

Q1 2016 Earnings Call

Company Participants

- Daniel Kuratomi, Investor Relations
- Flavia Godoy, Investor Relations

Other Participants

- Alexandre Falcao, Analyst

Presentation

Operator

Good morning, ladies and gentlemen and thank you for waiting. We would like to welcome everyone to the First Quarter 2016 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 financials and operating goals are based on the beliefs and assumptions of CCR's management and on information currently available to the company.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions, because they relate to future events and therefore depend on circumstance that may or may not occur. 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 those results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Daniel Kuratomi, CCR's IR Analyst. Please Mr. Kuratomi you may begin the conference.

Daniel Kuratomi

Thank you, operator. Good morning, everyone and thank you for attending our earnings conference call for the first quarter of '16. With us here today are Arthur Piotto our Chief Financial and Investor Relations Officer, Marcus Macedo and Flavia Godoy members of the IR team. The earnings release is available on the company's website at www.ccr.com.br/ir.

Before commenting on the highlights, let's take a quick look at some of the macroeconomic indicators we consider important for the performance of our business.

We would like to begin by highlighting that in 1Q16 the unemployment rate stood at 10.9% to 110 bps higher than in 1Q15 and a 190 bps up on 4Q15. The real average normal income of workers was BRL1,906 in the same period represent less than in 1Q15 and then stable over 4Q15.

IBG's data on industrial production show an 11% decline in March '16, over March '15 and 1% increase over February '16. According to the latest credit details released by the Central Bank. In March '16, credit ranking in the financial system grew by 3% in the last 12 months. Free and earned market credits increased by 1% and 6% in the same period while consumer credits grew 0.3% in the month.

Credit to finance vehicles fell 20% in 1Q16 over 1Q15. It is worth emphasizing that the automotive sector is closely linked to traffic growth and has a huge influence on industrial GDP.

The number of licensed vehicles fell by 26% year-on-year in March '16 and by 9% compared to February '16, while vehicle production declined by 22% and 13% in the same period according to recent data from Anfavea, the Brazilian Auto Manufacturers Association.

On to our operational numbers. For the quarter, we will highlight traffic. With the end of concession agreement in May, and the beginning of MSVia's collection in September '15, traffic was adjusted for comparison purposes, that is, excluding these assets in 1Q16 and '15 and that is leading to a 2.4% reduction in company's consolidated traffic. On the same comparison basis, commercial vehicle traffic declined by 4%, while light vehicle traffic fell by 0.5%. In our press release, you'll find more information on traffic for each concessionaire.

We'll now show the key pro forma numbers for the 1Q16, that is, considering all businesses which we do not control or hold share control, consolidated according to CCR's share in each line. We also adjusted the comparison basis, that is, excluding some calculations, those businesses that were not in the company's portfolio in at least one of the comparison period, as is the case of Ponte, MSVia and TAS and businesses which are still in implementation phase.

In accordance with this criteria, same basis cash costs increased by 5.5% over 1Q15, below the IPCA inflation index of 9.4% in last 12 months. Excluding international airport that is the effect from the appreciation of the US dollar. Cash costs on the same basis increased by only 0.3%.

Same basis adjusted EBITDA totaled BRL1.1 billion, 7% up in 1Q15, with a margin of 64.8%, equal to this 1Q15 figure. Net income totaled BRL248 million in 1Q16, 24% higher than in 1Q15 mainly impacted by the fact that cost were [ph] below inflation as well as the initial cash generation of MSVia and Metro Bahia.

On the same basis, net income stood at BRL253 million up by 3%. Regarding our debt, leverage measured by the pro forma net debt to EBITDA ratio stood at three times in 1Q16. This level reflects the company's current scenario that is the implementation of several projects which were not generating cash or were at operational ramp-up phase in 1Q16.

We end our comment on the quarters' result by highlighting that, despite the weak economic scenario with a focus involved in forecasting a 4% GDP reduction. Same basis pro forma adjusted EBITDA grew by 7%. The company also extended its debt profile. MSVia amortized its bridge loan with BNDES totaling BRL587 million extending this term to 2039. In addition RodoAnel carried out its fifth debenture issue, totaling BRL750 million with maturity up to 2019.

We will now open the question-and-answer session.

Questions And Answers

Operator

Thank you. Ladies and gentlemen we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Alexandre Falcao, HSBC.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Hi, good morning. My first question is on STP. Just wanted to know equivalent track or for the 3Q close. And the second related to this is when do you expect your leverage should be this year. It's going to be second quarter that's when you should see that in terms of leverage? Thank you.

A - Flavia Godoy

Hi, Falcao. This is Flavia. Could you repeat the first part of your question, please.

Q - Alexandre Falcao {BIO 5515455 <GO>}

On the STP sale. Just wanted to know if were track for the third quarter 2016 close?

A - Flavia Godoy

Hi, thank you. Well the STP sales the closing, it depends on the approval from the Granting Power and that gave the card. So we needed to wait for that.

Regarding your second question that is about the leverage. We really did our results and we reached leverage around three time. It's important to mention that CCR is in our investment cycle. So as soon as we have to invest more it should go to better as we are going to receive the amount from STP. I would say that just considering the amount of STP, our leverage should go down. It's important to mention that in 2016 our projects that are under implementation i.e. helping us.

So some of them, they will be fully operational only in 2017. So considering the investment that we needed to require in 2016. We should expect the same leverage.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Okay. Thank you.

Operator

(Operator Instructions) Excuse me. We will now end the question-and-answer session. I would like to turn the conference over to Mr. Daniel Kuratomi for his closing remarks. Please go ahead, Mr. Kuratomi.

A - Daniel Kuratomi

On behalf of CCR, I would like to thank you for your time and interest. Please do not hesitate to contact us if you have any further questions. Our contact information is available on our press release and on our website.

Operator

This concludes CCR audio conference for today. Thank you very much for your participation and have a good day.

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