

Operator:

Good morning, and welcome to EcoRodovias' 1Q22 earnings conference call. With us here today are Marcello Guidotti, the CEO, and Andrea Fernandes, IR Director.

This presentation is being recorded, and all participants will be in a listen-only mode during the presentation. After that, we will begin the question and answer session for analysts and investors only, and further instructions will be provided. Should you need assistance during the conference call, please press *0 to reach the operator.

The audio and the slides of this conference call are being broadcast simultaneously at ri.ecorodovias.com.br, where you will find the presentation for download from the webcast platform in the Investor Relations section.

Before proceeding, we would like to clarify that the forward-looking statements that may be made during this conference call relating to EcoRodovias' business prospects, projections and operational and financial targets are based on the management's beliefs and assumptions, as well as on currently available information. They involve risks, uncertainties and assumptions, as they refer to future events, and hence depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future performance of EcoRodovias and lead to results that differ materially from those expressed in such forward-looking statements.

I will now turn the floor over to Ms. Andrea Fernandes, who will discuss the 1Q22 results. Ms. Andrea, you may proceed.

Andrea Fernandes:

Good morning. Welcome to Grupo EcoRodovias conference call, today discussing the earnings of the 1Q22. We thank you all for your interest and participation.

The quarter was marked by some important achievements. Ecovias dos Imigrantes signed the amendment that extended the term of concession agreement by two months, until January 2034, increasing the duration of the portfolio. The Board of Directors approved the internal regulations and corporate policies to strengthen its corporate governance.

The Company renewed its international certification, ISO 37001, and debentures issued have equated the maturities of the 1H of the year.

It is important to note that the Company has concluded the work with the specialized consulting firm, which had the objective of reassessing the operating model and proposing actions to enhance processes and seek synergies to drive operational efficiency and ensure sustainable growth. These actions are already being implemented, and results will be seen from the 2H22 until 2024.

Moving on to operations performance on slide three, consolidated traffic had a 3.7% decrease in the 1Q. Excluding the start of operations at Ecovias do Cerrado, which began toll collection in the final plazas in March 2021, and concessions Ecovia Caminho do Mar and Ecocataratas, which had their concession agreements terminated in November 2021, comparable traffic posted an increase of 8% in the quarter, a reflex of flexibilization of restrictive measures, and the progress in covid-19 vaccination coverage,

the export of commodities such as soybean and corn, and the industrial recovery. The highlight of the quarter was light vehicles with an increase of 9.7%.

As for the Group's consolidated financial performance, on slide four, we see the evolution of gross revenue with an increase of 11.4% in the 1Q. Excluding construction revenues, gross revenues decreased 6.9%, mostly due to the termination of concession contracts at Ecocataratas and Ecovia Caminho do Mar. Comparable gross revenue was up 13.2% due to traffic increase and toll tariff adjustments.

On slide five, net revenue dropped 8% in the quarter due to the termination of the concession agreements at Ecocataratas and Ecovia Caminho do Mar. The 12.4% increase in cash costs, in line with inflation, is due mainly to the expenses with consulting and advisory services for the services for the studies of new business for auctions, salary adjustments and profit sharing, and provision for administrative fines.

On slide six, comparable EBITDA amounted to R\$475.5 million in the 1Q, with EBITDA margin at 65%, due to traffic increase, as well as toll tariff adjustments.

On slide seven, we present the evolution of recurring net profit, impacted mostly by the termination of the concession agreement at Ecovia Caminho do Mar and Ecocataratas.

Investments on the 1Q22, on slide nine, totaled R\$547 million. The main investments have been for the implementation of operational buildings, pavement conservation works at Ecovias do Araguaia, improvements at intersections, accesses and pavement conservation works Ecovias do Cerrado, as well as road duplication and pavement conservation works at Eco135.

On slide ten, we closed the quarter with net debt of R\$8.1 billion, an increase quarter on quarter, mainly due to the investments made on the quarter. Leverage measured by the net debt over adjusted EBITDA indicator is in line with the expectations for the period at 3.6x, compared to 3.3x in the 4Q21.

Moving on to slide 11, we closed the quarter with cash balance of R\$2.2 billion. In 2022, maturities in the 1H of the year are already equated with the issues of the holding and of Ecovias dos Imigrantes, in the total amount of R\$1.9 billion, cash availability and the Company's cash generation. In the 2H, the main maturity is at EcoRodovias Concessões.

On slide 12, we highlight the highways that the Company is studying: federal concessions in Paraná, CRT and Triângulo Mineiro in the state of Minas Gerais, and EcoRodovias' drivers of growth.

