

Y 2019 Earnings Call

Company Participants

- Joao Alberto Fernandez de Abreu, Chief Executive
- Ricardo Lewin, Chief Financial and Investor Relations Officer

Other Participants

- Alexandre Falcao
- Analyst
- Bruno Amorim
- Josh Milberg
- Rogerio Araujo

Presentation

Operator

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to Rumo's Fourth Quarter 2019 Results Conference Call, which will be led by Mr. Ricardo Lewin, Chief Financial and Investor Relations Officer. After Ricardo -- De Abreu, Rumo's CEO reads his message.

We would like to inform you, that this event is recorded and all participants will be in a listen-only mode during the company's presentation. After Rumo's remarks, there will be a question-and-answer session for Investors and industry analysts conducted by Mr. Ricardo Lewin. At that time, further instructions will be given. (Operator Instructions)

The audio and slide show of the presentation are available through live webcasts at ir.rumolog.com. The slides can also be downloaded from the webcast platform. Before proceeding, let me mention that forward-looking statements will be made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Rumo's management and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events and therefore, depend on circumstances that may or may not appear in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Rumo and could cause results differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. De Abreu to give his statement followed then by Mr. Ricardo Lewin. Mr. Abreu, you may please begin the conference.

Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Good evening, investor and stakeholders. It is with great pleasure that I share with you my review of Rumo's 2019 performance as well as our path going forward. In 2019, we achieved great results, our volume went up 6.6% and our EBITDA grew 10%. Net income was roughly 3x higher than 2018, and we generated BRL688 million cash before funding and amortization. We also had important achievements in 2019, we won the bid for Norte Sul Railway and closed an operational deal with Ferroeste, initiatives that expand even more our influence area. The early renewal of Malha Paulista, that sustains our long-term strategy, also advanced with the approval from TCU, Brazil's Audit Court. We find that our double-stack railcar operations started in the container segment.

This was my first year as Rumo's CEO. Now is the time to look forward at all the opportunities that we still have to improve our efficiency and increase our business competitiveness. I will explore this in our next Cosan Day, when we will present details to the market on our growth strategy for the upcoming years.

In 2020, uncertainties regarding the international demand for grains may create greater market volatility in the short-term. However, the long-term fundamentals of our business remain unchanged. We believe in Brazil's agribusiness potential and in the increase of the demand for grains in the global market. Recovery of economic activity in Brazil and the expansion of our operations in the State of Goias and the west region of Parana allows volume growth and cargo diversification.

We remain focused on safety, executing our investment plan with extremely capital discipline, seeking for creating even more value for our shareholders. I conclude by renewing my commitment, alongside with Rumo's team, to build a better logistics industry for the country in order to foster the development of domestic production and to approach areas with different levels of industrialization. All in all, we are Brazil in motion.

Now I turn the floor over to Ricardo Lewin, who will conduct our earnings presentation. Thank you.

Ricardo Lewin {BIO 20342706 <GO>}

Thank you, Alberto. Good afternoon, everyone, and thank you for joining us. First, I'd like to point out that likewise previous quarter, 2018 results pertaining our earnings releases to the pro-forma figures reflecting the impact of IFRS 16 to guarantee a fair comparison.

On Page 3, of the release the impact on each line the icon of our income statement is summarized. As within Slide number 3, our consolidated results consider the effects of the Central Network also quoted, North-South Railway. The effects of its consolidation on 2019 results, I think it's on Page 12 of our release, and comprise BRL2.8 billion, referring to the accounting for the auction amount as a right-of-use to be restated in accordance with

contract or parameters, and BRL2.7 billion as lease liabilities. BRL0.7 million reduction in EBITDA due to the operating expenses and BRL121 million reduction in net income. Since besides costs, we have depreciation and financial expenses over concession amounts.

To facilitate the comparison of figures, Page 4 shows the chart that considers fourth quarter '19 and 2019 figures excluding the Central Network effects. It's worth mentioning that all orders excellence of release [ph] reported figures including the Central Network consolidation.

On the next slide, I'd like to share the current status of the Central Network. As previously mentioned, the Central Network brings opportunities to diversify cargo and extends our operations. We already started the works required to make Central Network operational and for seeing our long-term guidance investments in 2020, we will increase compared to 2019 may be due to investments in this network.

