



Operator:

Good morning, ladies and gentlemen. Thank you for waiting. Welcome to the earnings release call of CCR S.A. for the results of the 1Q23.

We would like to inform that it's being recorded and simultaneously translated. Translation is available by clicking on the button Interpretation. If you are listening in English, there is an option of muting original audio.

Before moving on, we would like to clarify that forward-looking statements that may be made during this conference call with respect to business prospects, forecast, operational and financial goals of the Company are all based on beliefs and assumptions of the Executive Board of CCR as well as currently available information. They are no guarantee of performance. They involve risks and uncertainties since they relate to future events and therefore, depend on circumstances which may or may not occur. Investors should understand that general economic conditions, the market and other operational factors may affect the future performance of the Company and lead to results which may differ materially from those expressed in these forward-looking statements.

I would like now to hand it over to Waldo Pérez, CFO and IRO. So you can start now.

Waldo Pérez Leskovar:

Thank you very much, operator. Good morning, everyone. I would like to thank you for your participation, where we are going to present the earnings release of the 1Q23. I would like to let you know that I have Flávia Godoy, our IR Superintendent; Douglas Ribeiro and Caique Moraes, also from our Investor Relations team.

But before moving on with the results of the 1Q, I would like to thank the Board of Directors of CCR of trusting me during the whole time that I played as Interim CEO and all the top management of CCR for the partnership during this time.

I would like to welcome our new CEO, Miguel Setas, who is going to carry on with the successful implementation of CCR. Miguel has over 25 years of experience in different leadership roles in energy and infrastructure. He has broad experience in regulated industries. He has worked in Brazil for 13 years, most of the time as CEO of EDP Brasil. For the past 2 years, he was the Chairman of the Board of Directors of EDP Brasil, and he also worked as Executive Board of Directors of EDP multinational company being responsible for the business of infrastructure in Portugal, Spain and Brazil.

I have now the honor to invite him to start our earnings release.

Miguel Setas:

Thank you, Waldo. I would like to start by saying that I am very glad to be here. I started on April 24. And I am really honored to take over this challenge, this new mission of leading the Group in Brazil and abroad.

I would like to start by telling you what our strategic positioning is in a conceptual session. First, we are fully focused on creating value to our shareholders. And there are 5 components, which are very important. First, profitable, sustainable growth. That's part of the Group and gives us a long-term understanding. That's our growth agenda.



Secondly, a constant pursuit for premium or superior operating efficiency, which allows us to be a reference in the area in terms of cost of our operations. Associated with that, there is also CAPEX execution. We have very important economic and financial commitments and investments to be done in the future, and they have to be done with excellence, understanding the financial and all the operation we are having in hand.

Finally, controlled risk, which is the fourth point. It's a vision that the Company as part of a complex diversified operation should have a very precise controlled risk policy. And finally, a clear policy of dividends, giving us a very clear understanding of how we are going to have our dividend sharing.

The second dimension concerns a clear strategy with very well-defined capital allocation. This is something that adds value to our shareholders, of course. So we have very clear capital allocation strategy. Finally, financial discipline and optimized capital structure, which is part of our journey at CCR, and we have to keep on adopting this kind of vision.

The fourth dimension, we want to give an active management of our business portfolio in a flexible way so that we can constantly analyze our portfolio with flexibility leading to capital recycling whenever necessary, leveraging further our growth agenda.

And finally, something that we are always recognized for, which is to take a leading position in ESG. So we are going to maintain our actions in environmental, also governance and society.

So considering all the vision of our strategic position, I would like also to share with you a very clear message about our commitment with our strategic plan.

We have an approved ambition. It has been approved by the Executive Board and the Board of Directors defined in 2021. And we are fully committed with it focused on 3 main areas: in toll roads, urban mobility and airports. These are the 3 main areas of focus in our business, the core of our business, and we are fully concerned there.

And they form our vision to organization structure and also considering ESG, client, employee and shareholders. Here, we have also the enabler. So we need an agile, simplified organizational structure that provides really efficacy, the culture of the Group management model based on building value and the use of data and technology so that it can be a competitive advantage to all of us.

I am joining the Group now, and I hope that I can promote a strategic update of our vision in 2023. Things are somewhat different from what it used to be in 2021 when this vision was first conceived. So I think it's time to reanalyze everything towards the future of our Company.

I would also like to tell you that together with our CFO and our IR team, led by Flávia Godoy, we are going to keep on analyzing the relationship of our IR team and the market. And in upcoming months, I am planning to have closer personal interactions with all our investors, analysts and the market at large.

Thank you very much for listening to me. I would like to hand it over to Waldo Pérez, and once we get to the end of the session, I will be here to answer the questions.



Waldo Pérez Leskovar:

Great. So now let's go into our highlights. We have been focused on delivering recently achieved projects, and we are going to focus on capital allocation with discipline and selectivity.

In Urban Mobility, we focus on training teams and making investments in modernizing our infrastructure, especially of Lines 8 and 9. We have received the first of the 36 new trains that have been acquired for the concessionary, very important for modernization and improvement of ongoing actions in all the infrastructure of our 2 lines. This package of nearly R\$4 billion will be executed in the first years of concession, which is a 30-year plan.

