

Y 2019 Earnings Call

Company Participants

- Eduardo de Toledo, Vice President of Corporate Management & Member of Executive Board
- Waldo Edwin Perez Leskovar, Chief Financial Officer and Investor Relations Officer

Other Participants

- Stephen Trent, Analyst
- Victor Mizusaki, Analyst

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for holding. At this time, we would like to welcome you to the CCR SA conference call to discuss the results for the fourth quarter 2019. (Operator Instructions)

Before proceeding, we would like to clarify that forward-looking statements made during this conference call referring to business outlook of the company, projections and operational and financial goals are based on the beliefs and assumptions of the CCR Board, as well as on information currently available to the Company. These statements are no guarantees of performance as they involve risks, uncertainties and premises and may not occur. Investors should understand that general economic conditions industry conditions and other operational factors could affect the future results of the Company and lead to results that differ from these forward-looking statements.

I would now like to give the floor to Eduardo Toledo, Vice President for Corporate Management.

Eduardo de Toledo {BIO 2067933 <GO>}

A good day to all of you. It is a pleasure to be here with you in the earnings results call for the fourth quarter 2019. With the call today we have Waldo Perez, our CFO and IRO; (inaudible) IR team.

Before beginning, I would like to welcome Waldo Perez, who joined CCR at the beginning of the year and will participate in the call for the first time.

Now my initial statement is that it is a pleasure to state that we have made significant strides in the three value pillars to generate value at CCR the result, growth and

sustainability of our results through times.

When it comes to the first pillar that of results, our operational results, I think that the strides are very clear through the evolution of our EBITDA. Now, if we base yourself on same basis, the growth was 19.6% in the comparison of the fourth quarter '19 and that of 2018. Now this result is due to our disciplined and excellence at CCR was also reported in the last month and the works that we carried out with Valgoni [ph] giving us very positive results.

The second pillar, which is that a growth, I think that merits a special highlight for the award of the concession of BR-101. This is something continues to ViaSul and will allow CCR to exploit the synergies of both of these concessions. Now, the issue of growth for us is fundamental in our strategy and we continue to adopt measures to enhance our capacity to generate opportunities for growth and what has been dramatic is the arrival of Waldo, who has broad experience in M&As and structuring financial operations and will be upgrade health in our search for growth.

When it comes to the third pillar, which is generating value, sustainability at CCR, we have worked strongly during this last year with a focus on governance in the company. And the work especially when it comes to decision-making levels and others have come to a very quick conclusion with the approval of the new bylaws at CCR at the General Assembly on January 10. This year we also concluded the revision and enhancement of our compensation system and it is ever more aligned when it comes to the compensation of executives and value generation for all stakeholders.

In the coming days we're going to send a proposal of management to the ordinary and extraordinary general assembly of the Company. That will take place soon and you will be able to observe in this proposal not only the evolution that I have mentioned, but as other parts of evolution that are part of the proposal.

I would now like to give the floor to Waldo who will present the results of the fourth quarter '19 in greater detail.

Waldo Edwin Perez Leskovar {BIO 21427688 <GO>}

Thank you, Eduardo. A good day to all of you. First of all, I begin by thanking all of you for your participation and interest in the Company. Before making my remarks, I would like to mention that our release for results is available at the Company's site www.ccr.com.br/ir.

Now to speak about the main highlights for the quarter, we would like to highlight the same basis traffic with a growth of 7.6% vis-a-vis the fourth quarter 2018. If we exclude the actual concessionaire, the growth was of 3%. The recovery of traffic took place for light vehicles, as well as heavy vehicles where we had a positive performance at 3.2% and 2.7% respectively. We would now like to highlight the main same basis figures for the fourth quarter '19; that is to say, considering the business where we do not have control where we have joined on subsidiaries or consolidated according to the stake of CCR in each line item. We exclude non-recurring effects, new projects and assets where we have altered

our stake and where we have components that distort the same basis comparison. The adjusted net revenue on the same basis reached BRL2.7 billion in the fourth quarter '19 with a growth of 13.7% vis-a-vis the same period of previous year.

