

## Operator

Good morning, ladies and gentlemen. Welcome to the conference call for Wilson Sons Limited 3Q 2015 results. With us we have **Mr. Cezar Baião**, CEO of Operations in Brazil, **Mr. Felipe Guterres**, CFO of the Brazilian subsidiary and Investor Relations and **Mr. Sergio Fisher**, COO Port Terminals and Logistics.

As a reminder, we will have simultaneous translation for those who wish to listen to the English version. All participants will be in a listen-only mode during the Company's presentation after which, there will be a question and answer session for industry analysts. Page two of the presentation contains all the usual forward-looking statement disclaimers for your reference.

Now, I will turn the conference over to **Mr. Felipe Guterres**, who will begin the presentation.

## Felipe Gutterres

Thank you. On behalf of Cezar Baião and Sergio Fisher and myself, welcome you to our conference call results for the third quarter 2015.

Please turn to slide 3 of our presentation for a summary of our consolidated results

Wilson Sons 3Q2015 proforma Net Revenue with the Offshore Vessels Joint Venture were US\$140.5M. In this quarter, the Company's total revenue was slightly lower than the comparative principally due to:

- BRL depreciation against US Dollar, which impacted the Businesses' revenues;
- Operational impacts in Shipyard and Brasco, which we will talk with more detail on the next slide.

The pro forma EBITDA in the quarter was 11% lower than the same period 2014 but it is noteworthy that there was a 12% increase compared to 2T15 and 7% year to date. EBITDA in the quarter was higher than the comparative period in Towage, the larger scale of operations and the Offshore Support Vessels, the increase in operating days. Despite the challenging domestic macroeconomic environment, the Company has produced solid EBITDA and operating results.

Capex for the quarter was largely concentrated in Towage and the Offshore Vessel businesses.

Moving now to slide 4

On this slide number 4, I summarise for the quarter, by business.

- Export volumes in both **Container Terminals** were positively impacted by the dollar appreciation and the higher operational efficiency contributed to the margin improvement. EBITDA and revenues were negatively impacted by the exchange rate variation.
- In **Brasco** the revenues and EBITDA decreased against the comparative with the reduction in the total number of vessel turnarounds with the end of two contract operations at Niterói base and the current reduction of activity from international oil companies.
- In **Logistics**, we had a revenue reduction as a result of the strategy to end dedicated operations although EBITDA improved with focus on bonded warehousing.
- **Towage** revenues and EBITDA increased as consequence of the growth in special operations, such as in the case of Açú Terminal, and the dilution of fixed costs due to increased operational scale. The revenue in the quarter was in line with the comparative period and the dollar appreciation increased business margins, as approximately 75% of revenues are denominated in dollars.
- The **Shipyard** revenues were impacted by the dollar appreciation and reduced third party shipbuilding activities.
- In the case of **Offshore Support Vessels**, there was an increase in EBITDA as a result of more days in operation and the increase in daily rates. The revenue decreased because a part is Real based, although there has been some compensation for contractual increases.

Turning to slide 5

On this slide, when we look over the Company's financial results over the past ten years, where you can see the strength and resilience of our businesses, consistently growing double-digits, even though there has been significant exchange rate variation and economic oscillations during this period.

Looking at the proforma EBITDA by business from January to September 2015, we highlight the contribution of Container Terminals, Towage and Offshore Support Vessels, responsible for 90% of the Company's EBITDA.

We would also like to highlight that the reduction in 2015 CAPEX occurred as we have completed a significant cycle of investments expanding our capacity in almost all business units.

Moving now to slide 6

This slide shows the consistency of our operating cash flows. The improvement of our free cash flow is evident in our results for 2015.

This capacity to generate cash is what has been permitting Wilson Sons to pay increasing dividends to shareholders in recent years, as we shall see later in the presentation.

Moving now to slide 7.

Here we present the Company's solid cash position and some of our liquidity indexes.

The data shows an improvement in various indices at the end of September 2015 when compared to the same period 2014, having as highlight the growth of 217% of our free cash flow.

On slide number 8 we show the dividends that have been paid by the Company since 2004, in dollars and reais. The double-digit CAGR in both currencies confirms the Company's commitment to the market and its shareholders.

Our take-away here is the company's resilience even in adverse macroeconomic moments with exchange rate variation.

Moving to slide 9 to analyse the operational data released in October

The **Container Terminals** have continued to improve operating data after a slow start to the year. One consistent highlight is Cabotage in both Terminals, growing significantly. Real devaluation contributed positively to the export volume, over the last few months.

For the **Upstream Oil and Gas Support terminals** we still see a difference between the short and the long term prospects. The short term will be strongly impacted by the low oil price, which is causing oil majors to postpone investment decisions relating to offshore projects. However, in the medium to long term, our assets are well positioned with competitive advantages to benefit from any recovery of the industry.

For **Offshore Vessels**, the operational data for October reduced 2.4 % due to a few days offhire in the case of Fragata. Despite the challenges faced by the O&G industry in recent months, the business is still being benefited by the priority given to Brazilian flagged vessel.

At the end of the quarter our **Shipyard** maintained an third-party orderbook of US\$26.6M together with 7 tugboats for Wilson Sons as shown. These vessels will be delivered between the fourth quarter of 2015 and the fourth quarter of 2016.

In **Towage**, Harbour Manoeuvres decreased in relation to the comparative period, mainly explained by the consolidation of the operations of liner shipowners, which impacts us directly. Nevertheless, we had an increase in the average deadweight of vessels and the continuation of special operations, as in the case of the Port of Açú.

