

Q3 2021 Earnings Call

Company Participants

- Gustavo Marder da Rosa, Investor Relation
- Ricardo Lewin, Chief Financial and Investor Relations Officer

Other Participants

- Bruno Amorim, Analyst
- Regis Carodoso, Analyst
- Rogerio Araujo, Analyst
- Stephen Trent, Analyst
- Victor Mizusaki, Analyst

Presentation

Operator

Good afternoon, everyone, and thank you for waiting. Welcome to Rumo Conference Call to discuss the Third Quarter 2021 Results. Today with us, we have Mr. Ricardo Lewin, CFO and IRO; and Mr. Gustavo Rosa, Investor Relations and Treasury Director.

We would like to inform that during Company's presentation, all participants will only be able to listen to the call. We will then begin the Q&A session when further instructions will be given. (Operator Instructions) We also would like to inform that the conference call will be presented in English by the Company's management, and there will be simultaneous translation to Portuguese. This event is also being broadcast simultaneously on the Internet via webcast.

Before proceeding, we would like to mention that forward statements are based on the beliefs and assumptions of Rumo's management and on information currently available to the Company. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur. Investors and analysts should understand the conditions related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

I will now turn the conference over to Mr. Ricardo Lewin. Please, Mr. Lewin, you may proceed.

Ricardo Lewin {BIO 20342706 <GO>}

Good afternoon, everyone, and thank you all for joining us in this earning conference call for the third of quarter 2021.

I would like to start by providing some highlights on ESG initiatives. As part of our liability management efforts, during the third quarter, we issued our sustainability linked bond, in which we commit to reduce our CO2 emissions by 17.6% until 2026. The framework was endorsed by Sustainalytics which are proved us [ph] with an ambitious KPI and target. The bond was well received by the market, allowing us to price with only 25 bps above the Brazilian storing bonds.

On the social side, I would like to share with you the creation of Rumo Institute, where we seek to generate value through the interaction with the communities of the areas where we operate. We will be focusing in encouraging youngsters to keep up with their studies. We will keep you informed about our progress as the project advance.

On the next chart, the most important highlight during the third quarter was the regulatory approval to advance with the extension of our railways to Lucas do Rio Verde and Cuiaba, both the achievement that will be a breakthrough in our competitiveness and therefore creating significant opportunities for growth and value creation, as already present.

Although they already expect a decline in volumes and EBITDA due to the failure in cotton crop, Rumo has followed its strategy of focus on volumes, and thanks to its competitiveness, when compared to other models, Rumo gained the expressive market share in grains in Mato Grosso and Goias market. Also the diversification of cargoes such as fertilizers, containers and fuels, helped to partially offset the lower availability of car. Finally, in the coming years, we expect to grow even more in the transportation of biofuels and pulp, with new partnerships and contracts signed this year.

On the next chart, we will present the operational results. As already mentioned, due to the crop disruption, we saw a reduction of roughly 17% in grains that drove our volumes down both in South and North operations. On the other hand, the Container Operation, fuel and fertilizer presented a double-digit growth.

On the next chart, we will see results by operation. The EBITDA went down 90% on the back of lower volumes that brought lower fixed cost dilution. Additionally, the variable cost grew more than the revenues, when the fuel costs went up 42% year-over-year. Although we did the pass-through in our tariffs, given the lower availability of corn and consequent excess of capacity, additional volumes negotiation became more difficult. At the same time, we had to serve grains coming from a more distant place where typically we have lower tariffs. Fixed cost also went up on the back of additional costs year-over-year, given the entrance of Central Network and also due to the expansion of pricing and commercial structures that took place last year.

On the next chart, we will see the highlights of consolidated financial results. Financial result came better than in the third quarter '20, despite the increasing CI and EPC index that drove the cost of that upwards. Financial result came better than in the third quarter '20 because we present significant reduction in other expenses, given the prepayment of

BRL5.1 billion in concession fees that we did last year. Net income reached BRL51 million on the back of a lower EBITDA performance. On the next chart, we will see more details of that.