In RioSP, we started our free flow operations in BR-101. It is the first electronic toll pay system in Brazil, which really shows how much we can innovate. In that specific toll road, 60% of the cars already have a tag, and we can see compliance increasing.

In airport operations, we have been increasing safety in our operations, offering a more pleasant experience to our customers and developing the potentialities of each market. In the 1Q23, 5 airports, which are part of Bloco Sul and Bloco Central, have more passengers than what we used to have before the pandemic, Bloco Sul, Uruguiana, Pelotas and Navegantes; Bloco Central, Goiânia and Palmas.

We are also going to sign contracts with partners to start the investments in the upcoming 18 months. In addition, it's important to highlight that we were awarded +Brasil in Imperatriz as the best regional airport in the Northeast and the best regional airport in Brazil. And we have added the route of Confins to Curacao, connecting 2 airports operated by us.

In the 1Q, we have also made important announcements. One was the celebration of the third amendment to our contract with MSVia, which extended for 24 months, the first amendment to our concession contract. As such, the new tender period will be until March 25.

Another important action was the signature of the agreement between Barcas and Rio de Janeiro. The main purpose was to acknowledge the nullity of the concession contract, to make sure that we can keep on providing public service through the concessionary, also define that the 24 months granted to the state will be preceded by 12 noninterrupted months as of February 23, and some additional time frame if required. Defining value and payment terms of the operating cost in providing this service, and also defining conditions to go back to concession to the state and all the private assets part of the concession in the state where it is.

With this very important result, Barcas will get R\$697 million as of December 2022, which will be paid between 2023 and 2024 as an indemnification for previous work of obligations of the State of Rio de Janeiro, which are part of the concession contract.

In March 2023, we have already received R\$288 million, and in May, we are going to get R\$60.5 million as the second installment.

We have also had the announcement of the partial return of the land, which corresponds to 29.76% of the total area where a new airport would be implemented in the metropolitan



region of São Paulo known as NASP Project. There was no approval that allowed this implementation of a private airport in the region.

And considering market conditions, CCR has decided to discontinue project NASP. And this decision is part of our continued strategy of rational capital allocation. And the Company is paying close attention to the opportunities of valuing and using the remaining portion of the land.

We have closed one more quarter with a very solid balance sheet and comfortable cash position. Our rate reached 2.9x, which is stable when compared to the indicators of the 4Q22.

To optimize the management of indebtedness and increase the debt duration, it's important to say that we have maintained our actions to work on long-term refunding of 2023 and 2024, primarily for those that were part of projects from 2021. Well-controlled leverage has provided appropriate growth strategy implementation.

We are very optimistic about the perspective of new projects in our pipeline. And any new project will follow the diligence that we normally provide to studies with appropriate capital allocation discipline.

Finally, at the end of the quarter, we have very successfully held the second ESG forum, where we shared with our shareholders our goals in 2022: the governance structure of CCR, the strategy of our ESG master plan, all the main achievements and goal for 2023. Fully aligned with our best governance practice and transparency, CCR has published the integrated report of 2022 based on the GRI standard guidelines and CVM Resolution 14 about integrated report. We have also presented some KPI of the Sustainable Accounting Standards Board, showing value generation in all the different types of capital. So manufactured, intellectual, natural, social.

So with that, I would like to hand it over to Flávia Godoy, who is going to go into details of the results of the 1Q23.

Flávia Godoy:

Good morning. Thank you very much for being with us once again for the earnings release sharing. I am going to start with our operating highlights.

Our Company has reached levels in equivalent vehicles and also transported passengers for urban mobility and airports. So starting from toll roads, we had 6.3% performance in the 1Q23 over the 1Q22. The growth was driven by light vehicles, which had 12.1% in performance over the same quarter last year. The performance resulted, primarily from trips that took place during the 1Q23.

Heavy-duty trucks had 1.6% performance in the 1Q23 over the 1Q22. And this performance was primarily due to the MSVia concessionary, which had very atypical export of corn between January and February and also the movement of heavy trucks in the concessionaries of the state of São Paulo.

There were 2 concession areas in ViaSul and ViaCosteira in the south of Brazil, which had the traffic partially affected by some interruptions of the roads, 101 and 367, some areas located in the state of Santa Catarina.



Now speaking of Urban Mobility, our performance was 31.4%. The performance resulted primarily from transported passengers, and we have been observing a more regularized performance in all the different modalities.

Last year, in the 1Q22, passengers' movement was affected by Omicron variant of covid. We have been observing some picking up in this segment, very important recovery. When we compare against pre-pandemic in Urban Mobility, there is about a 10% performance below what used to be before the pandemic.

When we compare that to airport, there speaking about a demand of about 3% below what we used to have before the pandemic. But as you can observe, there has been a significant increase following that trend of recovery that the Company has been showing in previous quarter with a variation of 132%.

