



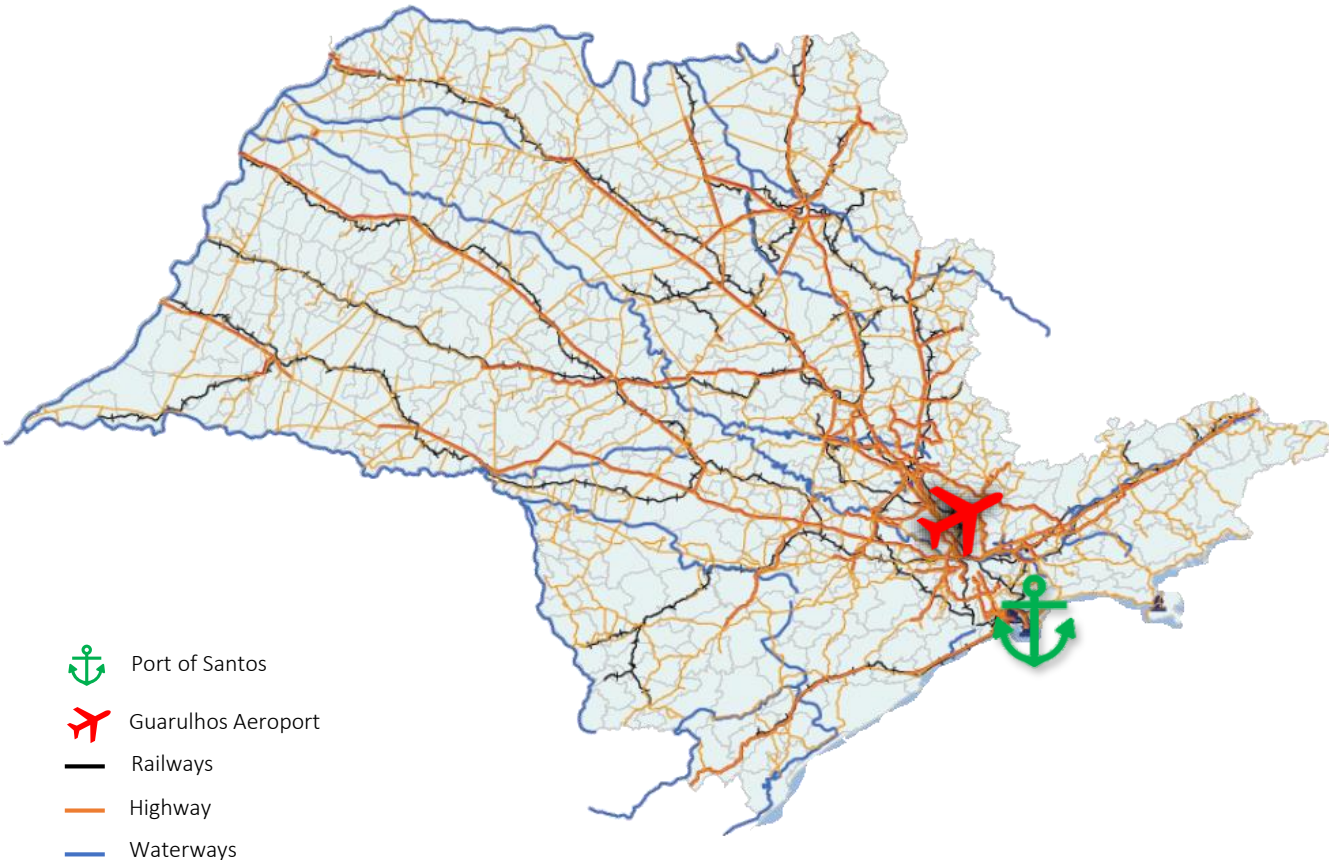
Piracicaba-Panorama (“PiPa”) Lot Roadshow Presentation

September 2019



CONTEXT

São Paulo



Source: Agency of Investment and Competitiveness
Promotion of SP

Economic development: the São Paulo economy is responsible for about 32,6% of the national GDP (R\$ 2,2 trillion in 2018), which is higher than countries like Argentina or Chile. **GDP per capita** is R\$ 51 thousand. Vs. 32 thousand (Brazil)

Industry: About 32% of the national industry is concentrated in São Paulo.

Annual government budget: the state budget is R\$ 216,5 billion, more than two times higher than the second largest state in Brazil (Minas Gerais).

Strategic Location: São Paulo shares borders with Minas Gerais, Mato Grosso do Sul, Paraná and Rio de Janeiro. With 645 municipalities, São Paulo's regional dynamic is composed of a big metropolis surrounded by several urban centers.

Infrastructure: The state has the most modern highways and **major airports in the country**, in addition to the **Port of Santos**, the largest container terminal in Latin America, accounting for 25% of the country's trade flow. The transport network is complemented by **railways, waterways and duct networks**

Standard of Living: 90% of the state's municipalities have a **high Human Development Index (HDI)**. The Municipalities around the PiPa lot have a lower HDI (approx. 0.748) than the state average (0.783). For example, Cabréia Paulista, which is contemplated in the lot, has an HDI of 0.694, and the Municipality of São Paulo, outside of the lot, has an HDI of 0.805.

