



**Conference Call Transcript
2Q22 Results
CCR S.A. (CCRO3 BZ)
August 12, 2022**

Operator:

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the CCR S.A. conference call to discuss the results regarding the 2Q22.

We would like to inform that the participants attending the conference will be in listen-only mode during the Company's presentation. We will then start the Q&A session when further instructions will then be provided. Should you need any support during the conference call, please request assistance from an operator by typing *0.

Before proceeding, we would like to clarify that any statements that may be made during this conference call regarding the Company's business prospects, projections and operational and financial goals constitute beliefs and premises of CCR's management as well as information currently available to the Company.

Forward-looking statements are no guarantee of performance. They involve risks, uncertainties and assumptions since they refer on future events and depend on circumstances that may or not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could affect the Company's future results and could lead to results that differ materially from those expressed in such forward-looking statements.

I would now like to turn the floor over to Mr. Waldo Perez, CFO and Investor Relations Officer. Mr. Perez, you may proceed.

Waldo Perez Leskovar:

Thank you, operator. Good morning, everyone. Thank you for participating in this conference to present the 2Q22 results. I would like to inform that Flávia Godoy, who is our IR Superintendent; Douglas Ribeiro, Cauê Esteves and Caique Moraes are also here with us and they are from the Investor Relations team.

Before starting, I would like to thank all shareholders and market analysts for the confidence and trust of the votes we received in the Latin American Executive Team's 2022 ranking, published by the Institutional Investor. We feel honored by the prestige and recognition, and we will continue to strive to better serve you.

In 2Q22, we continued to generate value to our shareholders with the announcement of the sale of Total Airport Services, TAS, on May 9. On July 25, we concluded the sale of all our equity interest, corresponding to 70% of the capital stock of TAS to the Company AGI-CFI Acquisition Corp for the amount of US\$143.5 million plus debt and other liabilities assumed.

The transaction marks CCR's departure from the United States and demonstrates CCR's capital and strategic discipline.

Another important delivery was the signing of TAM 21/2022, and the term of withdraw in which we extended the term of Renovias concession agreement until July 10, 2023. This execution reflects CCR Group's respect for its longstanding partnership with the state of São Paulo and its commitment to the development of infrastructure in the state.



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We communicated on July 7 that Artesp's Board of Directors published in official Gazette of the State of São Paulo, the decision to fully comply with the determinations of the São Paulo state Department of Logistics and Transport, which recognizes the need to rebalance the contract confection of date highway concessionaires, including those that are part of CCR Group, AutoBA, SPVias, ViaOeste, RodoNorte and Renovias due to the absence of a tariff readjustment as of July 1, 2022.

The decision also establishes that the tariff readjustment must be implemented by December 31, 2022, and that the respective concession contract will be rebalanced through financial compensation with bimonthly payment until the readjustment takes place with the first payment to occur on the last business day of August 2022.

Also in the month of July, we announced on the 28, the celebration of TAM 21/2022. SPVias, which establishes new investments related to the work to extend the duplication of the urban sector of the municipality of Itapeva and the implementation of a device on the Francisco Alves Negrão Highway, as well as the costs of routine maintenance, and the conservation special for the stretch.

And it also promotes the economic and financial rebalancing of the concession through next extension of 368 days scheduled to end on the September 21, 2029. The new concessions are already in operation.

As you know, in 2021, we won several projects whose results were partially consolidated in the 1Q22. However, in the 2Q22, we could already see the contribution of net revenue ex construction of R\$650 million corresponding to the EBITDA of R\$322 million. And we are just at the beginning of the investments that will bring complete improvements that will increase even more the potential to generate results from these projects.

As a highlight, I would like to talk a little bit about the recovery, a trajectory that remains consistently and steadily as demonstrated in the most recent data. When comparing the data on the same basis, the highway segment grew by 8%. The airport model and urban mobility showed growth in passenger numbers of 93% and 61%, respectively, in the 2Q22 when compared to the same period of the previous year.

On August 9, we reported our monthly performance for July 2022, which, when compared to the same period of the previous year, showed growth on the same basis of 10.3% for light vehicles and 5% for commercial vehicles. And yet in the consolidated numbers, the positive variation was 7.5%.

