

## Q1 2018 Earnings Call

### Company Participants

- Andrea Fernandes, Investor Relation Manager
- Unidentified Speaker, Unknown

### Other Participants

- Bruno Amorim, Equity Analyst
- Leandro Fontanesi, Research Analyst
- Pedro Bruno, Research Analyst
- Renato Ramos de Almeida Hallgren, Banco de Investimento S.A., Research Division
- Stephen Trent, Director

### Presentation

#### Operator

Good morning. Welcome to EcoRodovias' First Quarter of 2018 Earnings Conference Call. With us here today are Mr. Marcello Guidotti, CFO and IRO; Andrea Fernandes, IR Officer; and executives of the company. This presentation is being recorded. (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). There you will find the presentation for downloads 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 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 Ms. Andrea Fernandes, who will discuss the First Quarter of 2018 results. Ms. Andrea, you may proceed.

#### **Andrea Fernandes** {BIO 21294199 <GO>}

Good morning. Welcome to another conference call by Grupo EcoRodovias, today discussing the results of the First Quarter of 2018. We thank you all for your interest and your participation. The beginning of 2018 was marked by some important accomplishments for EcoRodovias that reinforced their strategy to expand the duration of

our highway concession portfolio, always with capital discipline and respecting our financial capacity. In addition to the auctions of the North Ring Road and BR-135 and the acquisition of MGO, we signed yesterday, the contractual amendment of the Ecovias dos Imigrantes, adding eight months to the final duration of this concession. With these events, the average term -- duration of our highway portfolio went to 17 years and three months. Our focus on operating performance continues driving the expansion of margins and generation of operating cash and the highlight is for the increase on about 11% in the EBITDA and about 50% on that income.

As we can see on Slide 2, the consolidated traffic of equivalent paying vehicles in the First Quarter of 2018, presented growth of 2%. In January, there was an increase of 3.1%, in February of 0.3%, impacted by the unfavorable weather conditions and in March, an increase of 2.5%. The average tariff posted an increase of 3.5% on average, due to the tariff triggers and adjustments of the last 12 months. The increase in traffic in the quarter is mainly a result of the greater flow of heavy vehicles in Ecovias dos Imigrantes and Ecovia Caminho do Mar, influenced by the increase in the corn exports at the ports of Santos and Paranaguá. At Ecopistas and ECO101, it's due to the recovery in industrial production. In addition, the traffic of light vehicles posted increase at Imigrantes, Ecopistas and Ecosul due to a higher flow of tourists and favorable weather conditions. At Ecocataratas, due to the increase of shopping tourism to Paraguay. And at EcoRodovias' Caminho do Mar, there was a reduction due to a lower flow of tourists as a result of the high volume of rainfall in the region.

As for the group's consolidated performance in -- on Slide 3, the pro forma net revenue posted BRL 662 million in the quarter. Net revenue for highway concessions increased 5.7% in the First Quarter of 2018, positively impacted by the contractual adjustment in toll tariffs and improvement in traffic.

Moving on to Slide 4, the consolidated cash cost in the quarter amounted to BRL 180 million, a decrease of 1.7% in the quarter. It's worth noting that the cash costs of highway concessions, the most relevant in the consolidated results of the group, remained practically stable compared to the First Quarter of 2017, even with an inflation rate of 2.7% in the period, a result of our actions of the continuous search for operational efficiency over the last few years. Pro forma EBITDA was a record in the quarter, amounting to BRL 490 million with a margin expansion of 3.4percentage points. And a total of 74%.

The improvement in traffic, combined to the increase on average tariff and cost discipline, led to an increase in EBITDA for all our highway concessions, as we can see on Slides 5 and 6. Of the special notice to the increase on 13% at -- in the EBITDA of Ecopistas, 33% in the EBITDA of ECO101 with an -- margin expansion of 7.6percentage points and an increase of 13% in Ecoponte's EBITDA with a margin of 68%.