PRIVATE PARTICIPATION IN THE STATE OF SÃO PAULO

The 2019 Picture

40 ONGOING PROJECTS

29 Concessions

11 PPPs

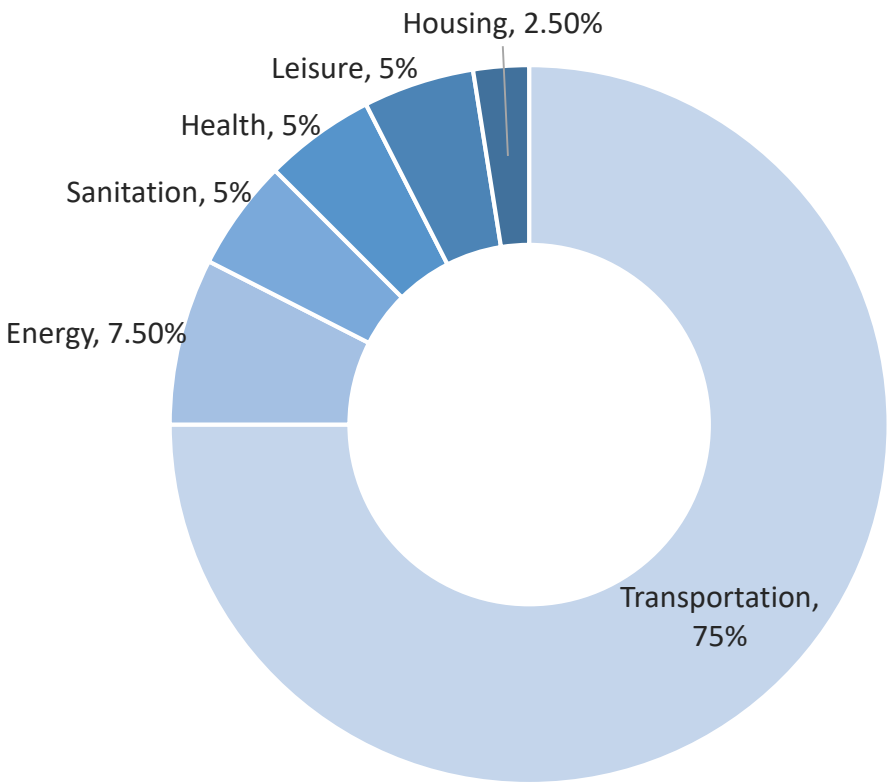


BRL 156 BILLION
in private and
public
investments



**BRL 4.5
BILLION**
in fees

SECTOR SHARE



PRIVATE PARTICIPATION IN THE STATE OF SÃO PAULO

The 2019 Picture

21 PROJECTS IN PIPELINE

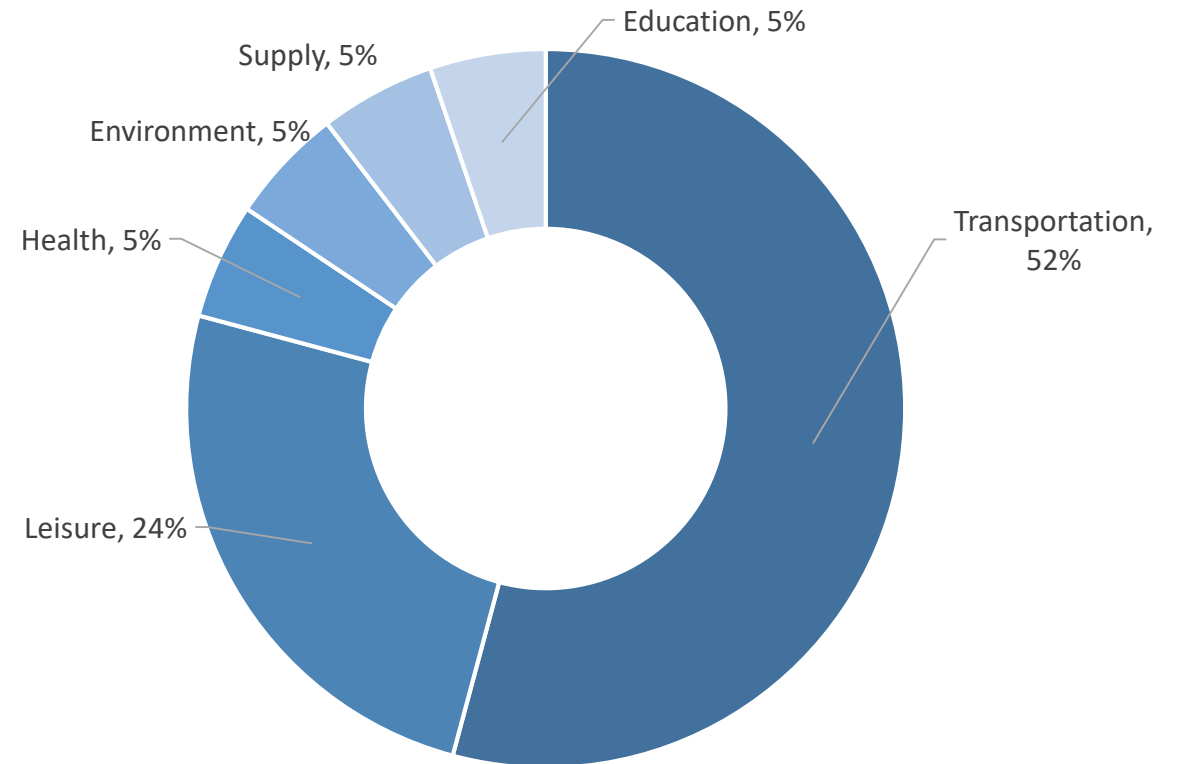
16 Concessions

5 PPPs



with **BRL 38 BILLION**
in expected investments

SECTOR SHARE



PRIVATE PARTICIPATION IN THE STATE OF SÃO PAULO

Projects in pipeline

Concession of Coastal Ferry Boat System



Concession of Metropolitan Bus



State Penitentiary PPPs



Concession of Intermunicipal Bus



Concession of Zoo and Botanical Garden



Concession of Ibirapuera Arena



Concession of Metropolitan Train – Lines 8 and 9



Concession of Intercity Train



Concession of São Sebastião Port



Concession of State Parks



Concession of Airports



PRIVATE PARTICIPATION IN THE STATE OF SÃO PAULO

Pipeline Projects

Concession of Coastal Ferry Boat System

Concession of the ferry-boat transportation services currently rendered by the state-owned company *Dersa*, comprising:

- 8 ferry boat lines
- 34 ships
- Average daily volume of 30 thousand vehicles and 32 thousand pedestrians and bicycles

Tender date: June 2020



Concession of Metropolitan Train – Lines 8 and 9

Concession of metropolitan train services currently operated by CPTM. The project comprises the operation, maintenance, modernization of existing facilities and the construction of new train stations.

- 40 stations
- 67 km

BRL 2.5 Billion in private investments

Tender date: April 2020



Concession of Metropolitan Bus

Concession of passenger bus transportation services within the metropolitan area of the city of São Paulo (MRSP).

The concession comprises the lines' operation and infrastructure maintenance.

- 3,800 buses
- 5 Concession areas

BRL 3.3 Billion in expected investments

Tender date: January 2020



Concession of Intercity Train

Concession of the Intercity Passenger Train services in the metropolitan region of São Paulo. The project comprises the section between São Paulo – Campinas – Americana.

- 135 km
- 470 thousand passengers per day

BRL 5.6 billion in expected investments

Tender date: August 2020



State Penitentiary PPP

Project in preliminary stage comprising the design of a public-private shared management model. The private partner will be in charge of facilities internal management.

Tender date: March 2020



Concession of Zoo and Botanical Garden

Concession of the public visitation areas of the Zoo and the Botanical Garden of the State of São Paulo.

BRL 152 million in expected investments

Tender date: August 2020



São Sebastião Port Privatization

Port of São Sebastião privatization project.

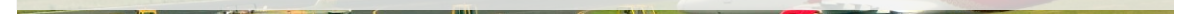
Public Consultation: 1st semester of 2021



Concession of Airports

Concession of up to 20 airports under state (Daesp) or federal administration (Infraero), among them São José dos Campos, Barretos and Guaratinguetá.

Tender date: June 2020



Concession of Intermunicipal Bus

Concession of intercity passenger bus transportation services within the State of São Paulo.

BRL 2.5 billion expected investments

Tender date: December 2019



Concession of Ibirapuera Arena

Concession of Conjunto Desportivo Constâncio Vaz Guimarães, with 105,000 m².

- More than 20,000 spectators

BRL 200 million in expected investments

Tender date: June 2020



Concession of State Parks

Concession to promote ecotourism activities in several areas in the state parks of Intervales, Carlos Botelho and Petar.

Tender date: October 2020





Piracicaba-Panorama Lot

HIGHLIGHTS

The Piracicaba-Panorama (“PiPa”) Lot

A Reliable Model

The PiPa Lot counts with 50% of the revenues coming from reliable and stable traffic historic (Centrovias – with 20 years of proven cashflows), mitigating risks and increasing reliability. São Paulo has always been in the forefront of public-private partnerships structuring, developing models that have won prizes and international reputation. The State of São Paulo Road Concession Program brings international best practices combined with local knowledge, enabling investment and world class service and road safety for users. For this transaction, innovations are being introduced, but not jeopardizing the already successful and reliable model.



A landmark transaction in the global road sector

The PiPa Lot is 2019’s main transaction in the global road sector. Confirming the State of São Paulo’s successful road concession program, the transaction aims at enabling relevant and quality investment in the State, bringing innovation, balanced provisions and attractive returns for an international standard partnership with the private sector.



