

EARNINGS CALL TRANSCRIPT

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INVESTOR RELATIONS CONTACTS

ri@wilsonsons.com.br

+55 21 2126-4271

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PARTICIPANTS

Mr. César Baião - CEO

Mr. Fernando Salek - CFO

Mr. Arnaldo Calbucci - COO Maritime Services

Mr. Sérgio Fisher - COO of Port Terminals & Logistics Services

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the conference call for the Wilson Sons Limited's 2nd Quarter 2017 results. Today with us we have Mr. Cezar Baião, CEO of Operations in Brazil, Mr. Sérgio Fisher, COO of Port Terminals and Logistics, and Mr. Fernando Salek, CFO of the Brazilian subsidiary and Investor Relations.

As a reminder, this conference is being recorded and we will have simultaneous translation for those who wish to listen to the English version. During the Company's presentation, all participants will be connected in a listen-only mode. Then we will begin the question and answer session for industry analysts.

Before proceeding, we would like to mention that page 2 of the presentation contains the usual forward-looking statements for your reference.

Now, I would like to turn the conference over to Mr. Fernando Salek.

Fernando Salek - CFO

Thank you. Good morning everyone. Welcome to our results conference call for the 2nd Quarter of 2017.

Let's start with slide 3. Here I present the Group's safety performance between 2010 and 2017, with the Lost-Time Injury Frequency Rate.

In this period, we had a 96% reduction in the rate, which demonstrates our commitment to safety in all our operations.

Turning to slide 4.

Here is a summary of our consolidated results.

Considering the Offshore Vessels joint venture, the Group's Proforma Net Revenue amounted to US\$148.3 million in the quarter. Compared to 2Q16, we had a 14.2% increase mainly driven by improved warehousing revenues from Container Terminals.

EBITDA was 21.1% higher than in 2Q16, as a result of the more profitable operational mix across both Terminals, contributing to improved margins. Proforma EBITDA increased 21.4%, supported by higher Offshore Vessel operating days with 2 new PSVs added to the fleet.

The Company's CAPEX reduced substantially compared to 2Q16, as the Company recently concluded a significant investment cycle of capacity expansion. Capital expenditure was mainly concentrated in the maintenance of operations.

We now move to slide 5.

Here I present a summary of the quarterly highlights by business unit.

Container Terminals operational results were mainly driven by an increase of warehousing revenues. EBITDA benefited from a one-off reversion of provisions totalling US\$4.9M, of which US\$2.6M also affected revenues.

The challenging environment in the Oil & Gas sector negatively impacted Brasco's results in the quarter. Improved layup operations only partially offset the decline in vessel turnarounds.

In Logistics, we had an improvement in bonded warehousing revenues, although margins remained weak given the macroeconomic backdrop.

In the Towage business, revenues were driven by improved harbour manoeuvres in some ports, compensating the decrease of special operations.

Shipyard revenues remained in line with 2Q16, the highlight being the delivery of the new tugboat SST-Aimoré to a third party. EBITDA was negatively impacted by the stage of construction and lower volume of own vessel maintenance.

In the Offshore Vessels business, days in operation increased during the quarter, with the start of 2 long-term contracts for PSVs Larus and Pinguin in 2016. The new vessels contributed with daily rates above the fleet average, also positively impacted by the stronger Brazilian Real.

Following on to slide 6.

On this slide, I present the historical results since 2006, which shows a solid Revenue and EBITDA evolution and a positive first semester for 2017. However, the most significant takeaway would be the Company's CAPEX reduction, reflecting the conclusion of a significant investment cycle for capacity expansion in almost all our units, as we anticipated.

Moving to slide 7.

Here on this slide we can see some of our liquidity and leverage ratios.

The metrics show that Net Debt / EBITDA ratio decreased slightly compared to the previous quarter. All liquidity ratios remain strong.

There was a decrease in cash as principally a result of the US\$37M in dividends paid in the quarter. Operating cash flow was US\$40.5M in the first half.

Now we move on to slide 8.

In this slide, we outline the operating data registered in July for Container Terminals, Towage and Offshore Vessels businesses.

Tecon Rio Grande presented an increase of 11.9% in overall volumes, confirming the improved operational mix seen in the first half. Imports increased 15.3% driven by Spare Parts and Steel Products. Exports increased 7.8%, with higher volumes of Resins and Tobacco. Cabotage had an increase of 15.9%, with highlight being the Rice and Pulp segments. Transshipment volumes and container shifting grew 28.3%, with the Santa Clara inland waterway service contributing.

In Salvador, volumes increased 2.6% against the comparative. Exports increased 1.8%, with higher volumes of Tires and Ores. Imports were down by 6.1%, negatively impacted by weaker volumes of Solar Panels and Auto Parts. Cabotage volumes grew 5.1%, with good performance of Civil Construction and Chemicals segments. Transshipment volumes and container shifting increased 73.4%, with better results from long-haul operations.

In the Towage business, the number of manoeuvres suffered a slight decrease due to fewer ships operated in the Brazilian coast in the month of July.