Two concessionaires had relevant variations within this 1Q23, which is Quiport and Aeris, both of them showing consolidation in international routes and a load factor which was greater than what had been presented in the 1Q22.

Now going into EBITDA. We reached an EBITDA close to R\$2 billion in the 1Q23 with a 19% variation. EBITDA is a combination of revenues plus inflation. Our business is protected by inflation.

And on the cost side, the cost is adjusted basically on the inflation rate. So reaching relevant levels plus very efficient cost control have driven a margin expansion of 1.2 p.p..

Now going into evolution of costs, where we can see the main variations in the 1Q23. It's important to highlight that during 2022, the Company consolidated important projects, which have been obtained in 2021. So Lines 8 and 9 of ViaMobilidade, RioSP, Bloco Sul, Bloco Central and Pampulha's airport.

Excluding from the costs nonrecurring effects, there was an increase of 13.4% in the variation of the 1Q23 over the 1Q22. The main variations in the quarter that I would like to highlight are construction cost, which is 140% variation resulting from the investment schedule, investments that we have made in Lines 8 and 9 and RioSP totaling approximately R\$300 million.

Another highlight that I would like to make is the provisions for maintenance. There was also an increase compared to the 1Q22, especially resulting from the final agreement that the Company has made with new provisions of maintenance for concessionary AutoBAn and concessionary SPVias.

Another important highlight shown here is the line of other costs. Under the line of other costs, the Company has experienced 2 nonrecurring effects. One, it is the provision for return of 29.76% of NASP land plus all the taxes over title transfer totaling R\$121 million. We are calling it nonrecurring effect, so it's been adjusted in our EBITDA.

The second nonrecurring effect that was experienced and was part of under cost lines was the investments in ViaOeste totaling R\$165 million. We are speaking of investments that do not generate future economic benefit. Therefore, they were recorded as costs.



Moving on, you can see in this slide the EBITDA evolution. We have 19% variation. Starting from EBITDA of R\$2.2 billion to get to adjusted EBITDA, the Company has been making a number of adjustments, noncash adjustments such as provision of maintenance, anticipated expenses. And we are also adjusting our EBITDA by 3 nonrecurring effects: return of NASP land as I have just mentioned, the construction at ViaOeste and also the agreement with Barcas signed in the 1Q23 with full recognition of revenues of R\$569 million. So making those 3 nonrecurring adjustments, the EBITDA of our Company got close to R\$2 billion with significant growth of 19% year-over-year.

Now going into the next slide and just speaking of evolution of financial results. Our net financial results showed a decrease of 4.6%. In the 1Q22, the Company had a nonrecurring effect in concessionary areas, which resulted from prepayment of debt. And it had an impact of R\$105 million in the 1Q22.

Therefore, when we compare the evolution of the main indicators of financial results of the Company, there was an increase of interest rate and liabilities resulting primarily from debt of 5.3%, and also the higher average CDI of 3.4 p.p..

In addition, there was a greater capitalization of interest rates on Lines 8 and 9 going into financial lines and others. And it's the highest cash of the Company, an average cash with variation of 18.3% in the 1Q23 over the 1Q22. With these items, we have closed the quarter with net financial results of R\$839 million with a negative variation of 4.6% over the 1Q22.

Now going into the area of debt, slide 11. The Company has been elongating our debt profile. The concentrations that we had in 2023 and 2024 will be appropriately balanced with long-term funding lines from BNDES.

Lines 8 and 9 have signed R\$4.6 billion of long-term funding from BNDES. And out of the total, R\$2.5 billion is a green bond, the first green bond issued by the Company in the market, and it was just included in April.

The replacement of long term, the payment of BNDES will only be identified in the 2Q23. So the long-term refunding of Lines 8 and 9 has already been rebalanced. We are talking about a R\$2.5 billion. It's a 25-year low and very long term.

The Company has also negotiated long-term funding with BNDES for Bloco Sul and Bloco Central, and we have very advanced negotiations. We are talking about bridge loans, which will be due next year, but we want to conclude the negotiations still in 2023.

And for RioSP, where we have a bridge loan due next year, but we are speaking of advanced negotiations according to the schedules that we have agreed on with BNDES.

For 2023, the total amount of R\$6.6 billion, in addition to considering Lines 8 and 9 with R\$3 billion, which is going to be part of a substitution, our Company has some additional funds which are loans allocated in the holding, R\$2 billion, which will be amortized until the end of the year. We are going to go through an amortization until the end of the year.

R\$5 billion of maturity in 2023 have already been adjusted. And now the Company is working on new emissions, smaller funds for some projects dealing with very mature subsidiaries. The same performance is expected for 2024, constantly looking for an elongation of the Company's debt.



As additional information, our Company has concluded the 1Q23 with gross debt of R\$28.9 billion, an increase of 5.3% over the 1Q22. And we have also concluded the quarter with a very comfortable leverage measured by net debt over adjusted EBITDA, 2.9x, very comfortable indicator. And with that, the Company can carry on with the implementation of its growth strategy.

