

Binational Bridge Call Transcript

Victor Mizusaki:

Good afternoon, everyone. Thank you for being here. My name is Victor Mizusaki, I'm the Investor Relations Director at SIMPAR.

At this event regarding the concession of the São Borja–Santo Tomé International Bridge, we are joined by executives from CS Infra: Fernando Quintas, CEO; Rodrigo Andrade, CFO; and Marcelo Fonseca, Commercial Director. Please note this event is being recorded, and all participants will be in listen-only mode during the company's presentation. After the comments from CS Infra's management, there will be a Q&A session.

Before we proceed, I would like to mention that forward-looking statements are based on the beliefs and assumptions of CS Infra's management and on information currently available. These statements involve risks and uncertainties as they refer to future events and thus depend on circumstances that may or may not occur. Investors and analysts should understand that macroeconomic conditions, industry conditions, and other factors may lead to materially different results from those expressed in such forward-looking statements.

I will now hand it over to Fernando Quintas, CEO of CS Infra, and afterward, we'll open for questions.

Fernando Quintas:

Good afternoon, everyone. It's a pleasure to be here with you.

Let me talk a bit about CS Infra. This is an important moment as we are in a growth phase. It's important that we speak a bit about this company, which is controlled by SIMPAR.

At the beginning of this conversation, I'll take the opportunity to talk a bit about CS Infra itself—where we operate, the verticals we focus on—and then we'll go into the binational bridge concession, which we've just won.

CS Infra is directly controlled by SIMPAR. I also oversee Ciclus Ambiental, which is another SIMPAR-linked company.

Today, CS Infra operates in four verticals:

- **Ports:** We have two port projects, both in Bahia. One is for fertilizer imports and the other for grain exports. The fertilizer import project is already operational with 100% of the CAPEX executed. The grain terminal is expected to start operations in October.
- **Highways:** We have the Grãos do Piauí project, a 600 km highway. We've delivered 300 km and opened four toll plazas. The remaining 300 km involves pavement recovery, and we've initiated construction on three more plazas for delivery this year. In Mato Grosso, we have another 300 km highway project that we expect to sign in early September, with six free-flow toll plazas. This project is closely tied to agribusiness in northeastern Mato Grosso. The bridge concession we're discussing today also falls under the highways vertical—14 km in total—but includes comprehensive border services (the Unified Border Control Center—CURF), which we'll discuss in more detail shortly.

- **Urban Mobility:** We have three mobility projects. The Sorocaba BRT is fully operational. We are also operating the São Paulo East Zone bus terminals—13 in total, serving nearly 500,000 people per day. Operations start on September 13. In Cuiabá, we have a PPP focused on revitalizing the city center, including management of on-street parking, advertising, and construction of a municipal market set to open early next year.
- **Social Sanitation:** While we currently have no active projects here, we are monitoring this area closely. It aligns with our focus on service-based projects—those with diluted CAPEX and early revenue generation, consistent with SIMPAR’s model.

Our goal is to pursue projects that do not negatively impact SIMPAR’s leverage, maintain a strong service DNA, and contribute value from day one.

Now, Vitor, let’s move forward and discuss the project.

Marcelo Fonseca:

Good afternoon, everyone. I’m Marcelo Fonseca, Commercial Director.

As Fernando mentioned, this project involves 14 kilometers of highway, covering access roads on both the Brazilian and Argentine sides, the bridge, and the Unified Border Control Center (CURF), which handles customs clearance for both countries simultaneously—unique compared to other bridges where clearance is sequential and more time-consuming.

Revenue for this common concession comes from tolls and services provided at CURF, which we’ll detail shortly.

The bid ranking was based on highest grant offer. We offered a 0.38% premium, totaling USD 26.6 million. Of that, USD 2.6 million is paid at signing, and the remainder is spread across 24 annual installments.

Fernando Quintas:

Just to add—initially, we placed second in the bid. The original winner had offered a 9% premium but was disqualified. As the second-place bidder, our offer was officially confirmed yesterday.

