

## Q4 2011 Earnings Call

### Company Participants

- Marcelino Seras, CEO
- Roberto Nakagome, IR Officer

### Other Participants

- Alexandre Amson, Analyst
- Daniel Spilberg, Analyst
- Eduardo Couto, Analyst
- Unidentified Participant, Analyst
- Victor Mizusaki, Analyst

### Presentation

#### Operator

Good morning. Welcome to Ecorodovias conference call relating to the results of Q4 2011 and full-year 2011. Today with us we have Mr. Marcelino Seras, CEO; Marcello Guidotti, CFO; and Roberto Nakagome, Investor Relations Officer.

We inform you that the presentation is being recorded and all participants will be in listen-only mode during the Company's presentation. After that, we will begin the question-and-answer session exclusively for analysts and investors from the sector. And then further instructions will be provided. (Operator Instructions).

The audio and the slides of this conference call are simultaneously available online at [www.ecorodovias.com.br/ir](http://www.ecorodovias.com.br/ir). And here you can also download the presentation from the webcast platform Investor Relations section.

Before proceeding, we would like to clarify that forward-looking statements that may be made during this call relating to the business prospects of Ecorodovias, projections, operating and financial targets are the Company management's beliefs and assumptions as far as information currently available. They involve risks, uncertainties and assumptions as they refer to future events and therefore depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, sector conditions as well 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.

Now, I would like to turn the floor over to Mr. Roberto Nakagome, IRO, who will talk about the results of Q4 2011 and full-year 2011. Mr. Nakagome, please go ahead.

## **Roberto Nakagome** {BIO 16618355 <GO>}

Thank you, very much. Good morning, everyone and welcome to another Ecorodovias conference call, this one referring to Q4 2011 and the full year.

We consolidated the management and assets of Armazens Gerais Columbia and EADI Sul which allowed us to achieve successfully the improvement in service levels and initial margins planned for (inaudible) in a short time. In the highway concession sector, we had a strong growth in traffic (technical difficulty) and continue negotiating with this concession agency, new investments in highway concessions under our management.

Regarding new businesses, the Company was focused on all prospective new projects mainly [ph] in the concession auction for BR-101 in Espírito Santo in the concession auction for Brazilian airports and opportunities in the port and logistics sector.

We started 2012 with an important achievement in the highway concession sector. We won the BR-101 bidding process by means of the Rodovia da Vitoria consortium with an 80% stake. And this shows that we continue with a strategic focus in the expansion of our activities in regions with high growth potential and high-value projects. The history of our results in highway concession shows the capacity of Ecorodovias in reaching the expected returns vigorously, complying with the investment established in concession contracts, a total discipline in cost management and investments that allow us to be the Company in this sector that delivers the highest rates of return.

Since our IPO, we made it clear our interest and strategy for growth in the infrastructure and logistics sector focus on the main export corridors as well as imports and tourist corridors. With the lack and need for new investments already announced by government, we are prepared to take advantage of these opportunities.

However, our growth doesn't mean increasing our portfolio to the detriment [ph] of return rate. Our flexible margins of profitability is directly related to the risk of the business and our capital structure. Our commitment is to obtain return rates higher than the cost of capital maintaining the projects (inaudible).

With the domestic scenario of a drop in basic interest rates and the increase in the overall financing, our objective to reduce our funding cost and thereby reaching leveraged rates of return equation that may allow us gains either compatible or higher than the ones that we have in our portfolio.

We (inaudible). But the Company's acquisitions will not jeopardize dividend distribution to shareholders. And this morning we published the distribution of supplementary dividends referring to 2011, BRL51 million added to the dividends paid out over 2011 amounted BRL336 million, being BRL145 million referring to supplementary dividends of the net income of 2010 and BRL191 million interim dividends to 2011 in line with our dividend policy.

Regarding the results obtained in 2011 we can see on slide number 2 the adjusted growth 9.2% in traffic and Ecorodovias highway concessions representing almost three times the Brazilian GDP. Last week we published the traffic realized in two first months of 2012, slide number 3. And consolidated growth was 6.3%.

The logistics operating performance was according to what's forecast considering seasonality of the sector handling almost 90,000 containers in the primary zone in 2011, slide number 4, that shows handling per quarter over the year.