As previously mentioned, Offshore Vessels operating days increased during the quarter, mainly due to the commencement of PSVs Larus and Pinguin, delivered in late 2016. Although we have a strong portfolio for 2017, which contributed to a positive result in the quarter, the challenging scenario for the oil industry continues to limit the outlook for 2018.

In the Offshore Vessels business, days in operation increased against the comparative, supported by the commencement of PSVs Larus and Pinguin delivered in late 2016. However, some vessels were off-hire during the period.

Moving to slide 9.

Here we highlight our container terminal in Rio Grande.

In July, Tecon registered a historical productivity record, achieving 140 movements per hour during the operation of a ship loading cargo to North America. Each quay equipment operated with an average productivity of 30 movements per hour.

The presentation ends here, and I would like to invite you to the Q&A session. Thank you.

QUESTIONS AND ANSWERS

Operator

Excuse me ladies and gentlemen we will now begin the Q&A session. The first question comes from Rob Bye. You can ask your question now.

Rob Bye - Analyst, Cantor Fitzgerald

Hello, it's Rob Bye, from Cantor Fitzgerald. Hi, everybody. I think you asked for me to ask my question. I have four short questions. Please, number one, could you guide us on full year CAPEX, both consolidated and also for the JV. Question number two, on the extra employee taxes, do you think they will be implemented? Number three, are we likely to see any recovery in Towage special operations in the second half? And finally, number four, with the bonded warehouses, can you give us any color here on how full those warehouses are? What are the utilization of space currently? Thank you.

Fernando Salek - CFO

This is Fernando Salek. I will be answering the first two questions. As to the CAPEX, we have given the guidance that indicated about US\$80M, we believe we're going to be very close to that number. We have been under for the first portion of the year -- for the first half of the year, but we expect that picking up a little bit, we'll be reaching the number as to the guidance. As to the second question, the tax on employers this is a matter that is still being discussed in the Brazilian Congress, they haven't come to a final decision yet. That may be decided in early 2018, but we are prepared, however to be with that if it comes to pass in 2017.

Arnaldo Calbucci - COO Maritime Services

This is Arnaldo, Rob. I'll be talking about Towage and special operations in the second half. We don't expect any market recovery, so to speak (14:41). The Oil & Gas shipyard business is at the same pace. Of course, there may be some assistants operation, but volumes should remain weak for the second half.

Sérgio Fisher - COO of Port Terminals & Logistics Services

Hello, this is Sérgio Fisher. I'll be answering the question about the utilisation in our bonded warehouses. We are below 70%. We have a positive outlook for the second half, because exports have been increasing both in São Paulo and Pernambuco.

Rob Bye - Analyst, Cantor Fitzgerald

Great, thank you very much everyone. Have a good day.

Fernando Salek - CFO

We have a question from Diogo Figueiredo. I will be reading the question to all of you and then I'll give you the answer. Here is the question.

Question: Could you talk about the outlook for cash generation, CAPEX and dividends for the following years?

Answer: Let me start by answering in (17:05) the last part. As far as dividends go, we have a very clear policy. Our target is 50% of Net Revenues. And now will go is to maintain to keep that promise for the coming years. Moving on to cash generation in CAPEX now. As far as CAPEX go, we have concluded a very significant CAPEX cycle or significant investment cycle. And for the future, we plan to expand our Salvador terminal, which will use up a significant amount of CAPEX, about to US\$110M in the coming years -- in the coming two years. There no indications of other needs, that would increase our CAPEX significantly. As cash generation growth, let me try to break our activities down, those that are related to economic growth and international trade and those there are more Oil & Gas related. As far as Oil & Gas go, we do not see any short-term recovery. Those industries related to Oil & Gas should not provide significant cash generation improvements. We hope the industry will recover in the next two years. Now on to those segments that are related to international and domestic trade. Of course, it's extremely dependent upon the economic activity. So, we and the market believe that Brazil should start its economic growth soon and we believe that our cash generation activities may grow and keeping track of that growing economic trend.

Arnaldo Calbucci - COO Maritime Services

We have another question from the webcast, Rafael Rodrigues. This is Arnaldo. His question is.

Question: Do Larus and Pinguim have contracts for how many years?

Answer: These PSVs have a six-year contract. These are firm contracts.

We have another question from the webcast, Carlos Henrique Venâncio. This is Arnaldo.

Question: Will the US\$54M investment will be used to build tugboats?

Answer: We'll be building two 80-ton tugboats they are identical to the tugboats that are being operated at the Port of Açú. The other four tugboats, we haven't had any confirmation as to when they will be build. This will be 70 tons tugboats as well.

Operator

This concludes today's question-and-answer session. I would like to invite Mr. César Baião to proceed with his final remarks.

César Baião - CEO

Once again, we would like to thank you for taking part in this conference call of Q2 results. I would like to once again thank the entire Wilson Sons team for these results. Thank you very much.

Operator

That concludes the Wilson Sons audio conference for today. Thank you very much and have a nice day.