Now going into different new funds raised in the 1Q23, R\$175 million have been raised. If we add to ViaRio, which is part of consolidated with all joint controlled companies, it's an additional R\$600 million. So ViaRio get a R\$600 million in 2 series, one 8-year series and a second 11-year series, the first CDI plus 1.9%, and the second one, CDI plus 3.7%.

Now going into evolution of net income, a combination of everything that we have presented so far. We have completed the 1Q with net income of R\$629 million. Adjusting it by nonrecurring effect, the return of NASP's land, 30% of the land return, the fact of the constructions in ViaOeste recognized as cost totaling R\$109 million in the net income, and also the Barcas settlement of R\$543 million, it takes us to solid net income of R\$317 million compared to adjusted net income in the 1Q22, which was negative in R\$15 million.

Before I close, let me go through the next slide, addressing investments and maintenance in the 1Q23. My highlight goes to ViaMobilidade Lines 8 and 9. The Company has a commitment and a plan of investments over R\$4 billion. And in the 1Q23, we have managed to make investments of R\$752 million in the acquisition of new trains.

In the toll roads, I would like to emphasize the investments for RioSP amounting to R\$213 million, investments in pavement recovery and installation of 10 operation service bases and free flow system. And also in ViaSul, where we made investments in additional lanes and duplications.

In the airport sector, we have made some investments focused on making adjustments to meet airport specifications, especially in Bloco Sul and Central, amounting to R\$23 million. The investments in the 1Q23 totally amounted to R\$1.3 billion. And let me remind you that we have also invested in ViaOeste. We invested R\$165 million, which was recognized as cost because it does not generate future economic benefit to the Company.

This is my last slide, and I would like once again to thank you all for your participation. And with that, let me hand it over to the operator.

Josh Milberg, Morgan Stanley:

Good morning. Thank you for the call. I would like to start by congratulating Miguel for his new position, and wish you great success. My question concerns the strategic positioning and allocation of capital mentioned by Miguel, especially in airport. You have been mentioning a lot about the possibility of having a joint venture with international players. So I would like to know if you still anticipate perspectives along these lines, or if you think you may think about selling your assets outside Brazil? And we would like to hear about Quiport and the situation of Macquarie as part of your answer. Thank you.



Waldo Perez Leskovar:

Thank you, Josh. As Miguel pointed out in his presentation and we have been repeatedly emphasized that we have been analyzing our whole portfolio in a very dynamic session, always reviewing assets and considering opportunities that would add value to CCR and its shareholders.

Concerning airports, it's known that we have considered some relevant opportunities in the market with potential partners. At some point, we considered bringing a partner to this platform. But we decided not to go into this different possibilities.

And today, we focus on delivering our business plan being airports or any other transportation modalities. We have made very significant investments, and we are 100% dedicated to it.

Said that, we are constantly reviewing the strategies of attracting new partners to all the different modalities or to some specific businesses. But we are only going to make transactions if the partner brings value to the Group as a whole.

Concerning Quiport, the transaction was announced in September last year, if I am not mistaken. So part of the shares would be sold to Macquarie fund. The transaction had a number of preceding conditions. We have some rights in our shareholders' agreement and we are considering the situation and discussions until we make a decision on how we are going to move ahead.

Miguel Setas:

Thank you for your welcome message, Josh. If I can just make a brief comment about the divestment of foreign assets. As we have mentioned, analyzing our portfolio in a very flexible way, we are constantly looking for opportunities to build value to create synergies which, in other words, means all assets can be considered when it comes to capital recycling. This is constantly on the table.

Josh Milberg:

Great. So it means you are not excluding any possibilities. Okay. That's great. Thank you all very much for your detailed answers, and have a great day.

Rogério Araújo, Bank of America:

Good morning. Thank you. Good luck to Miguel in his new role. I have 2 quick questions. First, I know that Miguel has been in his role for a few days, maybe it's too early to say, but if you can please share your first impression and where you can see the main opportunities in CCR. Is cost reduction part of that?

And in capital recycling, I would like to understand the rationale behind it. Are you going to sell mature assets that have already have a derisking process or maybe have a lower tiering, maybe something that CCR is observing or are you thinking about the strategy, thinking about sectors strategy? Just allow me to understand better the investment strategy. And then I will go into the second question.



Miguel Setas:

Thank you, Rogério. Thank you for your welcome remarks as well. It's been only 2 weeks with Waldo and the top management and just a deep dive into the business.

I have seen that the Company in terms of governance, financial management and risk management policies, it's fully consolidated. This is something that has really impressed me. In addition to scale, of course, and the competence of the Group in all the businesses that it manages.

If you ask me the priorities in a very simplified way, and of course, these are my very initial impressions, and you should take it as a caveat, profitable, sustainable growth agenda. The Group has been growing in recent years. Important investments have been made. They have to be executed.

We have this important lot of commitments for upcoming years. And this is probably taking us and capital investment and recycling will be part of that so that we can maintain sustainable growth constantly not by impulse, something which is uniform throughout time. This is something essential.

Secondly, efficiency. Our group has an active policy of constantly striving for efficiency, and I confirm that in the first 2 weeks. And we are positioned as a reference in the market as an efficient company. So this is also going to be a priority, and it means that it should be continuous.