We are advancing with trade negotiations to transport grains after the conclusion of terminals, which would conclude during 2021 also even before that we will start to operate with containers to run. On the next few slide, we will take a look at our operational results in 2019.

In 2019, our volumes grew 6.6% reaching 60 billion RTK of which we highlight. Fertilizer volume grew 90% looted [ph] by North operation volumes. Container transport grew by 20% and corn volume rose by 19% offsetting soybean drop. 2019 granted on a typical seasonality because of market conditions and operational constraints, which restricted our ability to capture additional volumes.

In the first half of the year, we were impacted by operational constraints due to landslides at Santos downhill [ph] and when the favorable scenario for soybean demand, which reflected the global supply and demand dynamics.

In the second half of the year, the anticipated corn harvest insured positive volumes already in June and allowed good performance for Rumo until November. However, market performance in the period exceeded our CapEx gain thus resulting in market share loss and low corn availability in December.

Moving to the next few slides, we will discuss our financial performance. Rumo's EBITDA excluding Central Network rose 10.1% in 2019 to BRL3.85 billion and the consolidated margin stood at 54.2%, 1 percentage point higher than in 2018, reflecting the company's positive operating leverage.

Consolidated yield rose 1% highlighting the 5.5% yield increase in South Operations, the results reflect the impact of seasonality throughout the year. This crop participated in January, which resulted in lower are being brought into April and May, as operational constraints, which restricted bottoms in February and March months which historically record method use.

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Variable costs increased inline with net revenues driven by gains of 5.5% of fuel consumption offsetting higher cost with terminals and the payment of take-or-pay fees in February. Fixed costs rose only 1.2% as a result of the company's scalability and cost management efforts. We will now take a look at the financial results and net income.

In 2019, we recorded a net financial expense of BRL1.2 billion, 12.4% lower than in 2019. I will go to the average cost of debt and the (inaudible) contributed good results. On the other hand charges over leasing increased due to the inclusion of interest rates on concession installments of the Central Network. The net income totaled BRL786 million in 2019. Excluding the Central Network, net income more than tripled and reach BRL970 million in 2019. Cash generation before funding and amortizations totaled BRL688 million in 2019 reflecting EBITDA increase added to improved financial results.

Our next slide we'll take a look over that. Closing debt mix, came in line at 1.8x broad net debt EBITDA.

Now moving on to the next slide, let's discuss the ESG aspect in 2019. In 2019, we improved our energy efficiency reducing our unit emission by 7%. In addition due to our increase capacity we prevented cargoes from being carried by clerks after its flotational mode in which on average 5x more carbon dioxide than the (inaudible)

We've now composed B3, the Brazilian Stock Exchange feel (inaudible) portfolio an indicator of companies with good management practices in GHG emission and also we'll approach to the carbon disclosure project CDP, the global organizations that leading the (inaudible) from offer environmental information.

In 2020, our challenge is to advance our engagement with the Dow Jones Sustainability Index and ISE, B3 Sustainability Index. In the social aspects, as I really runs over 500 Brazilian municipalities who is aware of its relevant role in the communities where it operate.

In 2019, we won the social responsibility award from IstoE Dinheiro magazine. And the SDG stands for the project completed in seven years that positively impacted the communities surrounding our railway tracks.

Concerning governance, Rumo complies with the DTV practices. Also in 2019, we reviewed our code of ethics, which was spread out at the employees by training hours.

Moving on to the next slide and we'll take a look at the soybean market perspective. 2020 soybean perspective in Brazil according to CONAB and AgRural, indicate our indicate our record production with 9% increase. Recent data from USDA point a rate of 2 million tons on Brazil exports. On the other hand, all the forecasts indicate reduction mainly due to market uncertainties, which contributes to a volatile soybean scenario.

As per USDA, the raise on China imports reflects a better consumptions due to the recovery of this line herd in China. In U.S., soybean crops decrease by roughly 23 million

tons what should limit to raise on exports, even with the evolving on trade deal. Considering the scenario, we believe that with higher logistics capacity and improved operational performance, the beginning of the harvest may result in good volumes when the commodity

price increases and a positive demand for efficient logistics.

