



Opportunities in Brazil

April 2016

2ND BCCC INFRASTRUCTURE FORUM

 **Promon**
Engenharia



Overview

There is a portfolio of greenfields and brownfields opportunities in order to reduce logistical bottlenecks of transportation infrastructure.

2º phase of Programa de Investimento em Logística (PIL), launched in 2015 by federal government

Forecasted Investments

R\$ 198,4 bn

Airports	Ports
R\$ 8,5 bn	R\$ 37,4 bn
Railways	Toll roads
R\$ 86,4 bn	R\$ 66,1 bn

Urban Mobility Investments

- Generally, urban mobility projects are not included in federal programs.
- The development of these projects is usually done by state or local governments

Projects

- Subway
- VLTs
- Intercity train

Current challenges:

- regulatory definitions
- financing
- political instability
- reliable engineering projects
- CapEx assertiveness



Agenda

PIL 2015

Urban Mobility



Agenda

PIL 2015

Urban Mobility



PIL 2015 | Airports

Forecasted and existing airport concessions



	Pax ¹ MM	Winning bid R\$
▪ Fortaleza (CE)	6,5	--
▪ São Gonçalo do Amarante (RN)	2,5	170 MM
▪ Salvador (BA)	9,2	--
▪ Brasília (DF)	18,1	4,5 BI
▪ Confins (MG)	10,8	1,8 BI
▪ Rio de Janeiro (RJ)	17,3	19,0 BI
▪ Guarulhos (SP)	39,5	16,2 BI
▪ Campinas (SP)	9,8	3,8 BI
▪ Florianópolis (SC)	3,6	--
▪ Porto Alegre (RS)	8,4	--

■ Already granted
 ■ New concessions

New PIL –2015

- International Airports: R\$8.5Bi: **Fortaleza, Salvador, Florianópolis, Porto Alegre**
- Objectives:
 - Expand infrastructure
 - Create new regional hubs
 - Increase passengers satisfaction levels with airport operations
 - Incorporate innovation and experience from international operators
 - Encourage tourism
 - Improve cargo transportation
- Planned auctions in the end of 1S2016
- Bidding criteria: higher Bid Value
- BNDES financing: 40%

¹ Data from 2014 (SAC)

Source: Globo; Folha de SP; Valor Econômico; SAC; Promon analysis



PIL 2015 | Ports

In 2013, a new Port Law became effective, with the goal to increase the management, to expand and modernize the seaports infrastructure in Brazil.

New
concessions

In 2016, the concession agenda began to be unlocked. The bid of the 1st block, second part, is scheduled for June/2016.

Winner Companies – 1st block, first part

- STS07 (paper and cellulose, Macuco): Fibria – MMR\$ 155
- STS36 (paper and cellulose, Paquetá): Marimex – MMR\$ 247
- STS04 (grains, P. da Praia): Consórcio LDC – MMR\$ 206

Terminals 1st block 1, second part

Bidding criteria: in this case, higher Bid Value
BNDES financing: 70%

- OUT1, OUT2, OUT3 (vegetal bulk, Pará) – MMR\$ 654,6
- VDC29 (vegetal bulk, Pará) – MMR\$ 501,1
- STM01 (vegetal bulk, Pará) - MMR\$ 473
- STM02 (mining bulk, Pará)



PIL 2015 | Ports

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Anticipated renewals

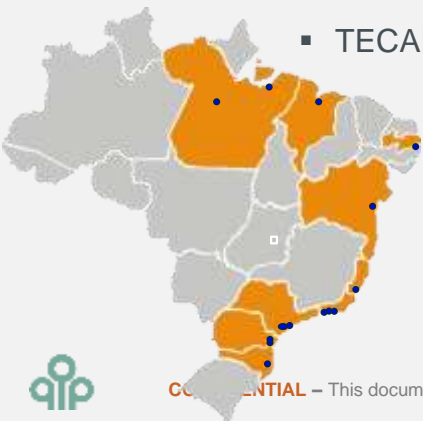
Existing port concessions, whose law allows early contract extension, will go through by analysis of SEP and Antaq, with a propose to start the investment plan. Estimated investment of R\$ 10.8 billion spread over 24 terminals.