Every single year, we need a plan to keep on maintaining our efficiency and going beyond. We should not forget that the Company has a commitment of investments in 2023, 4x higher than what we used to have historically, so R\$8 billion in CAPEX. It's a company that used to have a CAPEX of R\$1 billion, R\$2 billion historically.

So it means that we need structure, organization, processes, instruments, and generate the CAPEX with excellence, all within the current context of dealing with qualified labor, of dealing with international disrupt measures, et cetera.

Associated with the agenda of growth, there is also the need to look to our balance sheet and identify opportunities for capital recycling. And I think you have mentioned that, Rogério, in your question, try to identify positive spreads based on the return rate and the reinvestment required to be made into new projects of expansion.

Waldo Perez Leskovar:

The Group also has a well-structured agenda, all very well consolidated in ESG. And of course, our top management will keep on maintaining this focus. Being the leader in our industry and even having a leadership role. Well, I think that this is something that has been in place for a while. Some assets are being perceived as optimized in our portfolio and within value creation. And we are going to allocate the capital wherever there is a higher return on investment.



Rogério Araújo:

That's great. I have a second question concerning the government issue. First, rebalancing. There were 2 claims in the past. One, the weak demand during covid. I think this has been solved.

The second one was an increase of raw material prices over what had been expected, but it hadn't really found the right elements to schedule that. But the new government speaking about that in very general terms. So in your opinion, do you think that this is a claim that will gain more momentum and the government will start seeing things differently and would prevent the industry from reaching balance?

Secondly, retendering of SPVias, we have heard that in some cases, the government might try to rather than going into new bidding, they would try to renegotiate the contracts. And finally, some auctions in Paraná, the state government has granted some to the federal government. The first auctions will be soon. There had been some changes to terms, tariffs and granting. Does it change the interest of CCR in these assets? Is there anything happening in terms of new auctions that change the concept and the interest? I am sorry for taking such a long question.

Waldo Perez Leskovar:

Okay, Rogério. That's a very long list of questions, of course. Concerning balance, we still have some open claims ourselves. and other concession areas in the state of São Paulo have probably been dealing with that.

The competition of covid in the federal toll roads is fine. It has been rebalanced through the increase in tariffs. But in São Paulo, our claim was brought to the area of the regulatory authorities and is still under analysis, and there might still have something for the toll roads in São Paulo.

In terms of the airports in the past 3 years, there were some pursue for balancing. And this year, we have really stride further because in Belo Horizonte, there has been some discussion. Maybe in the next quarter, we can have some answers towards that. And finally, in Costa Rica, we are very much ahead, but we still haven't reached the new balance after covid in our airport. But we hope that soon we can announce this fact as there is no rebalance there. We are fully engaged in this initiative.

Concerning the rebidding of SPVias, we expected this asset to be submitted to a new bidding process in 2023. It was not possible. We and the granting authorities are still working together for it to happen. It was extended up to March 2025 as a maximum period, and we hope it to be solved much before that.

But you were absolutely right, there are some preliminary conversations going on where we have a review of these equations. And there might be an alternative path of reaching a balance, not only SPVias, but all other assets in Brazil. It shows the willingness of the granting authorities to come up with solutions for them. But there is nothing concrete yet, something that has to be observed closely.

Finally, some auctions in Paraná. As you all know, for many years, we had a very important position in Paraná with RodoNorte. We have always said that the 6 toll roads that will be submitted to bidding by the authorities are of our interest, part of our main



portfolio and interesting portfolio in a region that has a very rich economy. And 2 of the 6 toll roads are probably going to be submitted for bidding this year.

We are looking closely for all opportunities, and the final decision whether we are going to engage and submit a proposal will always depend on our final analysis, analyzing risk over return of investments.

Rogério Araújo:

Thank you. Very clear. Is there any claim of rebalancing and increasing CAPEX during covid? And is there any likelihood that's going to happen with the new government?

Waldo Perez Leskovar:

On supplies, there is an industry discussion. It's being addressed by the whole industry, it has not stopped yet, but there is still no conclusion about it. A fact that is of great help is that while there is no rebalancing the situation in terms of commodities and inflation is now in its opposite trajectory. It's very helpful. But the industry, as a whole, has been trying to strike a balance of the situation during the pandemic, which was really very severe.

Rogério Araújo:

Thank you.

Regis Cardoso, Credit Suisse:

Thank you, Waldo and Flávia, for your presentation, and success in your new position, Miguel. I have some questions and very much aligned about what we are saying about capital recycling. It seems that the infrastructure assets in Brazil are offered at very high tiers, so it makes more sense to think about the long term as an option more for purchasing than selling differently from airports, projects that are negotiated at higher multiples. So my question is really trying to tell you where you exactly see the spread coming in periods where we have high interest rates and different spread structure.

Now concerning investments where exactly will the capital be invested? And Paraná seem to have an interesting characteristic. It does not have the same upfront commitment of other grant. Of course, it always depends on prices, but ultimately, my question is, what kind of assets would you like to have your capital allocated to where you have more CAPEX distributed in time or where you have more disinvestment immediately in the beginning?

