

## Y 2015 Earnings Call

### Company Participants

- Andrea Fernandes, Investor Relations Manager
- Marcelino Rafart de Seras, Chief Executive Officer
- Marcello Guidotti, Chief Financial and Investor Relations Officer

### Other Participants

- Bernardo Carneiro, Analyst
- Bruno Amorim, Analyst
- Kevin Kaznika, Analyst
- Marcio Prado, Analyst
- Stephen Trent, Analyst

### Presentation

#### Operator

Good morning, and welcome to EcoRodovias Fourth Quarter of 2015 Earnings Conference Call. With us here today are Mr. Marcelino Seras, the company's CEO; Marcello Guidotti, CFO and IRO; Andrea Fernandes, IR Manager; and IR Team. This presentation is being recorded. All participants will be in a listen-only mode during the presentation. After that, we will begin the question-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 [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 assumptions as they refer to future events, and hence depend on some 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 over to Ms. Andrea Fernandes, who will discuss the fourth quarter of 2015 results. Ms. Andrea, you may proceed.

## Andrea Fernandes {BIO 21294199 <GO>}

Good morning. Welcome to another conference call of Grupo EcoRodovias today discussing the results of the fourth quarter of 2015. We thank you all for your interest and participation. Before we begin the presentation of the results, we would like to say that the operations between Primav and Gruppo Gavio has published on the material fact of December 2015 is following its two process with the regulatory agencies and funding agents. We forecast this process shall be concluded by the end of April of this year.

In accordance with our strategy, the fourth quarter of 2015 was marked by discipline in the operational management, resulting on comparable basis in a reduction of 16% of cash cost, saving R\$48 million and 10.4% increase in the average tariff of the highway concessions. In the improvement of Elog results, a reflection of the implementation of strategic planning with the optimization of assets and greater operating efficiency.

Starting with the explanation of the results achieved on the fourth quarter of 2015, we can see on slide two that the consolidated traffic of equivalent paying vehicles presented a 3.3% increase in the quarter, noting the increase in commercial traffic at Ecoviasdos Imigrantes and Ecovia Caminho do Mar positively impacted by the increase of soybean and corn exports at the ports of Santos and Paranagua.

Excluding traffic on ECO101 and Ecoponte and the impact from the exemption of tolls on suspended axles, there was a 4.3% reduction in the quarter. If we compare it to the 5.9% drop on the GDP in the same period, it demonstrates the resilience of the Group's highway concessions. This reduction is mainly due to the decline in industrial production and the decrease in the form of passenger vehicles in the border regions of Ecosul and Ecocataratas as a result of the appreciation of the US dollar against the Brazilian reals. At Ecoporto, the key and warehousing operations were affected by the decrease in volume of import containers at Porto de Santos due to the economic slowdown, the appreciation of the US dollar, and the competition from other terminals.

As regards the Group's consolidated performance on slide three, the comparable pro forma net revenue in the fourth quarter of '16 was R\$667 million, a 3.8% increase. The revenues were positively impacted by the contractual adjustments to the toll tariffs at the highway concessions, and the better performance of Elog. However, they were negatively impacted by the decrease of movement at Ecoporto Santos.

Moving on to slide four. Cash cost came to 298 million in the quarter, a 5.7% reduction, even with the cost increase resulting from the operational start-up of ECO101 and Ecoponte, and the consolidation of 100% of the costs of Elog as of July 2015 compared to 80% consolidated until June 2015. Excluding these effects on a comparable basis, the reduction was of 16.2%.

The highlights are; 23.3 million in savings at the services and holding companies related to the optimization of headcount and lower expenses with third-party services for consulting services and studies, and savings of R\$18.1 million at Ecoporto as a result of the lower

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volume of operations and the optimization of headcount. The company remains focused on operating efficiency gains and in cost reductions.

In the quarter, the comparable pro forma EBITDA was of R\$379 million, a 16.2% increase with margin of 56.8%, as illustrated on slide five. Irrespective of the adverse market conditions, our highway concessions showed the effects of the management of their costs and the results measured by the 12.8% EBITDA increase in 2015 when compared with 2014, which amounted R\$1.4 billion with margin of 68.5%, as we can see on slide six. It is worth noting that Ecoponte achieved EBITDA margin of 51.1% in line with our expectations at the time of the bid.

On slide seven, we present the evolution of net income. The main effect of the variation between quarters where the increase of net financial expense in R\$51.5 million due to the variations of the IPCA and SELIC indexes and the increase of gross debt.