Recent Renovations (millions R\$)

- Rumo – R\$ 442
- TCP – R\$ 1,100
- Terminais Portuários Ponta do Félix – R\$ 114
- Triunfo Logística – R\$ 101
- TECAR CSN – R\$ 2,500

Type of investment

- Deepening of the draught
- Expansion and adequacy of the docks
- Wharf structural reinforcement
- Expansion of the inland area
- Modernization and replacement of equipment



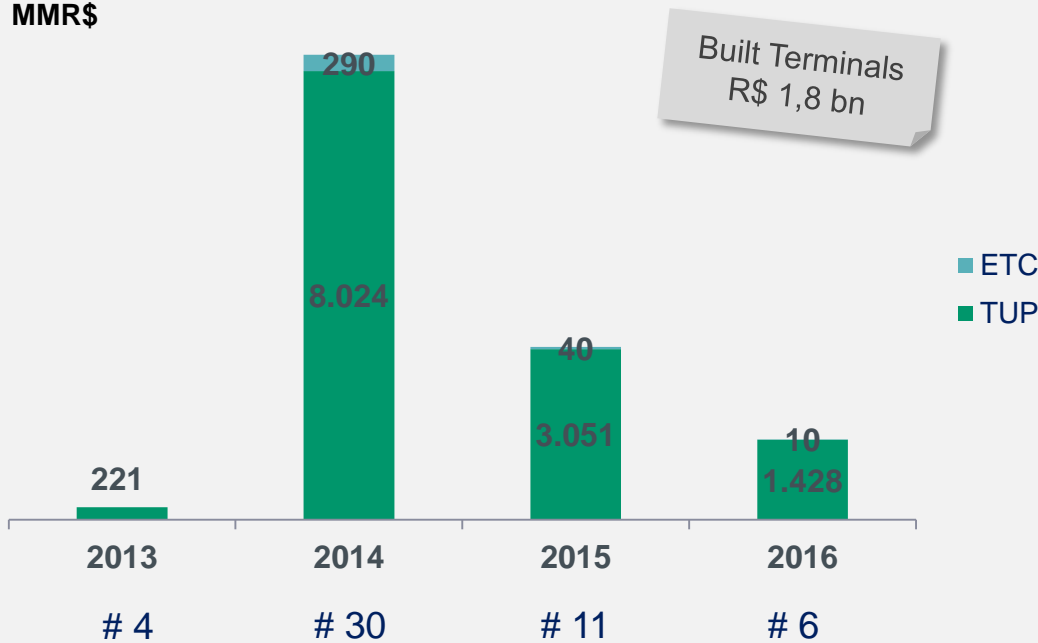
PIL 2015 | Ports

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New TUPs

Between 2013 and 2016, 51 new private terminals and overflow stations were authorized, totaling investments of R\$ 13 billions.

