

Q1 2013 Earnings Call

Company Participants

- Marcello Guidotti, Chief Financial Officer
- Raquel Turano, Investor Relations

Other Participants

- Stephen Trent, Analyst

Presentation

Operator

Good morning and welcome to EcoRodovias 1Q13 Earnings Conference Call. With us here today are Marcelino Seras, the company's CEO; Marcello Guidotti, CFO and IRO; and Raquel Turano, Investor Relations. This presentation is being recorded and all participants will be in 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/ri where you will find the presentation for download from the webcast platform in the Investor Relations section.

Before proceeding, we would like to clarify that 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 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 these results could differ materially from those expressed in such forward-looking statements.

I will now turn the floor over to Ms. Raquel Turano who will discuss 1Q13 results. Ms. Raquel, you may proceed.

Raquel Turano {BIO 21085763 <GO>}

Good morning and welcome to EcoRodovias' 1Q '13 earnings conference call. We will begin the call by bringing you up-to-date on the ECO101, the concessionaire that

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operates BR-101 in Espírito Santo state. On April 17, ECO101 signed with ANTT the Concession Agreement for the operation of the Federal Highway stretch. On May 10, the Asset Inventory and Transfer Instrument was signed by ANTT and DNIT, marking the beginning of the highway administration.

In 2013, we are estimating investments for the ECO101 of R\$109 [ph] million (inaudible) road protection, safety, and signage elements, drainage systems and implementation of the user service systems. For 2013, the estimate is R\$180 million in investments and toll collection is expected to begin in May 2013. We are also monitoring the development of future bidding process for federal and state highway concessions and airports, which are expected for September this year.

Let's now move on to 1Q13 results. As we can see on slide 4, traffic in our highway concessions moved up by 0.7% in 1Q13 over 1Q12, totally 52.6 million equivalent paying vehicles. Last week, we also disclosed that the traffic recorded in the first five months of 2013, which grew by 1.9% year-on-year. We would like to point out the 17.5% increase in commercial vehicles in April, as a (inaudible) of the substantial soy and sugar export volume in the ports connected by our highways.

Slide 5 shows the Tecondi Complex operating performance with a total of 65,000 containers handled in 1Q13, 5.9% down on 1Q12 due to the consolidation of two Asian services. However, seven extra ships were added in March. As shown on slide 6, the current market share which shows the container handled at the Port of Santos came to 14.2% in 1Q 2013 and average tariff per container handled increased 11.9%.

Moving on to the logistics segment's operating performance, Elog handled 19,000 containers in the Primary Zone, a 6.5% decrease over 1Q12. The average tariff per container, however, grew by 19% over 1Q12.

Regarding the financial performance, we would like to start off that as of this quarter we are planning to IFRS 10 standards and Technical Pronouncement CPC 36 in our balance sheet consolidating the results of Elog and STP through the equity accounting method.

Consolidated net revenues stood at R\$568 million in the quarter, 40.3% up on 1Q12. Excluding construction revenue and application of IFRS 10, adjusted pro forma net revenues came to R\$588 million in this quarter, an increase of 35%. Out of total gross revenue, 56% corresponds to highway concession revenues and 19% to the Tecondi Complex revenue.

As seen on slide 9, consolidated EBITDA totaled R\$297 million in 1Q13, with a 52.2% margin, a 20.8% increase over 1Q12. Adjusted pro forma EBITDA, excluding construction results, provision for maintenance and application of IFRS-10 totaled R\$329.5 million in 1Q13 with a 56% margin, 18.6% up on 1Q12. Slide 10 shows that no IFRS EBITDA margin of our highway concessions, which stood at 71.7% in 1Q13, in line year-on-year.

The Tecondi Complex EBITDA margin came to 30.1% in this quarter. The EBITDA margin of logistic segment represented by Elog amounted 11.8% in 1Q13 totaling R\$7.2 million.

EcoRodovias' participation in STP EBIDTA stood at R\$9.5 million with EBITDA margin of 55.6%. Slide 12 shows the share of each segment of EcoRodovias' consolidated EBITDA.

