

## Y 2013 Earnings Call

### Company Participants

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

### Other Participants

- Felipe Vinagre, Analyst
- Stephen Trent, Analyst

### Presentation

#### Operator

Good morning and welcome to EcoRodovias Fourth Quarter and Year End 2013 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 and 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](http://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 to differ materially from those expressed in such forward-looking statements.

I will now turn the floor over to Ms. Raquel Turano who will discuss the fourth quarter and year end 2013 results. Ms. Raquel, you may proceed, ma'am.

#### **Raquel Turano de Souza** {BIO 21085763 <GO>}

Good morning and welcome to EcoRodovias results conference call for the fourth quarter of 2013 and last year consolidated numbers. Thank you for your interest and for taking

part. We are ready to answer any questions you may have about our company.

To begin with, I would like to address the main events in 2013. In May, with the Grande ECO101 the operation of the (inaudible) stretch of the BR-101.

Two months later, we take on a partner, (inaudible) who acquired 25.5% interest leaving EcoRodovias with 68%. On completion of the initial phase of investment plans for the first 12 months, we expect toll collection to begin in the first half of 2014. We also negotiated Ecovias concession agreement in 2013. The main part of the negotiation was the return of 166 kilometers stretch of simple road, the incorporation of 52 kilometers of duplicated lanes on the BR-392, the gradual increase in the multiplying factor for heavy vehicles in relation to passenger vehicles to two between 2014 and 2016, and a reduction in toll tariffs.

These changes were the result of negotiations between Ecosul, the Ministry of Transportation and the ANTT and were designed to maximize the efficiency of highway operations in the Pelotas System.

We also began the work of Ecovias dos Imigrantes included in the contract amendment plan in November 2012. Its completion is expected for September 2014. Included on the conference call, the entire concession were authorized by the Sao Paulo state agency to begin charging by suspended truck access in July last year. In exchange, the upward tariff adjustment contractually included this (inaudible).

In October the company sold 1.3% of Servicos e Tecnologia de Pagamentos to Raizen to R\$33.5 million. At the beginning of 2013 we entered into an agreement with a Capital Group for our remaining 11.4% stake in STP for R\$293 million, that will be concluded shortly.

In the logistics sector, as a result of the executive decrease (inaudible) 3% logistic and additional funding for investment term and with higher flexibility. I will outline last year's most important event for the group overview. I will now talk about our results. As you can see on slide two, the Group highway concessions recorded consolidated traffic growth of 6.1% over 2012. In the first quarter alone, traffic moved up by 7.6% over the same period in 2012. In addition, we have already closed our traffic we did for January and February 2013 which recorded year-over-year growth of 11.2%. On slide four, we show the operating performance of Ecoporto Santos whose warehousing operations remained stable in 2013, although container handling fell by 8.4%. The market share of its port operations came to 13.9% [ph] down from 16.4% [ph] recorded for 2012. It is worth noting that this decrease are direct and expected result include the sponsors [ph] of new container terminal at Santos.

On slide five, you can see the success of Ecoporto's commercial strategy despite the nature of terminals at the port, it managed to maintain its average port operations tariff and substantially increased its average warehousing tariff. As a result, Ecoporto's gross revenue increased by 3.8% [ph] in 2013. The fourth quarter results were primarily impacted by expenses from the discontinuation of service at the Cajamar distribution

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center, which was completed in 2013 and we expect no additional expenses for this operation in 2014.

In terms of financial performance, net revenue excluding construction revenue and including the proportional consolidation of ELOG and STP totaled R\$2.4 billion in 2013, (inaudible) over 2012. In fourth quarter 2013 net revenues increased R\$620 million, 1.1% more than fourth quarter '12. EBITDA excluding the construction results and provision for maintenance and including the proportional consolidation of ELOG and STP amounted R\$1.2 billion in 2013 with an EBITDA margin of 53.9%. The 4.1% improvement was due to the traffic growth in the highway concession segment and the consolidation of 12 months of Ecoporto's expense. You can see the details on slide seven.

In 2013, EcoRodovias posted net income after minority interest reduction of R\$397.8 million, 5.8% less than the R\$422 million recorded in 2012, as you can see on slide 8. In the fourth quarter net income came to R\$88 million, 32% down than fourth quarter 2012. However, if we exclude the non-recurring effect from the sale of interest in STP and the sale of Ecopatio Imigrantes, net income have come to R\$53 million in the fourth quarter 2012 and R\$69 [ph] million in the fourth quarter 2013, down by 23%.

