GNAM Investment Competition

Company: CCR

Ticker: CCRO3

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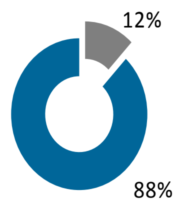
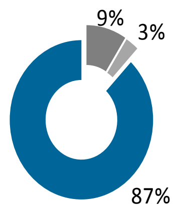
Why CCR?

A combination of Economic, Political and Competitive factors that affects Brazil today gives CCR an unique competitive advantage to benefit from the current business landscape and offer great opportunities also for the medium and long terms.

Total Roads in BZ:
1,721 th. km



Total Paved Roads:
221 th. km



	BRIC				Thousands of km	
	Brasil	China	India	Russia	USA	Canada
Area Million of km²	8.6	9.6	3.0	17.0	9.1	9.0
Paved Roads	219	1,576	1,569	776	4,375	416
Railways	29	86	64	87	225	47
Pipelines	19	87	35	260	2,225	1oo
Water ways	14	110	15	102	41	0.6

Sources: World FactBook, World Bank – 2014

Large infrastructure gap. 67% of TKUs (tons per km) in Brazil are transported via roadways but only 13.5% of them are paved. The extension of paved roadways, railways, waterways and pipelines are the smallest among the BRIC´s and the USA. 2nd largest number of airports in the world but only 5% has paved runways larger than 1,5 km.

Investments in new infrastructure projects. The current federal government is prioritizing infrastructure investments in partnership with the private initiative. Brazil is putting into practice the Investment Partnership Program, which promotes investments mainly in infrastructure, oil and gas and a number of other areas.

Adjusts in Public Accounts. The Federal Government is taking actions to adjust public accounts, such as the Proposed Amendment to the Constitution that establishes a ceiling for public expenditure increases.

Positioned to benefit from real interest rates decrease in Brazil. Brazilian Central Bank should engage to a decreasing interest rate campaign in an effort to stimulate country's macroeconomic activity. As a bond-proxy stock, CCR in one of the stocks to benefit from such decrease.

Solid track record, management and execution within profitable assets

Airport Concessions	Urban Mobility	Roads	Engineering & Construction Services
			
4 airports concessions. 1 local and 3 international	4 concessions at urban mobility (subway in São Paulo and Salvador)	11 roads, totaling 3,284 km.	2 subsidiaries

CCR is the largest toll road concession company in Brazil in gross revenues, responsible for 21% of total private roads, all located in the major states. It also administrates 4 concessions in urban mobility in populous cities, 4 airports concessions and 2 subsidiaries related to engineering and construction services.

Company's assets in Brazil are majorly located in the Southeast region, an area that concentrates most of the Brazilian population and GDP. More recently, company has initiated an expansion abroad by acquiring airport concession in Latin American countries (Ecuador, Curaçao and Costa Rica). **CCRO3 market capitalization reaches up to BRL 31 Billion (USD 10 Billion), with the stock being considered as the best infrastructure play within the Brazilian stock market.**

CCR will benefit from new economic cycle to come in the years ahead

Historical evolution of the IBOVESPA in USD

Source: Economática, Bloomberg and BTG Pactual estimates

Emerging from one political and economic turmoil, Brazil is now expected to present a period of solid economic growth in the years to come. The new central government is already showing signs of willingness to bring the country back on track by cutting interest rates and controlling inflation. **Latest Central Bank report already shows solid signals of recovery in terms GDP estimates and inflation control.**

For such economic rebound, government is focused on resuming higher levels of investments, especially in the infrastructure segment. **The country's lack of infrastructure and the latent demand for urban mobility will be the central pillars.**

In such trend, **country's stock indexes are expected to present consistent appreciation**, in order to reflect Brazilian economy recovery. Such appreciation should be driven by an increase in the external investment flows into Brazilian stock market.

