

Q4 2013 Earnings Call

Company Participants

- Flavia Godoy, IR Coordinator

Other Participants

- Alexandre Falcao, Analyst
- Kevin Kaznica, Analyst
- Renato Human, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. and thank you for waiting. We would like to welcome everyone to the Fourth Quarter 2013 earnings conference call of CCR SA. We would like to inform you 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 prospect and financial and operation goals are being made based on the beliefs and assumptions of CCR's management and on information currently available to the Company. Future considerations are not guarantee of performance. They involve risks, uncertainties and assumptions because they are related to future events, and therefore depend upon circumstance that may or may not occur in the future.

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

Now, I'll turn the conference over to Ms. Flavia Godoy, CCR's IR Coordinator. Ms. Flavia, you may begin your conference.

Flavia Godoy

Thank you, operator. Good morning, everyone and thank you for attending our Fourth Quarter 2013 earnings conference call.

Here with us are Arthur Piotto, our Chief Financial and IR Officer; Marcus Macedo, Daniel Kuratomi and Leandro Mathias, members of the IR team. The earnings release for the

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Fourth Quarter and the full year 2013 is available on the Company's website at www.ccr.com.br/investidores.

Before commenting on the highlights, let's take a quick look at some of the macroeconomic indicators we consider important for the performance of our business. Among the important economic and production indicators disclosed, we highlight the unemployment rate that in December 2013 came in to 4.3%, the lowest figure since 2002, and continued improvement in relation to the 4.6% recorded in December 2012.

Workers' real average income, measured in December 2013 amounted to BRL1,966, up by 3.2% over December 2012. Industrial production decreased by 0.3% in fourth Q 2013 over fourth Q 2012. In the last 12 months, the indicators fell by 1.2%; compared with December 2012, it declined 2.3%. In fourth Q 2013 over third Q 2013, industrial production dipped by 0.8%.

According to the credit information published by the Central Bank of Brazil, the evolution of credit in December 2013 was published. Earmarked and non-earmarked loans increased by 14.6%, with individual loans climbing by 16.3% and vehicle finance moving slightly down by 0.5% over December 2012. It is important to mention that the automotive sector is closely linked to traffic growth and largely influence industrial GDP.

The number of licensed vehicles fell 2.3% in the fourth Q 2013 over fourth Q 2012, accompanied by a decline in vehicle production of 6.3%. We remind you that as of the first Q 2013 disclosure, CCR began to prepare its results in accordance with IFRS 10 and 11. As a result, the results from companies not controlled by CCR and companies with joint control are presented in accordance with the equity method, and no longer on a proportional basis in each line. This change will not alter CCR Group's consolidated and net results.

In addition, as of the first Q 2013 disclosure, our release include income statement, balance sheet, and cash flow consolidated on a proportional basis presented as pro forma statement.

Before we announce our results, it's important to mention two non-recurring effects that are factored in the fourth Q 2013 figure. The first effect refers to the amount received from the sale of interest in STP, resulting in a positive impact of BRL95 million in CCR's EBITDA and a positive net interest -- net income of BRL62 million. The second non-recurring effect refers to the costs related to the end of the activity of controller resulting in a negative impact on EBITDA and net income of BRL106 million. It is important to mention that the cash impact was total BRL90 million to be (inaudible) in the Fourth Quarter of 2013.

Consolidated traffic from all of our concessionaires grew by 8.4% in the fourth Q 2013 over fourth Q 2012. On June 25th, 2013, a further publication in the Diario Oficial do Estado de Sao Paulo, the Sao Paulo state government cancelled the expected tariff adjustment for the state highway. On the other hand, on July 28, 2013, a resolution authorized the toll collection on (air lift) axles of commercial vehicle. As a result, the traffic reported in the Fourth Quarter 2013 was affected by this measure to restore the economic

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and financial balance of the agreement. We highlight, however, that this values are still under analysis by the parties involved.

Commercial vehicle traffic benefited from the economic activity and this effect increasing by 10.3% in the 4Q 2013 over 4Q 2012. Light vehicle traffic grew 6.7% on the same comparison base, chiefly influenced by the economic activity. It is worth noting that February preliminary figures show that the traffic and (financial) growth in the fourth Q 2013 supporting our expectations of traffic growth in line with historical (elasticity) in relation to Brazil's GDP. In our earnings release, you will find more information and breakdown of traffic to our concessionaires.

Fourth quarter adjusted EBITDA totaled EUR977 million, 21.7% higher than in the fourth Q 2012, accompanied by an adjusted EBITDA margin of 71%, 6.1percentage points up on the same comparison base. Note that adjusted EBITDA adds to income, not only factors on income, net financial results and the depreciation and amortization, but other non-cash expenses, the provision for maintenance and prepaid concession expense.

Considering all CCR businesses on a proportional basis, adjusted pro forma EBITDA totaled BRL990 million, 12.3% up on the fourth Q 2012, with adjusted pro forma margin of 62.5%, stable on the same comparison base.

In 2013, the Company added several businesses to its portfolio, which has still not a maturity or are in the implementation stage. In addition, as previously mentioned, our results were impacted by non-recurring effects.

Adjusting the figures, excluding the non-recurring effects and the new business added in 2013, CCR's adjusted pro forma EBITDA on the same base came to BRL1 billion in the fourth Q 2013, 14.1% up on the fourth Q 2012, and combined by a margin of 64.4%, 1.9percentage points higher than in the fourth Q 2012. This growth reaffirmed CCR's concerns efficiency gain.

Net income amounted to BRL306 million in the fourth Q 2013, 11.8% less than in the fourth Q 2012. As previously explained this result was impacted by non-recurring effect and business that are not yet mature. Excluding the non-recurring impact, net income totaled BRL358 million, 3% up from fourth Q 2012.