On slide 13, we can see EcoRodovias pro forma consolidated gross debt at March 2013, which amounted to R\$3.4 billion. Regarding the pro forma net debt, the net debt EBITDA ratio stood at 1.7 on March 2013.

Slide 14 shows the investments made in 1Q13 totaling R\$154 million. The most important investments were the conclusion of Pimentas intersection [ph] on Ecopistas, the construction of fifth lane between kilometers 26 and 41 in Rodovia dos Imigrantes, and work related to the amendment of Ecovias Concession Agreement in addition to investments in paving and conservation.

Net income came to R\$111 million in 1Q13, a 3.5% increase over 1Q12. This concludes our brief presentation. We'd like now to open the Q&A session. Operator, we are now ready to answer questions for investors and analysts. 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 Stephen Trent with Citi. Go ahead, please.

Q - Stephen Trent {BIO 5581382 <GO>}

Hi, yes, good morning. Two questions from me, please. The first is actually on Tecondi. If you could just remind us what are your investment plans for that unit and how are you thinking about its longer-term trajectory? And also related to Tecondi, what's your sense on the material increase in the administrative expense versus last year? Thank you.

A - Marcello Guidotti {BIO 16618352 <GO>}

Hi, I'm Marcello. Well, regarding Tecondi, we just in a couple of weeks, probably we will be launching a new name of Tecondi because Ecoporto is easy because we will make out of Tecondi same -- participate with the same family of the other companies that we have, that have Eco as prefix.

So, Tecondi will be named Ecoporto Santos. During this occasion, we will also be disclaiming some investments that we intend to do in the second half of this year and along 2014. Basically, it is going to be R\$70 million this year and more R\$70 million next year in order to improve the investing in cranes, in (inaudible), of course, will benefit and will improve the operational efficiency of Tecondi. So, this is in our plan. We will be doing this along 2013 and 2014. Basically, it's more or less R\$150 million.

Regarding your second question, please if you can ask again because I didn't catch the question, please.

Q - Stephen Trent {BIO 5581382 <GO>}

No problem. My question was, if I look at the pro forma results, it looks like there was a big increase year-on-year in general and administrative expenses related to Tecondi and how should we think about it?

A - Marcello Guidotti {BIO 16618352 <GO>}

Yes, I have a question also. In fact, we have some increase in expenditure. They are not recurrent expenses. We have some charges that were made for new investments and legal counseling and communication and in general as well. We are now making some provision, accountability provisions quarter by quarter. Last year, in the first quarter as you know was not under our management. So, Tecondi tends to do all the adjustment in the last month of the year. As EcoRodovias' policy, we will be doing this quarter by quarter. So, this business along the whole year, they will be eliminated. So, it's not something that poor results, it was under -- it was expected.

Q - Stephen Trent {BIO 5581382 <GO>}

So then, some of that expense you would then describe as non-recurring?

A - Marcello Guidotti {BIO 16618352 <GO>}

Yes, non-recurring and again some of them are being launched this quarter and last year. This was in the last previous administration. This was made only at the end of the year. So, in the whole year, this will be rebalanced. So, you can consider as non-recurring, but not in terms of, I would say, EBITDA margin, we will be at the end of the year, we will match the 35% EBITDA margin that we are forecasting. So, it's not something -- yes, you can consider non-recurring.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay. I'll leave it at that. Thanks very much.

Operator

(Operator Instructions) This concludes our question-and-answer session. I would like to turn the floor back over to Ms. Raquel Turano, Investor Relations, for any closing remarks.

A - Raquel Turano {BIO 21085763 <GO>}

If you do have any questions or wish to contact us for any reasons, please feel free to get in touch with our Investor Relations department or visit our website. Thank you very much and have a nice day.

A - Marcello Guidotti {BIO 16618352 <GO>}

Thank you.

Operator

EcoRodovias conference call is now closed. Thank you very much for your participation and we wish you all a very good day. Please disconnect your lines.

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