Government bets on infrastructure concessions to boost economy

Recent governmental changes favors new investments. One of the first acts of Michel Temer as interim President was to create the Investment Partnership Program (PPI), aimed at strengthening interaction between the government and the private sector via agreements for infrastructure projects and other privatization measures. With the new administration in place, the government is determined to recover the economic activity through the investments in infrastructure industry.

Unlocking the infrastructure potential in Brazil. Following the creation of the PPI (Investment Partnership Program), the Brazilian government has now launched its new infrastructure concession program. In this initial stage, 34 projects will be awarded to the private sector, including 4 airports, 3 railways, 2 highways, 2 port terminals, as well as assets in oil & gas, energy, and water utilities. Furthermore, many of the Brazilian states have shown interest of developing their own concession program.

Short-Term pipeline including Federal and State of São Paulo projects

BRL in millions, unless otherwise stated

Sector	Project	Government	Investment Needs (R$bn)	Project Type
Airports	Salvador	Federal	2.2	Auction
	Porto Alegre	Federal	1.6	Auction
	Fortaleza	Federal	1.3	Auction
	Florianópolis	Federal	0.9	Auction
Highways	BR-364/365	Federal	3.1	Auction
	BR-101/116/290/386	Federal	4.2	Auction
	Lot C (SP)	State of SP	4.6	Auction
	Lot D (SP)	State of SP	2.7	Auction
	NovaDutra (Amendment)	Federal	3.4	Contract Amendment
Railways	Ferrogrão	Federal	10.0	Auction
	Norte-Sul	Federal	12.7	Auction
	Malha Paulista	Federal	5.0	Contract Renewal
Port terminals	Recife (passengers)	Federal	n.a	Auction
	Santarém (Terminal 4)	Federal	n.a	Auction
	Santarém (Terminal 5)	Federal	n.a	Auction
	Rio de Janeiro (wheat)	Federal	n.a	Auction
	Tecon Salvador (renewal)	Federal	n.a	Contract Renewal
	Paranaguá - Fertilizers	Federal	n.a	Contract Renewal
Urban Mobility	Subway (SP, line 5)	State of SP	n.a	Auction
	Monorail (SP, line 17)	State of SP	n.a	Auction