Regarding the financial performance, the consolidated net revenue for the year net of the construction revenue effect was BRL1.628 billion, 30% growth year on year, as we can see on slide number 5.

On the next slide, IFRS EBITDA consolidated in 2011 BRL957 million with 52.4% margin. Adjusting the calculation net of the IFRS effect, we reached 63.7% margin in the consolidated figure.

And this quarter EBITDA for logistics -- EBITDA margin for logistics was 19.7%, slide 8. And 80.5% in the year. In the highway concession sector, we reached an adjusted EBITDA margin of 75.3% in Q4 2011.

In relation to net debt, slide 9, we kept the one-time net debt EBITDA ratio level a comfortable situation for new investments by Ecorodovias.

CapEx in the year was BRL381.5 million. Investments realized mainly in paving and preservation of highways and construction of the Ecopatio warehouses, bonded warehouses.

The net income end of the year was BRL383 million, 29.7% growth compared to the 2010 adjusted net income, slide 11.

And to finalize our presentation, we would like to have the question-and-answer period. So we are ready to answer questions from analysts and investors.

Thank you, very much.

## Questions And Answers

### Operator

(Operator Instructions). Daniel Spilberg.

### Q - Daniel Spilberg {BIO 16863949 <GO>}

In fact my question is more an update about the transfer of licenses for clear in the port of Santos for 2Q '12. Thank you.

**A - Marcelino Seras** {BIO 16618338 <GO>}

We have already submitted the request to the agencies and we are waiting for the answer. And very soon we will have positive news to impart to you regarding the transfers of this license.

**Q - Daniel Spilberg** {BIO 16863949 <GO>}

But do you think that this is something that we could expect for Q2 or do you have any difficulties and should this be postponed maybe?

**A - Marcelino Seras** {BIO 16618338 <GO>}

This should occur in the short run, not the medium run. And there is no stumbling block whatsoever. What we -- there existed [ph] a lack of regulation in order to this to become effective. So we are waiting for this regulation in order to request this transfer or to achieve the transfer. There were cases in the past, in some other events, that this -- a similar situation has occurred at a publicly-traded company.

We must have this transfer based on regulation so that our investors and shareholders may have the high degree of comfort.

**Q - Daniel Spilberg** {BIO 16863949 <GO>}

My second question has to do with CapEx. Last year, you gave us a guidance of BRL616 million considering 100% of logistics. And now when we look at the end of the year, you had BRL382 million. So I would like to have a better understanding of the efficiency that you achieved during the process and what was a delay from the concession agencies for you to obtain the necessary authority to start working on that.

**A - Marcelino Seras** {BIO 16618338 <GO>}

Last year, we had the economy and also we had the postponement of investments because of lack of authorization from the concession authority. And some of them have already been obtained in January and February and the -- you have explanatory notes about our investments in CapEx.

**Q - Daniel Spilberg** {BIO 16863949 <GO>}

Thank you, very much, Marcelino.

**Operator**

Victor Mizusaki, UBS.

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

My first question is about CapEx as well. Maybe you could give us an update regarding the negotiations of the addendum for the Imigrantes in the Santista (inaudible) and currently the government is discussing the canal linking Santos to Guarujá. So I would like to know your participation in these events.

## A - Marcelino Seras {BIO 16618338 <GO>}

We are already negotiating with the concession agencies, especially here in Sao Paulo. We started at the end of last year and we are reaching the final stretch in order to announce the mandatory investments that had to be made in the Baixada Santista region. And they are in the contract under -- and this transfer of charges to the concessionary would be negotiated with the concession agencies by means of the marginal cash flow already famous.

And we are reaching the final stretch so that we may announce this and start the work, if possible, in an adequate deadline concluding these investments that would allow us to improve the situation in that region that grows very fast which is a region of the Port of Santos and the Baixada Santista or the Santos Lowlands.

And the state government made a decision to -- we are going to wait for the conclusion of these deliberations so that we may go back to the concession agency and bring as a possibility in the complementation in the expenses actuary that will be used for cargo because due to its location and due to its characteristics, it would have an impact on urban mobility and with the reality situation also between the two margins. So this wouldn't yet contemplate logistics for transportation between the two sides.