We have closed the third quarter with 2.4 times net debt-EBITDA. When we look at our debt amortization schedule -- when we look at our debt amortization schedule and take into account our comfortable cash position, we can call the 2025 bond in January 2022, ensuring that Rumo will not have any significant amount to be amortized until 2027, therefore, making easier execution of the investment plan and the extension to Lucas do Rio Verde.

On the next chart, we have the market outlook for soybean and corn. When we look at 2022, it seems that the market will be very positive for grains. Soybean planting is well advanced in all the areas that we serve, Mato Grosso, for instance, already planned 95% this year compared to only 84% in the same time last year. Despite the increase in production cost over the past months, the level of profitability of soybean and corn is still pretty high which is incentivizing farmers to expand planted area, that coupled with a better expected weather should provide a significant increase in productivity.

On the next chart, we will see soy outlook. Regarding the soybean market in 2022, according to Agroconsult's projections, Brazil should have a record harvest of 146 million tons, an increase of 9 million tons compared to 2021, of which 88 million tons should be exported, 4 million tons more than 2021. Mato Grosso state should also experience an increase of 1 ton in exports compared to 2021, while South states exports are expected to raise 3 million tons.

On the next chart, we will see corn outlook. When it comes to the corn market, in 2022, according to Agroconsult's projections, Brazil should have a record harvest of 119 million tons, an increase of 37 million tons compared to 2021. Also, projections show an increase of 40 million tons in exports, 22 million tons more than in 2021. Mato Grosso and Goias states combined into the exports 12 million tons more, meanwhile, bottom line, the Mato Grosso and Goias states should have an increase of 3.8 million tons in its exports when compared to 2021.

On the next chart. We will talk about the outlook for Central Network. During 2021, we inaugurated two grain terminals that we are operating in Goias. We also present significant volumes and margins. For 2022, we are going to have the entrance of a sugar terminal in the second quarter 2022, a fertilizer terminal in the third quarter, and initiate the Container Operations during the second half of 2022. With that, we should see even further improvement in volumes and margins.

Here, I conclude my presentation, and we can go to a Q&A session. Thank you.

Questions And Answers

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions)
The first question comes from Rogerio Araujo with UBS BB.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Yeah. Hey guys, good afternoon, and thanks for the opportunity. I have a couple of questions here. One is, I would like to know if the negotiations with the trading companies have already started for safer pay and prices for next year? I think the expected volume right now for next year is pretty strong, also diesel price could potentially support strong freight prices for next year. So what is your expectations for these negotiations, and if they already started? That's the first one. I can go to the second one afterwards. Thank you.

A - Ricardo Lewin {BIO 20342706 <GO>}

(Multiple Speakers) Yeah. I was on mute. This is, Ricardo. Well, first, thank you for participating on the call. Good to have you here. Regarding the take or pay for 2022, you know that we started to negotiate this on -- by the end of the year. So we are still negotiating with our customers. And like always, this is a very sensitive information, and we will not be willing to disclose right now. What's important to say, Rogerio, is -- maybe I repeat this through the year, but it's important to reinforce is that what we are showing is that we are following our strategy. It remains the same. So we are trying to have the maximum amount of take or pay, but under the right level of price, okay, so this is important.

Regarding the pricing for 2022, we expect that the use will be steady in real terms. Remember that lots of factor that could increase the yields, in real terms, would be the toll road in the BR-163. [ph] But you know that it will be ready only by the -- by the end of 2022, in our opinion, beginning of 2023, okay.

Another thing that it's important in terms of huge for next year in contracts -- mainly contracts is that our commercial area is trying to engage -- it's trying and it's engaging with customers in the long run contracts. You probably have heard about some of them, but I will argue, just say one or two examples. We are negotiating with Suzano. Actually, we ended the negotiation with Suzano to transport their volumes from their new plants. (inaudible) that we already talked, it is a fertilizer seller that we negotiate our position in Goias. So this is also very important from now on that we engage with costumer in contracts for products besides grains.