The Company's capitalization, along with target projects that generate cash already from the beginning of concession, partnerships on future auctions, the extension of the agreement at Ecovias dos Imigrantes, dividend distribution in line with the growth cycle and future cash generation shall enable the search for opportunities to invest in the Brazilian highway market, with capital discipline in a sustainable manner.

We take this opportunity to mention that Ecovias do Araguaia, BR-153, continues to invest in pavement conservation works and in toll plazas, with collection expected to begin in the 4Q22.

On slides 14 to 16, we present the main ESG indicators, highlighting the conclusion of the studies on climate vulnerabilities, and the B score on CDP, above the global average.

In the ESG agenda, for the third consecutive year, EcoRodovias has joined the companies that make up the Climate Resilience Index, compiled by CDP in partnership with Resultante ESG.

With regard to people development, EcoRodovias launched the 2022 Performance Cycle, which includes the contracting of targets, with executive officers and managers having a percentage earmarked for the ESG targets, which underscores our commitment to the agenda.

In April, the shareholders approved the election of Ana Grizzi at the shareholders meeting. The new Board member is a specialist in sustainability ESG, with broad experience in incorporating the environmental, climate and social variables into strategic business planning.

More details on our ESG agenda are available on our earnings release.

This concludes our presentation. We would like to move on to the questions and answer session. Operator, we are ready for the questions from our analysts and investors. Thank you.

Aline Gil, BTG Pactual:

Good morning. Thank you for the presentation. We have a question on our side in terms of leverage. You increased in comparison to the 4Q. I would like to know the level of leverage we can expect for upcoming periods, and whether this can bring any restriction in the Company's participation in new auctions.

And the other question, I saw that you have some data on toll in line with the inflation, at around 10%. I would like to know if there was an impact in traffic due to this toll increase. And what is your expectation in terms of mix between light and heavy vehicles from now on? Thank you.

Marcello Guidotti:

Good morning, Aline. Thank you for your questions. About the leverage, it was expected. As Andrea said, the termination of the two concessions in Parana and the presence of Ecovias do Araguaia in pre-operating stage are influencing this, which is expected. We understand this will continue throughout the year, and as soon as Ecovias do Araguaia starts collection in the 4Q, we expect leverage to stabilize and go back down in 2023.

We understand the level this year could be around 4, 4.5. But again, this is expected. It is not limiting our capacity to look at new businesses. We have some clear targets, the majority already with cash generation since day one. So there are projects that have been chosen because of this feature so that they do not add pressure to our leverage. So this is quite under control.

About tariff adjustments, they are at the same level, Ecovias do Cerrado, Eco135. We are expecting the adjustments at Eco101 as well and Eco050 in the 2Q, all absorbing and exceeding the IPCA index for contractual reasons, and this will have a good impact on our revenues in the 2Q.

And I would say it should not affect, and it is not affecting at this time the traffic, especially the commercial traffic. It is not being affected by tariff adjustments. Traffic is doing very well. This morning we informed a data, 11.6% up compared to April, and it remains like that. So I believe we will have good traffic ahead, irrespective of the tariffs.

Aline Gil:

Thank you.

Gabriel Rezende, Itaú BBA:

Good morning. Thank you. One question. I would like to understand a little bit more about the CAPEX adjustments, from R\$635 million compared to the inflation. It corresponds to 3% of the R\$20 billion CAPEX realized in the beginning of the year, compared to the 3% adjustment that you have made on the 4Q as well. Was this adjustment calculated, including the CAPEX adjustments of Ecovias do Araguaia? And if we can expect, since inflation is still high, new adjustments on this level in the upcoming quarters.

Marcello Guidotti:

Gabriel, thanks for your question. This adjustment is in line with the total prices, 100% of CAPEX as today's currency. So all the inflation that is coming to date has been updated. If inflation continues going up from now on, it will be reflected in a total CAPEX base. As you can see, this is on current currency totally adjusted.

As I said on Aline's previous question, we are receiving now all tariff adjustments, the Sao Paulo adjustments are as well coming in. So this will have a very good impact on our revenues.

Gabriel Rezende:

Great, Guidotti. Thank you. If I can just follow up, so we can expect that the Company, with efficiency gains, will be able to offset some of this inflation increase that we are having in the CAPEX expectation, right?