MMR\$



In 2016

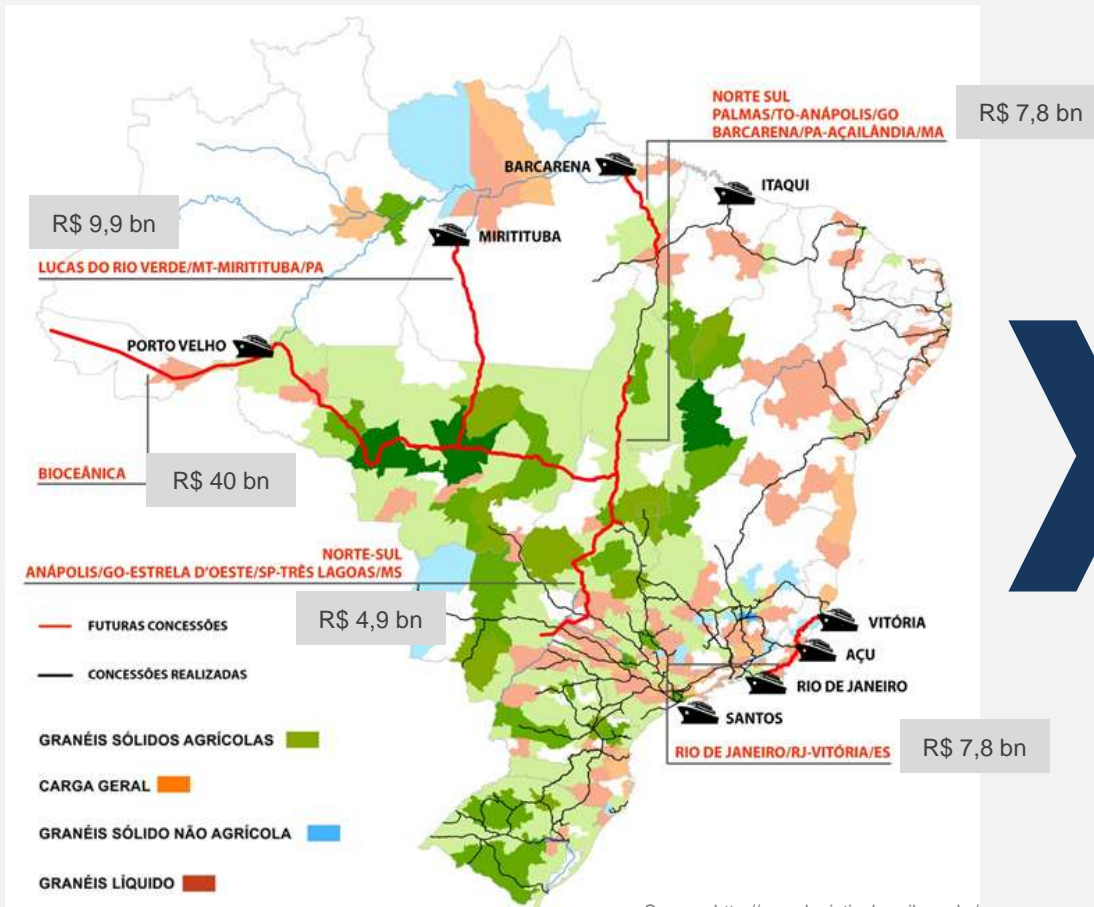
- WPR São Luis Gestão de Portos e Terminais LTDA
- Brasil Port Logística Offshore e Estaleiro Naval LTDA
- Nuclep - Nuclebrás Equipamentos Pesados S.A.
- Empresa Brasileira de Reparos navais S.A. – Renave
- PDV Combustíveis e Lubrificantes LTDA
- Clariant S.A.



PIL 2015 | Railways

Program seeks to increase the use of rail cargo transport, create a modern and integrated railway network, increase the rail transportation capacity and reduce logistical bottlenecks.

Investments of R\$ 86.4 billion in the construction, modernization and maintenance of 7,500 kilometers of railway lines.



Source: <http://www.logisticabrasil.gov.br/>

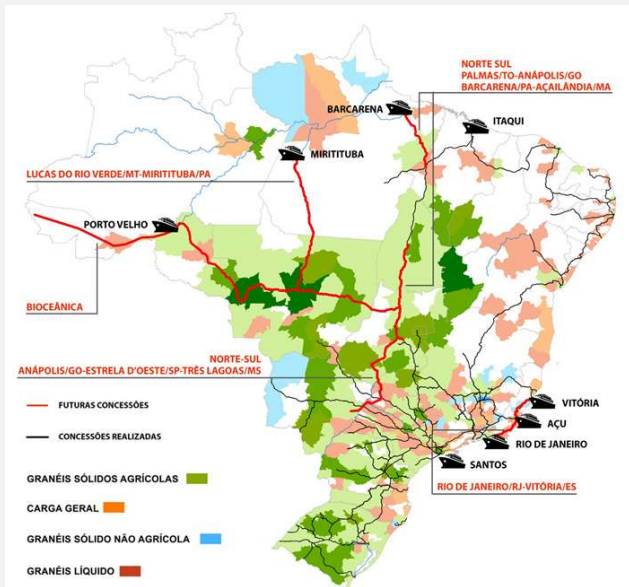
- Bidding criteria: under discussion
- BNDES financing: 80%
- So far, the railway auction is stalled because of some regulatory issues and because of the lack of understanding between the private sector and the government.
- Due to barriers in new concessions, the market believes in renewal of existing concessions as a way to boost investment in the sector.



