

Q1 2012 Earnings Call

Company Participants

- Arthur Piotto Filho, CFO, IRO
- Flavia Godoy, IR Coordinator

Other Participants

- Alejandro Vigil, Analyst
- Ryan Santos, Analyst

Presentation

Operator

Hello, ladies and gentlemen. Thank you for waiting. You are welcome to the CCR conference call for discuss of the results of the First Quarter of 2012. We'd like to inform that all participants, you will only listen on the conference call during the presentation of the Company. But immediately afterwards, we'll begin the question-and-answer session where we'll provide more instructions. (Operator Instructions)

Before we continue, we'd like to clarify that inventory statements made during the conference call relating to the Company's business prospect, projections and operating and financial targets represents mere beliefs and assumptions on the part of CCR's management and those currently available -- information from the Company.

Forward-looking statements do not assure future performance. They involve risks, uncertainties and assumptions, because they refer to future events, and therefore depend upon circumstances that may or may not occur.

Investors must understand that general economic conditions, conditions as in the (inventory) and other operating factors may affect the Company's future results, and could the results that materially differ from those that expressed in forward-looking statements.

I would like now to give the floor over to Ms. Flavia Godoy, Investor Relations Coordinator. Please, Flavia, you may proceed.

Flavia Godoy

Thank you, operator. Good morning, to all of you. And thank you for presence in at our earnings conference call for the First Quarter of 2012.

Today, we have with us Arthur Piotto, our CFO and IR Officer, Marcus Macedo and Daniel Kuratomi, members of IR team. We would like to inform that the results of the First Quarter can be found on the Company's website at www.groupccr.com.br/investidores.

Before we speak specifically about the results, let's quickly look at some macroeconomic indicators that we understand are important for our business. During the First Quarter of 2012, the economy demonstrated a plant (office trend), despite the tragedy moments the world economy was undergoing.

The unemployment rates in March, 2012, was 6.2%, part of continuous improvement over 6.5% rate reported in March, 2011. The average in real income (afterwards) calculated in March, 2012, was roughly BRL1,700, representing an increase of 6.5% over March, 2011.

However, during the First Quarter of industrial sector, declined by 3% over the same period of 2011. The accumulated rate in the last 12 months was down by 1.1%. In the comparison with the same month of March, 2011, the rate declined was 2.1%.

In the comparison with the (immediately) previous quarter, the industrial production also showed signs of slowing down posting on 0.5% decline. The latest credit information from Central Bank showed a positive credit evolution between January and March. It also showed a growing volume of credit of free (interactive) reserve of 2% in the First Quarter of 2012, with credit for individual increasing, 3.2%. And vehicle financing of 2.4% over the same period.

It should be remembered that the automotive (cycle) is intimately linked to the growth of traffic, and has great importance in the composition of the Brazilian GDP. In this regard, the number of licensed vehicles was down by 0.8% during the First Quarter of 2012, compared to the same period of 2011. And the production of vehicles also was up 10.9% during the same period.

With the effort of -- on the part of the Brazilian government to stimulate the economic development of the country, we are maintaining our positive outlook regarding the Brazilian economy, and we are quite confident with respect to the future.

However, over the very short term, we are more conservative regarding the prospect of the growth -- the traffic growth. And we expect a slight slowdown compared to the First Quarter, with more moderate growth rates. In fact, the preliminary figures for April and May show this. But we are confident regarding the entire year. And we believe traffic should grow (1.0) times GDP, as traffic data from recent years have shown.

As you can see in our report, the Company has been disclosing its financial statements, incorporating the new rules of IFRS since 2010. It should be remembered that in our press release of 2010, available in our website, you can find a support article that facilitates understanding of the impact of this new (understand) on our financial statement.

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Consolidated traffic of our concessionaries of up to 5.1% in first Q, 2012, compared to the same period of the previous year. These results mainly was to the economic activity and increase in income, with the highlight being the growth of light vehicle traffic.

In the First Quarter of 2012, the flow of passenger vehicles moved 5.8%, compared to 2011. In the case of commercial vehicles, the growth presented was 4.5%. We're emphasizing that the preliminary data from April continued, indicating positive growth of consolidated traffic. And in annual terms, we are reiterating our expectations that its growth should be 1.0 times GDP.

In our press release you will find more information regarding evolution -- the traffic evolution of our concessionary. Over the last few years, our results were impacted by business in their initial start up phase that generated a cost, and were not able to count on the full revenues generated potential result in a temporary (fraction) on EBITDA margin.

For this year, as we have been reporting, the expectation was that this effect should be lower, resulting in the expansion of our consolidated EBITDA margin. In fact, we ended the First Quarter with an EBITDA margin around 6.5%, still with some of the business not reflecting their full potential, suggesting that the EBITDA margin should continue to rise as the business becomes more mature, and as traffic grows.

CCR presented a net income around BRL280 million in First Quarter, 2012, an increase around 65%, compared to the First Quarter of the previous year. This improvement in performance is a reflection of better operation and financial performance, along with a bigger contribution from some products that were initially in their start-up phase.

Regarding our debt, the Company leverage, as measured by the net-debt EBITDA ratio was 1.9 times, which is lower than the ratio for the previous quarter, forming the leveraging in (inaudible) that began in the Third Quarter, 2011. So that's a quite comfortable situation for the Company, with recent additions of acquired business (versus) airports and (transaline), and to continue the strategy of qualified growth on (inaudible).

The proposal of CCR's management for an intermediate dividend distribution to its shareholder referring to fiscal year 2011 in the amount around (BRL108 million), representing approximately BRL0.06 per share was approved and paid out of April 27th. Considering the intermediate dividend paid on September 3rd, 2011, with the amount around BRL700 million, representing approximately BRL0.40 per share. Effectively, the Company made a payout around (93%) referring to the fiscal year of 2011, following our commitment to pay, actually it's 50% of net income in dividends.