And finally, just speaking about the government, with the new government, some industry agendas have been discussed. In addition to the specific topics asked by Rogério, but in the long strategic terms, such as green bonds, funding lines or tax reforms. Thank you.

Waldo Pérez Leskovar:

Thank you, Regis. On your questions about capital recycling, tier levels, making investments, Paraná, et cetera, these are all elements of the same question, I believe. I do not have a single answer. There is no recipe here, right? We analyze the cash flow. We analyze the asset in its characteristics, the investment profile of CAPEX and how it's



related with the obligations of CCR as a whole and cash flow as part of our forecast to see really where it makes more sense to make these investments. That's part of your first question.

We have always considered our return on investment tier and the tier of the project as a whole. And we always prioritize those and that's something that happened in the past. We select those that where the granting can be paid as part of funds and just part of the concession itself, just for tax efficiency. There are a number of things that we analyze when considering projects. And there is no specific recipe, we say we just do A, B or C. In Paraná, toll roads have a demand profile that's very well known. Operational costs are very well known. The risks of assessment tend to be somewhat low.

So it all results from our investment projects. So CAPEX is not only an amount, but we also have a highly qualified team that considers the engineering of each of these projects to consider whether the CAPEX was R\$2 billion, R\$3 billion is a simple-to-execute CAPEX, or whether it's too complex that may lead to a complications in terms of risk.

So this is all taken as part of our projects, and we analyze the fit with the cash structure of the Company, the cost of investment, the total amount, the leverage of the Group and the holding before making decisions whether we are going to make an investment.

Concerning capital recycling, and we are open. We do not exclude anything. International airports have been traded at superior multiples. If we see any proposals that make sense, why not? And we can maybe allocate this capital in a more intelligent fashion in our core market, which is Brazil.

Miguel Setas:

We have to look at the portfolio and analyze our main core. We have already selected some assets for disinvestment, focusing our attention on our main competencies and our main business.

All the different companies that we have sold from the U.S. and other regions, they were noncore assets. As part of our current portfolio, this has been sanitized. But there are still some assets which are less core than the ones which are the main center. For example, Barcas in Rio de Janeiro, which would be a less strategic asset to us.

So we have a movement focused on our core and trying to identify some value generation opportunities that can open possibilities for profitable growth. So if they are noncore, but still with us, maybe we can, if it's an opportunity investing in it.

Waldo Perez Leskovar:

Concerning your last question, about the industry agenda, we are fully engaged in active conversations with all the different government institutions. We want to make sure that the legal framework can get really more improved. Over the past 30 years, it has really improved, and we wanted to still move ahead. This is a very important point.

Secondly, I am sure that contracts always have to be respected, abided by, so we should always operate as stated in the contract. And this is a very important item in our agenda. We also want to help the granting authorities, helping them, teaching them in what can be improved in future tenders so that we can get the right profile of return on investment,



on amounts to be invested according to the market where they are located so that the return on investment is really related with the macroeconomic reality.

And finally, the agenda of supplies after covid. These are some aspects. Of course, there are others. It's a very broad agenda. But I have to say that the government entities are all very open, trying to come up with solutions to really improve our industry at large.

Regis Cardoso:

Great. Thank you. Waldo, From a tax perspective, there is no topic of special highlight, right? It has been more critical.

Waldo Pérez Leskovar:

We have been observing the tax reform, it's not only something specific to our industry, but it also impacts all economic activities. It is still under discussion, and there might be some changes. The potential impact depending on the evolution is over taxation of our revenues.

But based on concession contracts in Brazil, changes of revenue, taxation are always subject to the negotiation and rebalancing. So we would like this rule to be part of any new tax reform or any new tax structure.

Victor Mizusaki, Bradesco BBI:

Good morning. Welcome, Miguel. I have 2 questions. One, concerning the decision of discontinuing NASP. Do you know exactly when this asset will be sold? And do you have anything, any appraisal in terms of valuation of NASP?

And secondly, concerning free flow, what can you tell us about the free flow system in RioSP? We have seen the news about its implementation in São Paulo. How do you anticipate this possibility in terms of operational costs? Any benefits there?

Waldo Pérez Leskovar:

Thank you, Victor, for your questions. Concerning NASP, We have already returned 30% of the land. We are going to maintain 70% of it with us. If you analyze our balance, it's no longer an operational asset. It is an asset for investment now, and we still haven't made a decision about what we are going to do with that. There are many alternatives being considered. And in the explanation of our earnings release, you can see the appraisal really of the land.

Now concerning free flow system, it is taking place in RioSP. It is an agreement that we made with the state government and the federal government. It's been working very well. We started testing in February and the end of March started charging like that. 60% of the vehicles already have a tag, very interesting progression.

We are very optimistic. First operator in Brazil to have this technology. And we think that the concession authorities will start to incorporate that because it's a great benefit for the experience of our consumers. It improves also safety of toll roads, fewer people in situations of risk, for example, in toll stations, we tend to be somewhat vulnerable.