Source: Ministry of Transportation, PIL, ARTESP, Credit Suisse Research

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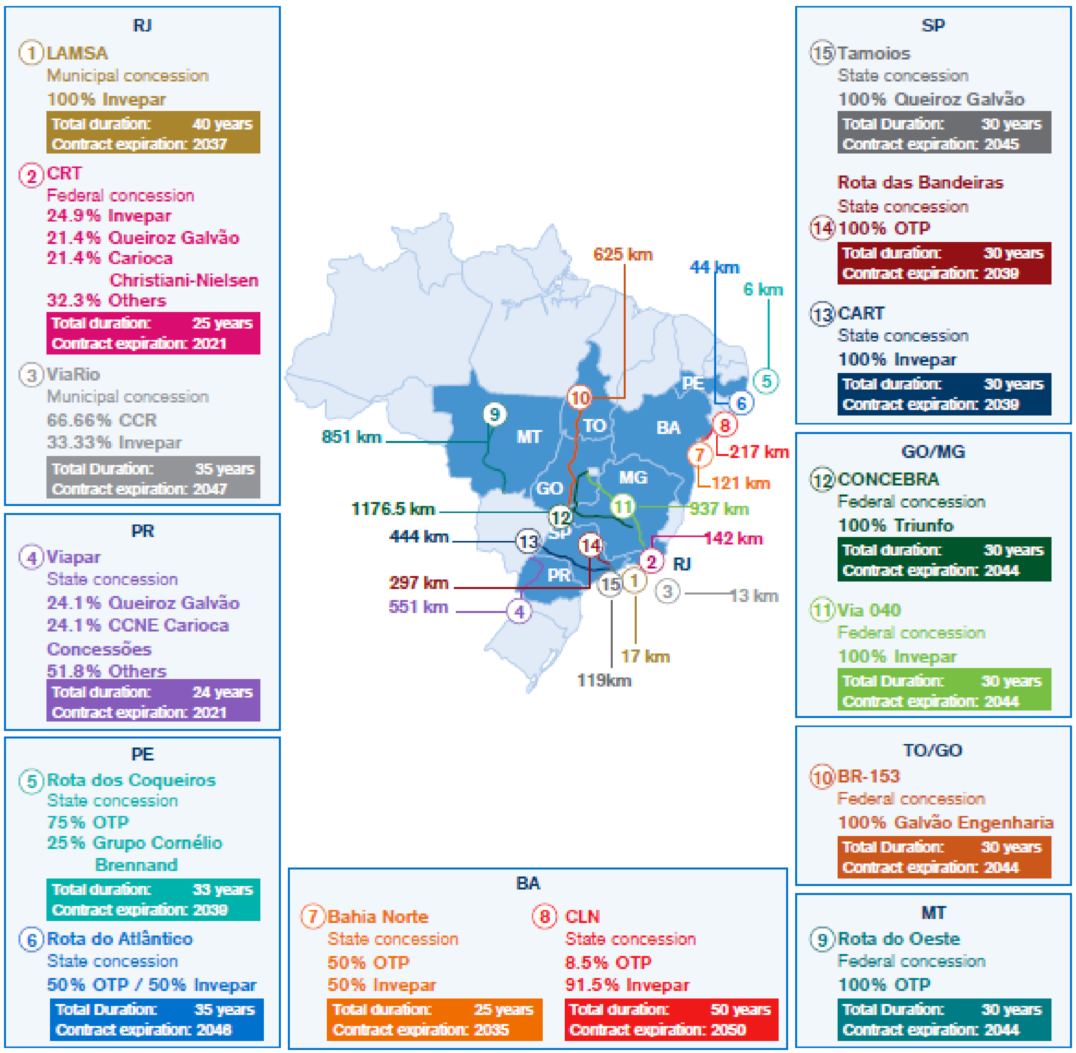
Combined factors create opportunities in the secondary market

CS Mapping more probable opportunities in the secondary market



Source: ABCR, Company data, Credit Suisse Research / Invepar, OTP, Queiroz Galvao, Carioca, Grupo Cornelio Brennand and Galvao Engenharia are all non-listed companies

Potential opportunities in the secondary market. CCR is analyzing other M&A opportunities in Brazil, particularly infrastructure assets whose controlling shareholders are in financial distress. The Car Wash investigation has bring several highway projects into distressed assets, on the back of the financial constraints of its developers. Apart from such issues, CCR has already shown its consolidator profile in the segment by: (i) acquiring highway concession from the secondary market, and (ii) increasing stake in projects of its own portfolio.

The combination of distressed assets with financially leveraged companies creates an opportunity for CCR in the secondary market