Marder, sorry, I interrupted you in the beginning. If you want to do any -- say anything else?

A - Gustavo Marder da Rosa {BIO 18811470 <GO>}

No. Maybe just complementing on the volume side. We agree, Rogerio, we see a very strong outlook, both for soybeans and corn. So Brazil is expecting all-time high crops, so the market should be very strong next year. And this is also something that enables us to price in a better way. Also, we have to take into account that once our strategy is to expand our market share, we are going to go further in the State of Mato Grosso and therefore, we are going to be capture cargo for more distant places which offsets a bit of

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those pricing gains that we could have based on the market drivers. So as Ricardo mentioned, at the end, we are expecting to pass-through inflation in fuel prices, but not gaining that much price in real terms, thus we also have this challenge to go further in Mato Grosso to seek for higher volumes and higher market share next year.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Very clear. Thanks, Lewine and Gustavo. Another one is on new projects. If you could provide an update on Lucas do Rio Verde, on the next steps, if there? As I understand, now the environmental license is the major thing, is there any potential bottleneck? What is the current expectations?

And also on new projects, Rumo has asked two new rail lines to the government, under that new regulation that they are trying to present in the Congress, which includes Lucas do Rio Verde to Agua Boa. And my question is, what's the status of this project? Next steps, if there is an expectation from the Company in terms of project clause to 6.1, [ph] (inaudible) coming out and allowing those new projects to come out? And these two from Rumo, what is the timing expectation? What is the start to the next steps? That's it. Thanks so much.

A - Ricardo Lewin {BIO 20342706 <GO>}

Rogerio, thanks, good question here. Let's start with Lucas do Rio Verde. And I think this is, as you said, we don't have news. I think that we gave a bunch of information in our previous call. And there is no bottleneck foreseen. We are waiting or we are working to get the environmental license. You know that it takes time in Brazil to have this license. It's not on the hand of (inaudible) but in the hands of the local secretariat. And this is foreseen to be ready by the second half of 2022, more for the end of the year, okay, the year of 2022. But it's going well. It takes time. You need to go through a dry season, a wet season, so this is the reason that it takes time. But there but we don't foresee. We are already talking to suppliers. We are working on improving the project. So everything is ready -- once we have, we'll be ready. Once we have the environmental license, okay.

The other thing that you said about the two other projects. I think that we are waiting to see how things work. It's not that clear for us. We have -- we are interested in -- we applied actually for these two projects because I think they are important for us. It's a good option to have in our hands. You said, are you talking about the secret two, okay. [ph] And both of the ones that we applied are in our area, okay, in main Mato Grosso.

So I always say, that's our fiduciary obligation to understand everything that's happening in this financial area, and obviously understand if you can have the optionality. And it's a project that generates values, we will be studying. But we don't -- we still are waiting the next steps for this project.

Regarding PLS 261, we are following what's happening, how it's advancing. So -- also, there is no news. We are following very closely the development of PLS 261. I don't know if there is anything else that you're putting a question here.

Q - Rogerio Araujo {BIO 17308156 <GO>}

No, that's all. It was clear. Thanks so much.

A - Ricardo Lewin {BIO 20342706 <GO>}

Okay. Thank you, Rogerio.

Q - Rogerio Araujo {BIO 17308156 <GO>}

And have a great rest of the day. Thank you.

Operator

The next question comes from Victor Mizusaki with Bradesco BB.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Hi. I have one question here with regards to Rondonopolis. Apparently, (inaudible) or the ground transportation agents confirm that the initial works to cancel or re-auction to toll road concession name it (inaudible) Can we say that may be Rondonopolis terminal couldn't get market share if you have somebody's concession or you're likely to reduce the total by, let's say 50% [ph] until the re-auction? I mean, in near of -- can we say that to be let's say, a cheaper to move trucks to Rondonopolis' terminal, and then probably, Rumo, you gain market share in (inaudible) Mato Grosso?