Adjusted EBITDA on the same basis increased 18.6%, resulting mainly from a better operational performance. The margin of EBITDA on the same basis was 64.3% with an expansion of 2.6 percentage points when compared to the fourth quarter 2018. Net income, same basis, amounted to BRL499.2 million in the fourth quarter, a drop of 3% vis-a-vis the same period the previous year. Net income achieved BRL392.6 million when compared to the fourth quarter '18. This slight drop reflects the greater depreciation and amortization due to the closeness of the termination of concession contracts of Rodonorte and NovaDutra.

In the fourth quarter '19 investments including financial assets and maintenance amounted to BRL559.7 million. The concessionaires that most invested in the quarter were ViaSul, RodoNorte, NovaDutra and Samm. The total amount of investments of these four concessions was of BRL317 million.

When it comes to the net indebtedness, on IFRS, we reached BRL13.9 million in the fourth quarter '19, an increase of 1.5% and 7% vis-a-vis the fourth quarter '18 and the third quarter '19. The Company leverage measured by the net debt over operational adjusted EBITDA had a slight increase when compared to the third quarter '19 going from 2.3 times to 2.4 times in the fourth quarter '19, which means that this points to a very comfortable situation and backs our growth strategy mentioned previously by Eduardo.

We would now like to offer you the floor for questions-and-answers. Operator, you may proceed.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Victor Mizusaki, Bradesco BBI.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Good morning. And I have two questions. The first, Eduardo, we were being questioned by investors on the balance of CCR. And when I look at the results of 2019, the auditing maintains its questions regarding what is happening with the general attorney. I would like to know what is happening. Does this pertain to Sao Paulo, it is something federal?

The second question, when we look at your fourth quarter release, there is an expense of BRL140 million or BRL150 million approximately, referring to the ISS the service tax, Dutra, I would like to know the origin of this expense. Thank you.

A - Eduardo de Toledo {BIO 2067933 <GO>}

FINAL

Good morning, Victor; and thank you for your questions. Very well, let's address them. The first question, referring to the question in our balance, now these processes for sell company -- compensation and plea bargain are based on the permanent co-operation of the Company. And whenever a new issue arises, we cooperate, we help and we offer clarification.

Now, because of this, this process is somewhat difficult to anticipate. We don't know when it will come to a closure. And as this is being managed confidentially and also limits the scope of auditing cannot have full access to everything that is happening, because it is mandatory to maintain this process under confidentiality, which means to say that the situation will continue on for some time until we can review these issues and the only one that can take the decision to reveal this issue would be the general attorney by lifting the confidentiality.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Eduardo, another question regarding these interactions, have they been very frequent, have they changed anything? Anything that we could have a reading of that perhaps were coming closer to the end?

A - Eduardo de Toledo {BIO 2067933 <GO>}

I don't know if you are at ease to remark on this. Victor, I truly cannot remark on this, because of the issue of confidentiality. I cannot make any comment whatsoever regarding this. Thank you.

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When it comes to the ISS, the service tax, the ISS is an issue that we have been living with for some time already. The payments that we use to make, the Dutra concession, we withdrew ISS in the municipality at the headquarters. The supplier of the services and all the other concessions came in with suits against the NovaDutra, saying that this money should be collected in the different municipalities and not from the headquartered company. And this led to a long debate and the Alleco [ph] was quite low, they had fiscal incentives at that time, there was a different Alleco, there are tax rate in different locations. We were forced to withdraw the ISS from these different locations.

Obviously, we stood for the interest of the Company, we advocated for the interest, but in the end it remains very clear that this still has not gone through court. We spontaneously withdrew this tax, but there was no outlook for success in this.

Q - Victor Mizusaki {BIO 4087162 <GO>}

I understand that. Now when we look at your explanatory note, what we have understood is that, this payment is a retention of taxes will now reach a point of balance and that the consortium, the operating consortium Dutra. Is this company from CCR or is this an outside company?

A - Eduardo de Toledo {BIO 2067933 <GO>}

FINAL

Now, this company is a company that was created at the point in time when Dutra was created somewhat before the creation of CCR. This company was created with the aim of reducing the volatility of what was happening on the Dutra highway. This is something that we expect 30 years at least. This was the beginning of the concessions in Brazil, there was a great need to deal with cost to decide how we would manage costs and that is when we created this mechanism, this Company. And in a certain way this Company began to take on any cost variations that could appear and Dutra. And this became necessary to be able to refinance Dutra.