CCR's leverage measured by the net debt pro forma EBITDA ratio was 1.9 times in the fourth Q 2013, is likely above the 1.8 times in third Q 2013, mainly reflecting the addition of new business.

We believe that the current scenario extremely comfortable to have the Company move ahead with its growth strategy with capitalization even considering the investment commitment related to the recently acquired new business.

CCR's management proposed the additional distribution of dividends related to the Fiscal Year 2013 in the amount of roughly BRL0.06 per share, totally BRL100.8 million to be

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submitted for the approval by the Annual Shareholders Meeting of April 15, 2014.

Due to this additional distribution dividends related to 2013 totaled BRL1.3 billion corresponding to approximately BRL0.74 per share, and represent a pay out of 96.3% related to Fiscal Year 2013. This payment reaffirms our commitment to pay at least (50%) of annual net income as dividends.

Before concluding the comment on our results we would like to highlight that yesterday the Company signed a concession agreement related to BR-163 located in Mato Grosso do Sul state (inaudible).

We will hold a conference call with further clarifications on our proposal this coming Tuesday, March 18th at 11:00 a.m. in Portuguese and at noon in English, Brazilian time. Details are available at our IR website.

We will now open the question-and-answer session for our fourth Q 2013 and 2013 conference call. Operator, please go ahead.

Questions And Answers

Operator

(Operator Instructions) (Renato Human) RXB Investments.

Q - Renato Human

I'm sorry, there has been a mistake, I don't have a question.

Operator

Alexandre Falcao, HSBC.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Just wanted to touch on the Confins concession. Have you guys signed already the concession for Confins, and I guess that's my first question.

A - Flavia Godoy

Hi, Alexandre, this is Flavia. The Confins, the signature of Confins concession the Company expects to sign it by the end of this month. We just signed the BR-163 yesterday, and Confins is expected to sign by the end of this month.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Isn't there a formal date, which is the 17th of this month, or was that postponed?

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A - Flavia Godoy

Yes. It was postponed.

Q - Alexandre Falcao {BIO 5515455 <GO>}

And just following up on that, how do you guys plan to incorporate this, do you plan to give breakdown. I'm specifically concerned about the (inaudible) for this airport, how do you guys plan to consolidate that into the release?

A - Flavia Godoy

As soon as we have the contract signed the Company is going to provide all the details related to the -- our proposal.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Just one more follow up on leverage. Are you guys planning to any new debt, and with the interest rates going up in Brazil and all that do you guys have a short term -- of course some of the -- that is short term there's going to be new CapEx coming in on the BR-163 and Confins, you guys planning to access the market mainly on public debt or is there any chance for you guys to access the equity markets as well? Thank you.

A - Flavia Godoy

The Company does not intend to raise assets. The big portion of our investments the Company is going to finance with the market, the local market. Not only bring debt but also there are other factors that we have.

Operator

Stephen Trent, Citigroup.

Q - Kevin Kaznica {BIO 17875244 <GO>}

This is Kevin Kaznica filling in for Stephen Trent. I guess my first question is what are you thinking about the (inaudible) of the Rio-Niteroi concession and how have your parameters changed since you possessed the concession in the first half?

A - Flavia Godoy

Hi Kevin, this is Flavia. Actually, the (inaudible) is going to expire in May 2015. The Company didn't reach agreement with the government. So the government intends to do -- to re-auction the project. The Company obviously this year is going to analyze, we don't have yet the bid document. So the Company is going to analyze those not only for Ponte but for all the highways that the government intends to launch, we are going to analyze this as soon as we have the bid documents and the more details about the project and the requirements.

About the other opportunities, CCR is still analyzing some projects that are related to the highways but also in the urban mobility area. We do expect to have some projects this

year but we expect more opportunities I would say in the beginning of the next year.

Q - Kevin Kaznica {BIO 17875244 <GO>}

Okay very helpful. I guess how about for the BR-163 model (inaudible). Can you confirm that you guys have cheap financing or (inaudible) from government, and what extent do you believe that the government is going to reduce the funding in future auctions or the amount of funding that they provide?

A - Flavia Godoy

Kevin, right now it is difficult to say but the Company is going to try (BNVS).

Q - Kevin Kaznica {BIO 17875244 <GO>}

I guess we are wondering -- I guess, in future auctions do you think the government is going to provide as much funding or do you think they're going to taper that down?

A - Flavia Godoy

Regarding data we have up to now, I would say yes.

Q - Kevin Kaznica {BIO 17875244 <GO>}

Okay. Great. And I'm sorry to (inaudible) just one follow up. What do you guys see as a risk of the Sao Paulo state government or other concession creating authorities taking out quick or expedient decisions on annual tariff increases this year. I guess, this is related more to the rise earlier this year in order to reduce bus fares and things like that. Do you see them doing some things similar this year, (inaudible) toll roads as well?

A - Flavia Godoy

Actually, our base scenario is to have the adjustments that are -- we have the right to adjust our contracts once a year. So we do expect to have those adjustments in our chart.

Operator

(Operator Instructions) This concludes today's question-and-answer session. I would like to invite Ms. Flavia Godoy to proceed with her closing statements. Please go ahead.

A - Flavia Godoy

Once again, I join all the executives of CCR and thank you for your time and the interest in the Company. Please do not hesitate to contact us should you have any further questions. Our contact information is available in our press release and on our website, www.ccr.com.br/investidores. There you will find more information about our Company. Thank you.

Operator

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That does conclude the CCR SA audio conference for today. Thank you very much for your participation. Have a good day.

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