Now moving on to the next slide, we'll take a look at the corn market. Preliminary figures of CONAB and AgRural indicate a slightly lower corn production, with exports also shrinking due to higher domestic consumption. It's worth mentioning that despite reducing exports versus 2019, the figure projected is much higher than in 2018.

Considering that this year, the soybean harvest bigger in a regular period, corn exports should be concentrated between July and December. Thus, with higher railway capacity and corn volumes concentrated in the second half of the year, there should be room to regain the market share lost in the second half of 2019, thus enabling through higher volumes levels.

To conclude my presentation, on the next slide, I would like to present our 2020 guidance. For 2020, due to a scenario of greater volatility, we increased our guidance ranges. Thus, (inaudible) 15% on EBITDA, considering the average point of BRL4.4 billion, which includes Central Network costs totaling BRL90 million; 10% on volumes, also considering the average point of 66 billion RTKs; investments from BRL2.6 billion to BRL3.4 billion, in line with our long-term plan and considering the investments required to finish the work at the Central Network in order to make it operational.

This concludes my presentation. I thank you all for participating in our conference call. I remain at your disposal for the Q&A session.

Questions And Answers

Operator

(Question And Answer)

Thank you. We will now begin the question-and-answer session for investors and analysts. (Operator Instructions) Our first question comes from Josh Milberg, Morgan Stanley.

Q - Josh Milberg {BIO 19336060 <GO>}

Hey Alberto, hey Lewin. Thank you very much for the call. I wanted to ask if you could comment a little on, how you're seeing the 2020 yield scenario. And on to what degree, if any of the paving of BR 163 is a factor there? When we had spoken to you earlier in the year, I think your message is had been that something on the order of a 5% increase could be achievable this year helped by more soybeans in a better distribution of volume. So, I just wanted to see if that type of scenario still makes sense. And also if you could touch on how you're progressing in closing the take or pay contracts to that would be great.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Hi Josh, thank you very much for participating of the call. There's a bunch of questions here. Let me try to organize a bit. Let's start with BR 163 here and -- the pigments are also BR 163, clearly allowed increase of capacity and at work, okay. Investors are asking us if there is evidence that this price of truck transportation felt, because of the 163. And I think this is a very important point when people talk about the payments.

And in our opinion, but if you to compare prices during the year for previous year, there's more evidence that the freight cost went down because of the payment, okay. Usually what we see the market is that truck driver -- the price there of the transportation based on marketing opportunities, okay, instead of -- on the bigger than bigger costs, okay. So as well as prices went down in the first quarter for the BR163, it happens the same thing in December, okay.

For Santos, why, because the market was getting weaker in December. And an additional information that's important here, is that of now, there we suggest that the freight prices are already going up generally, even before the peak of the harvest, which is expected to be February. So summary of all the information that I give you, is that, okay, the capacity increased, it's clear, okay, going North. But there is no -- for this year 2020, first thing that is no indication that the trades are going down, because of the payment, okay.

Another thing that's important about BR163 and then of arch is that the -- and the north arch is that the most arch last year exported something around 34 tons of rings. Okay, if you can take into consideration the grains that left Mato Grosso through that arch, the volume is increasing to 15 million to 22 million tons, okay.

And split in these volumes not on the board by the reason what happened for soybean and corn, it's important to clarify that whom did not lose market share for soybean, okay. We could have done better because of operational constraints, but we haven't lose market share. And for corn, what happened was that when you lost market share not only for -- not for the north arch, but for the all the logistic providers, and within our job in quarter, we increased the a 21% our transported volumes. But what happens that corn exports grew a lot.

And the 21% that we did was not enough to catch up with the market, okay. So here's a brief summary of all of the facts of the pavement was launched between. And the most part, if you have more about you can ask. I was trying to go the other points here 2020 use. Usually, we do not disclose the use. However, I think from our guidance, you can take some conclusions here. We are saying now the guidance that if you consider the midpoint of EBITDA and volume, we're seeing that EBITDA is increasing 50% while our volumes are increasing 10%.

We are every single year, reducing our main variable costs between 3% and 5%, that's fixed. And as you can see in our results, we are increasing fixed costs much less than installation. So by year, you can conclude that, yes, there will be some big improvement, but huge part of our gains are focused on increasing competitiveness that we want to have, okay, and we do have as I always tell the sales side and investors we have scaled

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distance. So we are every single year reducing variable cost by doing efficiency, and by looking fixed costs from these that will improve our results.

