

Q1 2014 Earnings Call

Company Participants

- Marcello Guidotti, Chief Financial and Investor Relations Officer
- Raquel Turano de Souza, Investor Relations

Other Participants

- Ravi Jain, Analyst

Presentation

Operator

Good morning and welcome to EcoRodovias' First Quarter of 2014 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/ir, or 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 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 Mrs. Raquel Turano, who will discuss the first quarter of 2014 results. Mrs. Raquel, you may proceed.

Raquel Turano de Souza {BIO 21085763 <GO>}

Good morning and welcome to EcoRodovias results conference call for the first quarter of 2014. Thank you for your interest and for taking part. We are ready to answer questions you may have about our company.

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To begin with, I would like to say a little about the main events in 2014 to-date. Shortly, we will begin charging at the (inaudible) on the ECO101 (inaudible) of the BR-101. As indicated in the agreement, the initial road repair works are almost complete. In 2014, ECO101 invested in the first quarter R\$83 million in the highways. Among the improvement, it is particular worth mentioning, the use of 86,000 pounds of (inaudible) with the phasing of 80 kilometers of roadways, the leveling of 180 kilometers of (inaudible) the installation of a further 3,000 (inaudible) and the paving of lanes dividing lines in the entire highways.

In addition, EcoRodovias is now operating with 12 light and 6 heavy (inaudible) suspension vehicles from a operational basis, eight ambulance and four treatment centers. In March 2014, the BNDES disburse in the first R\$33.8 million installment of a bridge loan for ECO101. Another first quarter event worth mentioning is the conclusion in March of the stake of 11.4% of STP for R\$292 million as we have maintenance of prior occasions, the aim of the operation is to strengthen Ecorodovias capital structure.

Let's move on now to the results. As you can see on slide two, the group highway co66ncessions recorded consolidated traffic growth of 10.9% over 1Q '13. Slide four shows the operating performance of Ecoporto Santos, whose warehousing and container handling operations fell by 11.3% and 23.6% respectively. Market share of port operations came to 9.8% in the first quarter. It worth reemphasizing that these numbers are our direct and expected results of the status of new containers turnout in quarter starting.

On slide five, you can see the success of Ecoporto Santos's commercial strategy, despite the entry of new terminals in the Port, it managed to increase its average port operations and warehousing tariff by 1.5% and 7.5%. Generating gross revenue of R\$130 million and our EBITDA margin of 28.9%. Elog's first quarter results was primarily impacted by the fourth quarter '13 winding up of the Cajamar distribution center which operated with a negative margin. As a result, Elog recorded an EBITDA margin of 7% in this quarter.

In terms of consolidated financial performance, net revenue excluding construction revenues and ECO101 and included the proportional consolidation of Elog totaled R\$594 million in the first quarter, 4.1% up on first quarter 2013. EBITDA came into R\$508 million in the first quarter, with an EBITDA margin of 95.7%. Excluding the construction results provisions for maintaining ECO101 result will pay off SPT and including Elog, pro forma comparable EBITDA totaled R\$350 million with a margin of 58.9%, 8.3% up on fourth quarter 2013 due to the traffic road in the highway confession, as you can see on slide seven.

In the first quarter 2014, EcoRodovias posted net income after minority interest of R\$288 million, a 159% up on -- R\$111 million reported in the first quarter 2013 as you can see on slide eight, however, excluding the payoff STP, the results of STP and ECO101 first quarter 2014, net income came to R\$89 million down by 17.3%, due to the increase in the financial expenses, in turn influenced by the higher participation of third-party capital in the company's capital structure and the upturn in the depreciation and amortization due to the intangible asset curve in 4Q13, and a higher asset base at Ecovias dos Imigrantes and Ecopistas.

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Regarding to investments, we maintained the company's commitment to investment in accordance with contractual requirements and businesses views [ph]. The main 1Q '14 highlights were the initial work at ECO101 works related to the contractual amendment at Ecovias dos Imigrantes and works on the inside lanes of the Rodovia Ayrton Senna.

Move on to slide 10, here you can see the EcoRodovias debt with a pro forma net debt to EBITDA ratio of 1.5 times. In April this year, EcoRodovias held its fifth promissory note issued totaling R\$275 million, the proceeds of which were used to amortize the fourth promissory note issue. Also in April, the Board approved the payment of dividends totaling R\$486 million based on the company's financial statement of 2013 and a reversal of 2010 and 2011 (inaudible). Given this payment of interim dividend of R\$180 million to shareholders in 2013, total dividends came to R\$606 million.