For other models, the data continue to indicate a strong recovery when compared to 2021 with a growth of 41.1% and 46.2% for urban mobility and airports, respectively. This corroborates the trajectory of operational recovery and the resilience of our portfolio. Another highlight for the quarter is our strong and robust financial position, which allows us to continue implementing our growth and value creation strategy.

We ended another quarter with comfortable cash position and preserved leverage, which is the net debt over EBITDA of 1.8x. It is worth noting that in 2021, we started anticipating several refinancings for 2022, and we have been able to complete with great success with the aim of optimizing the debt management, increasing the debt expansion.

We would like to emphasize that the Company remains optimistic about the extensive pipeline, and we will continue to act diligently with capital discipline in the opportunities



that we see ahead of us. In highways alone, bidding and rebidding processes are underway for 12 federal highways by 2023, in addition to BNDES package, which has more than 6,000 km in length, including the 6 highways that make up Paraná package and BR-381.

Within the scope of São Paulo state highways, we have launched Noroeste Paulista, with an auction scheduled for September 15 and the expectation of the publication of the public notice of the Rodoanel Norte.

In relation to the state projects in Minas Gerais, we have Rodoanel Belo Horizonte and two lots, and Triângulo Mineiro and Sul de Minas, in the highway concession program. In the state highways of Rio Grande do Sul, which are in the bidding process, we have 850 km of highways divided into two lots.

In the airport sector, next week on August 18, we have the auction of the seventh round of concession of federal airports. In addition, NACC intends to rebuild this year, the airport of São Gonçalo do Amarante and Viracopos. For 2023, we have the eighth round of the concession of federal airports composed by Santos Dumont and Galeão.

In Urban Mobility in São Paulo, the bidding document for the concession of Line 7 of CPTM together with the intercity train in Campinas, which is called the TIC. The concession of CBTUMG, Metro Bahia and other projects are under analysis as well as Metro from the Federal District and the VLT W3, both in Brasília.

I would like to point out that ESG is one of the 5 pillars of our strategic ambition for 2025. We remain committed and motivated on this journey. We were recognized by Exame Magazine as benchmark and sustainable development in Brazil.

We also started the second cycle of supply assessment through CCR Supera Program, which is a supplier performance award, which seeks to consolidate and strengthen the Company's supply chain based on clear criteria and relevant thematic access.

In diversity, we continued our diversity and inclusion agenda. We have structured priority actions in the construction of a more than first and inclusive culture in a transversal way such as the implementation of the Diversity and Inclusion Commission.

Finally, it is worth emphasizing that we continue to work in a structured way to define well-founded medium-term goals for those KPIs as well concrete action plans to achieve them. We hope to have news on this topic during the CCR Day that will be held on September 9 this year.

I will now give the floor to Flávia Godoy, who present the results of the 2Q22 in more detail.

Flávia Godoy:

Thank you, Waldo. Good morning, everyone. Good afternoon, everyone. I would like to highlight that the main of our FRS for 2022 are as follows: Bearing in mind that for the same base numbers, we exclude new projects and nonrecurring effects, as we provided in detail in the earnings release.



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Starting with the highlights for the quarter, we would like to point out that vehicle traffic grew by 4% when compared to the 2Q21. If we exclude the traffic from vehicle's data RodoNorte, NovaDutra and Rio-SP, the growth was 8%.

This performance of traffic on the same basis was a result of the growth of 15% in the months and 3% in the traffic of heavy vehicles in relation to the 2Q21. With this, the net income same base reached R\$2.4 billion in the second half of 2022, accounting for an increase of 24.3% in relation to the same period of the previous year.

Adjusted EBITDA same base increased 21.5% and reached R\$1.4 billion. Providing more details, total cost had a reduction of 5.7% in the second half of 2022 in relation to the previous year, reaching R\$2.1 billion.

In the same comparison, cash flow on the same base, they amounted to R\$987 million, an increase of 28.5%. The EBITDA margin adjusted same base reached 59.5%, a reduction of 1.3 p.p. in relation to the previous year. In relation to the slight drop that we observed in our margin, EBITDA margin.