With regards to investment, we maintained the company's commitment to investment according to contractual requirements and these are -- the main highlight in 2013 were the road construction of Ecovias dos Imigrantes and Ecopistas and the initial work of ECO101. Looking at its lifespan, here you can see that EcoRodovias life remained flat with a pro forma net debt adjusted pro forma EBITDA ratio of 2.0. Now that we have completed the discussion of our results, I would like to talk quickly about our expectations for 2014 and 2015.

With our well prepared participation in the price of higher concession bid and the bid for (inaudible) airport, we are beginning to include good financial cost and thus wants in fact to take advantage of growth opportunity in the infrastructure business. We are convinced that the investment opportunity in the company's operational areas will remain consistent over the next 24 months.

It's worth noting that we are still waiting for publication of the bidding of (inaudible) as well as the port area, especially the (inaudible) region.

In 2014, we will also be analyzing our participation in other infrastructure segments. Till we find something feasible, we will still need our proposal for entering new business to the Board of Directors and the shareholders. As a result, EcoRodovias reaffirms its project analysis capacity and ability and its constant [ph] improved assistance for its investors.

That concludes our presentation and we would like now to move on to the Q&A session. Operator, we are ready to begin the Q&A session with analysts and investors. Please take it up further.

## Questions And Answers

## Operator

Thank you, ma'am. We will now begin the question-and-answer session for investors and analysts. (Operator Instructions). The first question we have comes from Felipe Vinagre of Credit Suisse. Please go ahead.

### Q - Felipe Vinagre {BIO 19282922 <GO>}

Good morning to all. I have two questions on (inaudible) assets, first is on ports, just want some color on expectations for 1Q results. How January, February -- if you expect margins to stabilize in (inaudible) level. And just put a context, we saw further heavy volume drops within (inaudible) monthly figures in January about 20% decreases. So how do you expect margin to come within this context. Thanks. This is the first question.

### A - Unidentified Speaker

Felipe, good morning. Is -- revenue -- Ecoporto performance in the first quarters of 2014, we expect in line as it was in last quarter of 2013. So we're expecting EBITDA margin of more or less 25% for the first quarter. This is shown in the first two months, January and February. We have (inaudible) revenues in comparison with 2013 and also flat costs. So we have an EBITDA margin more or less of 25% with respect to first quarter.

Regarding the movement (inaudible), we believe Ecoporto, as we have expected, the market share of Ecoporto is showing. We are stabilizing our market share, 13% of Ecoporto Santos movement, but this is not so valid on for the Ecoporto activities because as we know Ecoporto has more than 55 -- 65% of its revenues come from storing and Ecoporto was able in last year and also in the last quarter -- and again this quarter to maintain high -- to increase the tariff in the storing activities and this is compensating the low figures in the Q operations.

So that's why in general -- in overall, we are in a stabilized situation and we are expecting a slight EBITDA margin of about 25% for the first quarter. Okay. Hello?

## Operator

The next question we have comes from Stephen Trent of Citi.

### Q - Stephen Trent {BIO 5581382 <GO>}

Hi. Good morning. Two questions from me please if I may. The first is, looking at the warehouse and distribution centers, do you see any risk or probability that we're going to have another closure or more closures like we had with Cajamar in the quarter?

### A - Unidentified Speaker

Good morning. No. In fact, we are -- we don't expect this, this was -- Cajamar was an operation that ELOG has started to grow [ph] in the beginning of last year. Unfortunately, it took more than expected because of some commercial problems and this was basically most important reason of the drop in the numbers of ELOG last year. But we don't expect

other events like this. In fact, ELOG has received last year an upgrade on three of its license and have got some license and is investing this year more or less R\$20 million to R\$24 million in order to improve the capacity and in this three custom -- warehouse. And that was, one in Campinas; one in Sao Paulo, and one in Curitiba.

So again, we don't expect another closure of distribution center and we are investing in the improvement of the capacity of three distribution centers that we already have.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Okay, great. Thank you very much. And just two other questions, while I have to you. The first is on ECO101. What's your view in terms of beginning to collect tolls on that concession? Are we still perhaps looking at the second quarter of this year or is that too early that to see?

**A - Unidentified Speaker**

ECO101 is doing well, is going perfectly under the schedule that was forecast in terms of costs, in term of CapEx. And we do expect the beginning of operation, the tolling in the month of May, May of this year, okay. It was for, I guess, one year, we go in one week, trying to counter, so no surprise. Good news from ECO101. We know that the costs are under control, the CapEx is in line with what we have expected. The total equity, the minimum equity acquired by the (inaudible) was already withdrawn (inaudible) have signed the bridge loan financing and we are still -- already negotiating to loan term. So if everything going well -- and again, we will start collecting in May of this year.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Okay, great. And just one other quick question. I couldn't hear too well, Raquel perhaps mentioned bidding documents for -- that you're waiting on for two projects and I think one was a port and the other one I couldn't hear so well. If you could just remind me what those were?