A new moment

Brazil has recently moved to a different approach in terms of beliefs, objectives and relationship with the global market. A favorable political and economic environment is being confirmed through an administration that prioritizes fiscal balance, reforms (including the social security reform that has been approved in first round by the parliament) and opening the Brazilian markets to international investment. Therefore, the mid and long term perspectives are consistently improving – controlled inflation, low interest rates and sustained growth are a reality.



A trustworthy Public Partner

São Paulo is the country’s main financial and industrial center, being the largest Brazilian state in terms of GDP (more than 30% of the country’s total) and accounting for approximately 20% of its population. With more than 8,000 kilometers of privately managed roads and 20 years of experience in road concessions, the State has proven expertise and a reliable model, with sustainable projects that started, lived (through several crisis periods) and some of them handed over. Noteworthy, the last transactions of the program attracted for the 1st time in Brazil a Private Equity fund in a standalone basis and players with strong global participation.



A significant transaction in size

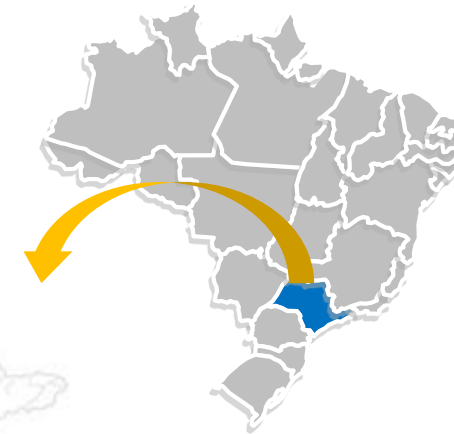
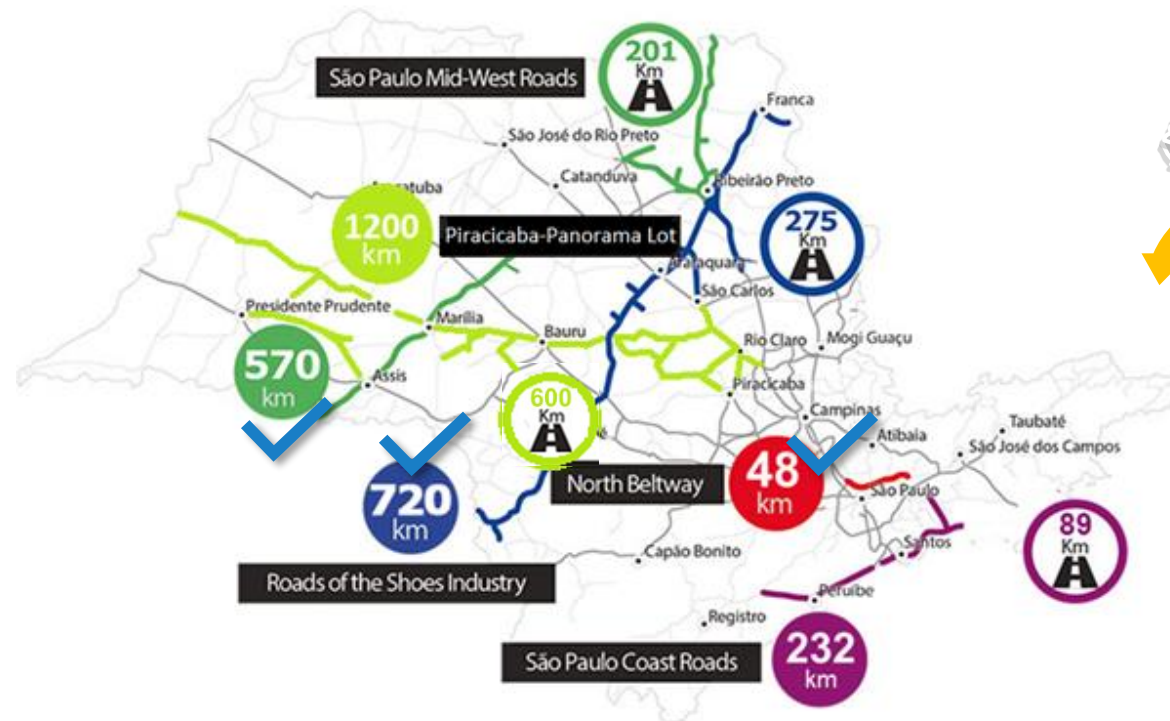
The PiPa Lot is Brazil’s largest transaction in the road sector, both in terms of investments (~USD 3.7 bln) and extension (1,200+ km, with a main segment of ~490km), enabling different profiles of players and financial/funding structures. In the road stretches contemplated in the transaction, approx. 80,000 vehicles (year 1) will go through the toll plazas.



EXECUTIVE SUMMARY

The New Phase of the SP Road Concessions Program

This transaction belongs to a broader program that started with the tender of the so-called Mid-west Roads Lote. IFC has been mandated by ARTESP/State Government of São Paulo to structure five transactions under the program, with **almost 3.000 km** of highways in strategic areas of the State of São Paulo.



✓ *Successfully tendered*

EXECUTIVE SUMMARY

New Phase of The São Paulo Road Concessions Program



The New Phase of the Sao Paulo Road Concessions Program, considering the lots granted since 2016, consists of the structuring and subsequent bidding of approximately 3.000 km of highways in strategic areas of the State of São Paulo, which are divided into 5 lots.

On these roads, **millions of vehicles circulate daily**, including loaded trucks headed to the main points of outflow, such as the Port of Santos, São Paulo International Airport, the South, Northeast and Central-West regions of Brazil and the main centers of the state of São Paulo.

Main objectives of the program

- Create a new paradigm to attract players to the country's infrastructure market, offering **credibility, legal security and attractive returns**, through improvements in the **bankability** of projects in **national and international markets** and eliminating barriers to international and different profiles of players.
- To attract the best operators of road concessions and other profile of investors through a **competitive, transparent and international competitive bidding process**, taking into account **international standards**.
- Maintain high standards of **quality and safety** by introducing innovative features in road management to **benefit users**, including innovative ITS capabilities and services, creating better and safer road traffic.



EXECUTIVE SUMMARY

Results and Innovations

After 3 successful tender processes, the **Program** already has significant results:



BRL 10 billion in secured investments



BRL 3,6 bn in upfront concession fees, 131%, 438% and 91% of premium in each of the concessions tendered



First highway concession awarded to a **Private Equity** fund in a **standalone basis** (Pátria Investimentos in association with Blackstone)



First logistics project exclusively financed through the capital market (Entrevias)



Introduction of the Three-party Agreement, regulating the rights of lenders based on international best practice



Auctions were attended by **major players** in the sector on a **global scale**



Inclusion of improvements to the **attractiveness and bankability of the Projects** (eg indemnification clauses, risk matrix, among others)




Development of FX risk Protection Mechanism based on the variable concession fees of the project (**there is no fiscal impact for Government**)




Winning Project of the "PPP Awards & Conference Brazil" Award in 2017 in the category "Most Innovative Idea of the Year" for the improvement of bankability in the concession agreement

EXECUTIVE SUMMARY


Piracicaba-Panorama Lot | Overview




DBFOM contract
Brownfield 30-year road concession




Granting Authority
ARTESP - GoSP Transportation Agency




Investments
Estimated total capex (30 years) of approx. USD 3.7 bln.