A - Gustavo Marder da Rosa {BIO 18811470 <GO>}

Hi, Victor. This is Gustavo. Yeah, arguably, any kind of reduction in total prices around Rondonopolis should benefit us in terms of market share because it reduces the cost for trucks to access the terminal. So we are following this. We don't have control on the negotiations that the government is having with toll road operators. But arguably, it's something that could be positive if it happens.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Okay. Thank you.

Operator

The next question comes from Stephen Trent with Citibank.

Q - Stephen Trent {BIO 5581382 <GO>}

Hi. Yes. So good afternoon, gentlemen. Thanks very much for taking my question. just two for you, if I may. One, have you seen any disruption kind of global supply chain wise in your own suppliers, whether that's labor or locomotives or anything funny going on with pricing on that level? And two, could you just also refresh my memory on what pricing trends you're seeing in the container business? Thanks very much.

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A - Gustavo Marder da Rosa {BIO 18811470 <GO>}

Hi, Stephen. This is Gustavo. A pleasure to talk to you.

Q - Stephen Trent {BIO 5581382 <GO>}

Hi, Gustavo. The same thing here.

A - Gustavo Marder da Rosa {BIO 18811470 <GO>}

So we are not seeing any kind of disruption in our supply chain. So if you look at, for instance, fertilizers, we had pretty strong volumes in the third quarter. That's a very important raw material that we need to plan to the new crops, and we are not seeing any kind of disruption, neither with locomotives or anything else in our supply chain. So we are basically all set for next year.

Of course, the demand of seeds, machineries and fertilizers is pretty strong because we are having a pretty strong crop, but I also, Brazil could still afford to increase the area planted. So it's not only necessarily gains coming from productive. We can also afford to increase the area. So there will be some kind of balanced mix between the expansion in that area and expansion of predictive that require more raw materials such as fertilizers, seeds among other things. But it's something that doesn't -- what it does in terms of the next year crops.

With regards to the container business, it's a business that is evolving quite well. Of course, the assortment of cargo sometimes creates some kind of variations in pricing. The container business has a broad assortment of cargo. So as we are working to expand the footprint of our container business, sometimes we add other cargoes that have a different pattern of tariffs. But when we look forward, we believe that the tariffs will continue to grow in the container business and the same will happen with the volumes.

Next year we should have, Stephen, the entrance of the Container Operations in the Central Network. So we expect for the second half of next year to start operating with containers in the Central Network. And then we're going to be operating with a completely different type of cargoes. So for instance, today, we have the opportunity to -- we're going to have next year, the opportunity to transport cargoes typically, consumer goods from Sao Paulo and deliver in Goias, and maybe next year or 2023, even in the North regions of Brazil. And then in the way back, we could collect cargoes from Manaus, transport by trucks to the terminals that we are building around in territories, and then go all the way down to the Sao Paulo area. So containers should have a very bright outlook ahead as the volumes are growing, and we are also expanding our footprint to operate into the entire network with containers.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay. That was a super-comprehensive answer, Gustavo, really appreciate that. And thank you again.

A - Gustavo Marder da Rosa {BIO 18811470 <GO>}

Thank you, Stephen.

Operator

The next question comes from Bruno Amorim with Goldman Sachs.

Q - Bruno Amorim {BIO 17243832 <GO>}

Thank you very much. So my question is related to the outlook for the next year. So according to the forecast that you presented for corn and soybean on a consolidated basis, it seems that export volumes out of Mato Grosso will be 10% bigger next year when compared with 2020. So the question is, is it fair to say that your volumes next year should be around that roughly, 10% above 2020 levels out of Mato Grosso? Does it make sense? I know you have to balance that with the fact that maybe not all the regions within Mato Grosso are growing at the same pace. Also, you mentioned earlier in this call that you would probably go further in the North, possibly impacting prices to some extent. So if you can provide us some color on what should happen with volumes next year that would be great. Thank you so much.