Now if I'm not wrong, you asked about the buyout, yeah. These charges is something that we don't disclose due to the percentage of volume under the company RB [ph]. And other report strategic reasons, okay. One thing that I can tell you is that, the percentage of take-or-pay is lower than the same period of the previous year.

And as you know, the uncertainty that I spoke during the presentation all is exported volumes increases the likelihood of paying pay paper free, what make the trading companies less willing to sign this kind of agreement. Okay, so but not all about -- this is not that new for us. We are -- I always said that we are not finding people pay at any cost. We know about our competitiveness. So -- and what we see is that, there is a possibility of better market -- grain market exports. Although, usually the market people talking about productivity. This is true.

But if what you saw recently about USDA talking about the volumes of export was a good number, okay. So volatility has the two sides. Okay, so you will have a good opportunity here and more than these Josh, there is an expect for this year of that responsibility for us, with hopefully low operational constraint in the beginning of the year, okay, what we had in 2019 and this is a moment with higher prices that can help subset any these causality that having there yields this year. So sorry for giving longer answer here hopefully, I answered everything you asked me.

Q - Josh Milberg {BIO 19336060 <GO>}

That's helpful. That was a very thorough response. I have a few other doubts, but I'll go to the back of the line. Thank you very much.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Thank you, Josh.

Operator

Excuse me, our next question comes from Rogerio Araujo, UBS.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Hi, guys. Thank you very much for the opportunity. I have a couple of questions here. The first is on volume, so according to our estimates, this volume guidance, any price girds between 2 and 4.5 million ton for 2020. And if you look at economic expectations for Mato Grosso production of grains, it expects it to increase by 1 million tons in '20. So if you could talk a little bit about, how these extra volume -- where this extra volume come from? So if we're making fertilizer, how much is grain? How much is any other cargo? If there is any other relevant cargo to be transported. So this is the first question. Thank you.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

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Hi Rogerio. Thank you very much for the question, and due for the presence here in the call and thanks for the good question. There is clearly improvement in market share in Mato Grosso compared -- and not only Mato Grosso but expect here, but compared to 2019. Our first point, very easy to understand, remember that we had some capacity constraints. Let's call operational constraints in the first-half of the year.

Remember that, we have the problem in the huge incentives during the first quarter, and we lost capacity, as well as we had some problems in the second half of the year, because the product exports of corn is much more than our capacity. And was very concentrated in most part of the year. Okay. So as I told you hope you do not have these operational issues in the first semester going to soybean. We can get gain irrelevant share here for instance. And even second-half we are -- what we are seeing is that we'll not have these anticipation of corn. So this is the negative seems to be better for corn and we invested last year. We have been investing every single year.

We will gain capacity and we'll be able to take higher piece of these markets. So this is the first point here that with that we are gaining volumes and market share.

Okay. Also you talked about fertilizer, and we are increasing something around 50% in fertilizer for next year. In 2019, we did 1.6 million tons of fertilizer constant to hold on it. We're increasing to 2.4 million tons alignment with what we have been promising during the last years.

And finally, one other thing that's relevant and that it seems that there is sugar market is improving and we have something around 1.5 million to 2 million tons of sugar, additional to what we had previous year. So what we are talking is a clear gain of all market share related when we compare to 2019.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Yes. Thanks. It's very clear. So my second question, is on February volume. Any way that the Coronavirus could impacted the logistics to China, the shipping to China? So how do you see February volume? Is it already PTF? Is soybean already started to be exported? And should we expect a normal month now or should we -- should anything -- should any one-off feedback to have an effect here. Thank you.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Yes. Well Rogerio, I was supposed to some one will ask me about Coronavirus. You know it's very difficult to answer something really to Coronavirus. We are not fizzy and in fact of Coronavirus up to now in the business, okay. What you may see at the beginning of the year is a difference between the volume that supported in comparison to 2019, okay.

Remember that in 2019, the volumes were anticipated. And in 2020, the volumes will be exported in the regular, in the usual facing, okay, but this is not anything not related to Coronavirus but this is a comparison between 2019 and year so, it feels very difficult to say if Coronavirus has some impact in our year and by the way the same related to the

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commercial agreements between US and China. It's everything very unclear and we have not been feeling anything regarding these issues up to now.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Yes. Very good. Thanks so much. Have a great weekend.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Thank you. You too.

Operator

(Operator Instructions) Our next question comes from (inaudible) Citibank.

Q - Analyst

Hi, everyone. I have two quick questions here. First, if you could remind us there's some more green space left on the southern trench of stocks. And then secondly, can you give us an idea on the need for more rolling stocks for this year? Thank you.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Heberta [ph], I heard that very well your second question that was a rolling stock, but I could not listen about the most fall flat into November [ph].

Q - Analyst

Yes. The first one was, if there's more green space left on the southern trench or part self or these space to be viewed?

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Well, that's what they're doing because that's a good anyway -- let me answer how those fall into -- ask questions, please. Feel free to do again -- there the question. But north, south is going very well. Okay. Here's remember that we are starting the CapEx from the south is kind of go as to -- going north.

We want to reach as soon as possible there, the south of Goias and make this piece operational. Okay, because it's where you'll find a lot of grain size, huge amount of grains. Just give you some idea here that the states of Goias and Tocantins, that these markets have potential to bring up of about 50 million tons of grains.

In some studies, we saw that in 2028, these two markets can reach through 25 million tons. So we are at full speed in capex and we are working to initiate the transportation of grains and containers for the most as soon as possible.

Now, regarding another question is about rolling stock for 2020. You know, we are not the first person to ask about the rolling start for 2020 and we know that there was

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something that most people say that we cancel contracts on rolling stock, this is not true, okay.

On the contrary if you follow -- we did an announcement because we don't think that that's relevant. But if you follow -- if you follow greenwire calls, you will listen for -- let's call that they made with the market they announced as our long-term contract for rolling stock with them, okay.

The conditions are not quite, but there is a long-term contract with them, that allow us to guarantee the production at very good prices. And we our long-term contract also lease for proforma G, corrected that produces -- that kept supplies -- they supply for us our brand new locomotive. So that is our stock is everything that came there is no change in our long-term plans.

Q - Analyst

Okay. Thank you.

Operator

(Operator Instructions). Our next question comes from Josh Milberg, Morgan Stanley.

Q - Josh Milberg {BIO 19336060 <GO>}

Thank you for the follow-up. Just one area of questions that I have was related to your cost and if you could just give some color on some of the big cost movements that we saw in the quarter. One thing was the big move down in your G&A and also in your fixed costs in the Northern operation and also a large reduction of your other operating costs, which wasn't due in part to its sale of some service units. But really just want to understand, how sustainable that move was. I mean, I think it's something that also is the responses partially embedded in your guidance, but if you could give some color there that would be helpful.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Okay. Just a brief overview on cost. You asked about generally fixed cost that I'd like to reinforce that in every single year, we are reducing our variable cost also by increasing efficiencies. Remember that we have every year rise in fuel consumption, and we have been able to reduce the unitary consumption of fuel by 3% to 5% every single year, and we'll continue to do this.

Regarding fixed cost, you know us very, well, that we have a huge, huge discipline on costs -- fixed cost, increased only by 1.2% this year, much less than inflation. And the doubt may be here that if this is will be recurrent. And my point here is that, we -- first of all, we have big investments that bring us consequences, the fixed cost reductions. This gives us one thing that's important and the others that will keep following our fixed cost very closely.

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So we'll not longer that we disclose to the market, but be sure that we keep our deposits to keep the growth of fixed cost much below the inflations. We're keeping that always down, tell investors in our meetings, we are a scale business and we need to keep that due to cost because it'll make us more competitive and for us competitiveness is the name of the gain, okay.

Finally, there is a less question about G&A in the fourth quarter, although the results were good in this year in my opinion. So we increased the 10% EBITDA, okay. That was below our internal strong growth. So there is a small diversion in terms of G&A, that what we call the PPR, but the both is internal bonuses all of the management of the company.

Q - Josh Milberg {BIO 19336060 <GO>}

Okay. Maybe, that was good color. And I can take some of my questions offline. We can speak out for it. But are you able to disclose -- and I don't think it's a big item. But are you able to disclose the exact impact of the sale of the unprofitable service units in your container business?

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Yes, it is such a relevant Josh, for in terms of value, okay. But let's see -- let's take exactly the value here. Let's see, if you have other questions, I can take this for you.

Q - Josh Milberg {BIO 19336060 <GO>}

Okay. No, I think you covered my other questions. Thank you very much.

Operator

(Operator Instructions) Our next question comes from Alexandre Falcao, HSBC.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Guys, good afternoon. Sorry, if it's a discussions here, I had some trouble -- maybe some questions, -- yes, it's fine. I just wanted to comment on now that BR 163 is finished, do you think you could see any sort of price competition there or other competition? Or there's something that there's really -- there's something that you're not really competing for the same volumes?

And second one is related to Safrina [ph], you're beginning to see that it would be like for climatic reasons, and the pointing was not really ideal here, and we could see a decrease in yields. Can you elaborate more for them and how do both reconnect with your guidance? Thank you.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Alexandre, thank you for the question. You lost my beautiful speech on the BR 163 at -- so I can't repeat it like the first time, but I will do it. I will try to do my best here.

Q - Alexandre Falcao {BIO 5515455 <GO>}

So -- all right. (Multiple Speakers)

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

We know that BR 163 brought additional CapEx and increased the CapEx from all -- start of March, okay. But what I told you that, people are asking a lot if you decrease in prices, and certain prices, what do you think -- what because of the paving 163 -- and what I said before is that there is no evidence that the cost went down, because of the payment. Because if you note, that what said the truck drivers, they don't care about their cost, but they feel very quickly changes in the market.

So the prices go up and prices go down, depending on the other sensitivities, the market is good or bad or more market to need to bring lower -- higher or lower prices, okay. So prices went down and we give usually -- we give an idea of prices from returning to reality (inaudible) went down to 140, it was a less price, but was the -- it tends that happen every single year like or the end of the year. The market -- there was hit market is weak. So prices go down. Even now in January, we are seeing an improvement of trip crisis even before the peak of the harvest, okay, but 163 is already bringing is more for sure market (inaudible) and what I also provided for corn.

In the first answer, was that people are asking if there's 163 pigment, that improve the arch of market share at the end of the 2019. And what I thought was that the volumes of grain that went from too gross to from arch to 163, all the ways increases that 7 million tons from 15 million to 22 million tons, okay.

But why this happened? First, if you talk about soybean, we did not lose market share for the arch, okay. So we could have done better. Remember, we had some capacity constraints in the first-half of the year. But we didn't lose market share for the more parts for soybean.

For corn, we did lose market share, but it was not for the north part, it was for the rest of the logistics provider, because we are at the top of our capacity, even though we increased 21% in volumes, okay. What happens that the market -- the core market was big and concentrated, that's possible we're concentrated in a few months, and we didn't have the capacity to catch up with the market.

So this is my review about BR 163 and the north arch, okay. What is expected to happen in 2020 in the -- regarding the 163, 2020 -- the 163, north arch and our capacity, is basically that installed capacity too provides more capacity, because of our investments, okay.

The grain exports will not grow as much as last year and what we are seeing, okay. So the market, we have the opportunity to choose. Logistics solutions based on competitiveness and not abated another availability and it was the case of last year, because we're the top of our capacity. So this is what will happen in 2020. The second question, could you repeat the second question, please?

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Q - Alexandre Falcao {BIO 5515455 <GO>}

Regarding (inaudible) there is the reports that the planting was not optimal and if you compare to last year was -- good point in the -- and everything was perfect. Is there concern at all that you can see lower volumes from Safrina [ph] and I just want to know if it's something that is innovative?

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

So, when we talk about soybean, we have a response of the year. We have much more yield. It's better, because the harvest is here. However, when we talk about corn, it's much more difficult to foresee at this time of the year, okay.

Anyway, if you did expectations that we have that well brought by our -- by the consultancy companies that we hire. That move to be quite similar as I totally in the presentation told in previous year. But remember that previous year was by far the best harvest -- that the best progress we have in year in the history, we are in -- Brazilian corn crop. 1 plus 50, -- more than 50% higher than 2018. So if you compare to 2019, it can be flat vertical that compared to 2019, and the history is much, much higher, okay. So -- but again, it's always too early to talk about corn.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Okay. Thank you. But just consolidating, your guidance you're using more (inaudible) harder than last year or you have a reduction for corn specifically?

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

The FY year, that's what we foresee for guidance that we had less exports of corn, okay. However, this is on the -- seasonality of fixed cost will be better for us. Why? Because we will not have the anticipation of corn and we'll see remote districts better distributed by the second-half of the year as usually it is, okay. So this is allow us to transport a bit more without any constraint of capacities embedded and foreseen in our guidance.

Q - Alexandre Falcao {BIO 5515455 <GO>}

Fantastic. Thank you.

Operator

Our next question comes from Bruno Amorim, Goldman Sachs.

Q - Bruno Amorim {BIO 17243832 <GO>}

Hi, everyone. So I have two questions, if I may. First of all very quickly on concession renewal. Any update you can provide us with -- on the timing. I know this is something that it's just to some extent out of your control, but any update would be welcome.

And second, on the prospect for volumes from a long-term perspective. We have been discussing a lot of short-term issues, the Coronavirus, swine-fever, BR 163, but we live in a

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country where we lack infrastructure and then more medium long-term. Correct me if I'm wrong, but I think that's the main reason why you are so positive, and you have a guidance for close to 10% volume growth for the next few years.

So what are the key metrics you look at in order to get comfortable with this being -- with this lack of infrastructure, that we have in Brazil, connecting the region where we produce the grains, and the main port? So could you please share your rationale behind the 10% CAGR for the upcoming years? That would be the second question. Thank you very much.

A - Joao Alberto Fernandez de Abreu {BIO 20362451 <GO>}

Hi Bruno, thank you for both questions. I was visiting the first one. So let me try true to be here. As always, it's very difficult to come up with so much range deadline for the (inaudible). You saw our secretary of transportation saying that very soon, we will be able to sign.

But as soon, I cannot give you update for sign of true [ph]. What I can tell is that there is -- we are very close and ANPT is doing a very good job advancing with the adjustment in the concession and we remains -- and both parties are working very hard to have it as soon as possible.

Regarding the second question is about the long-term volumes, despite of all issues there, that we have -- understand what we are seeing, what we could -- our long-term -- this is not all about guidance, it's our long-term view on this sector on agriculture in Brazil, on the consumption of the word, even change, okay. We think that all these issues in China, Coronavirus this is Q1 clear I think for everybody. The swine fever and to know, it's the consequence of swine fever has for consumption of soybeans have to be positive. As it will improve the consumption of -- the way they are feeding their ports -- their pigs will improve. So that's very positive view for us.

So in some ways, that we do have positive views on the future of consumption of grains in the world regarding supply, because deal is for sure the that we feed this group of protein in China and the rest of the world and they mainly market grows in the right place to be and the place where you still have growth of area to be planted and efficiency in the world for grains.

But I think where you want to read in -- and what we are grazing the 10% growth and this is there are two points here. We will have the growth of the crop reports to beat. And yes, we'll have gross market share from move in the next year, okay. We will not disclosing how much this is difficult, but I think that you can, by the public numbers that you have from Canada, from USDA and our long-term guidance, I think you can easily reach to the growth of market share, okay.

So these are the two drivers of growth of transportation. And what the said that portal infrastructure in Brazil, is something that helped us increasing the -- our volumes transported.

Q - Bruno Amorim {BIO 17243832 <GO>}

Thank you very much.

Operator

Thank you. That concludes the question-and-answer session for investors and analysts. Now, I'd like to turn the floor over to Mr. Ricardo Lewin for his final consideration.

A - Ricardo Lewin {BIO 20342706 <GO>}

Well, in the name of Rumo team, I would like to thank all for the presence of all the investors and analysts in this call and we are working hard. The company to have a very good year for us and for our employees and for our investors. And don't forget that in March, we'll have present B [ph] both in Brazil in March 9 in Brazil and 23 in New York which you can hear about all the companies from and group. And about Hulu [ph] because then they will be able to give more details in the project and hopefully come with more news. Okay. Thank you very much to all.

Operator

That concludes Rumo's fourth quarter results conference call. Thank you.

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