

Q3 2014 Earnings Call

Company Participants

- Arthur Piotto Filho, Chief Financial and Investor Relations Officer
- Flavia Godoy, Investor Relations Coordinator

Other Participants

- Jacqueline Broers, Analyst
- Stephen Trent, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for waiting. We'd like to welcome everyone to the Third Quarter of 2014 Earnings Conference Call of CCR SA. We'd 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 that time, further instructions will be given. (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.

I will now give the floor to Ms. Flavia Godoy, CCR's IR Coordinator. Ms. Godoy, you may begin the conference.

Flavia Godoy

Thank you, operator. Good morning everyone and thank you for joining us for our earnings conference call for the third quarter of 2014. With me today are Arthur Piotto, our Chief Financial and Investor Relations Officer; Marcus Macedo, Daniel Kuratomi and Leandro Mathias, members of the IR team. The earnings release for the third quarter of 2014 is available on our website at www.ccr.com.br/investidores.

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Before we go into some results highlight, I would like to briefly go over some macroeconomic indicators that we believe are important for our business. Among the economic and the production indicators that have been announced, we want to highlight the unemployment rate. In September 2014, according to the last complete data sets published by the IBGE, unemployment stood at 4.9%, the lowest September figures since 2002, and an improvement over the 5.4% recorded in the same month last year. (Technical Difficulty)

Credit finance of vehicles, however, fell 5.2% over August 2013. It is worth emphasizing that the automotive sector is closely linked to traffic growth and has a huge influence on industrial GDP. In this sense, the numbers of vehicle license fell 17.2% year-on-year in the quarter while vehicle production declined by 22.8% in the same period according to the recent data from Anfavea, the Brazilian Auto Manufacturers Association.

On to our numbers for the quarter beginning with the consolidated traffic at our concessionaires bridge fell 1.2% in the third Q '14, considering Renovias as compared to the same period last year. Commercial vehicle traffic fell 4% year-on-year, while light vehicle traffic moved up by 2.5%. In the first nine months, traffic grew 3.7%. In our press release, you will find more information on traffic trends for our concessionaires.

We have the key pro forma numbers for our third Q '14 that is consider all business consolidated according to CCR's shares of deeds [ph]. We also adjusted a comparison base that is excluded from calculations of the business that were not in the company's portfolio in third Q '13. Metro Bahia and MSVia which are the two in pre-operational states and BH Airport and Controlar which have not operated since January 2014.

Same-basis cost increased 3.7% over third Q '13 considering cash cost that is excluding depreciation, amortization, prepaid expense, construction costs and provision for maintenance. It's important to mention that our cost grew less than period of inflation.

Same-basis adjusted EBITDA totaled 1.1 billion, 5.3% on third Q '13 with a margin of 67.4%, a 0.7 percentage point increase in the period.

Net income totaled 346 million in the third Q '14, 14% down from third Q '13 impacted by businesses that have not yet reached maturity or still pre-operational, and therefore did not generate revenue. On the same basis, net income stood at 366 million, 8% down especially due to financial results.

Regarding our debt leverage measured by net debt to pro forma EBITDA ratio, it stood at two times in third Q '14. We believe that these level is comfortable for the company to make the investment commitment as committed in the recently acquired business.

Before we end this conference call, we would like to mention that the Board of Directors meeting held on September 26 approved a distribution of interim dividend of BRL0.7359 per share payable as of October 31st.

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

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Mr. Stephen Trent with Citibank. Sir, your line is open.

Q - Stephen Trent {BIO 5581382 <GO>}

Hello, I'm sorry about that. Good morning. Can you hear me okay?

A - Flavia Godoy

Yes.

Q - Stephen Trent {BIO 5581382 <GO>}

Thank you and thank you for the comments, Flavia. One or two quick questions for me. The first pertains to Confins Airport, if you could kind of give us a view as to where the project stands and how you see it moving forward?

A - Flavia Godoy

Hi, Stephen. Did you ask about Confins? Yes, I am right?

Q - Stephen Trent {BIO 5581382 <GO>}

Yes, correct.

A - Flavia Godoy

Actually this airport, CCR has terminated its operation in August. So the company is working on a release that we do expect to release to the market soon, I will say, during the next day. So in this release we are going to provide to the market more details about this project and also next week we are going to have our events -- our annual CCR day. There we are going to provide to the market more explanation about this project. So we are going to give you more details some days ahead.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay. That's very helpful. And just one other question at this time. I know of course, President Dilma just got reelected three days ago. Any sort of broad sense on CCR's part with respect to what we can expect from the auction pipeline on toll roads, the continuity of the programs? We saw some possibility that TJLP stays in place as is. Any color on that?