A - Gustavo Marder da Rosa {BIO 18811470 <GO>}

Hi, Bruno. This is, Gustavo. You know, that's a complicated question because we are not as of now able to provide a guidance for next year. We will be doing so probably in February. What we can mention is that you're right about the market outlook. So we are foreseeing a very strong crop for next year. We are definitely trying to increase our market share, so it's not only about the market growth, Rumo will try and will expand its market share next year, so this will give us additional opportunities for growth. But also, we have to take into account several factors such as seasonality. So those things could vary a bit depending -- even in our commercial negotiations that we're having with customers.

So in order to get our final volumes for next year, we will have to understand how much the market we'll be growing, which kind of seasonality we're going to have throughout the year. As of now, seasonality seems to be a bit better because we should have an earlier crop of soybean compared to last year. So especially the volumes in the first quarter, they should be stronger. So that gives us an opportunity to grow a bit more our volumes. But we have to still figure out what's going to happen in the remaining of the year. So there is the second corn crop, and to understand how early this crop would arrive, could also interfere and could affect our volumes throughout the year. But we are definitely going to be pursuing additional market share gains, so that means that we are able, or we are aiming to grow beyond the markets to ensure that market share gains.

Q - Bruno Amorim {BIO 17243832 <GO>}

Thank you, Gustavo. And just if I may a quick follow-up on where you -- where our volumes versus capacity right now you have -- you keep on investing on growth? You mentioned some adjustments to the investment plan in the earnings release. If you could clarify where capacity there source volumes right now? So we have a sense of, by how much you could grow next year, assuming capacity will be fully taken? Is there any indication you can provide us with, in that sense?

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A - Gustavo Marder da Rosa {BIO 18811470 <GO>}

Hi, Bruno. Gustavo again. You know, during the last earnings calls, we have shared with you guys, very important improvements that we did in the Port of Santos. So there was very significant deliveries that were made in a couple of months ago. We are still investing in the Port of Santos to increase its capacity. We have to remember when we think about the efficiency of our network tha next year we're going to be operating with 100% of the trains running with 120 railcars, so that also provides significant gains in terms of fuel consumption, capacity and cycle time. So by reducing the cycle, we could reduce the recurring CapEx that we have, we could become more efficient in terms of profitability. And of course, it adds more capacity.

So again, capacity is also a function of seasonality. If we have the demand very concentrated in a few months, we might not be able to serve all at once. But if we have a more steady volumes throughout the year, that could potentialize our capacity and our volumes throughout the year. So we believe that we are in a good position next year to once again afford to grow our volumes beyond market growth. So we are trying to get more market share. How much more depends on some factors that are still being negotiated with customers, and of course, it depends how the market will evolve in terms of also seasonality of the exports and how the prices of the commodities will be behaving. So all of these could interfere in next year's seasonality and therefore in our capacity. But we are doing our homework in terms of both efficiency and capacity. And we believe that we are well equipped for next year to deliver our goals.

Q - Bruno Amorim {BIO 17243832 <GO>}

Thank you very much.

Operator

The next question comes from Regis Carodoso with Credit Suisse.

Q - Regis Carodoso

Hi. Good afternoon, everyone. Thanks, Gustavo, for taking my questions. I'll maybe focus on one of the discussions, and I know you've touched a little bit on these topics before. But it's been sort of a recurring thing, I think in all of our conversations with investors that Rumo missed the guidance last year, and all the guidance this year again. And investors seem uncomfortable whether the Company will indeed gets into a sufficiently deep growth phase, starting next year, so it would be able to reach the medium-term '25 and onwards guidance.