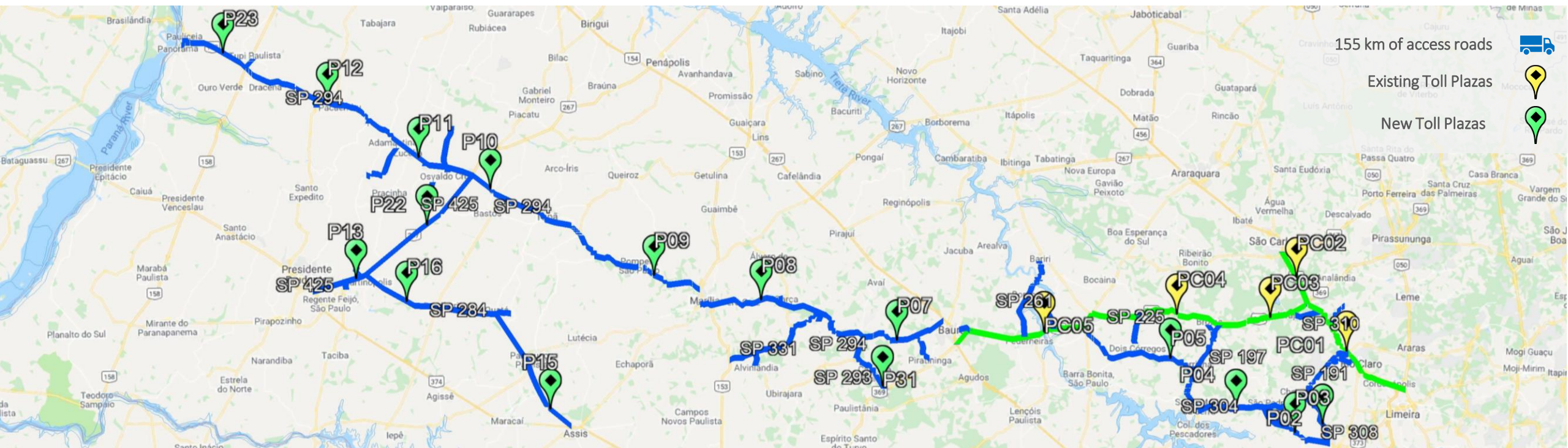
Total length: 1.273 km
■ 218 km of Currently Concessioned Stretch
■ 1,055 km under Public Administration



Revenues: Expected total revenue (30 years) of ~USD 10.9 bln
16 new toll plazas | 5 existing toll plazas




Operation
Estimated total opex (30 years) of approx. USD 1.5 bln.




EXECUTIVE SUMMARY


Piracicaba-Panorama Lot | Overview




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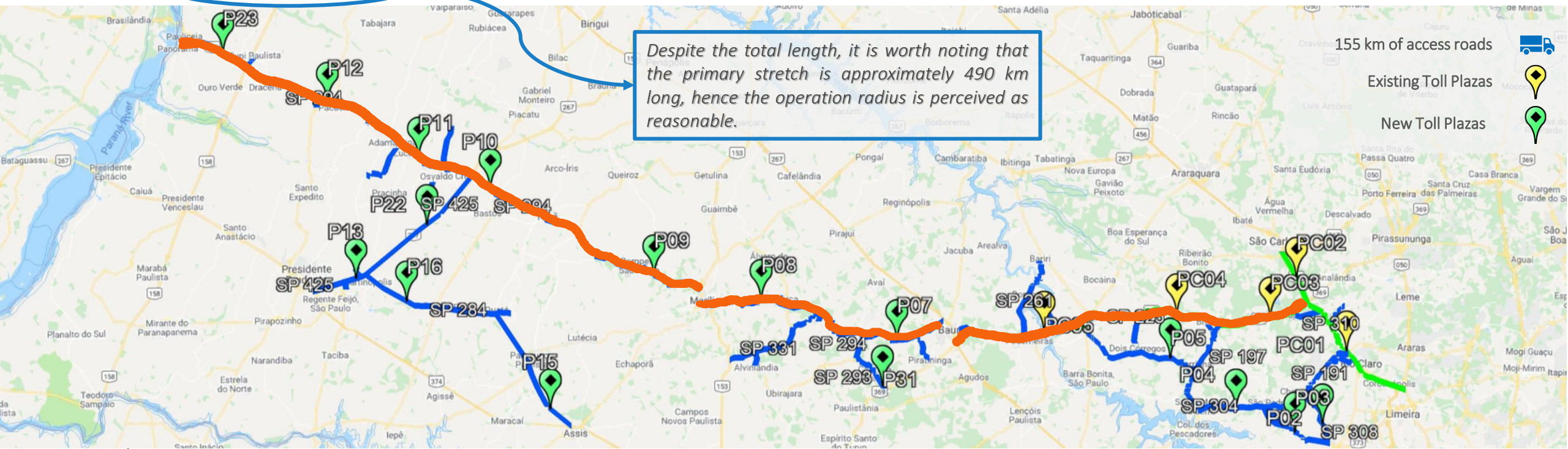


Total length: 1.273 km

- 218 km of currently concessioned stretch
- 1,055 km under public administration
- 490 km primary segment














Revenues: Expected total revenue (30 years) of ~USD 10.9 bln
16 new toll plazas | 5 existing toll plazas



EXECUTIVE SUMMARY

Piracicaba-Panorama Lot | Main Features and Innovations

	Improvement of the FX Protection Mechanism provided by the Government	Frequent User Discount System The concession will include an innovative system with progressive tariff discounts, according to frequency of use, available only to users with electronic payment system (risk borne by the Authority).	
	Cash Waterfall Mechanism Cash Waterfall Mechanism to transparently operationalize the Contract Administration	Adoption of iRap methodology for road safety First Concession of the country to use the iRAP methodology	
	Improvement of the performance monitoring framework Design of new performance indicators, with the use of technology, clarity, detail and objectivity as cornerstones	Zero Carbon Program for Highway Operation Neutralization of Greenhouse Gas (GHG) emissions related to the operation of the concession (provisions include GHG inventory and Certification of GHG neutralization)	
	Three-Party Agreement Provisions for clear alignment between lenders and grantor; cure rights, step-in-rights and substitution	More transparency Greater range of information in the data room, bidding documents and annexes, all available in Portuguese and English	
	Use of new project approval and monitoring models e.g., BIM, SGP and certification	Revision and reorganization of contract provisions and annexes Proposal of objective structure, with aggregation of correlated themes and definition of applicable procedures, as well as general improvements in wording and rules.	
		127-day period for submission of proposals	

EXECUTIVE SUMMARY

Piracicaba-Panorama Lot | Financials Summary

Approximate figures; Real terms



Investments *(30 years)*

- Total Capex: USD 3.7 billion
- Main Interventions: USD 1.5 billion



Operation *(30 years)*

- Total Opex: USD 1.5 billion



Revenues *(30 years)*

- Tariff Revenue: USD 10.9 billion
- Ancillary Revenue: USD 330 million



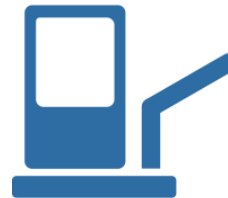
Economic Results

- FCFF Unlevered IRR: 9.35%



Granting Authority Payments

- Minimum Upfront Concession Fee: USD 4 mln
- Variable Concession Fee: 9% *(of total revenues)* | from year 2
5% exclusively attributable to the Frequent User Discount protection mechanism
4% exclusively attributable to the FX Protection mechanism.
- Inspection Fee: 3% *(of total revenues)*
(paid to the authority for the sake of contract monitoring)



