

Q2 2013 Earnings Call

Company Participants

- Flavia Godoy, Investor Relation Coordinator

Other Participants

- Eduardo Couto, analyst
- Stephen Trent, analyst
- Victor Mizusaki, analyst

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. We'd like to welcome everyone to the Second Quarter 2013 Earnings Conference Call of CCR SA. We'd like to inform that all participants will be in listen-only mode during this company's presentation. After the company's remarks are complete, there will be a question-and-answer session. At this time further instructions will be given. (Operator Instructions) Before proceeding, let me mention that the forward-looking statements about the CCR's business, prospect and financial and operating growth are being made in the beliefs and assumptions of CCR management and on the information currently available to the company. Future considerations are no guarantee of performance.

They involve the risk, uncertainties and assumptions because they are related to the future events, and therefore, depend upon circumstances that might or might not occur in the future. Investors should understand that the general economic conditions, industry conditions and other operating factors could also affect the future results of CCR and could cause results to differ materially from those expressed in certain forward-looking statements.

Now, I would turn the conference over to Ms. Flavia Godoy, CCR's IR Coordinator. Ms. Flavia, you may proceed.

Flavia Godoy

Thank you, operator. Good morning, everyone, and thank you for attending our second quarter 2013 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 IR team. The second quarter earnings release is available on the company's website at www.grupoccr.com.br/investidores.

Before speaking of the highlights, let's take a quick look at some macroeconomic indicators we believe that are important for the performance of our business. Among the most important economic and production indicators is (inaudible) income measured in June 2013, which amounted to R\$1,869, up by 0.8% over 2012.

And during '13, the unemployment rates remain and usually is stable at 6% versus 5.9 during 2012. Industrial production increased by 4.3% in the second Q '13 over second Q '12 by 1.9% year-to-date and 0.2% in the last 12 months compared with May 2013, it's climbed 1.9% in June.

According to the latest credit information published by the Central Bank of Brazil, the evolution of credit in June '13 was positive. Earmarked loss increased by 16.5% in the last 12 months with individual loans increasing by 16.4% and the vehicle finance moving up by 2.7% of June 2012. It is important to remind some that they're also going to inspect it closely linked to traffic growth and largely influenced by --. The number of licensed vehicles climbed 10.5% in the second Q '13 over second Q '12, followed by an increasing vehicle production of 22%.

As a result of the efforts of the Brazilian government to stimulate the economic development, we are maintaining our positive outlook regarding the Brazilian economy and remain fairly confident over the future. We expect that the traffic will continue to grow at around 1.5 GDP as indicated by the figures in recent years.

We remind you that as of the first Q '13 disclosure, CCR began to disclose its results in accordance with IFRS 10, IFRS 11. Therefore, the results from company is not controlled by CCR as a component with joint control in accordance with the equity accounting method and no longer on our proportional basis in each line. These changes did not affect CCR Group's consolidated net results.

The second Q '13 will include income statement, balance sheet and cash control consolidated on a proportional basis presented as pro forma statement.

Consolidated traffic at our concessionaires grew by 6.2% in second Q '13 over second Q '12. In the second quarter, there was a from the calendar effect due to the lower number of holidays in the quarter compared with the same period a year earlier. Commercial vehicle traffic benefits from the fact increasing by 8.5%. The calendar effect positively contributed with 1.9% on the economic activity contributed with the growth of 6.6%, light vehicle traffic grew 3.6% from the same --. The calendar effect contributed negatively with 0.8% and economic activity contributed to a growth of 5.5%.

In our earnings release, you will find more information on the breakdown of traffic in our concessionaires.

Second quarter adjusted EBITDA totaled 797 million, 16.7% higher than second Q '12 with adjusted EBITDA margin of 63.9%. Note that adjusted EBITDA is equivalent to earnings before income tax, the net financial result, depreciation, amortization and the other non-cash expense, maintain prepaid concession expenses. In 2012 and 2013 the company

added several business to its portfolio, which still haven't reached maturity. Therefore, CCR disclosed its adjusted EBITDA and adjusted EBITDA margin on the same basis that is excluding the results on this asset.

With the application of IFRS 10 and 11, the growth of Barcas and Curacao International Airport are excluded from the second Q '13 and the second Q '12. In the same comparison basis, adjusted EBITDA totaled 805 million in the second Q '13; 16.8% higher than second Q '12 followed by a margin of 67%, 3.1 above second Q '12.

CCR's leverage measured by the net debt EBITDA ratio, including the proportion of debt of joint subsidiary, which was two times in second Q '13. It's likely below this 2.1 times in the first Q '13. We believe that is very comfortable allowing the company to move ahead with its growth strategy with capital business.

On August 5, the company announced the signature of a share agreement of purchase and sale and other covenants within the majority of the shareholders of SCP [ph]. The sale is related to Correa Filho, EcoRodovias Infraestrutura e Logistica and GSMP as the seller and they're using Combustiveis as the buyer involving 10% of the stock.

CCR will file the equivalent 12% of its interest in SCP for around 100 million. The conclusion of the acquisition and its respective financial settlement with payment of the already open amount are subject to compliance with a specific including authorization from .

Another highlight was the distribution of dividends. The company Directors' Board proposed incurring dividend same of \$0.06 [ph] to \$0.07 per share. With this, we are now concluding our comments regarding second Q '13 results and we are to answer any questions that you may have.

Operator, please go ahead.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Mr. Eduardo Couto, Morgan Stanley.