So I know there is a lot that we can discuss. Gustavo, if you could maybe provide some numbers or expectations you believe in terms of how the recovery in the crop for next year should play out in terms of Rumo's volumes, specifically and sort of build-up, how do you believe that results would grow relative to this year? And I believe this is a particularly big theme in the discussions because it seems the fourth quarter will be particularly weak right, so I think it could be worthwhile to provide that discussion, so people can feel more comfortable with it. Thank you.

A - Ricardo Lewin {BIO 20342706 <GO>}

Hi, Regis. This is Lewin. Let me take this question here. This is a good question. And I think that we have been very transparent with the market during our calls since ever. But remember that 2020, we had some issues -- external issues and internal issues. We had the hacker attack. We had COVID. We had the concentration of crop during certain months. We were changing our commercial policy.

So we already talked that we made some mistakes at that moment. So we were very clear things that we were changing. And in 2021, we did a lot of -- we took some very good (inaudible) regarding -- mainly regarding operational and commercial areas. We anticipated our sales would find a huge amount take or pay in anticipation of the soybean crop and the corn crop. Everything went really well during the first half of the year. So operationally, the Company was working pretty well. We were 100% aligned with what we planned. We had several records in the port, in the railway. So what happened is obviously, unexceptional things that we could not avoid. We were definite on the corn crop in the second half of the year, and we had a failure of a huge part of the crop because of the dry weather that was a result of flooding, okay. So I think that we are doing a very good job, even with the low volumes that we have. And Gustavo already said about the market share that we gained, okay.

I will give you some numbers here, and much probably are numbers that you not find here because we make some internal treatment in the numbers that you have in the market to make them more understandable inside the Company. But I can tell you that, what we gained in terms of market share during the second half of the year in green, something in corn in Mato Grosso and Goias added to us 2.8 million tons, okay. And why I tell you that?

First thing is that, if we didn't have the right intelligence and remember that we were purely -- we recently decided to build up a stronger market intelligence area, and we disclosed this to the market. We made a stronger commercial area. So we didn't have the commercial skills and if we didn't, we prepare it. We know the market very well. We will have this 2.8 million tons of grains last -- this year, okay. So this is very poor because this may represent something around BRL300 million in our results this year.

So what happened that we are -- the guidance that -- the guidance -- the initial guidance, okay. We don't have guidance to the market anymore that we missed this year was not really responsibility of the Company, but it was, I think, that happened to the market, okay. It was a complete external issue. And as I told you, we were 100% prepared if we had a very good corn crop commercially and operationally, okay.

For the long-term guidance, we don't see any issue for reaching the -- up to now -- at least up to now, Regis, regarding next year's, okay. Remember that we do have factors that can support the growth of the Company. So capacity is increasing. We have been working for the bottleneck in the Company, as Gustavo said, working on efficiency, trying to reduce CapEx as a result of working in efficiency, working in the terminals of (inaudible) improve efficiencies and also capacity. So we are doing everything to support the growth of the market, okay, because as you saw, Gustavo already said also, we foresee a very good crop next year.

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Finally, remember that not next year, but in 2023, we will be -- we will have the toll roads in BR-163, and this is a milestone for our results as going to the North, will cost BRL25 more than it cost today. And if you pull that cost into 2022, so part of this BRL25 will be added to our price. Part of this BRL25 will be used to gain additional market share to increase our competitiveness, okay.

So we hedge the -- I don't see up to now any reason for be uncomfortable with the proposed guidance, okay. Obviously, every single year is a different year when you talk about Rumo culture. Every single year, we review our business plan. We see the positive points, the negative ones. If we do change our view on that, we will provide to you, to the market beginning next year, okay. But the Company is where we well -- is working very well to reach the numbers that we provided.

Q - Regis Carodoso

Very clear, Lewin. Thanks so much for the detailed answer.