Competition against the ropes

Concession		Company	Total Extension	States covered
abconcessões	AB CONCESSÕES	AB Colinas; AB Nascentes das Gerais; Rodovias do Tietê; AB Triângulo do Sol	1,529 km	SP and MG
arteris	ARTERIS	Autopista Fernão Dias; Autopista Fluminense; Autopista Litoral Sul; Autopista Planalto Sul; Autopista Régis Bittencourt; Autovias; Centrovias; Intervias; Vianorte	3,235 km	MG, SP, RJ, PR and SC
CCR	CCR	CCR NovaDutra; CCR AutoBan; CCR SPVias; CCR ViaOeste; CCR ViaLagos; CCR MSVia; CCR RodoNorte; CCR Rodoanel Oeste	2,897 km	RJ, SP, MS and PR
ecoRODOVIAS	ECORODOVIAS	Ecosul; Ecovias; Ecopistas; Ecovia; Ecocataratas; Eco 101; Ecoponte	1,902 km	RS, SP, PR, ES and RJ
invepar	INVEPAR	Cart; LAMSA; CLN; CRT; Via 040	1,758 km	SP, RJ, BA, GO and MG
Triunfo Participações e Investimentos	TRIUNFO	Triunfo Concepa; Triunfo Econorte; Triunfo Transbrasiliana; Concer; Triunfo Concebra	2,141 km	RS, PR, SP, RJ, MG and GO
ODEBRECHT TransPort	ODEBRECHT	Rota das Bandeiras; Rota dos Coqueiros; Rota do Oeste; Rota das Fronteiras	1,375 km	SP, PE, MT and PR
	CONSORTIA	ViaRio; Renovias; Bahia Norte; Rota do Atlântico	524 km	RJ, SP, BA and PE
	AUTONOMOUS	ViaRondon; Caminhos do Paraná; Rodosol; Rodovia do Aço; Rota 116; Tebe; ViaBahia; BR-153; Viapar; MGO Rodovias; Morro da Mesa; Nova Via; SPMar; Tamoios	4,279 km	SP, PR, ES, RJ, BA, GO, TO, MG and MT

Controlling company faces judicial issues with the Brazilian law, which may turn unfeasible the entrance in new projects.

Has a foreign controller that recently run a tender offer for its Brazilian subsidiary. Company should focus on its current portfolio, in which some concessions are expiring in the ST (2018).

After a recent controllership change, company decided to divest from logistic assets. Focus should rely only in highways (depending on the success of divestment plan).

After the chapter 11 from its controlling company (OAS), Invepar was reportedly being negotiated with other investors. Highly unlikely to dispute new assets.

Financial leverage is a concern. Recent judicial issues with Brazilian regulators may also restrain company to dispute new concessions

Controlling company faces a relevant judicial investigation under the Car Wash operation in Brazil. Highly unlikely to dispute new assets.

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CCR Business Valuation

A discounted cash flow valuation gives CCRO3 a total upside potential of ~10%, plus an free cash flow IRR rate of 6.8% (real terms), which looks attractive compared to Brazilian long-term government bonds (real interest rates at 5.5%).

Valuation	
PV of FCFF (2018-2050)	46,484.3
PV of Perpetuity	207.7
Firm Value	**46,692.1**
Net Debt (YE17)	13,820.8
Equity Value	**32,871.2**
#shares (millions)	1,765.6
Dec. 2017 TP - R$/share	**18.60**
Last share price- R$/share	17.4
Upside	6.9%
Dividend Yield until YE15	0.3%
Dividdend Yield FY16	3.7%
Total Return	**10.9%**

Value at perpetuity is barely relevant, only composed of a small cash flow from the holding company and other service subsidiaries. The concession assets valuation is done until its termination (usually of 20-30 years). The 3.6% dividend yield is also an investment attribute, based on CCR continued and low volatile earnings profile.

Cost of Equity Assumptions	
(a) 10y US Bond - US$	2.5%
(b) Brazil risk	2.5%
(c) = (a+b) Brazil Country Risk - 10y	**5.0%**
(d) Forex (R$/US$)	3.0%
(e) = (c+d) 10y Brazil risk - R$	**8.0%**
Equity Risk Premiuim	6.0%
Beta	*0.70*
Cost of Equity (Ke)	**12.2%**

Cost of Debt Assumptions	
Cost of Debt (R$)	9.0%
Effective Tax Rate	34.0%
Cost of Debt After Tax (Kd)	5.9%

After a strong economic and political turmoil in 2014 and 2015, Brazil is running through an stabilization period, which is contributing to Country's intrinsic risk to decrease. The cost of capital reduction favors CCR not only in terms of the cash flow valuation but also in the lower funding rates for its projects.