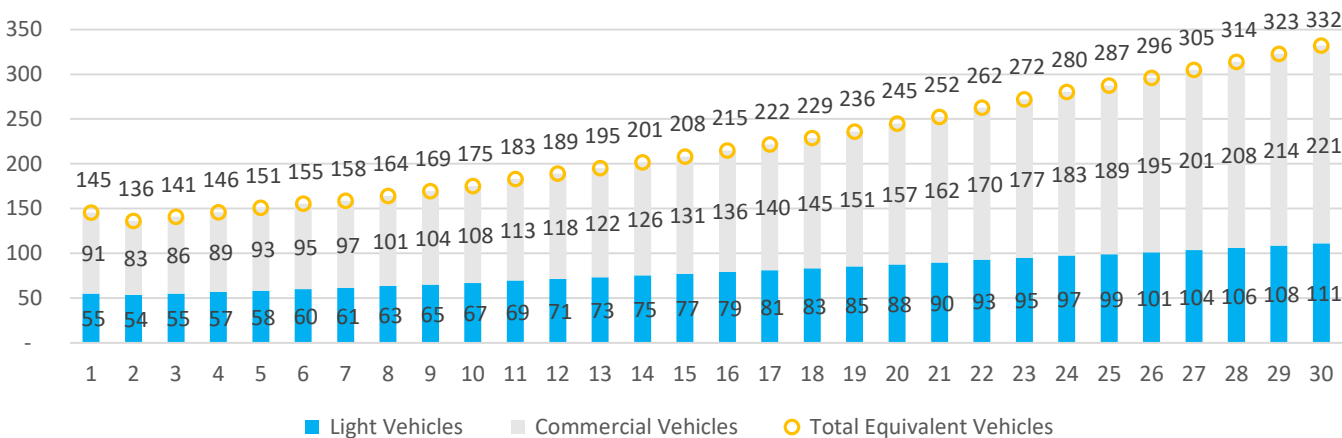
Toll Plazas

- 5 Existing Toll Plazas Operation Start: **Effective date of Contract**
- 16 New Toll Plazas Operation Start: **13th month of Contract**

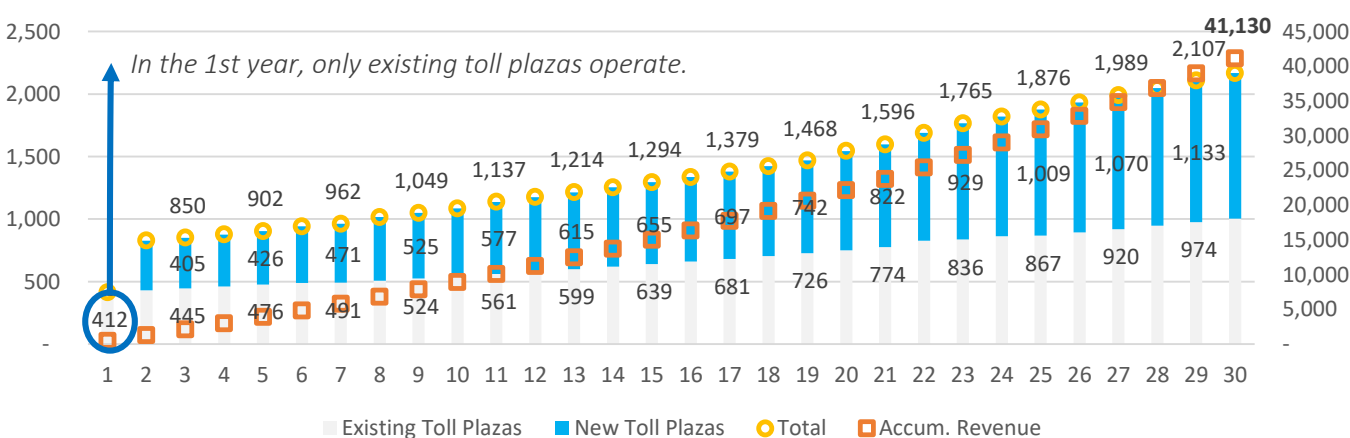
EXECUTIVE SUMMARY

Traffic and Revenues

Equivalent Axles Projections (millions of axles p.a.)



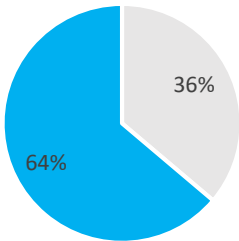
Revenues | Existing x New Toll Plazas (BRL mln)



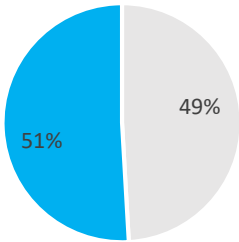
Growth x GDP (in equivalent axles)

Type of Vehicle	Average Growth		Traffic/GDP
	Traffic	GDP	
Light Vehicles	2.45%	2.5%	0.98
Commercial Vehicles	3.13%		1.25
Total	2.89%		1.15

Light x Commercial Breakdown | Total
(in equivalent axles)