A - Ricardo Lewin {BIO 20342706 <GO>}

Okay. Thank you, Regis, for the question.

Operator

(Operator Instructions) Thank you. I would like to turn the floor over to Mr. Ricardo Lewin for his final remarks. Please, Mr. Lewin, you may proceed.

A - Ricardo Lewin {BIO 20342706 <GO>}

Well, thank you, all for participating on the last call of the year. And I would like to be take advantage that we still have some time here to complement the answer I gave to Regis because this question is really -- it's important, and I would like to complement some additional points.

So reinforcing, okay, the gain of market share that we're having is fully aligned with our -- with the strategy of the Company, okay. Remember that I always say to investors, to sell-side that the marginal grain that we have, if we loss it -- if we loss this marginal grain, it's a big loss, but if we gain, we have like almost 100% in terms of EBITDA. So gaining market share even in a market that's not good because the sale of the corn crop is very important. That shows that we are following our strategy, doing a very commercial operational and market intelligence work, okay. This is one thing that I would like to tell you.

Another thing, just reinforcing what Gustavo already said, that we are working on the optimization of CapEx. We have -- in the last years, we have reduced in transit time and we are working -- by this year, we worked a lot and we'll continue to work on the debottlenecking very specific places, which we can gain a lot of efficiencies. These together with 120 railcars per train improvement in Santos, and the optimization of investments in Paulista Network, I'm sure that will come with much better optimization of the CapEx, mainly -- when we talk about rolling stock. With the efficiency and investments

of rolling stock are directly related. So you can wait for these. We will come at the right time to the market.

Also, we had -- Rogerio did a regulatory question, and here, I'd like to spend also a bit more time. Because I think that this year, we completed a huge cycle of the Company, okay. With the milestone of the approval of the extension to Lucas do Rio Verde, in my opinion, we closed very successful this regular -- what I call regulatory and growth cycle.

Remember that in 2019, we were the winner of Central Network in the bid. Winning the Central Network reduced a lot of risk of the Company, we accessed new markets. Then in 2020, we renewed Paulista Network, bringing (inaudible) to the North system. And we also prepared a huge part of the concessions fee. What you can see is that was a perfect step due to the inflation scenario that we are leaving today. And right now, in 2021, we have approved the extension to Lucas do Rio Verde (inaudible) So recently, I heard from an investor that we did everything we promised since the -- the merge with Rio Verde. [ph] And this, I would like to reinforce. Today, Rumo has an incomparable portfolio of assets, okay, together with a unique portfolio of growth projects and assets, okay. And this will generate high value for the Company and for our shareholders.

Finally, I just would like to talk about the debt. Nobody asks about that, but we have been doing a very huge effort to improve the profile of our debt. I always talk to investors about the liability management that we have been doing. And I would like to provide you some numbers. We started January 2021 with an average cost of debt of 140% of CDI, and with an average term of 3.8 years, okay. In September, right now, we have an average cost of 110% of CDI, with an average term of the debt of 5.8 years. And remember that we have enough cash. We have a very comfortable cash situation.

And as I told you in the presentation, we can prepay the 2025 bond. And paying this in January next year, we will reach to an average cost of 107%. [ph] So who follows the Company, remember the average cost of almost 150% of CDI. We closed January 2021 [ph] with less than 110% CDI. And prepaying this bond, we will have an average price -- an average term of 6.1 years, okay. So this is very, very important because we are in an environment of high interest, okay, rates, and we are entering in a high investment cycle before or after 2023, with an extension to Lucas do Rio Verde. And also then [ph] we have been doing the right work to face this new cycle of the Company.

So I just would like -- I think that these points are very important for the Company. I would like to thank -- so this is our last call of this year, thank you for the support of all the investors. Thank you for the support of the sell-side. And talk to you in the new call to the March, next year. Thank you.

Operator

This concludes Rumo's conference call. Thank you very much for your participation. You may now disconnect your lines. Have a good day.

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