Now that we had conclude the discussion of our 1Q 2014 results. I would like to talk quickly about our (inaudible). As for new investments opportunities in the Company's operational factors, we are waiting to (inaudible) BR-163 portion together for the coming months and the next federal highway concessions programs as well as the publication of port area businesses -- especially the federal regions.

That concludes our presentation and we will now move on to the Q&A session. Operator, we're now ready to begin the Q&A session with analysts and investors. Thank you very much.

Questions And Answers

Operator

Thank you. We will now begin the question-and-answer session for investors and analysts. (Operator Instructions) Our first question comes from Ravi Jain with HSBC. Please go ahead.

Q - Ravi Jain {BIO 16135293 <GO>}

Hi, good morning. Could you just give us a little more color and your thoughts on the outlook for the Santos segment in the upcoming 2014, given the increase in capacity and just your thoughts on the outlook for the year?

A - Marcello Guidotti {BIO 16618352 <GO>}

Good morning, Ravi. I'm Marcello. Yes, as you could see the Ecoporto, if you see the numbers in comparison with the first quarter 2013, obviously, the main difference are that in this starting from the last quarter of 2015, we have two major terminal that have started their operations. So, of course, we are feeling pressures on the bridge operation and also in storing.

The Ecoporto is -- given this scenario and a slowdown that we're seeing in the import/export flow in Brazil, Ecoporto has mainly two major -- two principle drivers, we need to keep and maintain our clients. Okay. So to get savings in the revenues -- in the

revenues line and we will be able to do this probably acting more actively in the storage in the sector and trying to offer more different services and so in that way try to raise up the average tariff, in this way, we will be able to not to -- too much in the revenue line.

And from the other side, Ecoporto has room to continue to decrease their operational cost in the personal line and also in the operational cost, we are working deeply in order to create some savings, operation saving note that they will be achieved along the whole year. So we expect more or less to have -- we can see an EBITDA margin, we expect to maintain between 25% EBITDA margin in the whole year of 2014. Okay. So this will be a tough year we know this, but Ecoporto again maintaining the existing clients and work on the cost reduction. This will -- given this we expect 25% EBITDA margin for the whole year.

Q - Ravi Jain {BIO 16135293 <GO>}

Thank you. That's very helpful. And one final question from my end is, do you expect the projects announced in terms of more auction is coming before the elections at all at this point, or now it's more after the election and, if you can just give us some color on what projects are you interested in, or are you kind of analyzing at this point in terms of the toll roads?

A - Marcello Guidotti {BIO 16618352 <GO>}

We have the toll roads, we have two projects before the election as we said in the speech, the 153 in (inaudible) in the Federal Highway would be auctioned in May and these --

A - Raquel Turano de Souza {BIO 21085763 <GO>}

23rd.

A - Marcello Guidotti {BIO 16618352 <GO>}

23rd of May, and the state of Sao Paulo Highway, Tamoios, that will be releasing in --

A - Raquel Turano de Souza {BIO 21085763 <GO>}

June 18th.

A - Marcello Guidotti {BIO 16618352 <GO>}

June 18th. So these two projects, they will be released before the election and that's it. We don't expect more projects to be released before the election. What the government has released a public hearing in order to promote (inaudible) for four more projects federal highways, in the Northeast Region of Brazil and one of that also in this Santa Catarina state.

So this project that will be started by the private company but we expect that this -- however, there will be auction just after the election. So we expect to have first quarter, first half of 2015 again with this strong pipeline of projects. We still don't know exactly the numbers on the -- which of them is a good project and make (inaudible), we are now

starting our studies, our checking and so we don't know yet if which of them is better than the other. So, we have two projects now in the next two months, then we will need to wait until the next year probably.

Q - Ravi Jain {BIO 16135293 <GO>}

Perfect. And then, and are you already also analyzing those upcoming two projects in May and June or --?

A - Marcello Guidotti {BIO 16618352 <GO>}

Yes. We are ready to participate and we will participate. We are in (inaudible) but again we are ready, we understand that they are good projects and we -- again we have to just wait until date to submit our bit.

Q - Ravi Jain {BIO 16135293 <GO>}

Perfect, thank you. That's very helpful.

A - Marcello Guidotti {BIO 16618352 <GO>}

Okay. Thank you very much. Bye.

Operator

Thank you. At this time, we will now turn the floor back over to Mr. Raquel Turano for closing remarks.

A - Raquel Turano de Souza {BIO 21085763 <GO>}

If you have any doubt, please contact to our Investor Relation department or visit our website. Thank you very much and have a good day.

Operator

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

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