Marcelo Fonseca:

Regarding project numbers—as Fernando mentioned, we look for projects with revenue starting in year one. CAPEX is scheduled across six years, totaling USD 21 million per the public notice.

Fernando Quintas:

Let me complement that. There is already a company operating this project. The plan from the Brazilian government and COMAB (the binational commission) is for us to begin operations around October. The transition should be smooth, possibly involving existing staff.

Revenue starts on day one. Year-one revenue is expected around USD 8 million with USD 2 million EBITDA. By year six—when tariffs increase slightly with CAPEX completion—revenues and EBITDA will mature. The model currently includes toll revenue and existing CURF services, though there is potential for additional services (not yet included in the model).

Marcelo Fonseca:

These projections are in real terms (excluding inflation) and based on tariff adjustments.

The bridge is located in Rio Grande do Sul, Brazil, and in Corrientes Province, Argentina. It's 600 km from Porto Alegre; the closest airport is Uruguaiana, about 200 km away.

On the Brazilian side, access is through São Borja. The bridge and CURF are technically in Argentina, but operations are binational. Half the revenue comes from tolls, half from services provided at CURF.

Passenger cars pass through a central building for immigration, pay tolls, and proceed. Trucks (which drive most revenue) enter CURF, pay tolls, and receive services depending on agency requirements (e.g., customs, agriculture). For instance, if MAPA requires a fruit sample, the concessionaire removes and returns it, and is compensated accordingly.

The toll schedule reflects a substantial reduction from current rates. The previous concessionaire built the entire infrastructure and had high tariffs to recover its initial investment. Our investment is smaller, hence lower tariffs are already factored in.

Fernando Quintas:

Most revenue comes from heavy vehicles due to higher tolls and service demand at CURF.

Marcelo Fonseca:

Here are images of the current infrastructure we will inherit, including buildings, admin offices, and storage facilities. There is even a service for storing auto parts, which we will continue.

We evaluated the bridge's condition—it's in excellent shape.

The external concession area is much larger than CURF—700,000 m². It could accommodate new services like a truck service center, fuel station, or duty-free shop. None of this is yet factored into our financial model but presents upside potential.

CAPEX totals USD 31 million, including restoration, expansion of customs buildings, systems (scanners, vehicles), and more.

Victor Mizusaki:

Let's open the Q&A. Questions are limited to investors and analysts.

First question: André Ferreira (Bradesco BBI)

Congratulations on the project. It differs from standard highway concessions, given the diversity of services and potential for ancillary revenue. Could you clarify whether these ancillary revenues are rebalanced? Also, are there any upside opportunities (CAPEX/OPEX savings)?

Second question: the base case model assumes a 15% dollar-denominated IRR. Is this in line with your expectations?

Fernando Quintas:

Thanks, André. On ancillary revenue, we were conservative in our base model. There is demand to expand current services, such as part storage (e.g., Stellantis), and services like truck sealing are needed but not yet offered due to the uncertainty under the current operator.

There's also room for advertising and other unmonetized services—none of which require revenue-sharing with the grantor. All revenue would go to CS Infra.

Rodrigo Andrade:

André, regarding returns, the project aligns well with our usual targets. Key factors were the spread-out CAPEX and the grant payment structure—USD 2.6 million upfront and the rest across 24 years—allowing us to reach our return targets.

André Ferreira:

Got it. The original WACC was around 8.5%, correct?

Marcelo Fonseca:

Yes, just under 9%. It was later republished with a 15% WACC.

André Ferreira:

Perfect, thank you.

Matheus Santana:

Thank you all for the question here, good afternoon.

I have two questions. The first is a follow-up on the last question, and only you can correct me if I misunderstood anything. The regulatory WACC for the project is around 15%, and you expect it to be aligned with that number, right? And when you leverage the project, what does it roughly reach? To get an idea, what could be the approximate debt-to-equity leverage ratio? The second point is more of a general question regarding CS Infra, but thinking about a target project, what characteristics would you like the project to have? What do you look for? Those are the two questions, thank you.