On Slide 7, we show the evolution of the comparable net income of BRL 147 million in the First Quarter of 2018 with an increase of 50% compared to the same period of the previous year, with a positive impact of the increase on comparable EBITDA in BRL 47 million, lower financial expenses by BRL 25 million and offset by the greater amortization and depreciation of BRL 12 million, due to the larger asset base.

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As for the investments on Slide 8, we maintain the company's commitment to invest according to the contracts and the business needs. And we can highlight the duplication work that ECO101 and the extension of Ecopistas concluded in the First Quarter of 2018. CapEx in the First Quarter was of BRL 157 million and the estimated CapEx for 2018 is of approximately BRL 987 million.

Moving on to Slide 9. We closed March 2018 with cash of BRL 2.6 billion and a longer debt profile was reinforcing our financial health. The indicator net debt and pro forma comparable EBITDA was of 2.45x. These numbers allow us to implement the commitment of the investment in the assets recently acquired as well as assessing future privatization programs. Debt by index was comprised of 56% on CDI and 36% in IPCA. And the average cost of that was of 7.35% in March of 2018. Before concluding, we would like to update you, the transfer processes of the North Ring Roads and BR-135 are following their normal flow as expected by the company. And the acquisition of MGO is in the phase of meeting the preceding conditions. And we will keep the market informed. Finally, we inform you that in April, executive Nicolo Cassell joined the Group, taking over the General Manager position. And reporting to him are highway concessions, IT in engineering and supplies. This concludes our presentation.

I would like now to move on to the questions-and-answer session. Operator, we're ready for the questions. Thank you.

## Questions And Answers

### Operator

(Operator Instructions) First question, Pedro Bruno from Santander.

### Q - Pedro Bruno {BIO 19082978 <GO>}

Andrea. And (actually) I had 2 questions about Ecoporto. The first is, if you could give us more detail about the nonrecurring results this quarter? With the recognition -- the revenue from the recognition of credits in about BRL 9 million, I understand there was no cash effect in this quarter. You can correct me if I'm wrong. And secondly, if you could update us, on the negotiations for the sale of Ecoporto and if there's any timing or time line expectation on EcoRodovias' side?

### A - Unidentified Speaker

Pedro, thank you for your question. About the nonrecurring from Ecoporto, it's actually a lawsuit that has been concluded that had a positive impact in the port terminals. And as far as receiving the Fundaf funds and that revise the restitution of the values collected. So it does have a nonrecurring economy -- economic effect. We are already being benefited from this decision month-by-month. And now we had the positive effect of the past collections. The Ecoporto negotiation, actually, we have a required claim that is being discussed at the MTAC (called EVT) and our Ecoporto asset doesn't have the plans for sale. Pedro, just to add about this claim from Ecoporto, the Fundaf, it will become cash within 18 months.

## Operator

Bruno Amorim.

### Q - Bruno Amorim {BIO 21628005 <GO>}

I have a question about traffic in the highways, it increased around 2%. And I'd like to know if in your opinion there's a factor that has impacted the First Quarter but would not affect traffic in the upcoming quarters, either on the crop, the harvest of grains and industrial recovery? Or it's -- 2% is a recurring growth, considering the economy grows. And if it's -- for this traffic to -- for increase further, we would see a further increase of the economy as a whole?

### A - Unidentified Speaker

Bruno, thank you for your question. As Andrea noted in the introduction, the traffic for the quarter was good in January, relatively good in March. And February, it was impacted by the weather conditions, February is a month for light vehicle traffic. So climate really does affect it. But we are eliminating these conditions of February, the traffic would have been greater. April is already showing signs of increase, compared to the First Quarter, higher than 3% and the harvest will start soon. So depending on the numbers of the First Quarter, couldn't be replicated throughout the year. We understand that throughout the year, we may see a higher increase in traffic.

### Q - Bruno Amorim {BIO 21628005 <GO>}

Excellent. And if I can, a second question. You announced recently an amendment at Imigrantes. Is there any other amendments of this size? Or any relevant discussions? Either in São Paulo or other geographic regions?