It is the technology that has come to stay. In existing contracts, where there are some rules from the past, we would have to make adjustments to the contract dispositions to change that to free flow system.

But if there is a benefit to the concessionary, then it can be rebalanced. It's not something that would be done just to capture value in existing concession areas. But for the end consumer, and for safety of our staff, it's a very beneficial element.

Victor Mizusaki:

Concerning free flow system, you have said 60% of the vehicles already have tag. And the other 40%, anything that has attracted your attention?

Waldo Perez Leskovar:

It is still within plan, and it's too early to say. We just started this at the end of March. Until we get payments cleared, it will take some time. As part of our agreement because it's a period of test, we have sharing with the concessionary power. So we start by running the risk of 40% in the first month and this risk reduces throughout the time. And as of the 18th month, we just hold 5% of the risk and the remaining portion is always share 50-50 with the granting authority.

We have been working to build the awareness of the population around the region of the benefit of having the tag. This is something that has been evolving. This is why, after 2 months, we already have 60% of vehicles with a tag, and we are also working together with the police to deal with the cases of default payment, always focusing on reducing as much as possible default payment. This is something that has been done in the past with toll road. Nothing new really. It's something that we have always done.

Miguel Setas:

Let me complement here. Even not considering free flow system as a universal solution, the holding has been favoring some automatic payment and a very significant portion of our toll stations have automatic payment modalities. It has a number of operational benefits, safety issues, cost reduction. Regardless of having an expansion, greater expansion of free flow system, as Waldo pointed out, we tend to have default levels lower than what was initially forecast, but all the other automatic payment stations are constantly preference, and we want to use it towards excellence.

I visited AutoBAn, our main asset, and I visited the operation and our players in this concessionary and we discussed this topic.

Lucas Barbosa, Santander:

Good morning. Great results. Thank you for taking my question. Miguel, good luck. I have a question about CAPEX execution, one of the priorities in your agenda. On the one side, there is a decrease in price of commodities. IGP-M had some negative values. And on the other hand, we have an increase in price, higher margins. So considering the upcoming years, in which projects do you expect to have higher CAPEX? And where do you expect to have lower CAPEX than the estimates you used to have considering what you know today, of course. We understand it's a very fluid situation. Thank you.



Waldo Perez Leskovar:

Based on what we have got in terms of concessions, in most cases, we had some predefined CAPEX based on contracts. And between being grant at the concession and take over and start operating, we just go about contracting CAPEX, of course. In general, in our business plans, we are aligned with what we had anticipated. Of course, we have to wait and see in 2 or 3 years' time with the situation of more supplies, equipment, et cetera. We thought that if there had been the number of tenders planned for last year, there would be scarcity of suppliers and equipment.

But as many auctions were postponed, it got somewhat easy there. But this is a point of attention constantly to us. Whether it is a review of the CAPEX plan and an acceleration in on Lines 8 and 9, there, we have to anticipate R\$590 million that had been expected for the first 4 years to meet some needs that were brought to light.

And we have also anticipated the *via permanente*, and it's a readjustment and some anticipation, which was higher in the short run than we had imagined for the mid and long term. This is what we have observed so far.

Miguel Setas:

If I may build on, after covid, we have to say that not the whole industry has really resumed its normal standards, it's normal levels. So we really have to analyze sourcing as a strategic activity. And we have to come up with long-term partnerships with different suppliers, with different operators that have really stable, deliverables and preprogrammed deliverables. This is much better than opportunistic relations, which are just based on transactions.

In the units where we have most investments, most CAPEX is still with the toll roads. So the R\$35 billion that we have of the remaining balance of contract obligations, of which 84% is concentrated on toll roads. So we pay constant attention to really make win-win partnerships with our different suppliers, giving really visibility in CAPEX strategy and execution.

When the Company makes this commitment, the area of sourcing is very strategic. It goes from transaction-based to be something much more, let's say, strategically based.

Bruno Amorim, Goldman Sachs:

Good morning. Thank you. I would like to wish good luck to Miguel. I would like to hear from Miguel, and I know that you have been here for a little time, but thinking about value creation to shareholders, first, the improvement of the efficiency of current portfolio concerning regulatory agenda, reduction of cost of CAPEX, and value creation through new projects. I would like to hear what you anticipate as competitive advantages of CCR.

The process you normally gain have competitive basis. So I think that, in the end of the day, each player should have a competitive advantage, let's say, having better project of traffic or CAPEX execution or operational efficiency, relationship with regulators. So what is your preliminary assessment concerning that? Where do you see the competitive advantages that will allow CCR to keep on generating value in a very competitive market?



Miguel Setas:

Thank you, Bruno. It goes without saying that I have just been here for a little time, but I can see a lot of innovation in the Company to expand further in growth, profitable growth with very clear criteria for capital allocation. We have been improving our capital allocation. And we are not going to make investments, which do not add value.

To do that, we have to be very selective and have a risk over return relation, which is appropriate to our profile. There are opportunities to gain value on both sides, growing with profitability. We are consolidating all the commitments that we have recently taken over.

