

Q4 2017 Earnings Call

Company Participants

- Flávia Godoy, Investor Relations Coordinator

Other Participants

- Victor Mizusaki, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen, and thank you for waiting. We would like to welcome everyone to the Fourth Quarter of 2017 Earnings Conference Call of CCR S.A. 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 the time, further instructions will be given.

Before proceeding, let me mention that forward-looking statements about CCR's business prospects, financial 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 a guarantee of performance. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future events 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 Mrs. Flávia Godoy, CCR's IR Coordinator. Please, Mrs. Godoy, you may proceed.

Flávia Godoy

Thank you, operator. Good morning, everyone, and thank you for attending our earnings conference call for the fourth quarter of 2017.

With us here today are Arthur Piotto, our CFO and IR Director; Marcus Macedo, Daniel Kuratomi, and Marcela Dias, members of the IR team. The earnings release is available on the company's website at www.ccr.com.br/ir.

Let us first take a look at some of the macroeconomic indicators we consider important for the performance of our business. We would like to begin by highlighting that the

FINAL

unemployment rate came to 11.8% in 4Q 2017, 20 bps down year-on-year and 60 bps down from 3Q 2017. Real per capita income reached BRL 2,154 in 4Q 2017, a 1.6% increase over the same period last year. IBGE's latest data on industrial production show a year-on-year increase of 4.9% in 4Q 2017. In 2017, industrial production grew by 2.5%.

According to the latest credit details released by Central Bank, credit granted in the financial system moved down by 0.6% year-on-year in December. In 2017, we saw an increase of 8.4% lower granted to individuals and 5.6% in the balance of individual's credit, while corporate credit fell by 7%.

The credit to GDP ratio fell to 47.1% versus 49.6% at the end of 2016. Also in 4Q 2017, credit to financial vehicles grew by 28.9% year-on-year. 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 increased by 16% year-on-year in 4Q 2017 and 12% in 2017 versus 2016, while vehicle production grew by 20% and 25% in the same comparison, according to the recent data from ANFAVEA, the Brazilian Auto Manufacturers Association.

Moving on to our operational numbers for the quarter, we highlight pro forma traffic. With the beginning of collection on ViaRio in August 2016, traffic was adjusted for comparison purpose; that is excluding this asset in 4Q 2017. As a result, the company's consolidated result grew by 5.3% indicating a recovery in traffic. In 4Q 2017 versus 4Q 2016, commercial vehicle traffic moved up by 6.6%, while light vehicle traffic grew by 2.2%. In our press release, you'll find more information on traffic trends for each concessionaire.

We now show the key performance figures for 4Q 2017; that is considering all businesses, which we do not control or hold shared control, consolidated according to CCR's share in each line. We also adjusted the comparison basis by excluding from calculations ViaQuatro and ViaRio, in which we increased our stake in the second Q 2017. In addition, we also excluded the one-off effect of SPVias adherence to a special tax regularization program, with an impact of BRL 139 million on the net results for the year. See our press release and Note 26 of the financial statements for more details.

In accordance with this criteria, same-basis cost costs grew 4.6% over 4Q 2016, while the IPCA inflation index rose 3% in the last 12 months ended in December. As a result, same-basis adjusted EBITDA totaled BRL 1.3 billion, 17% higher than in 4Q 2016 with an increase in the margin of 2.7 percentage points to 61.6%. This increase was due to a recovery in the company's operational results and its disciplined cost control.

Same-basis net income totaled BRL 425 million in 4Q 2017, 163% more than in 4Q 2016, impacted mainly by the improved operating and financial results. The financial result was influenced by a higher cash position and lower average SELIC interest rate. The company's pro forma leverage measured by net debt-to-EBITDA ratio came to 2.3 times in 4Q 2017, excluding the one-off effect of the acquisitions of stakes in ViaQuatro and ViaRio in second Q 2017, totaling BRL 545 million. This indicator would have come to 2.5 times.

We end our comments on the quarter results by highlighting that despite there is low recovery of the economic scenario with the (00:07:52) forecasting our 2017 GDP increase of only 1% net income, and same-basis pro forma adjusted EBITDA margin and EBITDA increased in the period underlying our business resilience and strength.

We will now open the question-and-answer session. Operator, please go ahead.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. Our first question comes from Victor Mizusaki, Bradesco BBI.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Thank you. I have two questions here. The first one, when we take a look on your earnings result, we can see very strong traffic growth. You're talking about more than 5% year-over-year. I don't know if you can give any color on how you started in the first quarter? And the second question, you (00:08:59) the Federal Police started an investigation - I mean do you start to investigate our forward concession managed by (00:09:06) I don't know if you can give any take on the issue.

A - Flávia Godoy

Hi, Victor. This is Flávia. Thanks for your questions. Well, regarding to your first question in terms of traffic, we have seen a recovery since May, so we released the traffic growing around 4.4% in the 4Q in the IFRS numbers and the pro forma which was close to 5%. We still don't have the numbers for the 4Q, I mean - and also the company does not release these numbers on a monthly basis. But one thing that I can share with you is that the ABCR released those information and the traffic is still very good. I mean we expect to see better numbers for 2018.

We - according to our historical elasticity, if you consider the average of the last 10 years excluding those years that we had a negative GDP, our historical elasticity is around 1.5 times GDP. So as soon as we have more visibility in terms of economic recovery, we can go back to the historical elasticity. But according to ABCR data, the number is still very good for the beginning of the year.

Regarding to your second question, actually we heard that information from the local press, but (00:11:00) was not reading in the scope of the investigation. So I don't have more information to share with you about this news that we heard from the local press.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Okay. Thank you.

A - Flávia Godoy

Thank you.

Operator

We now end the Q&A session. I would like to turn the conference over to Mrs. Flávia Godoy for her closing remarks. Please Mrs. Godoy, you may proceed.

A - Flávia Godoy

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 in our press release and on our Investor Relations website. Thank you.

Operator

This concludes the CCR S.A.'s conference call for today. Thank you very much for participation and have a good day.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

FINAL

Bloomberg Transcript