A - Flavia Godoy

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For our business, Stephen, we do not expect big changes. I mean, during the last two years, we had several opportunities from federal programs and we also expect the third phase of federal highways, I mean, a package with five highways, we do expect that, I would say in the end of this year and beginning of the next year. We expect the same -- I mean, same results for all of them. During the campaigns, those candidates, they speak the same thing, I mean, the same responses that the same way would be infrastructure. So no matter if we do marines or maybe if it could be (inaudible) this focus would be the same infrastructure and we do expect a lot of focus on it next few years.

Q - Stephen Trent {BIO 5581382 <GO>}

Okay, that's very helpful. I'll let someone ask a question and sorry about my phone problem.

A - Flavia Godoy

No, no problem. Thank you.

Operator

Our next question comes from Mrs. Jacqueline Broers, Utilico.

Q - Jacqueline Broers

Yeah, hi guys. A quick question. There's been a rumor in the market that you have signed a contract amendment with ANTT [ph] and that is why part of the reason why your share price is up at the last few days [ph]. I was just hopeful that you can provide us with any more color about that amendment?

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

Hi Jacqueline, you are talking about the market announcement we did recently about some amendments for NovaDutra and Ponte.

Q - Jacqueline Broers

Yeah, I was (inaudible) rumor that you have made -- well, it was a contract amendment.

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

Yeah, okay. No, no, that's -- no, no, that's not correct. In fact, we had some approval in old request to ANTT, but just to make the contract rules aligned with all the other contracts we already have, okay. So unfortunately we still didn't sign any investment amendment, okay? We continue to negotiate those, but there is I mean, it's difficult for me to give you an estimate about how we would sign something in this sense.

Q - Jacqueline Broers

Okay. Fine, thank you very much.

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(Operator Instructions) Our next question comes from Ms. Jacqueline Broers, Utilico.

Q - Jacqueline Broers

Yeah, hi guys. (inaudible) questions. Just I mean, the traffic volume is slightly down for quarter, appreciate the macro environment you're operating in, which has been gray at the moment, but can you give us any indication of what you feel the traffic volumes would be like in 2015?

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

Yes, you are right. We expect to see -- and if you look through the numbers there, accumulated numbers for traffic, it is still running in line with the (inaudible) GDP. So I'll return your question and ask you what is your assumption for GDP in 2015. So we do expect to see 1.5 to 2 times GDP for traffic growth in 2015. Obviously for next year we have some projects ramping up. So we will see some growth coming from those projects, okay, in terms of EBITDA generation, but in terms only on traffic, we are assuming this 1.5 times Brazilian GDP, okay?

For the next quarter, we expect a slight recovery from third quarter. Third quarter was significantly impacted by business slowdown and due to the World Cup in July. So we expect to see better figures for fourth quarter and 1.5 to 2 times GDP in 2015.

Q - Jacqueline Broers

Thanks again. Thanks so much.

Operator

Our next question comes from Mr. (inaudible).

Q - Unidentified Participant

Hey, guys. Thank you. My question was on the cost side. You guys did a pretty good job in terms of cost containment this quarter. I was wondering if you could continue that next year in case we have a weak GDP and traffic outlook or if inflation is a better guidance for 2015, or any color you can give us in terms of what's driving the cost containment and how sustainable it is.

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

Hi, Umberto. [ph] Well, it's not an unexpected cost line. Actually the company has -- is now trying to be a little bit more efficient on this side, so trying to control through planning a little bit better in a way to be more efficient in every aspect of the business. So I think while you can expect to see costs increasing with inflation for next year, okay, we will do our best to control it and to keep it under inflation, okay?

Q - Unidentified Participant

Great. Thank you.

Operator

(Operator Instructions) This concludes today's question-and-answer session. I'd like to invite Ms. Flavia Godoy to proceed with her closing statements. Please go ahead, madam.

A - Flavia Godoy

Once again, I join all the executives of CCR and thank you for your time and interest in the company. Please do not hesitate to contact us if you have any further questions. Our contact information is available in our earnings release and our website, www.ccr.com.br/investidores. There you can find more information on our company. Thank you.

Operator

That concludes the CCR audio conference for today. Thank you very much for participation, and have a good day.

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