And the government has to make two different decisions in this regard. The bridge in the future for cargo transport will have to be built or we will have to duplicate the whole stretch of (inaudible) to the Imigrantes region. Otherwise the new terminals that are being built at (inaudible) and oil and gas facilities that are being built in Guarujá, otherwise they will suffer due to the shortage of capacity of the highways.

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

In the case of the project, will Ecorodovias participate in the project? And regarding the addendum, could we receive anything similar to BR-101?

## A - Marcelino Seras {BIO 16618338 <GO>}

Could you repeat your question, please?

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

Could it be something close to the BR-101? And regarding the tunnel, will Ecorodovias participate in a consortium in order to -- for the tunnel project about the rate of return?

## A - Marcelino Seras {BIO 16618338 <GO>}

We are about to finish this negotiation and it has to do with the risk cap that the concessionary will be willing to take over -- take on in some (inaudible) investments in like (inaudible) and the foundations, et cetera. In case the responsibility will be taken on these -- on the contract and the rate of return should be closer to the BR-101. Regarding the tunnel, Ecorodovias has (inaudible) on the side of the federal -- of the state government and all the agencies involved (inaudible) and other agency in the Santos Lowland area in order to support and give -- giving opinion. And, of course, when the state contract and

has a direct relationship and if the Company has a direct relationship with the concession authorities, Ecovias will be heard and will always be heard by the government before they make their decisions in this regard.

## Operator

Eduardo Couto, Goldman Sachs.

### Q - Eduardo Couto {BIO 15918458 <GO>}

One question about port terminals. I would like to know if Ecorodovias is still interested in this segment, if you are considering prospective acquisitions in the sector of container terminal as the Company has a very big investment schedule for logistics and dry ports. And I would like to know if it would make sense and if it would help you develop your business should you have a container operation as well. So could you please tell me your views on that (inaudible)?

### A - Marcelino Seras {BIO 16618338 <GO>}

Undoubtedly the Company's strategy is this one. For quite some time we have been studying all the opportunities that we have on our radar screen and more especially the Port of Santos and the Paranagua Port as well. These are two structures where we already have the custom areas and undoubtedly have ports (inaudible) with leverage and very much so with these operations.

And I would like to remind you that in January the government announced that 77 licenses would be auctioned this year. And some of them are involved in these two sites, Santos and Paranagua. And the Ecorodovias Group by means of the structure that have already been set up in these areas undoubtedly consider this as extremely important for the execution of these new investments and new concessions that the government will be inviting for bid.

And as we have already said many times in the past, we have already said that we will be analyzing and if possible participating in the control of ports terminals.

### Q - Eduardo Couto {BIO 15918458 <GO>}

Thank you, very much, Marcelino. I think this is quite clear now. Only another point regarding BR-101. Could you give us an update about the contract when we can expect Ecorodovias to do the initial maintenance work and continuing with the concession contract?

### A - Marcelino Seras {BIO 16618338 <GO>}

In this case, there is good news and bad news. Good news is that our government and the quality of the services that we want to deliver, we already have teams mobilized and there's direction. And the bad news is that the ANTT doesn't have an sufficient number of officers to authorize the process, the bidding process.

And the federate didn't accept these proposal made. And ANTT today only have two officers in this area that are active and they need at least three. So without a third officer, the process could be further delayed for maybe 30 days and the contact will not be signed before a third officer is appointed or accepts the position.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Thank you, very much.

**Operator**

(Operator Instructions). Alexandre Amson, Santander.

**Q - Alexandre Amson** {BIO 4119036 <GO>}

I have a question about the operation of the logistics margin. As it is in a ramp up phase, it's a little bit difficult to understand how this is going to evolve quarter on quarter? And I would like to have an idea of what we could expect in terms of seasonality, whether there is some seasonality involved and which are the sectors that impact the margin on -- in a specific quarter? And what we could expect in this regard once the business is already up and running on a steady state. So what is the seasonality involved with the operation already operating at full steam?

**A - Marcelino Seras** {BIO 16618338 <GO>}

Really in logistics and especially in the port area, it does have a seasonality as already been shown in other periods. The First Quarter, as you saw last year, is weaker. Then it picks up in the Second Quarter and then the Third Quarter is very good and the Fourth Quarter is the best. So this is a characteristic of the sector itself.

