

## Q1 2020 Earnings Call

### Company Participants

- Eduardo de Toledo, Vice President of Corporate Management
- Waldo Perez, Chief Financial Officer and Investor Relations Officer

### Other Participants

- Analyst
- Andressa Varotto
- Lucas Laghi
- Roberta Versiani
- Victor Mizusaki

### Presentation

#### Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome at the audio conference to discuss CCR S.A.'s Earnings Call relative to the First Quarter 2020. All participants will be connected in listen-only mode during the company's presentation. After that, we'll start a Q&A session and further instructions will be provided. (Operator Instructions)

Before moving on, we'd like to state that forward-looking statements made during this audio conference concerning the company's business outlook, financial and operating projections are based on beliefs and assumptions as part of the company's management and also on information currently available. Forward-looking statements are no guarantee of performance as they involve risks, uncertainties and assumptions as they refer to future events and depend on circumstances that may or may not materialize. Investors should have in mind that general economic conditions, industry conditions, and other operating factors might influence the company's future results and lead to

results that would differ differently from these expressed in these forward-looking statements.

I'd now like to turn the floor over to Mr. Eduardo De Toledo, Corporate Manager of CCR. Please, Mr. Eduardo, you have the floor.

**Eduardo de Toledo** {BIO 2067933 <GO>}

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Good morning, everyone. It is a pleasure to be here with you this morning for our earnings call relative to the first quarter of 2020. Today, with me at this call, we have Waldo Perez, our IRO and CFO; Marcus Vinicius Macedo, our RI Head; Mr. Ribeiro and Mr. Moraes, who are in our IR team.

So given the magnitude of this pandemic we're all facing, I think it would be only fitting to concentrate my opening remarks on the pandemic-related issues. And how we are at the company have been reacting to that. In moments like this, having a highly engaged and committed company and a conservative financial policy is very important. And, of course, we have brands, which are well-known. It is right at those moments where those features emerge as very strong pillars.

So let's address this in a more chronological order. Starting in late February, right after Ash Wednesday when the first case was confirmed here in Brazil, the first case of coronavirus infection. Back then, nobody was really talking about, but CCR created a multidisciplinary group at the very first week held by our own doctor. And we decided to address issues concerning our internal public, we created a 24-hour helpline for employees and their families. We bought inputs, supplies for suspected cases, and we started training programs for all employees who are in contact with our users.

Right after that, on March 11, we created our crisis committee composed by our executive management. And this crisis committee has been meeting on a daily basis to make decisions and decide what actions to carry out in response to the virus. On March 18, we disclosed our first material fact relative to the coronavirus and its impact on our businesses. And then as of March 21, we decided to provide information on a weekly basis as for the traffic of vehicles and passenger cars in our highways and also airports, so as to maintain the market up-to-date and to avoid an asymmetry with our official decisions. Also on March the 21, those employees who could work from home started doing so. From -- as of now we have over 2,000 employees working from home and doing a very good job. The very publication disclosure of our results is proof of that. The company has shown strong capacity to do that, start working from home.

Past those more immediate cases. We started looking at, of course, the financial side. And I'd like here also to acknowledge the BNDES for taking action early on that benefited four of our concessions, that was very important. But besides we also focus on our conservative policy, and we decided to raise another BRL400 million additional. This was predicted to be raised by the end of the second quarter, but we starting to anticipate that the raising of those funds, right, to provide more liquidity to the company.

And from that on, we started focusing our actions on issues relative to costs. To adjust our costs to this new reality that we're now going through. Right first, we used in our bank, vacations, but because of -- throughout the (MP 346) which was also very important. We were to going to reduce working hours for all the leadership group as of May. So we are now working fewer hours, and we have now over 1,000 employees in that situation. We suspended work contracts for those who belong to risk groups and who cannot work from home. And we adjusted, of course, the working days for all our concessions. And we adjusted, of course, supplies and all other fronts vis-a-vis this new reality.

We have always based our decisions on the principles of preserve the well-being of our employees, our partners, our suppliers. And of course, contracted and of course, the end user as well to try and mitigate the economic impact of the company, of course, always providing a lot of transparency to the market.

Additionally, I'd like to mention other actions we took to take care of those who are responsible for insurance supply across the country, truck drivers. So we have handed out tips and guidelines as to personal care. And we offer meals because restaurants are closed. We offer masks for truck drivers. And more recently, this is very, very recent, we made the decision to make 50,000 medical consultations free of charge to truckers. At the first sign of problem, they can consult doctors remotely for free, we are ensuring that. So they have access to the free medical doctor consultations. So actions. We put in place to reinforce the care we have towards our users, in this case, the truck drivers, who are making sure the country is still up and running.