I would like to mention that this variation was driven especially by the reversal of variable provision of R\$29.3 million in the 2Q21. And also to the receivable of R\$59 million in the 2Q21 related to the benefit of Care Act by TAS, which did not happen in the 2Q22.

Excluding those effects, which are nonrecurring that impacted in a positive way, the results of the 2Q21, the EBITDA margin same base for the 2Q22 increased by 3.2 p.p. The robust result shows the effort that we have made to control costs and maintain the operational efficiency in a business with mostly fixed costs.

Net income reached R\$291.3 million, compared to a loss of R\$44 million in the 2Q21. On the same basis, income was R\$171.8 million in the 2Q22, which represented a decrease of 51.8% when compared to the same previous period. The decrease in the same base net income was mainly due to the increase in interest on loans, financing and debentures driven by the higher average annual CDI, which had an increase of 91 p.p. between the compared period, and also to the higher net indebtedness of the Company, driven especially by the addition of new projects.

In the 2Q22, we reached R\$21 billion in net debt, accounting for increases of 0.4% and it 47.4% in the comparison with the 1Q22 and the 2Q21, respectively.

In the 2Q22, we invested R\$452.8 million. The concessionaries that invested the most in the quarter were ViaSul, Lines 8 and 9, and ViaOeste. At ViaSul, there were disbursements mainly with the duplication of stretches of BR-386 pavement recovery and implementation of safety devices. At ViaMobilidade, Lines 8 and 9, investments were mainly made in the revitalization of the permanent way. ViaOeste's investments were focused on duplicating several sections of Raposo Tavares Highway.

I would like to conclude by highlighting that the Company has been able to deliver solid results, as we can see from the complete analysis in the earnings release.

We would now like to open the Q&A session. Operator, you may proceed.



Lucas Esteves, Santander:

Good afternoon. Congratulations on the results. I have two questions. First, could you make some comments on the dynamics of the review of investment for the future? The commitment line, we understand that this is reviewed by inflation every quarter. Is there any periodic review based on other basis? And how often would that be? I will ask my second question later.

Flávia Godoy:

Lucas, thank you for the question. This remaining balance of investments is a compulsory investment that we have to make as an obligation. So it follows the rate of adjustment of the fees, the tariffs. It is not something that is performed every quarter, but it depends on the anniversary of each collection.

Lucas Esteves:

The other one is related to the pipeline commented on by Waldo. What would be your expectations for the second round? And if you could make some comments about the other projects that are being prioritized by the Company.

Waldo Perez Leskovar:

Thank you for the question, Lucas. In relation to the seventh round, we are focused on the analysis of different concessions that are included in this round of bidding process, and we are analyzing different risks considering each portfolio we are looking at the margin of risk and return in order to define how to go about it. So it is a strategic project.

However, there are many points that need to be studied in relation to the competition. It is difficult to tell who can participate. We understand that there are some operators, international operators who are strategic and they are also considering the opportunity. So next week, we are going to check on that on the date of the auction.

Lucas Esteves:

Perfect. Waldo, what about the other projects that are in our pipeline that would become a priority for you?

Waldo Perez Leskovar:

Yes, perfect. As we have already mentioned in the past, our focus is clearly on Brazil. We are always analyzing all the opportunities considering all the modals where we operate. We are looking at opportunities in urban mobility and highways.

What we have planned for the short and medium terms in the next 12 months, we have Line 7 with a TIC, and we have been concerned about this, or looking at this for some time, considering that this concession has synergy with our operations in São Paulo. Clearly, it is a project with that we are observing, considering.

And Noroeste Highway is also very interesting for us. We are evaluating how we are going to take part in the auction in September. And considering the future, we also have highways in Paraná, 6 highways, which are going to be part of a bid by the federal



government, and in the best case scenario, there is one for the end of this year, and most of them are for the 1H23, and all of them are being considered and maybe two of them are more interesting for us. This would be the medium-term scenario that we are evaluating now.

Lucas Esteves:

Perfect, Waldo. Thank you, Flávia.

Victor Mizusaki, Bradesco BBI:

Good afternoon. I have 1 question in relation to strategic funding for new projects. Waldo, you mentioned that the sale of TAS has been completed. So I would like to know if it would make sense to divest any assets. And even considering the auction of Congonhas, TIC, as you said, a priority, would it make sense to involve consortiums for those assets?