And as we're now coming very close to the end of the concession, there was that issue of the ISS, as well as other issue. So we took advantage of this moment to rebalance the contract in all of this aspects, so that we can have a good closure of this concession. This contract with related parties was then based on our own governance. The entire negotiation was followed up carefully and we had the approval of the independent members of our Board.

Q - Victor Mizusaki {BIO 4087162 <GO>}

I understand that. And Eduardo, just something specific to Dutra or does it also pertain to other highways? Do they have the same highway? And when we look at other concessions, it is my understanding that this contract will no longer exist with related parties.

A - Eduardo de Toledo {BIO 2067933 <GO>}

You are right, this pertains only to Dutra and it is part of the mechanisms that we have defined because of the pioneerism of Dutra. It would make no sense to continue on with this. We can take on all the volatility at present, but at that time, we still did not have that instance.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Very well. Thank you.

Operator

Our next question in English comes from Citibank.

Q - Stephen Trent {BIO 5581382 <GO>}

Yes. Good morning, everybody, and thanks for taking my questions. I wanted to ask if you could just remind us when we think about the commercial traffic flow on your toll roads, roughly what portion of that flow is planned for the export market?

A - Eduardo de Toledo {BIO 2067933 <GO>}

Good morning and thank you for your question. Well, CCR works with highway concessions in the state of Sao Paulo, Parana, Rio and others. And these are regions that are heavily industrialized with traffic that is very linked to the dynamic of the domestic market. Of course, we have the influence of exports, but I tend to say that this level would

be lower compared to other highways in the country. Once again, because we are part of that very large market, the producing market of Brazil; geared basically.

Q - Stephen Trent {BIO 5581382 <GO>}

That's very helpful. And if I may just get one more question in, when you think about the auction calendar in Brazil, it would (inaudible) I imagine you're going to look at; are there other kind of one or two assets that are particular interest at this time?

A - Eduardo de Toledo {BIO 2067933 <GO>}

What I would say is that the entire pipeline that we look to in the future would be very interesting. We have set for highways, we have the new bids for Dutra Highway on which we have a great deal of knowledge and expertise through the years. We have found different solutions to increase productivity. They have (inaudible) which is part of what will probably be included in this new concession is a project that we have deep knowledge on.

And we can be very efficient, effective when dealing with the CapEx for these roads or highways. I think that we would have a competitive edge on Dutra, but there are multiple opportunities -- and because of this, we will have very attractive opportunities going forward. The offer of concessions in the coming two years will allow us to foresee several opportunities.

Now, in the sector of mobility, we have a very strong footprint here and we have a great footprint in the state of Sao Paulo. Sao Paulo, speaking about new bids, eight or nine and the highway to Campinas and here once again, we would have a significant competitive edge. Additionally, to this, the scale of CCR is incomparable when we think about other companies, especially when we speak about competitiveness in cost, I think, we're unbeatable in this.

Q - Stephen Trent {BIO 5581382 <GO>}

Very helpful. Thank you very much.

Operator

(Operator Instructions) With this, we would like to end the question-and-answer session. We will turn the back floor to Mr. Eduardo de Toledo for his closing remarks. You may proceed, sir.

A - Eduardo de Toledo {BIO 2067933 <GO>}

Thank you very much. And before closing, if your remarks regarding our outlook, what we have observed in January and February, is that the evolution of traffic has been positive. We had growth in January and February, when compared to the year 2019, perhaps with less growth that in the fourth quarter '19, but we do have growth year-on-year.

FINAL

Now, when it comes to the opportunities and I mentioned this in one of the questions. The pipeline of opportunities is enormous and besides the opportunities of the new concessions, that have been announced and the new round for airports, we also have opportunities in the secondary market. With the contribution of Waldo Perez, without a doubt, we will be able to work very well with these opportunities.

Finally, I would like to invite all of you for the CCR Day, that will be held on May 30th in Sao Paulo. And this is a very good opportunity to enhance our conversations on the access of growth of the Company and an opportunity for all of you to get to know the executive from CCR, as we have had significant changes lately. This would be a very good opportunity for you to get to meet our team. I'm fully convinced that this team is well-prepared to generate the value that this Company can generate.

Thank you very much for your participation and for the opportunity to converse with you. Have a good afternoon.

Operator

The CCR conference call ends here. We would like to thank all of you for your participation. Have a good day and thank you for using Chorus Call.

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