I would like now to turn the floor over to Waldo Perez, for him to go into the numbers for the first quarter. Please, Perez, you have the floor.

### **Waldo Perez** {BIO 21427688 <GO>}

Good afternoon, everyone. First of all, thank you, all, for participating and for your interest in the company. Before talking about the results, I would like to inform that the release -- the respective release is available at the company's website, [ccr.com.br/ri](http://ccr.com.br/ri).

As mentioned before, we saw in this first quarter the first impact coming from the COVID-19 situation in our operations. Especially due to social distancing and traffic restrictions which, of course, impacted vehicle traffic and most of the concessions we have under our control. And of course, a drop in demand for our airport users as well. CCR's result may remain stable despite of that, showing operational efficiency and resiliency as you will see going forward in this presentation.

Sticking on the main highlights of the quarter. Pro forma traffic, which saw a growth of 3.9% when compared to the first quarter of 2019. Excluding the ViaSul concessionary, there was a drop of 1.5%. For light vehicle traffic, it's 6.6% below last year, and for heavy vehicles, we saw an increase of 3.1%.

Now the main pro forma numbers for first quarter, in other words considering the business over which we have no control or where we share control, they are consolidated proportionately to our stake. For the same basis number, we include new projects of assets where the company has changed its participation, its stake as it has been detailed in our earnings release. The net revenue on same basis is BRL2.4 million in the first quarter 2020, which is an increase of 2.5% when compared to the first period of last year.

The adjusted EBITDA on the same basis increased by 0.2%, reinforcing the company's operating efficiency this period. As I mentioned before, the month of March was highly impacted by the COVID-19 situation. And still our adjusted EBITDA on the same basis saw slight growth when compared to the first quarter of last year. 61.9% for the adjusted

EBITDA, a drop of 1.3 percentage points when compared to the first quarter of last year, reflecting the same effect that I mentioned just now.

On the same basis net profit BRL246.8 million in the first quarter 2020, a drop of 29.2% when compared to the same period of last year. Our net profit reached BRL289.7 million, a drop of 19.1% compared to last year's first quarter. That reflects mainly depreciation and amortization as we get near the end of the concession period for RodoNorte and NovaDutra and also coming from the impact on -- coming from traffic restrictions once again due to the COVID-19 situation.

In the first quarter 2020, investments total BRL529.9 million and concessionaires which most invested was ViaSul, RodoNorte, and VLT. For ViaSul, BRL100 million were invested and RodoNorte BRL609 million and VLT BRL589.2 million as you can see on this slide.

As to the pro forma net debt, BRL14.9 million in the first quarter, an increase of 7.51% vis-a-vis the first quarter of last year and 0.2% when compared to the fourth quarter of last year. The company's leverage is at 2.4 times in the first quarter and remained flat when compared to the fourth quarter of 2019. That ratio reflected a comfortable situation, which reiterates our strategy for growth. Despite the volatility brought about by the COVID-19 as of early March, CCR has had ample access to financing lines, and as Eduardo mentioned in his opening remarks, in April, we included BRL1.2 billion in terms of funding, which we had already planned for four of our concessions.

Traditionally, between March and April, we made the strategic decision to anticipate kind of credit lines, which were planned to happen throughout the year as to reinforce our cash position. Up until now that totaled BRL900 million. That strategy was adopted, granted our consistent follow-up of the economic scenario and also in light of the uncertainties that lie ahead. Despite the availability of credit, the amount, the market was quite restricted in terms of terms and maturities. But as of recently, we have seen some changes and terms have been extended from 12 to 24 months, and in some cases, up to 36 months. So we see an improvement in the credit scenario.

We continue to seek opportunities to raise more cash and which is scheduled to happen later in the year. So as -- we to further increase the robustness of our cash position, for more details, please refer to our COVID-19 section for our earnings release. And of course, the explanatory notes of our financial reports.

And we're now open for Q&A. Please operator, you have the floor.

## Questions And Answers

### Operator

(Question And Answer)

Ladies and gentlemen, I'll start the Q&A session. (Operator Instructions) Our first question comes from Victor Mizusaki from Bradesco BBI.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Good afternoon, everyone. I have two questions, please. Number one, as you mentioned, you have a very conservative profile in your portfolio. But given the current scenario, what can we expect in terms of impact on the dividend payout policy for CCR going forward, say 12-months? Does it make sense to imagine something around 25%?

And the second question relative to the balances going forward. You just mentioned, government decisions, if you could break it down for us especially in terms of airports where we saw business dropped significantly and also urban mobility? And also if you could touch by the concessions in the Sao Paulo, please. Thank you.

