level of the return to sustain the attractiveness, but we still don't know and we needed to wait for some more details from the government.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, great. Thank you. Very helpful. And then I guess the next one is, could you refresh memories as to how some of your investments in Real area you are growing ahead of next year's Olympics?

A - Flavia Godoy

Actually, CCR has two projects in Rio de Janeiro city, there is a project where we'll address the Olympics games in 2016. The first one is ViaOeste, our stake in this process is close to 24% and the second project is the real view, it is the (inaudible) that's going to (inaudible). Those two projects are under construction. I will say the first phase of VLT should be delivered in May '16 and real view as well almost in the same period. They are under construction onsite and those process are CPC and CCR should do all the investments planned for 2015 and '16.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, great. Thank you very much for your time.

A - Flavia Godoy

Thank you.

Operator

(Operator Instructions) Our next question comes from Stephen Trent with Citigroup.

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Q - Stephen Trent {BIO 5581382 <GO>}

Hi, good morning again. I guess somebody else is in the queue. I just wanted to ask some more questions. Are you seeing any indications that our commercial traffic is getting stabilize at all? Shouldn't we expect slightly easy year-over-year comps, trend growth and June and July during the World Cup this year?

A - Flavia Godoy

Hi, this is Flavia. Well, we just released our results for the 1Q'15 and our traffic fell by 3.8%. The previous figure of April and May indicated they are having slight recovery and not only because of the economic activity, but I would say also because of base compared for the 2Q14 was lower, the 1Q14, our traffic grew more than 9% and the 2Q14, our traffic grew around 5%.

So recently we saw it slightly recovering mainly in commercial vehicle, but we are in the beginning and to do any -- to provide you a number for the 2Q, but we do expect a slight recovery.

Even considering the exemption in the (inaudible) that we had recently (inaudible).

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, great. Thank you very much.

A - Flavia Godoy

Okay.

Operator

Excuse me, this will be the final announcement. (Operator Instructions) This concludes today's question-and-answer session. I'd like to invite Mr. Daniel Kuratomi to proceed with his closing statements. Please go ahead, sir.

A - Daniel Kuratomi

Once again, I join all the executives of CCR in thanking you for your time and interest in the company. Please do not hesitate to contact us if you have any further questions. Our contact information is available in our press release and on our website, www.ccr.com.br/ir.

Operator

That does conclude CCR SA audio conference for today. Thank you very much for your participation, and have a good afternoon.

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