Q - Eduardo Couto {BIO 18009973 <GO>}

Hi. Good morning, CCR team. I have just one question. It's more of a strategic question. Now, we have seen a lot of news on the press about the upcoming auctions and the government interest to definitely push those new auctions, and finally, see new constructions coming. I just want to get your thoughts and maybe Arthur can answer. What is your general view of the quality of these new projects that are coming? The risks that they present and the returns that not only CCR, but all the bidders can get just your impression on the upcoming auctions? Thank you.

FINAL

A - Flavia Godoy

Hi, Eduardo. This is Flavia. Well, actually, we do expect a very decent second half of this year and we do see a lot of new upcoming products. As you mentioned we do expect that federal highways, the metro lining, (inaudible) airports, so the companies are excited. The company has been analyzing all these opportunities, but as the company is already in a competitive process, unfortunately, we cannot disclose a lot of the details to you.

Obviously, the return and the risks, which depends on the each project, brownfield projects we know that the risks are lower. And when we are talking about (inaudible) higher, but the company will keep its capital just clean and we are still analyzing and we cannot disclose a lot of the details about this opportunity at the moment.

Q - Eduardo Couto {BIO 18009973 <GO>}

Okay. Flavia, it's clear. But if we look on the -- I would say, in the past few quarters or even years, CCR has been focused much more on the urban mobility side, right. You set up the -- I would say, more competitive auctions like the highways or even the airports. What we saw was CCR winning auctions on subways, on the light train, the huge city highway. So do you think this trend or this focus on urban mobility where you need more investments upfront and where you can get better returns? Do you think that's the trend that will continue in the company?

A - Flavia Godoy

Well, that's true. We see a lot of urban mobility sector, and in this we expected the low competition when compared brownfield process in highway, for instance, but we cannot anticipate anything about the auctions. We are still analyzing, as I mentioned before. And we do expect that CCR can be the -- maybe the one of the players that could participate in urban mobility process. As you said, for urban mobility process they require anticipating investments. So the completions should be below, but let's see the results that also this tender process and we needed to wait for some participate or not, we are concluding our analysis.

Q - Eduardo Couto {BIO 18009973 <GO>}

Okay. Thank you and congratulations on the second quarter numbers.

A - Flavia Godoy

Thank you, Eduardo.

Operator

Our next question comes from Mr. Stephen Trent, City group.

Q - Stephen Trent {BIO 5581382 <GO>}

Hi, good morning, everybody, and thanks for taking my questions. Two questions for you, if I may. The first is, I'm wondering how your thinking has evolved on overseas projects?

Bloomberg Transcript

So you guys were looking at the airport project in Portugal, you fairly recently increased your stake in and there seems to be potential projects coming up in Mexico and possibly every markets. And I'm wondering how you're thinking about those opportunities?

A - Flavia Godoy

If you can -- could you repeat your questions and ?

Q - Stephen Trent {BIO 5581382 <GO>}

Yeah, sure. So my question pertains to overseas projects. You guys looked at the airport in Portugal, you fairly recently increased your stake in your airport in and there are projects coming in other markets such as Mexico. And I'm wondering how you're thinking about the opportunities for overseas projects and whether they seem attractive to you?

A - Flavia Godoy

Hi, Stephen. This is Flavia. CCR, I would say, two new opportunities overseas. Recently the company acquired the airport of Brazil and recently we increased our stake in one on the banks. So the company has been pursuing opportunities outside of Brazil. I would say, mainly in the airport sector, but I would say that our focus is Brazil as we see a lot of become in-progress, the company will be focused in here in a short period, but we also analyze projects outside of Brazil. I would say, here in Brazil, our focus are highways, urban mobility projects and also the airports. As with the airport sector, we are in the beginning here. The company acquired this project outside, but let's see (inaudible) it is going to make profit for CCR or not. We are still analyzing all the opportunities that we do expect to have within the process during the second half of this year.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay. I appreciate that color. I'll actually leave it at that. Thanks, Flavia.

Operator

(Operator Instructions) Our next question comes from Mr. Victor Mizusaki, UBS.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Hi. Good morning. Just two quick questions. The first one, I mean, after this deal with (inaudible) can bring the telecom company to help to develop there? And my second question in the second quarter, the real (inaudible) of that. So I'd like to know what's the capital structure that CCR is taking for these new projects?

A - Flavia Godoy

Hi, Victor. This is Flavia. Regarding our second question, unfortunately, the company cannot disclose the capital structure, but about the first one, could you repeat, please?

Q - Victor Mizusaki {BIO 4087162 <GO>}

My first question, I mean, in the case of (inaudible) started to sell a minority of stake ticket STP to high. So given that you have another business, the backbone business. So does it make sense to bring maybe a telecom company to help to develop this business?

A - Flavia Godoy

Our company's earnings, we are in the beginning I don't think that this could join to this business in STP. So, but obviously, STP all pursues new partners and let's see the -- first of all, we need to conclude the selling and .

Q - Victor Mizusaki {BIO 4087162 <GO>}

Okay, thank you.

Operator

This ends the question-and-session, I'd like to invite Ms. Flavia to proceed with her closing statement. Please, Ms. Flavia, go ahead.

A - Flavia Godoy

Once again, together with the all the members of CCR, I would like to thank you for your time and interest in the company. Please if you sort of have any further questions. Our contact information is available in our press release and our website at www.grupoccr.com.br/investidores. There you will find more information about our company. Thank you.

Operator

That does conclude the CCR SA conference today. Thank you very much for your participation. Have a good day and thank you for using Chorus Call.

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