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

Thank you for your question. We'll address both of them. Number one, in terms of dividend payout. Our policy has been to have two payouts a year, one in April and second one typically in October, in the second half. It will depend on the moment. We have not made a final decision now in terms of dividend payout. Of course, we'll make that decision in light of the conditions we'll have in the second half where there will be more data to see how the pandemic is advancing, the impact of the business. We'll have a clearer horizon in the second half.

As I said, we have a very conservative policy, and that leaves us in a, I'd say, a reasonable financial situation because of that. But I do not anticipate any reason for us to change our dividend payout policy. But again, we'll make the decision when we can -- we cross the bridge, as I say, when we come to the second half to take care of bridge of the scenario. As for the balance issues, I think we have very distinct situations for the different modes of operation we have at airport, we have a more dramatic situation, of course, because the drop in revenue is reaching around 97% and it has been announced, as closed.

So for that industry, we'll need short-run measures to reach a balance, right? But given the situation of some factors, we'll need measures to bring balances in the short run. The government has proven to be sensitive to that situation. They have been changing payments for concession or delaying those payments. And that's a way to try and reach a new level of balance when you delay payments of the concessions. That's also a way to try to bring balance to that equation. And of course, as I said, airports are very specific animal in this case. And of course, all airport concessions are being affected and not ours only, right.

As for mobility, I think the situation is slightly different. The drop was not so significant as it was the case for airports. And it's also in local, right? It depends on the local situation, it all depends on how the pandemic is playing out in different places where we have the concessions. And also, soon, as we have permission to resume activities in an organized way, of course, we expect to have a faster recovery for mobility than we expect for airports, different dynamics as I said. And some of our concessions are already a way to

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reestablish balance because we have been addressing the drop in demand by alternative way.

Lastly, for highways, it's also a case-by-case analysis. Some of our highways have not seen any change in traffic lining, for example. But -- and this is Sao Paulo, I think that's a point where this issue is even more relevant since early on we see a desire from the state government to be very supportive supporter. But in the wake of that, we need to address if there will be space for new investments and we see a very positive picture in that respect.

As we go through this economic crisis, whatever actions, measures that might bring investments and requirements will be helpful to be supportive of a speedy recovery. So the government was already sending signs that they were going to look at this issue. That becomes even stronger, out of perceptions it is strong right now.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Okay, if I could have a follow-up question. I want to talk about the highways, for example, because of the COVID-19. When you talk about it drop, are you talking about the dropping traffic for 2020? Or are you including discussions about a more permanent drop in the traffic curve going forward?

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

Yes. We are at the first steps of that, right? It's difficult to predict what kind of impact are we going to have? Ideally, we would need to have short-term mitigating measures, including financial measures. Because the short run balance would be supportive of a better scenario in the future. But to have a final confirmation as you are asking for, for the future, then we're going to have to wait. This is only the first steps.

**Operator**

Our next question comes from Andressa Varotto from UBS.

**Q - Andressa Varotto** {BIO 20092249 <GO>}

Thank you for the call. My first question is about the increase of the variable compensation, is that a recurring item? And a second follow-up about this rebalancing situation. Anything new in terms of airports? And if you have any time expectations for Sao Paulo? That's it. Thank you.

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

Andressa, thank you for your question. As for the increase in personnel costs. The previous system we had at the company of variable compensation, it was slightly different because we had positions which were more controlled. And then it would be more discretionary to provide the whole compensation to make it cover all the compensation policies. And that good year is a good, of course, anymore. So from that point of view, that policy would make different quarters within different situations, of course.

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And when we were to pay the PLR in the third quarter, now we would see a natural growth. That's why we had an oscillation. Under the new system, which was created, we have lower discretionary changes. The policy is the same. Good years, competition is better. And -- so the policy doesn't change. But now we have a more uniform provisioning, that's the change.

While it's not a quarter ahead to big PLR, the situation is more comfortable. As for international airports. We now have to deal with different legislations for different countries. As for international airports, we don't know how the revenues will be in different countries, but we need to face the different situation in different countries and different countries, different governments make different decisions that affect us differently. Now airports are a minor proportion of our business.

As for Sao Paulo, this is what I have said to Victor before. Conversations are going well. And I feel as I said a strong desire coming from the state government to solve the situation in a way that will be good for company, for the government, for all parties involved. And in the wake of this agreement, there is soon for more investments, of course. And given the current scenario for the state specifically, a harsh drop in economic activity. There is more incentive to look for other investments work countercyclically to what we're seeing right now to, as I said, provide the need for a speedier recovery.

**Q - Andressa Varotto** {BIO 20092249 <GO>}

Okay. Thank you.

**Operator**

Our next question comes from Mr.Rodrigo (inaudible).

**Q - Analyst**

Good afternoon. Thank you. Congratulations for the results. As for the international scenario, current -- given the current situation, what's the company's strategy in terms of asset management? Are you looking for something outside the country? Or are you going to be focusing on Brazil mainly? Thank you.