Existing x New Toll Plazas
Revenue Breakdown

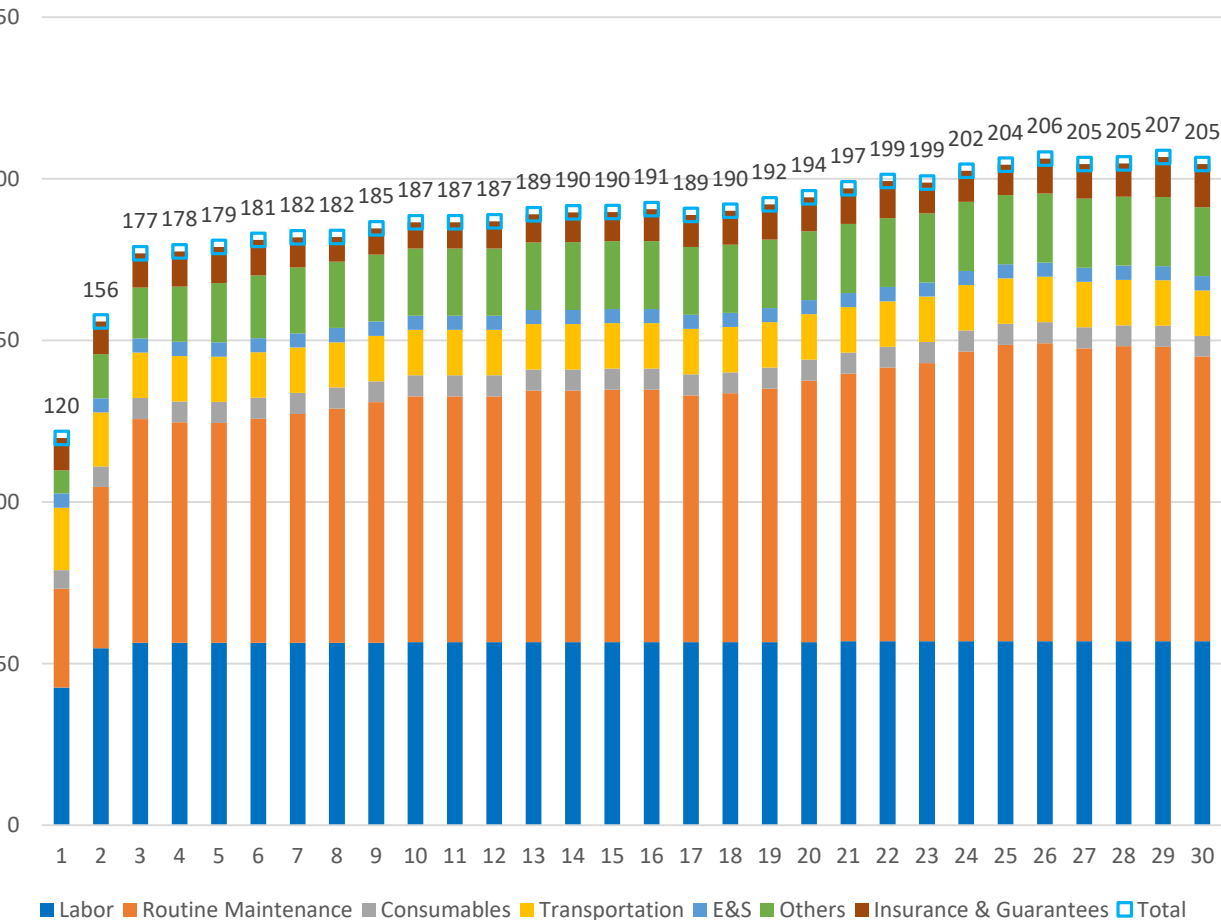


EXECUTIVE SUMMARY

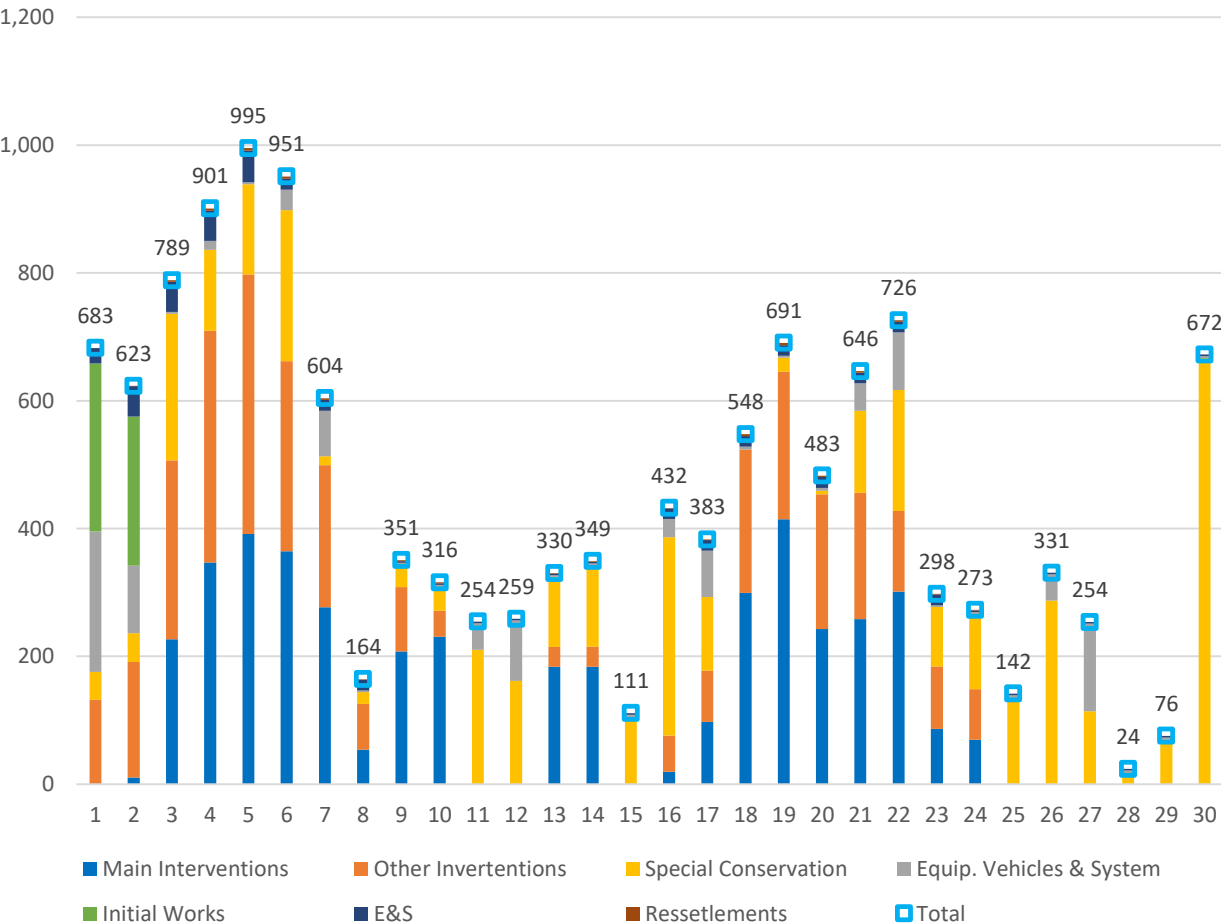
Capex & Opex

Real terms

Opex Breakdown | Yearly (BRL mln)



Capex Breakdown | Yearly (BRL mln)