As regards to the investments on slide eight, we maintained the company's commitment to invest according to the contracts and to the business needs, highlighting the initial works of ECO101 and works at Ecopistas. The proportional CapEx to EcoRodovias' share was R\$656 million in 2015 and the estimated for 2016 is of approximately R\$780 million.

Moving on to slide nine, We highlight the debt by type or 81 percentage in debentures, and we can also see our debt by index, the main ones being the IPCA and CDI. The indicator pro forma net debt, pro forma EBITDA was of 3.1 times at the end of 2015.

Continuing on to slide 10, we closed the quarter with cash of R\$824 million. Of the total of commitments for 2016, R\$313 million regard the BNDES bridge loan at ECO101 already equalized by a long-term loan. R\$291 million in debentures at concessions Ecovia and Ecosul already been negotiated at a rate of 115% of the CDI and with maturity in May 2017. R\$152 million in debentures at Elog and R\$103 million in debentures at Ecoporto, both undergoing restructuring. 120 million in promissory notes at EcoRodovias Concessionaires to be refinanced in the fourth quarter of '16 and R\$338 million to be amortized using own funds, cash.

I have already noted in this quarter's results, throughout 2015 we implemented actions seeking a new level of operating efficiency, especially through opportunities for improvement and cost reductions. We will intensify our efforts in 2016 revising our processes, cost and CapEx basis and deploying the zero base budget methodology to all businesses.

As for the government's infrastructure program, we understand there may be delays to the schedule originally forecasted by the government, considering the current macroeconomic and political environment. We stress that the company continues following the infrastructure program and remains focused on the contracts amendment for its highways.

It is worth noting that the investment opportunities are always analyzed under the capital discipline view and rate according to the company's financial capacity and the return of

each project.

With this, we conclude our presentation. We would like to move on to the questions-and-answers session. Operator, we are ready for the 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) Our first question is from Mr. Bernardo Carneiro from Brasil Plural.

#### Q - Bernardo Carneiro {BIO 4037872 <GO>}

Good morning. I have two questions. One about Ecoporto, if this negative EBITDA level of 8 million shall be maintained, if it's a recurring level or if the company is negotiating with return of clients for these key operations and to reach a positive EBITDA despite this scenario of competition and the economic scenario, is it possible to recover these key operations at Ecoporto this year?

The second question about debentures. You have the debentures and they're negotiating totally 205 million, are they well disseminated? Is it a difficult negotiation or are there banks, some banks holding these debentures and therefore it's easier for the company to be able to renegotiate this? Thank you.

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

Bernardo, this is Marcello. How are you? About Ecoporto, the challenges shall continue throughout the year. Ecoporto is working to prospect warehousing. Customers also seeking the shipping services. It's -- we don't have a guidance for this year, but of course we continue working to reinforce this line and we start to recapture some ship services throughout the year, noting that there has been a reduction of fixed costs and this will be considered -- started strongly in 2016 and shall remain in '16.

About the debentures for Elog and Ecoporto, they are not disseminated, they are on the hands of few investment banks that have relationships with the Group. Our negotiations have already started, and they're not disseminated, we're not finding any difficulty in that sense. Thank you.

#### Q - Bernardo Carneiro {BIO 4037872 <GO>}

Going back to Ecoporto, if I understood this, there is still going to be cost reductions at Ecoporto, so to reduce these negative EBITDA, right?

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

Yes, yes, we did. We are working strongly and implementing restructuring plans and cost reduction plans. There will be new cost reductions. And the Elog debentures, we have the

debentures for Ecoporto with few holders, but the Elog, but it's (technical difficulty) they both concentrated on the hands of few debenture holders and they have been renegotiated on previous years and we're renegotiating them along the same lines. So, it's under control.

**Q - Bernardo Carneiro** {BIO 4037872 <GO>}

Thank you.

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

You're welcome.

## Operator

Our next question is from Mr. Bruno Amorim from Santander.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Good morning. I have question about traffic. We saw the numbers over the last months and I'd like to know there has been a reflection of this traffic for you, if you can give us an idea of how the year started out and if you can give us some idea of how this will develop over the months? I think the exception of February, in a February comparison basis for last year, but this February data seems to be very weak as well, so I'd like to know about this issue. Thank you.