We are just concluding our comments about the first Q, 2012, and we are now at the full disposal to respond to any questions you may have. Operator, please proceed.

Questions And Answers

Operator

Thank you. Ladies and gentlemen. we will now begin the question-and-answer session. (Operator Instructions) Excuse me. Our first question comes from (Mr. Ryan Santos) with Citigroup.

Q - Ryan Santos {BIO 21171508 <GO>}

Hello there. Is Ryan Santos speaking on behalf of Steve Trent here at Citi. And I am -- can you tell us a little more on the Portugal deal with Brisa, and if you're interested in any other airport projects, such as the (Borateya), Colombia, or the Caribbean projects? Thank you.

A - Arthur Piotto Filho {BIO 4777038 <GO>}

Hello, Ryan. Thanks for the question. Regarding the three airports that the Company is engaged in at the acquiring processes, we are now waiting for the final approvals from the granting authority and the lenders as well, in order to move forward with the financial closing.

So at this point in time, our expectation is to have this done in the next weeks. The initial part of your questions about the potential business in Portugal, for now, CCR is just gaining traction in this airport sector as we were granted the mandate to operate in this new sector for the Company.

And as we disclosed in that opportunity, this is a type of business that is, I would say, global, rather than local, which means that the Company needs to enhance its knowledge about how to participate in transactions like that, getting to know better about the specifics of the sector, the different players.

So you should understand this announcement made by Brisa as a consortium with CCR, exactly in that context, which means that we are now in the process to be aware of the likely characteristics of that option.

Just to make clear, at this point in time, we still don't have any timetable disclosed by the Portuguese government. Also, we don't have any bidding documentation, neither the schedule that they plan to do that, which means that CCR is just getting knowledge about the Portuguese market, about the Portuguese airport characteristics, in order to be ready to make a better decision, at the moment this announcement be done by the Portuguese government.

So it's just -- this is the way we are seeing this move.

Q - Ryan Santos {BIO 21171508 <GO>}

Sounds good. Thank you for your answer.

A - Arthur Piotto Filho {BIO 4777038 <GO>}

Thank you.

Operator

Excuse me. Our next question comes from (Mr. Alejandro Vigil) with Santander.

Q - Alejandro Vigil {BIO 1785025 <GO>}

Hi. Good morning, everyone. Just a quick question regarding an article that was published today in Valor newspaper about the -- what to do -- what the government is considering about different options for some federal concessions that are about to expire in a few years, some of them include some of CCR's concessions.

Just would like to check whether you already have some expectations about it, if you renew the concession contract, is a possibility. The government's going to re-auction these highways. It would be great if you could give us some perspective on that sense. Thank you very much.

A - Arthur Piotto Filho {BIO 4777038 <GO>}

Thank you, Alejandro. You know, it's well-known by the market that CCR intends to -- or would like to get this concessionary term extended. We have been proposed to the federal government, which is the granting authority for that concessionaire, as a compensation for accepting a new set of investments, an extension on the remaining life of that project.

So -- but at the end of the day, it all comes back to the government's or the granting authority's willingness to really -- to pursue this alternative. This is something that they are the ones that should be making the decision which way they would like to pursue. It can be through new contract amendment like I said before, in granting an additional life for that concessioner if we agree on certain characteristics of the project. Or the government at the end of the day can always re-auction the project.

It is something that is under their control. So CCR is doing what we have been doing for a while. But it's out of our control. We need to -- even if they approached us and proposed this new agreement, we have to negotiate about the new return.

And this is exactly -- I think there's a link with this public hearing that was conducted some weeks ago, or at the beginning of this month towards -- to put an end on the methodology that federal government will work with to the purpose of renting, or to agree with the concessioner, the (position) concessioners, for making this contract amendment towards a new return for new CapEx which is something that probably we'll apply for many different projects, even federal concessions or state concessions, and even municipal concessions.

So CCR is doing what exactly we have been doing. We'll see. But at the end of the day, it all depends on the granting authority.

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Q - Alejandro Vigil {BIO 1785025 <GO>}

Perfect. Arthur, just one quick question, a follow-up question. Actually, this is something that we should have a better picture, or more news about this issue. You know, in the short term, or it's going to be like two or three years from now, what are your expectations of that? Thank you.

A - Arthur Piotto Filho {BIO 4777038 <GO>}

We are -- we have good expectations to the end of this process, as the government concludes this public hearing process, they have some time in order to try to set up the full methodology that we will govern all these contract amendment procedures.

And so our hope is that this process should be completed in the upcoming months, which means that in practical terms, we believe that there's a good chance to see this contract amendment on the second half of this year. This is our expectations. But at the same time, I think it's fair to say that this is a process that has many different entities involved, which means that we shouldn't be surprised if it requires more time than this that I have indicated to you.

Q - Alejandro Vigil {BIO 1785025 <GO>}

Perfect. Very clear. Thank you.

A - Arthur Piotto Filho {BIO 4777038 <GO>}

Thank you.

Operator

Excuse me. This concludes today's question-and-answer session. I would like to invite Ms. Flavia Godoy to proceed with her closing statement. Please, go ahead.

A - Flavia Godoy

Once again, together with the members of the CCR's team, I do like to thank you for your time and interest in our company. Please do not hesitate to contact any one of us if you have additional doubt. Our contact information is available in our press release on our website, www.groupccr.com.br/investidores. There you will find additional information about our company.

Operator

That does conclude the CCR's audio conference for today. Thank you very much for participation. Have a good day, and thank you.

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