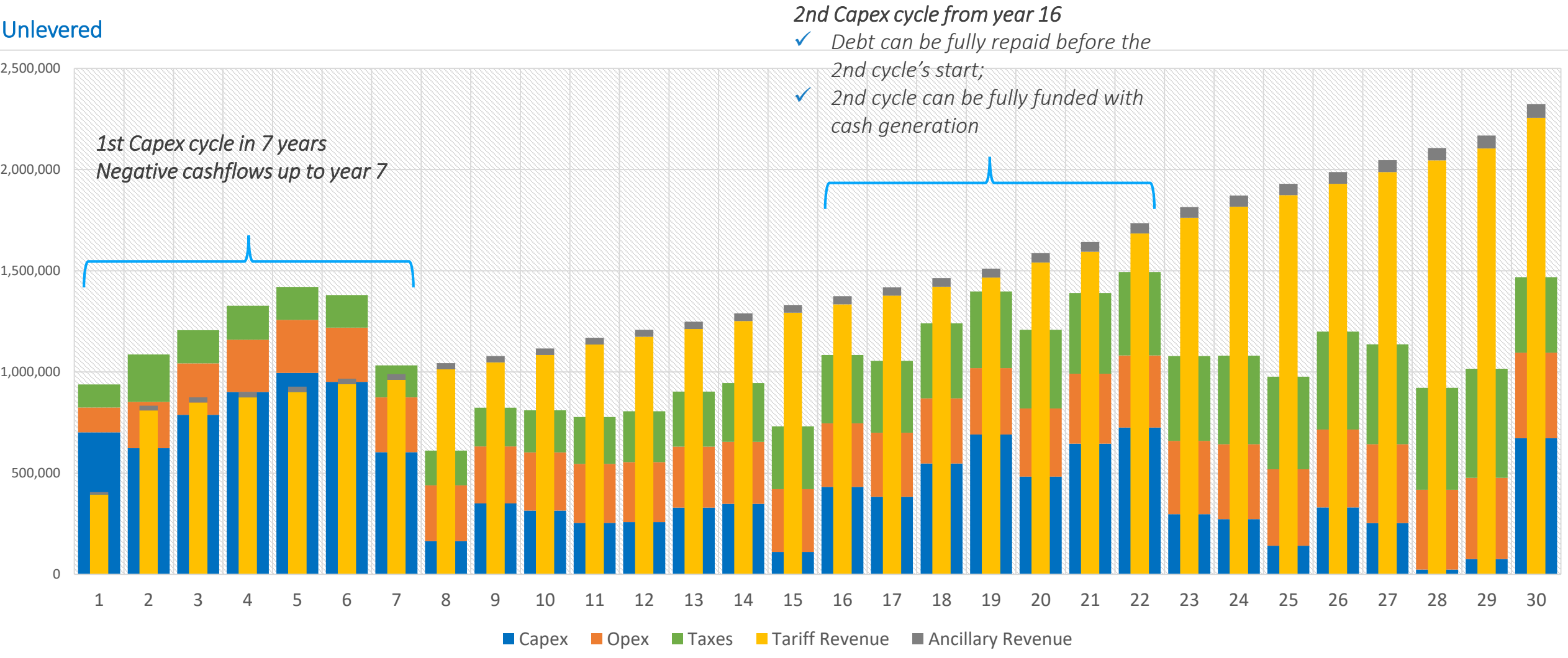


EXECUTIVE SUMMARY

Cash Flow Projection

Real terms; BRL mln

Unlevered



EXECUTIVE SUMMARY

Bidding Process

Bidding modality

- ✓ International Competition

Selection Criteria

- ✓ Highest Bid (highest premium over minimum upfront concession fee)
- ✓ Minimum upfront concession fee: BRL 15 million

Concession Term

- ✓ 30 years from the date of signature of the Initial Transfer Term (road stretches are transferred to the concessionaire).

Variable Concession Fee

- ✓ 9% of total revenues – *from year 2*

Inspection Fee

- ✓ 3% of total revenues

Dynamics of the Auction

- ✓ Phase inversion: tender session starts by evaluating the commercial proposals. Only the winning bidder will have its qualification documents analyzed (please refer to bidding process section)
- ✓ In case of tie or close commercial proposals (diff. of BRL 15 mln), an auction phase is possible.

Participation

- ✓ Participation equally open to Brazilian and foreign companies, investment funds and supplementary pension entities, without restrictions, except those resulting from the legislation.

Rules for Consortia

- ✓ No limitation on the number of members
- ✓ Each consortium member must meet individually the legal, tax and labor requirements

Terms

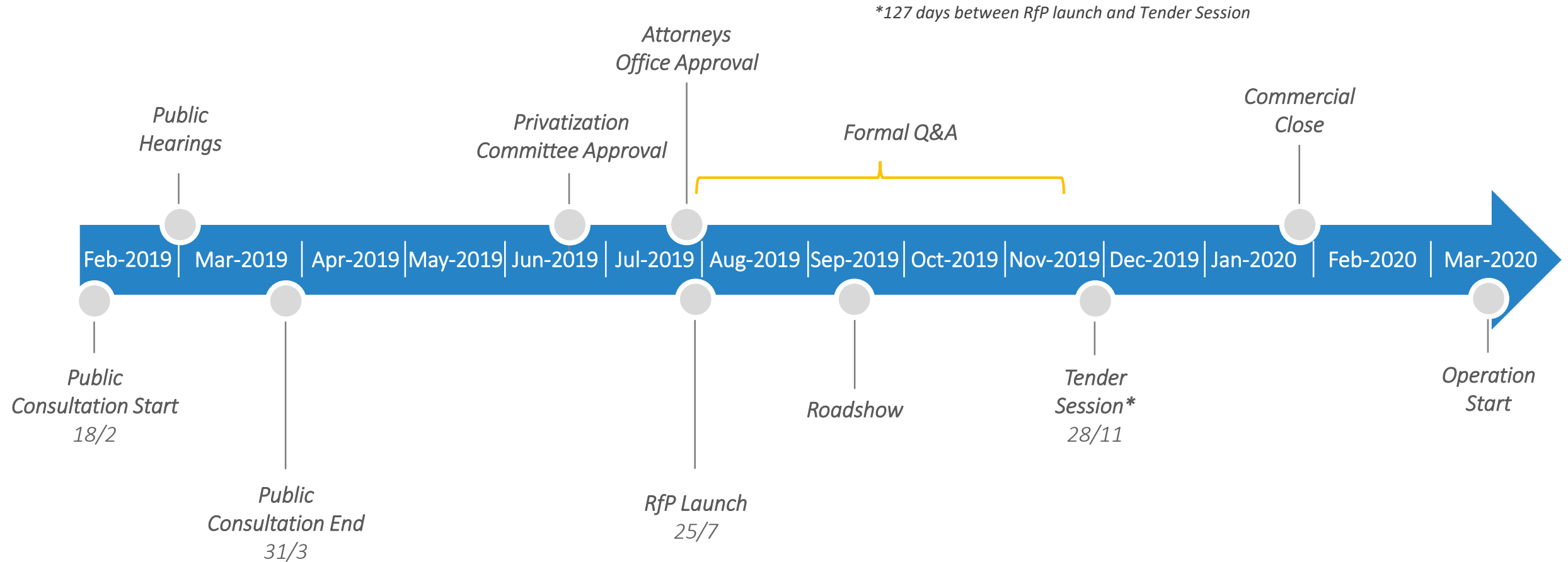
- ✓ Period between RfP issuance and tender session: 127 days
- ✓ Formal Q&A process: from RfP issuance until November 5th