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

Hi, Bruno, it's Marcelino. About traffic, there was a difference from last year, if we removed some effects, for example, the truck drivers' law that impacted some areas, even though they have been offset in terms of revenue our revenue remains better than last year. Month-by-month traffic has been slightly better. It started to bad in January, it had a slight improvement in February, we are waiting for the numbers of March, but we have the impression that the cycle of this first four months will give us an idea of how the year is going to be.

We have good news about passenger vehicles and we will confirm this on this first four months of the year to give us an idea of how this will behave. But it's important to note these more material effects were offset on -- with the revenue. We will achieve better revenues than the previous year. As far as EBITDA, we also expected to be better than last year also due to the reductions achieved in the new wave of increase of productivity that will start implementing as well.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Thank you.

## Operator

We have a question from the English session of the call. Mr. Stephen Trent would like to ask a question.

### Q - Kevin Kaznika

Hi. Good morning, and thank you for taking our questions. This is Kevin Kaznika standing in for Stephen Trent. And I guess my first question would be, what are your expectations on new projects considering the current critical environment and turmoil?

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

Hello, this is Marcelino. I'm going to answer in Portuguese, so that everyone can hear. See, then we believe that this year the macroeconomic and political scenario and the ethical scenario seems difficult. This year we don't believe that there will be new bidding processes for returning assets to the market. The company's focus this year shall be in the increased productivity, the improvement of our indicators, especially EBITDA and net income, as allowed for by the current conditions. And the contract amendments are not as well versed, because they reflect a renewal for years and some assets that are important for the company.

So the company is analyzing processes that may be coming to the market, but we don't believe that these processes will be of significant number or even locations that may be of interest to the company.

### Q - Kevin Kaznika

Okay. Thank you. And do you think now that you are -- if you're focusing on cost cutting and productivity initiatives to continue to grow EBITDA, but do you think (technical difficulty)

### Operator

(Operator Instructions) Mr. Marcio Prado from Goldman Sachs would like to ask a question.

### Q - Marcio Prado {BIO 15398968 <GO>}

Good morning. A follow-up on Marcelino's answer right now about the company's expectation for 2016. Based on this last answer, we see that it's not so much evaluating new projects and we can see that in the results of the holding company as well as focusing on the continued -- continuing the efficiency gains and you show that you expect the EBITDA for 2016 to be better than 2015. As far as leverage, there has been small reduction this quarter and do you believe there will be a continued reduction and on what level of leverage, 2.5 or what will lead the company to consider bigger dividend payments -- dividend payments?

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

Marcio, if the current conditions of interest rates, exchange rates, and inflation are maintained, the trend is for a reduction of the company's leverage level due to the incremental performance of EBITDA margins. On the other hand, the investments that

may occur shall be completely dedicated to the payment of debt, to improving our leverage. So this is the focus this year.

The new investments that are being discussed still needs to be better and studies with the risk -- better understanding of the risks and a better analysis of how their funding shall occur. That's why the company is now dedicated to improving its indices, improving its performance, adjusting the function and the operation making it more streamlined, so that the -- when the growth comes, it is natural and well structured.

**Q - Marcio Prado** {BIO 15398968 <GO>}

Thank you.

## Operator

Our next question is from Mr. Stephen Trent from Citi.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Hi. I have just one follow-up question. I know you're talking about cost cutting on to improve the levels and you guys have been successful so far. We're just wondering how long we continue this pace of cost cutting to boost the EBITDA? And I guess considering maybe a protracted on that weak macroeconomic situation, how often you continue to face cost cutting, do you have a lot more that you can, I guess, succeed on under your current initiatives and do you have new initiatives on the (inaudible)? Thank you for the question.

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

Stephen, we believe constantly that we can continue with the initiatives for cutting costs, as Marcelino mentioned. We are preparing a new wave for us to be able to further the cost reductions and looking very closely through the expenses and in the CapEx, even taken advantage at the moment of the scenarios to be able to have effect, sufficient hires and we believe we've done quite a lot in 2015. But we can continue and this has been decided throughout 2016. So that will be ready and stronger for once they start increasing again and taking on new projects. Thank you.

## Operator

(Operator Instructions) We will now close the questions-and-answers session. I'm turning the floor over to Andrea Fernandes for her final comments.

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

If you still have any doubts, please feel free to contact our Investor Relations department or to visit our website. Thank you, and have a great day.

## Operator

EcoRodovias' conference call has now closed. Thank you very much for your participation, and we wish you all a very good day.

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