LT Capital Structure	
Equity	35%
Debt	65%

WACC	**8.1%**
Perpetual Growth (g)	5.5%

CCR's Key Infos	
IRR (at fixed WACC) - Nominal	11.3%
Market Cap	30,721.2
Enterprise Value	44,542.1

Long-term Inflation	4.5%
Real IRR Rate	6.8%

The real return rate of 6.8% compares to the NTNB-2035 real interest rate of 5.6%. Given the automatic inflation pass-through and its long-term cash flow outlook, CCR stocks presents a bond-proxy nature, which is usually positively valued by the investor market.

Source: All financial data is from the group estimates

CCR Business Valuation (Cont.)

The Free Cash Flow to Firm valuation approach supports the bullish tone regarding CCR's solid cash flow generation, which is derived from the solid project execution and positive track record of disputing new assets.

CCR (CCRO3)	2016E	2017E	2018E	2019E	2020E	2021E	...	2050E
EBIT	**3,852.9**	**4,083.3**	**4,686.5**	**5,684.6**	**6,401.3**	**7,373.6**	...	**1,977.1**
(-) Taxes on EBIT	(1,310.0)	(1,388.3)	(1,593.4)	(1,932.7)	(2,176.5)	(2,507.0)		(672.2)
(+) Deprec. and Amort.	1,135.5	1,398.9	1,487.4	1,497.4	1,506.3	1,386.2		443.8
(+) Maintenance Provision	273.8	188.7	117.4	37.0	37.0	37.0		-
(+) Antecipated Conc. Exp.	100.1	103.2	111.6	120.7	129.8	140.6		36.9
Δ Working Capital	2,132.8	(1,041.1)	(696.6)	(814.3)	(326.0)	(484.9)		(287.7)
(-) Capex	(3,773.0)	(2,549.2)	(1,586.2)	(499.9)	(499.9)	(499.9)		-
FCFF	**2,412.1**	**795.5**	**2,526.8**	**4,092.8**	**5,072.2**	**5,445.7**	...	**1,497.9**

2016 – 21 EBIT CAGR of 14% shows CCR's strong cash generation profile.

Capex deceleration from 2016 onwards gives firepower to dispute new concession assets.

After an intense investment cycle in 2013-2015 (when company acquired and developed five new assets), CCR is now in a position to deleverage its balance sheet and present enough firepower to dispute new concessions in the infrastructure program being managed by Brazilian federal government.

CCR	2016E	2017E	2018E	2019E	2020E	2021E	CAGR
Net Operating Revenues	**8,922**	**9,218**	**9,968**	**10,780**	**11,590**	**12,558**	*7.1%*
YoY growth	*25.5%*	*3.3%*	*8.1%*	*8.1%*	*7.5%*	*8.4%*	
EBITDA	**5,362**	**5,774**	**6,403**	**7,340**	**8,074**	**8,937**	*10.8%*
EBITDA Margin	*60.1%*	*62.6%*	*64.2%*	*68.1%*	*69.7%*	*71.2%*	
Net Income	**1,280**	**1,331**	**1,895**	**2,594**	**3,091**	**3,850**	*24.6%*
Net Margin	*14.3%*	*14.4%*	*19.0%*	*24.1%*	*26.7%*	*30.7%*	
net debt/EBITDA LTM	2.2	2.4	2.2	1.7	1.2	0.8	
NOPAT	4,710.3	5,096.0	5,437.2	6,017.8	6,499.6	6,975.7	
ROIC	29%	27%	28%	31%	35%	38%	

Robust revenue growth in 2016 is derived from the entrance of new assets to CCR's portfolio.

Solid execution and well-experienced management is perceived through company operational margins evolution. In 2016, after a strong cost cutting effort, company was able to bring cash cost growth to below-inflation levels.