**A - Marcello Guidotti** {BIO 16618352 <GO>}

The port and in particular the area of (inaudible) that is close to Ecoporto. We are still waiting some decision from the TCU and this is taking some time. So we're still expected, within this first semester we can have some good news and we are ready to participate in this bid.

And the other one is related to the Tamoios project, Tamoios is a state of Sao Paulo Highway that maybe there is a link between the Ecopistas in the Sao Paulo region to the seashore is going down to the Port of Santos, Brazil. It's a stretch very similar to the Ecovias one and the auction will be released, we expect, within next week, to be released the auction, okay. So we are ready also for this project.

These are the two projects that are in the pipeline for the next month. Of course, there are other federal highways that are been starting by the government, also by

EcoRodovias, so we expect in the next two years to have other federal highway project as we had in the last quarter of 2013.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Okay. I'll leave it with that. Thank you very much.

**A - Marcello Guidotti** {BIO 16618352 <GO>}

Thank you very much.

## Operator

(Operator Instructions) It looks like we have a follow-up from Felipe Vinagre of Credit Suisse.

**Q - Felipe Vinagre** {BIO 19282922 <GO>}

Hi, Marcello. Sorry for putting the call on the previous question. I think I had a problem here. So I had a second question similar to the first one, but now on as you took the wonder, just wanted to have some sense on the first Q results, if margins -- if we could expect margins above 10% as we saw in the first quarter, excluding (inaudible) results. So how is January and February. And that's it. Thanks.

**A - Marcello Guidotti** {BIO 16618352 <GO>}

Hi. Felipe. Yes, ELOG as we have said previously in other meetings, we expect the 2014 to have an EBITDA margin close to between 13%, 15% with that in 2014. So the improve -- will start in the first quarter and of course along the year we will reach in the average what we expect, that is between 13% and 15%.

In terms of first quarter, the news are good. January and February are in line with the numbers that we have forecast. March is again, it is in line. So we expect in the first quarter something close to the -- with the last quarter of 2013 without non-recurring effect. So between close to 10% on it.

**Q - Felipe Vinagre** {BIO 19282922 <GO>}

I have a last question, now on the remaining CapEx, on the remaining contractual CapEx of the toll road assets, with these number now of -- close to R\$2.5 billion. So how does this number compare to the number that you released in the EcoRodovias investor day and to the number that released in the third quarter results. Thanks.

**A - Marcello Guidotti** {BIO 16618352 <GO>}

We have in the Eco Day, we have released a number of R\$2.585 billion, okay. And we have realized in this four quarters of contractual CapEx R\$191 million. So if you add the inflation of this three month that is more or less 50 million. We have an increase in the contractual CapEx of 68 million, okay. This 68 million that's our increase in contractual CapEx against what we have forecast in the Eco Day. 50 million in this 68 are due to the amendment that

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we signed in the Ecosul, okay. This was compensated with the increase of the heavy vehicle tariff and we have reduced the highways under our construction. So of this 68 million, 50 million are due to this Ecosul amendment and 20 million more or less are the improvement in -- some extra cost that due to some revision of some important projects that we have for the contractual CapEx in the next year. So I would say, just to summarize it, the real improvement that is -- should not be expected is basically R\$20 million and this is a spend because of some -- not extra cost, but some revision of the main projects.

So now we are starting the first quarter of 2014 with a R\$2.511 [ph] billion of CapEx. We will continue to control this contractual CapEx for the next year.

So basically these are the explanation.

**Q - Felipe Vinagre** {BIO 19282922 <GO>}

Thanks, Marcello.

**A - Marcello Guidotti** {BIO 16618352 <GO>}

Thanks.

## Operator

It appears that we have no further questions at this time. I will go ahead and conclude the question-and-answer session. I'll go ahead and turn the conference back over to Ms. Raquel Turano for any closing remarks. Ma'am?

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

If you have any doubts, please feel free to contact us in the Investor Relations department or visit our website. Thank you very much and have a good day. Thank you.

## Operator

Thank you, ma'am, and to the rest of management team. You also have a great day. EcoRodovias conference call is now closed. We thank you all very much for your participation in today's conference call. Thank you and have a great day everyone.

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