Marcello Guidotti:

Exactly that. The inflation exists at the moment. Companies like ours, who have an operating model that works well at a certain level of inflation, in an increase like this, we need to make more. So we are already with organization efficiency and operational efficiency projects, as well as improvements in projects and in the CAPEX. Our tasks this year are to offset this, and I would say that we will be successful.

Gabriel Rezende:

Excellent. Thank you.

Pedro Fontana, Bradesco BBI:

Good morning. Congratulations on your results. We have seen some highway auctions being canceled in recent months, the lack of participation, becoming more selective in the choice of projects in the macro scenario. I would like to understand what you have

been thinking about the new auctions in the pipeline, how you see it for coming projects, and what you expect of each one, if you can tell us. Thank you.

Marcello Guidotti:

Pedro, thank you for your question. We have a very clear strategy. We have mapped the auctions ahead and the opportunities very well. We have a team dedicated to this. We chose the projects due to their attractiveness. Of course, they have synergies, and we have competitive advantages with a good CAPEX that we understand we are capable of creating value, realizing the CAPEX.

So we are dedicated to the projects. We are looking at the Parana program, the federal program, CRT, which is coming up, the Minas Gerais programs, Triângulo Mineiro, which includes some improvements, and the federal program is intensive as well.

So we select and participate. Of course, some of them are large projects, and of course, they require an adequate return at times like this. So the auctions that have been postponed are probably to adjust the return rate to be able to attract investors.

Our return rates reflect the current scenario with a certain premium to generate it. So we think of real world inflation in Brazil, the returns, the Brazilian risks, and of course, all at present value.

Pedro Fontana:

Just to complement, how do you see leverage if you achieve these three projects, CRT, Triângulo Mineiro and Parana?

Marcello Guidotti:

CRT and Parana, both have a long CAPEX flow, and they are already generating cash. So they will pressure and impact leverage, and as of the years three, four, five, the structure of the projects. So these years will be years when other concessions like Eco135, Cerrado and Eco101 will already have much lower investments compared to today. So it is very well thought out. To avoid any type of pressure. That is that is our line of thought.

Pedro Fontana:

Thank you.

Lucas Barbosa, Santander:

Good morning. Thank you for taking my question. It is a follow up about the tariff increase that you mentioned in the beginning. Tariff increases at Ecosul and Eco050 are being analyzed by ANTT. If you can give us more color of why this process is taking longer, if there is a discussion of any points in the transfer of tariff increases. If I understood correctly, Guidotti implied that this tariff will be on the 2Q, they will occur on the 2Q. If you can confirm that, I would appreciate it. Thank you.

Marcello Guidotti:

Yes, Lucas. We expect it for the 2Q, at Ecosul and Eco050. They take long because in the federal contracts, every year there is the ordinary and extraordinary adjustment, and other types of calculations and balances, and in some cases, we are also discussing the effects of covid, and this all takes time and delays the process, but that is all it is.

But I would say that at Ecosul and Eco050, we are about to receive the adjustments.

Lucas Barbosa:

Very clear. Thank you, Guidotti.

Filipe Nielsen, Citibank:

Good morning. I had two questions, but one has been discussed about leverage. So I will start with my second question. I would like to understand the restructuring process of the Company's management. Marcello, today, you are centralizing. We had Gianfranco Catrini, who is coming in. In the coming periods. I would like to understand, in addition to his arrival, when you expect it, and how do you intend to structure the Company after these changes that are expected to happen?

Marcello Guidotti:

Filipe, we are going to structure the Company in the best way possible to focus on the business. We are working on that. The executives are following it, and I understand that it is a process that must be well done, but it will be done throughout this year, and that is the structure to run a business that is complex, but it is a highway business in Brazil. So we will be well structured to be able to deliver results.

As Andrea said, we announced a new independent Board member, we reinforced everything on our policies, updated them. So it is a normalization, and the Company will have a good, capable structure to run the business. I do not think there is anything new about it, Filipe.

Filipe Nielsen:

Excellent then. So we can expect maybe one change or another throughout the year? Will Gianfranco come in?

Marcello Guidotti:

Gianfranco is no longer part of the board of directors. That was in January, so I have the position accumulated. We have a legal director, just for us to form the C-suite and run the business.

Filipe Nielsen:

Okay. Excellent. Thank you.

Operator:

If there are no further questions, our Q&A session is now closed. I will turn the floor over to Ms. Andrea Fernandes for her final remarks.

Andrea Fernandes:

Thank you for your participation. My team and I remain available for any further questions or doubts. Have a great weekend.

Operator:

EcoRodovias' conference call is now closed. Thank you very much for your participation. Have a very good day.

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