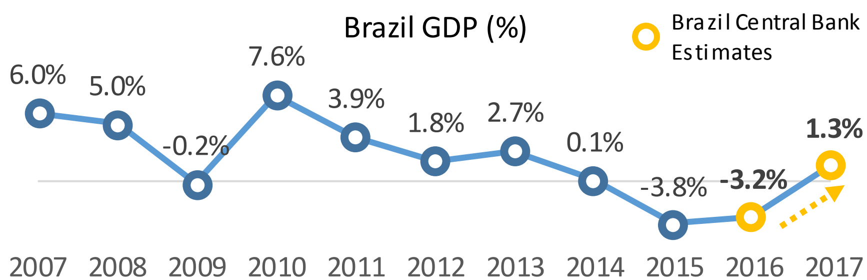
Financial leverage is expected to decrease as the capex cycle softens and cash generation from new projects ramps-up.

Risk Factors

Equity Offering	Brazilian government is focused on resuming investment levels through the development of a new concession program in the infrastructure segment. The market is expecting several highways, airport and railway assets to be auctioned to the private sector in the upcoming months. CCR is poised to benefit from such opportunities and add new assets to its portfolio. Company's track record show much rationality and financial conservativeness for CCR in terms of leverage levels (when assuming new projects). Nevertheless, in the case company acquires a larger-than-expected amount of investments due to the short term, company could run into an equity offering, which may represent a concern/risk for the shares performance.
Judicial Dispute	Last year, São Paulo state government entered into a judicial dispute regarding the contract amendments signed in 2006 with several state highway concessionaries, including CCR. The dispute is related to the investment amount to be rebalanced by the state government and the relative period extension for such rebalancing. Autoban, which is controlled by CCR, is the most relevant contract under discussion and its termination (which is currently set to 2026) could be anticipated to 2018 or 2024, implying a relevant cash flow decrease to CCR. The dispute is now at the state level, and CCR believes in a favorable decision based on the appraisal report done by an independent firm. Also, the federal law has a positive jurisprudential record in favoring the concessionaries regarding disputes against state governments.
Regulatory Risk	The recent political changes in the country gives investors an uncertainty regarding the visibility of the investment programs held by the government. The new (and recently established) federal government is doing a robust effort to improve the confidence levels in the country, which is key to attract new investors. However, the development of the concession program, as well as the funding capability is still a risk for the segment.

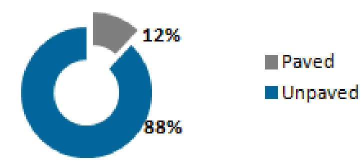
Four Reasons to Buy CCR

(1) Improving macro in Brazil. After a cycle of economic downturn and political instability, Brazil is now undergoing through an stabilization period. Several market participants, including BZ's central bank, are now expecting GDP growth, inflation rate controlling and interest rate decrease.



(2) Huge infrastructure potential in the country. A naturally large country like Brazil shows several opportunities for logistic and infrastructure improvements. The recently established government has made clear its intention on boosting segment investments through a concession program, expected to start in late 2016.

Total Paved Roads in Brazil: 221,000 km



(3) Attractive valuation at a 6.8% IRR. Due to its automatic inflation pass-through nature and long-term cash flow outlook, CCR is usually compared to Brazilian government long-term bonds (NTN-Bs). Nowadays, the real interest rates for such bonds stands at ~5%, which gives CCR stock a relative investment appeal.

Stock / Bond	Return
CCR	6.80%
NTNB-2035	5.75%
NTNB-2050	5.69%

(4) Solid financials and relatively lower competition. After a period of strong investment in 2013-15, company should run into a deleveraging phase, boosting its cash flow and earnings. Such deleveraging will be key for company successful participation in the next round of the concession program in Brazil.

CCR	2016E	2017E	2018E	2019E
EBITDA	**5,362**	**5,774**	**6,403**	**7,340**
Net debt	11,876.7	13,820.8	13,853.4	12,259.4
net debt/EBITDA LTM	2.2	2.4	2.2	1.7
Capex	3,773.0	2,549.2	1,586.2	499.9

Thank you!

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