SCHEDULE

SCHEDULE

Next Steps



FUTURE OPPORTUNITIES IN THE ROAD SECTOR



FUTURE OPPORTUNITIES IN THE ROAD SECTOR

Lote A – São Paulo Coastal Roads

Extension of approx. 230 km



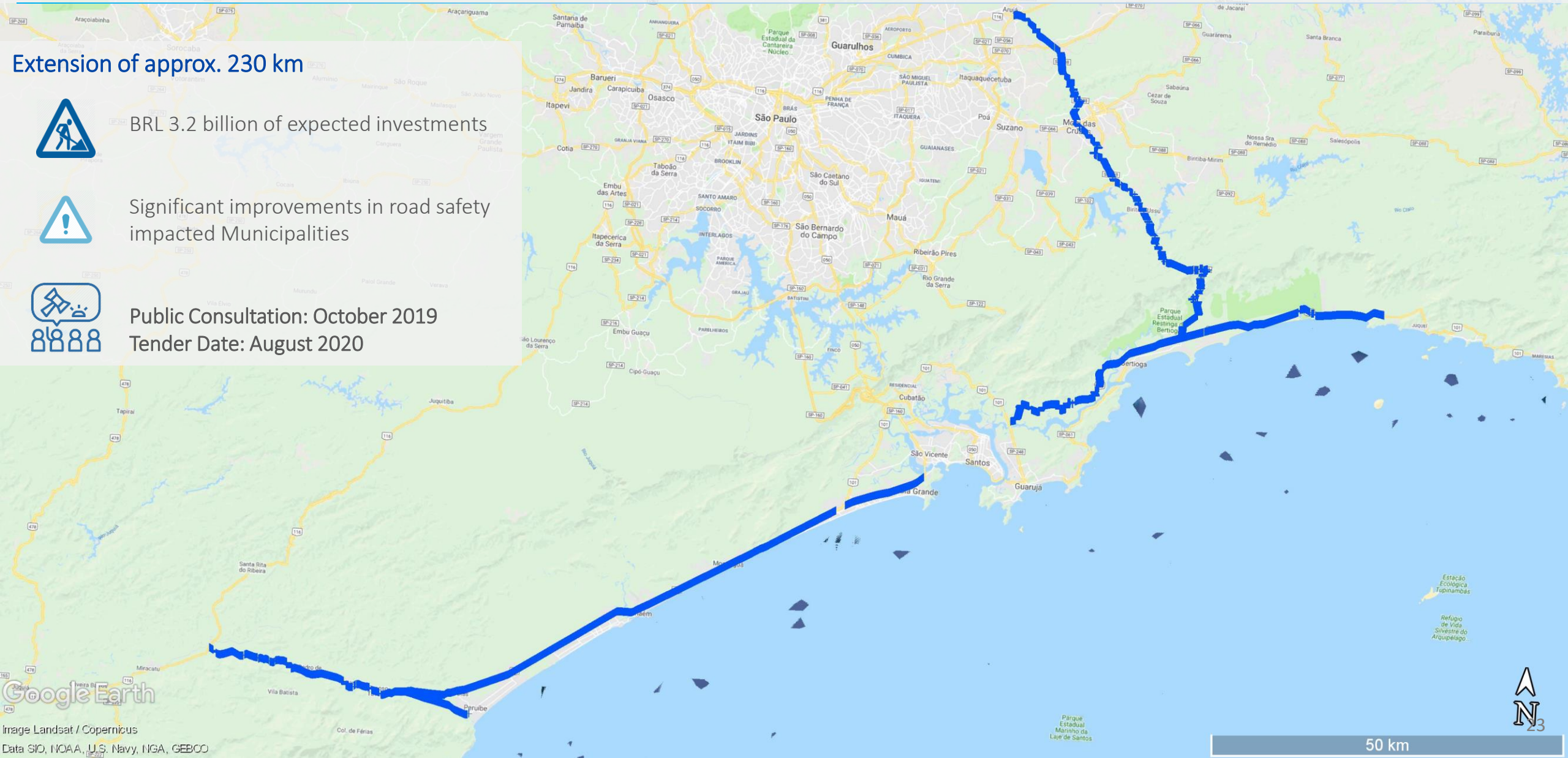
BRL 3.2 billion of expected investments



Significant improvements in road safety
impacted Municipalities

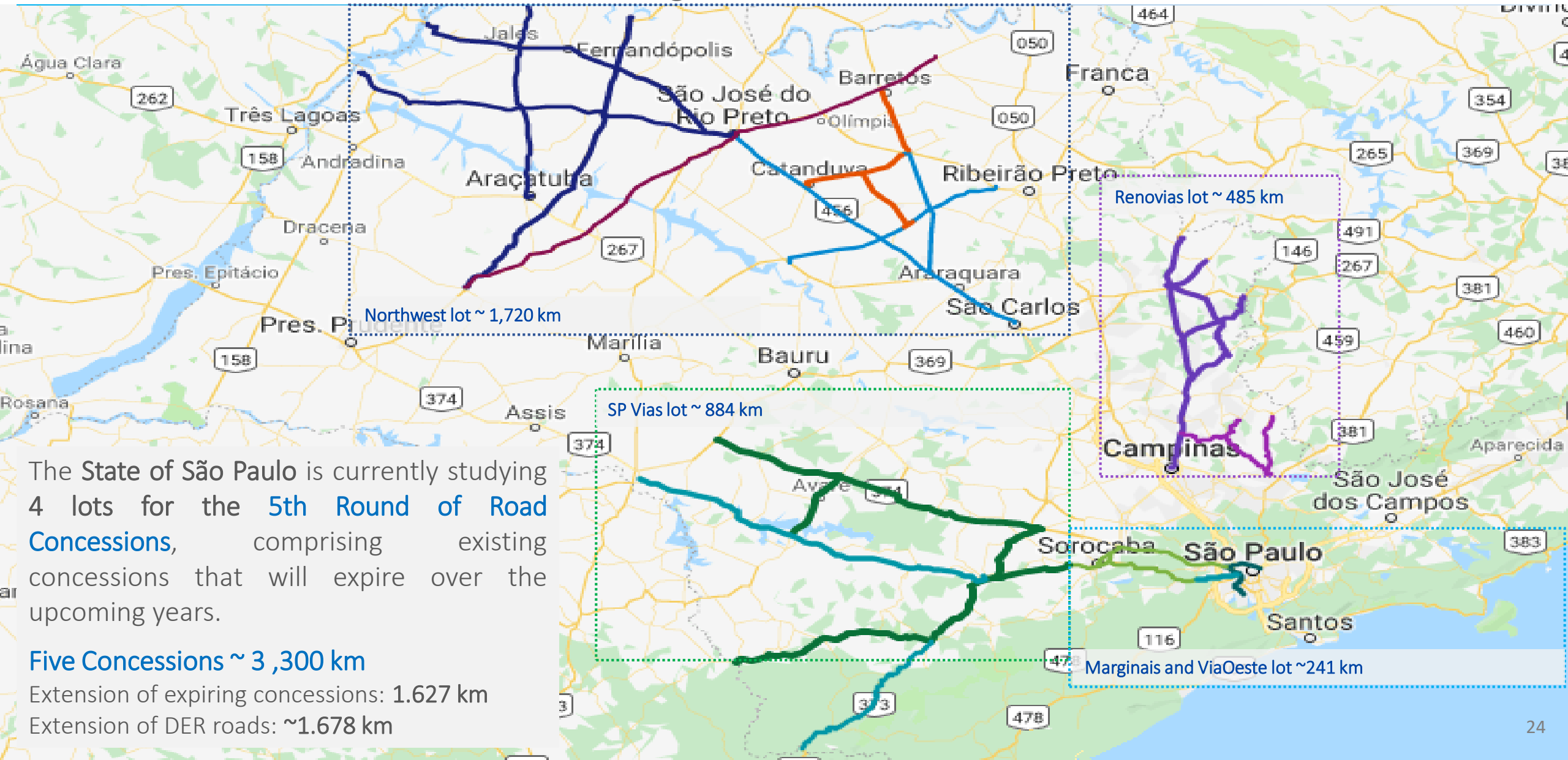


Public Consultation: October 2019
Tender Date: August 2020



FUTURE OPPORTUNITIES IN THE ROAD SECTOR

New Round of the Road Concessions Program



The State of São Paulo is currently studying 4 lots for the **5th Round of Road Concessions**, comprising existing concessions that will expire over the upcoming years.

Five Concessions ~ 3,300 km

Extension of expiring concessions: 1.627 km

Extension of DER roads: ~1.678 km

FUTURE OPPORTUNITIES IN THE ROAD SECTOR

New Round of the Road Concessions Program

Lot	Concession	Extension (km)	Expiry Date*	Toll Revenue in 2018 (BRL MM)
Northwest	Sun's Triangle	442	07/2021	494
Northwest	Tebe	156	03/2025	84
Renovias	Renovias	345	06/2022	442
Marginais and ViaOeste	ViaOeste	170	12/2022	993
SP Vias	SP Vias	514	10/2027	646

*Expiry date may be reviewed



THANK YOU