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

Rodrigo, thank you for your question. I'd say that if opportunities in Brazil grow and they have grown strongly, especially in this government with Minister (Jorge Cesio), and with the state government of Sao Paulo we saw -- we're seeing many opportunities.

And we understand that the government scheme is that infrastructure might be a strong driver for economic growth. So in a both -- pandemic scenario that will be even more intense. So when you have so many opportunities, so many concessions, so many infrastructure projects under construction. We, of course, become more selective in terms of international product, that does not mean we're not looking at that, we are only looking abroad in a more selective manner than we did before because of the attractiveness of the local market.

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## Q - Analyst

Okay. Thank you.

## Operator

(Operator Instructions) Our next question comes from Santander, Lucas.

## Q - Lucas Laghi {BIO 20757425 <GO>}

Good afternoon, everyone. A question about -- or along the lines of Rodrigo's question about going abroad, going international. If you could perhaps talk about the pipeline of local concessions for highways, looking more at the local situation, what if you have delays for those concessions? In terms of competition what kind of competition are you expecting, right? That might be more attractive for a company like CCR, which has a stronger, more robust balance sheet. So the question is about the pipeline for local concessions locally and the competition as we move forward with the companies in the market, weaker players?

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

Thank you for your questions. Yes, we'll need to adjust the bids which have been approved before the crisis in moments of great uncertainties, such as now there are mechanisms which are currently used. So different triggers for investments need to be readdressed under this new scenario. So there are mechanisms in place to make those adjustments if the need comes to postpone or delay some of those projects. But the projects will eventually emerge and materialize. And we're talking about a couple of months, right? It's a matter of months. We do not see is a matter of years, especially for those projects which were further along.

As for competition, I think it's early to say the competition is going to behave, how the world look like in six months or eight months. I think we still have a lot to go through. But as I said, CCR has always about very conservative management procedure and our team has been able to deal quite well with everything that's happening, have been able to respond expeditely efficiently. And that places us in a more positive light in this scenario. But as for the others, what other players we present, it's still early, I think, to be able to list those competitors that you have asked.

## Q - Lucas Laghi {BIO 20757425 <GO>}

Okay. Thank you.

## Operator

Thank you. Our next question comes from Roberta Versiani from Citibank.

## Q - Roberta Versiani {BIO 21207378 <GO>}

Thank you for taking my question. The growth in highways, how will you explain that? In some of your highways, how do you explain that? Thank you.

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

The connection was slightly choppy. Thank you, Roberta. As I see it, we have been seeing growth in heavy vehicles specifically. For light vehicles, we have say, rather homogeneous situation across the country. But for heavy vehicles in RodoNorte, for example, we see a slight growth actually. I think it's because of the agri business basically. The fact that they have a very unusual foreign exchange rate and that favors agri business, of course. It's difficult to make predictions around foreign exchange ratio. But should the current situation continue, we'll see a trend of heavy or high traffic volumes for heavy vehicles because that serves as an incentive for every business, no doubt.

**Q - Roberta Versiani** {BIO 21207378 <GO>}

Okay. And about e-commerce, what can you tell us about?

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

Can you repeat the question?

**Q - Roberta Versiani** {BIO 21207378 <GO>}

The question is about e-commerce.

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

As for e-commerce. Well, the heavy vehicle traffic is doing well even in Sao Paulo at the same level as before. And RodoNorte, as I said, we saw growth. In Sao Paulo, a slight drop. And of course, that is clearly a sign that e-commerce is working. And also food services. In other words, consumption has remained at a relatively high level. So the economic activity on that front has been somewhat preserved. Especially for food and grocery stores, I think they're presenting a very high economic activity right now.

**Q - Roberta Versiani** {BIO 21207378 <GO>}

Okay. Thank you.

**Operator**

We now close the Q&A session. I'd like to turn the conference back over to Mr. Eduardo for his final remarks.

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

Well, we are now going through times of uncertainty, as I said, high volatility. And it's difficult to have visibility of things going forward. But still, I remain very confident in the company and CCR, and the infrastructure sector is recognized around the world, not only in Brazil. That's the one which will be able to boost the economy in terms of growth and jobs, especially in a moment like this we're going through in countries. It becomes even more important, right? The issue of infrastructure is key for the country's recovery going forward. And CCR, given all its characteristics, it's financial robustness, it's technical

efficiency, it's operating efficiency, all of that combined leads the company in a position to be to play a leading role in this recovery process.

So thank you all for participating and have a nice day. It was good to talk to you. Stay safe, stay well, and we'll see you the next time. Thank you.

## Operator

CCR's conference call is now over. Thank you all for participating and have a nice day, everyone.

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