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Progress of concessions



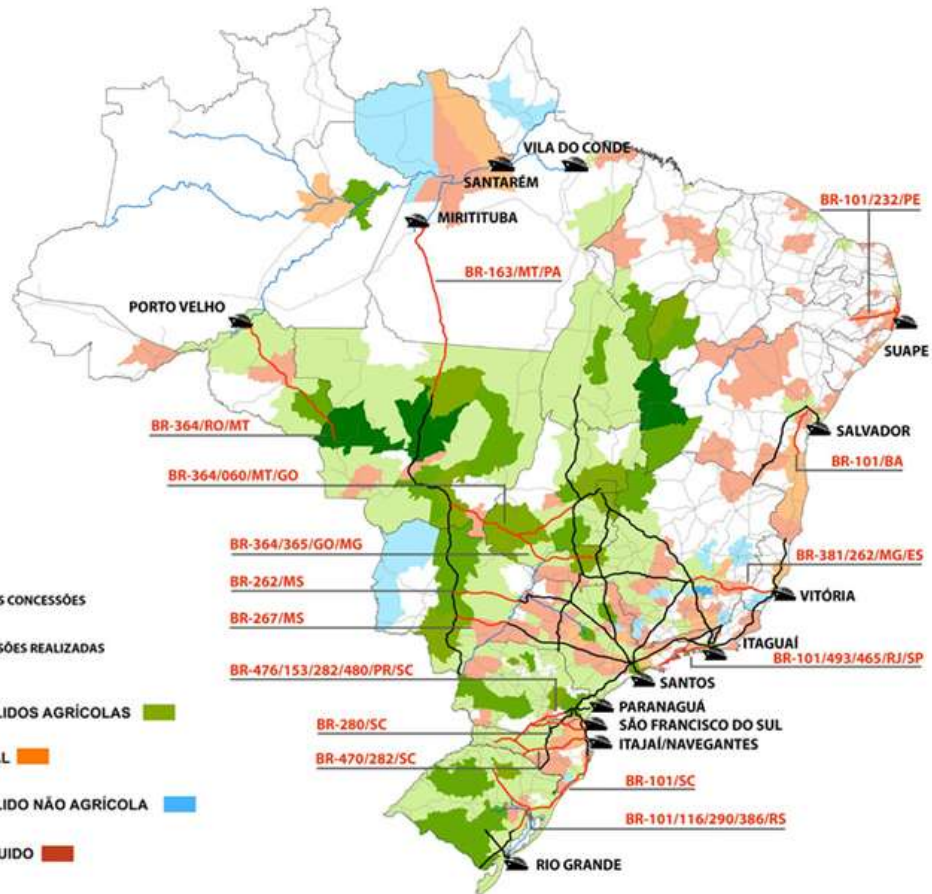
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PIL 2015 | Toll Roads

This second phase is focused on expanding capacity, improving conditions and increasing the roads security.

The investment of R\$ 66,1 billions will focus on increasing capacity and improving road safety – R\$ 50,8 billions for new concessions and R\$ 15,3 billions in current concessions.



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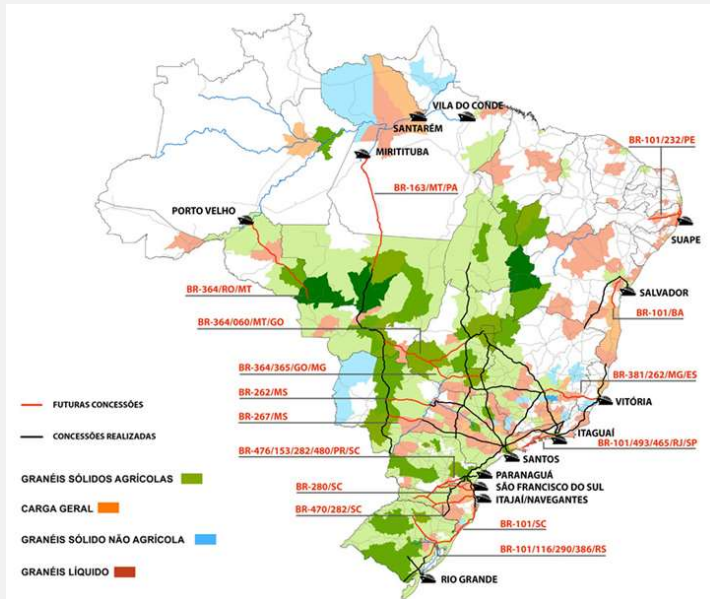
- Bidding criteria: higher discount relation to the maximum tariff
- BNDES financing: 80%
- Some companies that won the auction of the first phase are facing financial and structural problems. Possibility of M&A in the existing concessions.