Waldo Perez Leskovar:

Thank you for the question, Victor. It is a very interesting point because, in fact, the pipeline that we have ahead of us is one which is relatively big, And the capital is limited, of course.

So we made a decision to sell at in very interesting conditions, we are going to bring in those proceeds, those resources. We are still analyzing which would be the best way to earmark those proceeds, so as to generate the best value to CCR and its shareholders.

And as I mentioned before, we are analyzing in a very active manner the portfolio as a whole as a way to see where it would make sense to recycle capital and when it doesn't sell is an asset, which is not so core, but maybe at some time, we might decide to have a strategic decision in relation to this asset.

In relation to future auctions and partnerships. CCR is always open, possible partners look for us in different auctions in the past. We had some established partnerships for some auctions in the past. And this is not something that we are going to rule out, on the contrary. Wherever it makes sense for us, wherever we see some synergy, whenever there is a strategic alignment where the partner would add value to our business, we ask, why not?

So it is something that we are going to consider, but we are going to take into consideration on case-by-case betas and the partner has to add value and not only capital.

Victor Mizusaki:

Okay. Thank you. Great.

Henrique Simões, Credit Suisse:

Good afternoon. Congratulations on the results, thanks for taking my question. The first one is related to the seventh round. Let us suppose that there is a minimum bid. What would be the return that you are expecting? If you could make those comments. And with



the news that we heard, why do you imagine that the other players would not be interested?

The second question is in relation to CAPEX. What are the measures you can take in order to cope with those increases, and how will the CAPEX play out in those situations?

Waldo Perez Leskovar:

Henrique, thank you for the questions. I am going to start to answer your first question, and then I am going to ask you to repeat the other question because it was not very clear to me when you mentioned or when you asked the questions.

In relation to the seventh round, I believe that each participant is analyzing the situation, and we will make their own projections. They will do their own risk evaluations. And based on this, each player will analyze what would be the return of the project that would compare their internal expectations of return.

CCR has its own expectations in terms of return, and they are all very well defined. And any proposal that we are going to put forward will follow the internal processes of our governance as well as the approval by Board in such a way that we are always going to present according to the expected rate of return that we have already established.

This is what I can say about the comments. Could you repeat your second question, there was something related to news in the market, but it was not very clear to me what they were.

Henrique Simões:

Okay. The second question, I think you have already answered, because according to the news, you would be the only player interested, and I think this has already been answered.

The other question was related to CAPEX. What are the measures that you have been taking in order to mitigate any risks related to CAPEX to close agreements in advance? We understand that the CAPEX can vary because of other factors.

Waldo Perez Leskovar:

Perfect. Now it was clear. As we have mentioned in some of the talks, some calls that we had in the past, CCR, since 2020, it has made a lot of initiatives so that it can focus ever more on mitigation of cost or CAPEX increases.

So that includes centralization in the area of purchase, procurement, optimization of our scale, considering that we have 25 concessionaires as well as in-sourcing some costs that we used to outsource.

I will turn the call to Flavia, and she can provide more details about this topic.

Flávia Godoy:

Henrique, as Waldo mentioned, the Company has been taking initiatives since 2020. So we have been establishing partnerships with longer terms and with more risk sharing



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with our suppliers. That are direct input purchase from the manufacturer, and we also in-sourced some sources such as asphalt melting and those preparation of raw materials that we are looking at gains in scale, and this would include the procurement, and also include the new concessions. And for some agreements, the Company has been having partial hedging against price increases in because our revenues are indexed to inflation.

So these are measures that have been taken by the Company since 2020, and we have not identified any material change in our figures.

Henrique Simões:

Okay. Thank you, Flávia.

Operator:

We close the Q&A session now. Now I turn the floor over to Mr. Waldo Pérez for his final and closing remarks.

Waldo Perez Leskovar:

Thank you. We would like to wrap up. Thank you all for attending this conference call and for your interest in the Company. And we reiterate that our Investor Relations team is always available to serve you.

See you soon. Have a nice day.

Operator:

CCR's conference call has come to an end. Thank you for attending, and have a good afternoon.

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