Rodrigo Andrade:

Matheus, thank you for the question. Regarding the first topic, obviously, we expect that by using leverage, we can achieve higher returns compared to the original activity. The planned capital structure here is 80% financed, 20% equity, though depending on the source of funding, this may vary slightly — a bit higher or lower.

Since the revenues are pegged to the dollar, with about a one-month lag, we actually believe it's possible to raise some funding in dollars, which would lower our financing cost. That would allow us to achieve a return a few percentage points above the initial 15% rate.

Fernando Quintas:

Matheus, just to add to your question about the projects — what CS Infra has been pursuing, regardless of the verticals, is something we talk a lot about: the origin of our concessionaire, CS Infra, is not from a construction company or a contractor. Our origin comes from Simpar, with a service-focused DNA. We believe that focus is a key differentiator for us. So, we actively look for projects where we can add value and make a difference through excellent service.

Also, we look for projects with diluted CAPEX. We're not targeting short-term projects with heavy upfront investments in implementation CAPEX. Instead, we look for projects where revenue starts as early as the first or second year — ideally from Day 0 — without affecting Simpar Group's leverage goals. These are the kinds of opportunities that create value for both the company and the group. That's what we're pursuing across the four verticals we mentioned earlier. Alright, Matheus?

Matheus Santana:

That's all very clear. Thanks, everyone.

Victor Mizusaki:

Any other questions on the line? We just received... Oh, here's one from André Ferreira at Bradesco BBI.

André Ferreira:

Hi, just one more. I wanted to understand if you see potential for this project to incorporate services from other companies in the group.

Fernando Quintas:

Yes, we do. Of course, each company has its own independence and management, but we see, for instance, with JSL—there's a lot of logistics involved, transporting cars, parts, distribution—we could eventually incorporate services from CUF. Let's say a truck needs to deliver a part from Brazil to Argentina. Instead of handling all the cross-border transport, we could have a warehouse or distribution center on the Argentine side that stores the part. Then, when the automaker in Argentina needs it, CUF delivers it from there. This would enhance speed, logistics, and transportation efficiency.

So, we're talking about a group company here, but this extends to both carriers and automakers. Always with transparency and competition in mind, we'll be looking for synergy—whether inside or outside the group. All right?

André Ferreira:

Very clear. Thank you.

Victor Mizusaki:

We also received a question from Luiz Felipe, an individual investor:

When does the company expect to sign the contract?

Fernando Quintas:

According to Comab, the contract is scheduled to be signed at the end of August. And 30 days after that, we plan to start operations. So, we're talking about beginning operations—and consequently revenue generation—around early October, as previously discussed.

Victor Mizusaki:

We also got a question from Luiz Peçanha at Safra.

Luiz Peçanha:

Good afternoon, everyone. Thanks for taking my question. I just wanted to ask a bit more about the matters being negotiated in this contract.

Who would actually be the granting authority? And can you describe the background of previous concessions? Have you studied the granting authority's history? How are potential conflicts resolved? Just trying to assess any governance risks.

Marcelo Fonseca:

Luiz, thanks for the question. The granting authority is Comab.

Comab is the Argentina-Brazil Joint Commission. It was formed in the late 1990s to manage this binational bridge. There isn't a history of other concessions—only the current one in place, which is operated by Mercovia.

And Comab's operational arm is Delcom. That's why I sometimes refer to Comab-Delcom. So, there's no concession history beyond this bridge itself, as the commission was created specifically to manage this bridge.

Luiz Peçanha:

Got it. That's clear. Thanks.

Fernando Quintas:

Luiz, just to complement: Comab alternates its presidency yearly. One year the president is Argentine, the next it's Brazilian. When one country isn't holding the presidency, its representative serves as a counselor.

And at the operational level, within Delcom, there's always a representative from each country in key roles. So, you always have a pair—one from each country—in operational functions.

Luiz Peçanha:

Perfect. Thanks.

Victor Mizusaki:

Any more questions on the line? No? Well, with that, on behalf of SIMPAR and CS Infra, I'd like to thank everyone who joined the call.

We also want to inform you that the SIMPAR Investor Relations team is available for any follow-up questions. Have a great afternoon. Good afternoon.