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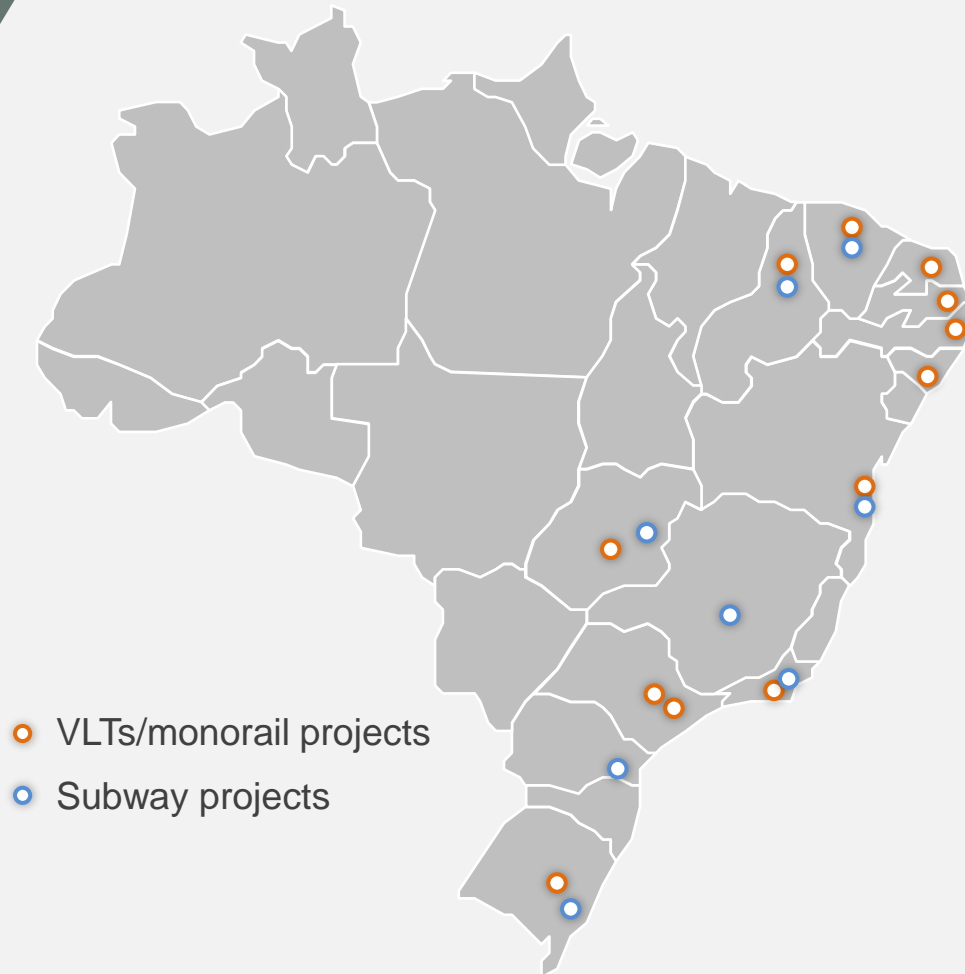
PIL 2015

Urban Mobility



Urban Mobility Investments

Large portfolio of urban mobility opportunities to be developed.
Nowadays, some issues are hindering and delaying projects development.



- The government is facing difficulties to raise funds to execute the projects.
- Some developed projects have poor quality, affecting the assertiveness of CapEx and schedule.
- Traditional Brazilian construction companies: financial and structural challenges.

Source: Promon Analysis



Thank you!

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