We have been growing the investments of 4x more than what used to be in the past. So it takes some digestion, so to speak, of all the commitments that have been made. There are opportunities to add value, and of course, always CAPEX and cost. Someone has asked whether my coming into the Group intended to bring something into energy. And I said, no, the Group is focused on our 3 modalities, not going to focus on energy. But that's clear example where we could capture value. The Group, of course, spends a lot on energy, has some R\$100,000 spend in energy. And if we had a reduction there, it would be great that would help us capture value.

Our concern, and Waldo has exactly the same mindset of really being efficient. And we want to identify those pockets of value using its cost structure, its operation, but there is always room for optimization in terms of OPEX. This is what we have in mind. We have recently implemented a matrix budget, which means efficacy and capture of value. I am going to carry on this effort, whatever name it's given to with no restrictions whatsoever so that we can go deeper into greater efficiency.

CAPEX side, exactly the same thing. Strategic sourcing, identifying partnership models that give us greater visibility, avoiding amendments in the end of contract, having well-controlled contingency and risk management, which is very precise. Mitigate the risk of CAPEX overrun.

I would like to share with you that vision of mitigating risk in our operations and focusing on our performance. Just from a conceptual part, which is what I have now, we want to find value in all the dimensions: growth, which has to be profitable, cost management, excellence management of our CAPEX, agile, simple execution, controlled risk, healthy balance, giving stability to our operations with limited risk. And CCR has been doing that throughout the years.

Bruno Amorim:

Great. Thank you. And where can we see the competitive advantage of the Group?

Miguel Setas:

In addition to scale, that give the effects to other players of beyond the quality of our assets, we are very knowledgeable about all the areas where we work. In some we have great historical experience, but we have been developing our competencies in all our modalities of operation, posing us as experts.



This is something that the Group has been doing very professionally, very detailed study of the opportunities in the growth pipeline. We analyze everything that is in the radar of infrastructure, and we study these projects in a very detailed fashion in a lot of details. So when the time comes, we know about risks, we know about assets, we know about operations. So just by doing that, we have a competitive advantage.

Andressa Varotto, UBS:

Good afternoon. Thank you for taking my question. I wish success to Miguel. How are you seeing firepower in that pipeline of opportunities, especially of toll roads? And does the Company expect a follow-on potential to deal with this window of opportunities?

Waldo Pérez Leskovar:

As Miguel has pointed out we are still focused on our projects, but seeing all opportunities in toll roads, mobility and airports. Some are more evident. We are considering all of them very carefully.

And we have that potential, a very relevant potential to obtain more businesses, because once you gain a bidding process there are 2 months until you take over the operation, then CAPEX come in time, and then we have cash generation and also the investments made. We are very comfortable that we can take new assets into the portfolio in a very well structured fashion, very systematized and respecting our relationship in the area.

As to follow on, this is not part of our agenda. We are constantly analyzing the alternatives for capital allocation and capital needs according to what's brought to us. This is always part of our agenda, but there is no plan in place for follow-on.

Andressa Varotto:

Great. Thank you.

Operator:

If there are no further questions, the Q&A session is now closed. I would like now to hand it over to Miguel Setas for his closing remarks.

Miguel Setas:

Thank you, operator. I will be very brief. I think it's been a very long earnings conference call today. I would like to thank all of you for your welcoming remarks. Thank Waldo and Flavia for the support they have provided to me.

And I would like to make the commitment with all of you that I am going to follow along with this team in our one-to-one interactions and on-site interactions. I think we have talked extensively about strategy. My coming into this position is not going to cause any rupture in the journey of the Company, which has been very successful. I am here to carry on with this very successful journey. And the Board of Directors wants us to create value to shareholders in all the different directions that we have pointed to you.

Growth has to be profitable, with agile organization, efficient company and dealing with costs, excellent in CAPEX execution with disciplined capital allocation, this is what the



**Conference Call Transcript
1Q23 Results
CCR S.A. (CCRO3 BZ)
May 5, 2023**

market has to understand. CCR is not going to invest in projects which are not creating value. We need financial discipline, and that has been Waldo's work. We want to have healthy balance that can keep us growing with ambition. Of course, we need robust governance. We have a very stabilized shareholder group. Our shareholders have long-term vision for the Company, and they are going to give us the right conditions for the top management to work very strategically.

So we have very solid reinforced governance, thanks to the quality of all our team members. Controlled risk policy. We have internal audit, compliance, internal controls, risk management, this is all part of the routine management of the Company. And, in the end of the day, we want to give attractive return on investment to our shareholders, shared value with the society according to our ESG agenda with all stakeholders. Sharing value, which is expected of modern companies that operate with excellence with ESG.

With that, I close. If Waldo does not want to say anything else, thank you all very much. Hope to see you soon. Thank you.

Operator:

Thank you. The call of CCR is finished now. If you have any questions, send them to the IR team, ir.ccr.com.br. Thank you all very much for your participation. Have a great day.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the Company hosting this event, which was transcribed by MZ. Please, refer to the Company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript"