

Q1 2014 Earnings Call

Company Participants

- Flavia Godoy, Investor Relations Coordinator

Other Participants

- Stephen Trent, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, thank you for waiting. We would like to welcome everyone to the First Quarter 2014 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 prospects and financial and operation goals are being made under the Safe -- on beliefs and assumptions of CCR management and information currently available to the company. Future considerations are not guarantees of performance. They involve risks, uncertainties and assumptions because they are related to future events, and therefore depend on 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 results of CCR and could 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 first quarter 2014 earnings conference call. Here with us today are Arthur Piotto, our Chief Financial and IR Officer; Marcus Macedo; Daniel Kuratomi and Leandro Mathias, Members of the IR team. The first quarter's earnings release 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 macroeconomic indicators we consider important for the performance of our business. Among the important economic and the production indicators disclosed, we highlights the unemployment rate that in March 2014 came into 5% the lowest figure in the month of

March since 2002 and a continuous improvement in relation to the 5.7% recorded in March '13.

We also highlight that workers' real average income measured in March '14 amounted to R\$2,026 [ph], up by 3% over March '13. According to the latest data's closed by the Brazilian Institute of the Overseas and [ph] Certificate, industrial production showed a slight downturn of 0.9% between March '14 and March '13. Industrial production increased by 0.4% in first Q '14 over first Q '13, and by 2.1% in the last 12 months.

According to the credit information published by the Central Bank of Brazil, the evolution of credit in March '14 was positive. Earmarked and non-earmarked loans increased by 5.8% with individual loans climbing by 15.8%. Vehicle financing credit however moved down by 1.7% over March '13. It is important to mention that the automotive sector is closely linked to traffic growth and largely influence the industrial GDP. The number of licensed vehicles fell 2.1% in first Q '14 over first Q '13, accompanied by a decline in the vehicle production of 8.4%.

Before presenting CCR's highlights, we would like to mention two important events that took place after the end of the quarter. In the Annual Shareholders' Meeting of April 15, it was approved a payment of complementary dividends totaling 100.8 million, paid as of April 30.

It is also worth mention that signature [ph] of the 30-year Concession Agreement related to BH Airport on April 17, the CCR Group holds 38.25% of the concessionaire.

Back to the quarter's figures, consolidated traffic from our concessionaires grew by 9.1% in first Q'14 over first Q'13. On June 25, '13 as further publication in the Diario Oficial do Estado de Sao Paulo, the Sao Paulo state government did not apply the expected tariff adjustment for the state highways. On the other hand as of July 28, a resolution authorized the toll collection of suspended axles of commercial vehicles. As a result, the traffic recorded in first Q'14 was affected by this measure to restart economic and financial balance of the agreements. We highlight, however, that these values are under analysis by the parties involved.

Commercial vehicle traffic benefits from the economic activities and this effect increasing by 12.6% in the first Q'14 over first Q'13. Light vehicle traffic grew 5.5% on the same comparison basis.

It is worth noting that April's preliminary figures show that traffic continue to grow supporting our expectations of traffic growth in line with its historical elasticity in relation to Brazil GDP. In our earnings release, you will find more information on the breakdown of the traffic at our concessionaires.

First quarter adjusted EBITDA, totaled 898 million on the same basis, 14.6% higher than first Q'13 accompanied by an adjusted EBITDA margin of 67.6%, 2.6 percentage points on the same comparison basis. Same basis adjustments were made for comparison purpose

that is excluding from the calculation of business that were not part of the company's portfolio in first Q' 13, Curacao Airport, MSVia, Metro Bahia and BH Airport.

Note that adjusted EBITDA as to income not only tax on income, net financial results and depreciation and amortization but the other non-cash expenses, the maintenance provision and the prepaid concession expense. Considering all CCR's business on a proportional basis, adjusted pro forma EBITDA totaled 1,019 million, 15.4% up on the first Q '13 with an adjusted pro forma margin of 67%, 3.2 percentage points on the same comparison basis.

Net income amounted to 343 million in first Q '14, 2% up on the first Q'13. As previously explained, this result was impacted by businesses that are not yet operational or matured. Excluding these effects, same basis net income totaled 362 million, 7.5% increase.

CCR's leverage measured by net debt EBITDA ratio was 1.9 times in the first Q '14 is likely below the 2 times in fourth Q '13. We believe the current figure is more than sufficient to meet the investment commitments related to recently acquired business. We also signed the MSVia agreement in first Q'14, establishing another important milestone in CCR's growth.

We will now open the question-and-answer session for our first Q '14 and conference call. Operator, please go ahead.

Questions And Answers

Operator

Ladies and gentlemen, we'll now begin the question-and-answer session. (Operator Instructions) Our first question comes from Stephen Trent with Citigroup.

Q - Stephen Trent {BIO 5581382 <GO>}

Good morning and thank you very much for taking the question. Just two or three from me. I was curious when you are thinking about the opportunities for new infrastructure auctions or the pipeline of 2014 toll road auctions in Brazil? How are you seeing them at this stage versus the auctions we saw in 4Q? Did the opportunities look about the same or maybe a little bit better or maybe it's too early to tell, because you really need to see the bidding documents? So I just wanted to get your thoughts. Hello?

A - Flavia Godoy

Hi, Stephen, this is Flavia. Actually at the moment we do expect few opportunity in Brazil, I mean the company is still waiting for the bidding documents. We do have a progress that the tender process is as of June 18 that's called (inaudible) and the next week we are going to have another opportunity in Brazil it's called BR-163 it's a federal highway. Actually this highway belongs to the second phase that the government standard during the end of the last year.

So we were still -- the company is still waiting for the new process -- doing the new opportunity and the bid documents. But when we compare with the opportunity that we had last year and at this time in Brazil 2014, it's an election year, we do expect less opportunity, when you compare with the last year.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, very helpful, Flavia. And I recall, last year, and in fact forgive me might have you (inaudible) before, but one of your events you were -- you guys were discussing overseas opportunities and at the time you'd mentioned Mexico, for instance. I'm wondering what you're thinking is on potential overseas projects, I mean now that you have the Airport stakes in Quito, Curacao and you're not involved in the Airport in Portugal. I'm wondering if there is anything in Mexico or elsewhere that might look interesting for you? Thank you.

A - Flavia Godoy

Well, CCR always the opportunity, I mean, follow the opportunities outside of Brazil, but I can assure you that at the moment our focus is Brazil. So the company is going to participating the opportunities that are -- we are going to have this in Brazil.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, that's helpful. Thanks very much, Flavia.

A - Flavia Godoy

Thank you.

Operator

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

A - Flavia Godoy

Once again, I join [ph] all these activities of CCR and thank you for your time and 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

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

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of

FINAL

any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript