

## Q4 2016 Earnings Call

### Company Participants

- Daniel Kuratomi, IR

### Other Participants

- Flavia Godoy, IR
- Leandro Fontanesi, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. And thank you for waiting. We would like to welcome everyone to the Fourth Quarter of 2016 earnings conference call of CCR SA. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements about CCR's business prospects and 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 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 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, a member of CCR's IR team. Please, Mr. Kuratomi, you may begin.

#### Daniel Kuratomi

Thank you, operator. Good morning, everyone. And thank you for attending our earnings conference call for the Fourth Quarter of 2016. With us here today are Arthur Piotto, our Chief Financial and Investor Relations Officer, Marcus Macedo, Flavia Godoy, Ana Sant'Anna and Marcela Dias, members of the IR team.

The earnings release is available on the Company's website at [www.ccr.com.br/ir](http://www.ccr.com.br/ir).

Let us first take a quick look at some of the macroeconomic indicators we consider important for the performance of our business. We'd like to begin by highlighting that in Q4 2016, the unemployment rate came to 12%, 300 bps up on 4Q 2015. And 20 bps up

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on third Q 2016. IBD's latest data show that industrial production was stable in December 2016, compared with the same month in 2015. And increased by 2.3% over November 2016. In 2016, however, industrial production fell by 6.6%.

According to the latest credit details released by the central bank, credit granted in the financial systems grew 0.1% in December 2016 and 3.5% in the last 12 months. Also in December, corporate credit declined by 0.5%, while operations with individuals increased by 0.7%. The credit to GDP ratio fell to 49% versus 54% at the end of 2015. Credit to finance vehicles increased by 2.4% in 4Q 2016 over 4Q 2015. It is worth emphasizing that the automotive sector is closely linked to (structural) growth and has an important influence on industrial GDP.

The number of licensed vehicles fell by 5% year on year in December 2016. And 28% compared to November 2015, while vehicle production grew 17% and fell 13% in the same comparison, according to recent data from Anfavea, the Brazilian auto manufacturers' association.

Before discussing this quarter's results, we would like to mention an important subsequent event. On February 16 this year, the Company announced the end of its primary public offering with restricted placement efforts, with this issue of more than 254 million new shares at BRL16, totaling close to BRL4 billion.

Onto our operational numbers. For the quarter, we will highlight pro forma traffic. With the beginning of collection on ViaRio in August 2016, traffic was adjusted for comparison purposes, that is excluding (new businesses) in 4Q 2016 and thus leading to a 6.9% reduction in the Company's consolidated results.

On the same comparison basis, commercial vehicle traffic declined by 10.5%, while light vehicle traffic fell by 5.3% year on year in 4Q 2016. In our press release, you find more information on traffic trends for each concessionaire.

We now show the key pro forma numbers for 4Q 2016. That is considering all businesses which we do not control or hold shared control consolidated according to CCR's shares in each slide. We also adjusted the comparison basis that is excluding from calculations those businesses that were not in the Company's portfolio in at least one of the comparison periods, as it is the case of TAS, STP and businesses which are still in implementation or operational ramp-up phase.

In accordance with this criteria, same-basis cash costs fell 5% over 4Q 2015, while the ICT inflation index rose 6% in the last 12 months. Same basis adjusted EBITDA totaled BRL1.1 billion, 8% up on 4Q 2015. It's a margin of 63.3%, 3.2 (sic see slide five "5.2") percentage points higher year on year.

Same basis net income totaled BRL214 million in 4Q 2016, 13% less than in 4Q 2015, impacted mainly by the decline in traffic, partially offsetted by the tariff adjustment and cost efficiency.

The Company's pro forma leverage measured by the net debt to EBITDA ratio fell to 2.4 times in 4Q 2016, excluding the BRL1.3 billion impact of the sale of STP in August 2016, with indicators staying to 3.1 times. This level reflects the Company's current scenario that is the implementation of several projects which were not yet generating cash during the entire quarter or are still in the ramp-up phase.

We end our comments on the quarter results by highlighting that despite the weak economic scenario with a GDP reduction by approximately 3.6% in 2016, same basis performance adjusted EBITDA grew by 8% in 4Q 2016, with a margin expansion of more than 500 bps.

We also managed to reduce cash costs by 5% in a scenario of accumulated inflation of almost 6%, as previously mentioned.

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

## Questions And Answers

### Operator

(Operator Instructions) Our first question comes from Leandro Fotanesi with Bradesco BBI.

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

Hi. I have two questions. The first one, in a scenario where you see a lot of opportunities in the primary and secondary market, what level of leverage, of financial leverage you think the Company could go? Is it fair to say it's something around 3.5 times, 4 times, or would you still consider let's say a target level of 3 times?

And the second question, if you could provide some of your -- how do you view the competition right now? Because there was some news -- it seemed that the government expected foreigners to participate in the auction, for example, of Sao Paulo toll road that happened this year. But we didn't see any foreign participating. Do you actually expect to see foreigners participating in upcoming auctions? Just to get your view on how do you view competition, especially foreigners going forward.

#### Q - Flavia Godoy

Hi, Leandro. Thank you. This is Flavia. Well regarding your first question related to our leverage, nowadays our leverage is close to 2.5 times. Excluding the sale of STP, our leverage is around 3.1 times. So 3.1 is our covenant, our self-imposed covenant. So CCR does not intend to run over 3 times. 3 times is our self-imposed covenant.

If you consider the numbers that we released yesterday, the balance position of December 2016, if you -- and if you include the proceeds of the recent offerings, our leverage is going to reduce it to 2.2 times. So 2.2 times is enough to participate in any

new tender process. And CCR has been analyzing some opportunities. So to answer you directly, again, our self-imposed covenant is 3 times. Our official covenant is 4 times.

Well going to our second question, related to (technical difficulty), actually, we've heard a lot that the government expected to have a lot of foreign players for the tender process that we had recently. Competition is always unpredictable. As you said, we can have -- we heard that the foreign players could participate in the next opportunity. But it's very unpredictable.

I cannot help you a lot with the pattern but CCR has been analyzing some opportunities. And we do believe that we are going to have a bunch of opportunity in Brazil, not only in 2017 but also in 2018. So even considered on foreign players that could participate in the next tender process here in Brazil, I would say that we have enough room to handle or to win some -- or still opportunities in Brazil, even with the foreign competition.

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

That's very clear. Thank you, Flavia.

**Q - Flavia Godoy**

Thank you.

**Operator**

(Operator Instructions) We now end the Q&A session. I'd like to hand the conference over to Mr. Daniel Kuratomi for his closing remarks. Please, Mr. Kuratomi, you may proceed, sir.

**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 in our press releases and on our investor relations website.

**Operator**

This concludes CCR conference call for today. Thank you very much for your participation. You may have a good day.

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