Regarding profitability rate, what we have already published with a point of integration around 20% EBITDA already in comparable situations you see that it's already -- it's already outstanding in the sector. However, the Company is not happy with that only because we already have made the transfer of the licensees and when they are obtained, very quickly the Company will be able to reach the profitability margins from 25% to 30%. And we'll expect this to occur in the short run very soon as the transfers are authorized.

And this is important to stress that on page number 4, on slide number 4, you can see that our operations -- you have the Ecopatio some scheduled here in the empty containers as you can see. We already start gathering [ph] very strongly the exports opportunities. And undoubtedly there will be a ramp up in imports as well as the transfers are achieved.

**Q - Alexandre Amson** {BIO 4119036 <GO>}

Thank you, very much, Marcelino. Very clear, your answer was very clear.

**Operator**

(Operator Instructions). Al Goach [ph], Morgan Stanley.

## Q - Unidentified Participant

I don't know whether you have already answered about this year's CapEx. What about the authority that you were expecting from last year and which are the biggest projects to be completed still within 2012?

## A - Marcelino Seras {BIO 16618338 <GO>}

Yes, this has already been solved for Ecopistas. They have already been announced by the government and by Ecopistas. And also the increase in the capacity of Ayrton Senna at the exit of the (inaudible), the riverside drive. That's actually the (inaudible) and this will in the future bypass the (inaudible).

Also the authority for the (inaudible) lane and we are now concluding our negotiations about non-contractual investments for Ecovias that are in charge of the granting agency, the concession agencies. And these charges could be transferred by the concessionary and the margin of cash flow. And what was postponed to this year by means of adjustments through the concession agency are due to delays on the part of the concession. Agencies are in line with the investments that we have planned for 2011 and 2012.

## Q - Unidentified Participant

Thank you, very much. And another thing. I know that it is a very small amount but you talk about non-recurring BRL1 million. But what do you mean by non-recurring year?

## A - Marcelino Seras {BIO 16618338 <GO>}

Yes, the amount is so low that I really have to think about it. In logistics, we -- basically the issue of ancillary revenues, we have some extraordinary logistic services. This is simply (inaudible) we had some transactions regarding trade with Colombia. Colombia is a trading company and we had special services here. And we consider them as non-recurring because this is not done consistently and the amount is quite low. So we posted it as non-recurring expenses.

## Operator

(Operator Instructions). Alexandre Amson, Santander.

## Q - Alexandre Amson {BIO 4119036 <GO>}

My question has to do with leveraging. Could you give us an idea of the leverage expected this year and considering the CapEx that you will have to invest. And if you intend to keep the dividend policy with a 50% payout or could there be a different situation this year?

## A - Marcelino Seras {BIO 16618338 <GO>}



First of all, the dividend policy will not be touched. Minimum 50% dividend policy will be maintained. Investments in new businesses that are being floated by the Company and we expect them to come to fruition during this year.

And this could raise our leverage to around 2.5 or 3 times net debt/EBITDA ratio. So this would be the cap that the Company would be willing to take in terms of leverage and investments that might bring immediate result to the Company and obtained at discount rates that will be really differentiated and bring about good results for the Company.

**Q - Alexandre Amson {BIO 4119036 <GO>}**

Thank you, very much, Marcelino. Just to clarify one point. So let's say, investments slow down for any reason whatsoever or if those new opportunities do not materialize in the short run, could investments go up, dividend go up in the short run?

**A - Marcelino Seras {BIO 16618338 <GO>}**

Theoretically, yes. There could be an increase in dividend payout. However, since our IPO and in all the meetings with our analysts and investors, we have been talking about the credit stability of our results and dividend distribution and what we expect in terms of non-organic growth by means of winning auction bidding processes and also the acquisition of assets that might belong to the strategic focus of the Company. So we have been repeating this in all our meetings.

**Q - Alexandre Amson {BIO 4119036 <GO>}**

Thank you, very much, Marcelino.

**Operator**

(Operator Instructions).very much. And now we would like to close the question and answer session. I would like to turn the floor over to Mr. Nakagome in order to make his final remarks.

**A - Roberto Nakagome {BIO 16618355 <GO>}**

Once again, we would like to thank you very much for participating in this conference call. And our Investor Relations department is available to you at all times if you wish to clarify any doubt that you might have. So have a very good day. Thank you, very much.

**Operator**

Ecorodovias conference call is closed. We would like to thank you for participating and wish you a very good afternoon. Thank you.

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