### A - Unidentified Speaker

The discussion of contractual amendments are very normal and usual in the concession contracts. So whenever there is a possibility or an opportunity, we may be led to study the opportunities for amendments at EcoRodovias, this investment will be very positive. This had already been announced. And probably, even in the Baixada Santista region, other solutions may be studied. So we understand that signing this contractual amendment is a demonstration that there is the possibility to amend contracts and that we will always have the opportunities for new amendments.

## Operator

Leandro Fontanesi from Bradesco BBI.

### Q - Leandro Fontanesi {BIO 20270610 <GO>}

Andrea mentioned that you have a leverage bridge that allow you to evaluate additional opportunities. If you could explain this. I believe that the -- company's structure is that (holding now) the North Ring Road is not under EcoRodovias' concession so that would allow you to increase the leverage, is that right? Or -- And considering the structure, how

much more investment capacity would you have? Maintaining a leverage that you believe to be the best.

### A - Unidentified Speaker

Leandro, thank you. Actually, the index that Andrea mentioned is consolidated. So it includes the Ring Roads, when we signed the contracts and pay. So it's a consolidated index. What we expected that we are at a base of 2.45 strong cash generation with mature concessions, that start having a decrease in their investment. So all of that leaves us very comfortable regarding the 3 new businesses. And with the possibility of looking at new businesses, of course, we need to consider what tithes and what size of new business? How the contracts will be? If there will be a payment upfront for equity? Or to fund the medium-, long-term CapEx? That has to be studied. But the snapshot of today, the trends for the year, make us comfortable as for our capacity to face growth opportunities, in addition to the 3 businesses that we already gained.

### Operator

Next question Renato, Banco do Brasil.

### Q - Renato Ramos de Almeida Hallgren {BIO 17989415 <GO>}

My question is concerning leverage. The payment of the BRL 900 million for the fixed concession of Eco Ring Road, has it been made already for us to consider this leverage of 2.45?

### A - Unidentified Speaker

Renato, the payment has not been made. We have acquired a bridge for the Ring Road for the payment of the concession branch. The concession branch will be paid upon signing the contract. And we expect to execute the contracts in the second half of 2018.

### Operator

The next question in English by Stephen Trent, Citigroup.

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

Marcello and Andrea, several of them have already been answered. But 2 more for you. One is, when we think about FX volatility in Brazil, it's fair to say in your view that since you have almost no dollar debt that the only meaningful impact we should think about is, what are the implications for the agricultural export market? And what that means for your flow? And the second question is, on the previous call, you guys said that you were not really going to look at new projects for a while, maybe not until the end of this year or even into early 2019, given that you've already done a lot of acquisitions. And I'm wondering if that's still the case.

### A - Unidentified Speaker

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Stephen, thank you for your questions. Stephen, on the first question asks us the effect of the dollar -- the exchange rate volatility on our numbers and the impact it may have. And it is -- so there is -- the volatility has no direct impact. And they'll have some impact at Ecoporto with the dollar debt revenue or we don't have revenues linked to the dollar. But the export of grains may have a positive impact by a higher FX rate. And for the -- and lead the products to be flowing more. So that would be a positive impact. And the other question that Stephen asked was that, we had said that we would not have a interest in new projects for the short term. As we said in the previous call, that we have a mid-term view for a study in 2019 or in January from -- to consider new opportunities. In fact, we confirm this view. We understand that the big window for new opportunities will start in 2019, or in the second half of 2019. But we are monitoring the movements made by the agencies to see if there may be an -- any project this year. So we're following it. And we are -- with technical studies and traffic studies that are quite advanced for the opportunities that we understand are the closest ones to happen. So the company maintains this focus in that sense. And we believe that 2019 will be the year when the opportunities will be more clear.

## Operator

Ladies and gentlemen, we now close the question and answer session. I would like to turn the floor over to Mrs. Andrea Fernandes for her final remarks.

## A - Andrea Fernandes {BIO 21294199 <GO>}

I thank you all for your participation on behalf of EcoRodovias. And the IR team is available for any doubts you may have. 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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