Moving to the last slide

On this last slide we have an operational graph with information of our Offshore Support Vessels business in recent years.

There was a significant double-digit growth in operating days of the own vessels from 2006 to 2014. Looking at the first 9 months of 2015, we see that the numbers are in line with the same period of 2014, where we had 4,887 days in operation.

We have a robust fleet constructed across the last ten years, the majority of which are Brazilian Flag and contracted. We have a challenging scenario in the short term but believe we are well positioned to pass this moment and take advantage of the opportunities that will come in future.

At this time, I would like to invite you to move to the Q&A portion of today's Conference Call.

#### Operator

Thank you. We will now begin our Q&A session. We have a question received online. Please proceed.

#### Operator

We have a question from the English-language conference, Mr. Robin Byde has a question.

Robin Byde, Analyst:

Hello, everybody. Robin Byde from Cantor.

Robin Byde, Analyst:

I have three questions please. Firstly, container business. Container handling rates have fallen quite sharply year-on-year. Is that all currency effect or is the mix effect that... Second question just on employee costs, again those were down sharply year-on-year, how much was that currency impact compared to headcount reduction?

**Felipe Gutterres**

Sorry. Hello there.

**Robin Byde**

So I repeat the question. Hi guys. If I just say the three questions there, on the container side handling rates have fallen so is that all currency or is there also a mix effect. Second question employee costs down sharply year-on-year, again how much of that is currency impact versus headcount reduction. And then just in the logistics business, profit margins have started to improve. Could you just remind us what the target for profit margins in that division. What the target is? Thank you.

**Cézar Baião**

Robin our container volumes, total volume accumulated this year has grown. The sum of both container terminals has an increased volume now. Exports have been growing significantly mainly due to the depreciation of the Brazilian real, which helps Brazilian products to be more competitive internationally, imports have been reduced but exports have been growing robustly more than the production of exports. Our costs connected to labor and personnel have decreased and this is due to the combination of exchange rate depreciation, which makes our costs in Brazilian reais when converted to US dollar drop sharply. But there was also a reduction in the number of people working for us. So the decrease in personnel costs is a combination of these two factors; reduced exchange rate for the Brazilian real, as well as, the number of people we had to lay off. So that's a combination of both. I'll let Fisher, answer the questions about logistics but we have had an improved margin for logistics this year.

**Sérgio Fisher**

This improvement is basically because we are working in the customs area and this has improved margins.

**Felipe Gutterres**

The question was about our margin targets. Our margin targets and obviously this is going to take a few years to reach, but it's about 15%. Let me just talk about the container terminals in terms of results. Obviously, in the third quarter you can see a reduction this year in comparison to last year. And the biggest cost here is at the exchange rate but if you look at the margin you have an increase because a small part of the revenue is connected to the dollar and the costs are all in Brazilian reais. So you start getting more margins in EBITDA percentages, despite having a nominal reduction in EBITDA and in revenue due to the exchange rate.

#### **Operator**

Our next question is from Bruno Bretas from 3G Radar.

#### **Bruno Bretas**

Good morning. Thank you for the call. I just like to get some more information about kickbacks looking at the next two years. Our perspectives for Capex were a bit higher on the terminal side. So if you were to look at your plan for CapEx especially in the terminals, I'd just like to understand that a bit better.

#### **Felipe Gutterres**

Bruno, this is Felipe. Now speaking about CapEx we have year 2016 with total profits close to what we had in 2015 and maybe a slight reduction. Most of our concentration will be in terminals but we're also going to have a division of our Capex for 2016 and 2017, which is, when equipment is coming in. We are talking about 120 million including offshore, the terminals about 40 million.

#### **Bruno Bretas**

Okay, thank you.

#### **Operator**

Our next question is from Renato Opice from Pavarini Opice.

#### **Renato Opice**

Good morning. My question is about the Brasco terminal. If Petrobras is no longer obligated to explore the pre-salt layers, do you think that more foreign companies will be operating there?

#### **Sergio Fisher**

Renato, this is Fisher. For Brasco it would be exceptional for that to happen. Petrobras is going through a difficult moment and it will be very difficult for us to make heavy investments in the pre-salt layer. So if that happens, that would be very good for Brasco especially if you take into consideration our location in the Guanabara bay, and do you believe that will happen. Yes, we do.

#### **Renato Opice**

That's good to hear. Thank you.

#### **Operator**

(Operator Instructions) We have a question from the English webcast from Peter O'Brien. He is asking about the three PSVs, which today do not have contracts, we will have more vessels coming in 2016. So what is our forecast for these offshore segment vessels?

#### **Felipe Gutterres**

Well, these three vessels that are in contract, in our fleet. Some time ago, one of the last Petrobras bid 47 of these categories. So we think that early 2016 when Petrobras concludes the bidding process, the tender process these vessels will start working under new contract in 2016. About the vessels that are going to finish being built in China. Since we have robust fleet that is Brazilian flagged, we have the right to flag these new vessels under the Brazilian flag. Therefore, they would have the preference and the right over foreign flagged projects in the next year. So, they would be operated by us as if they were Brazilian flagged and they would gain priority face other foreign vessels. So that would be our future strategy for the operation of these China build vessels.

#### **Felipe Gutterres**

We have another question from the Portuguese language webcast from Rodrigo for GTI Invest about our shipyards pipeline. As I said we have a number of vessels in the pipeline, which have already been contracted including three of these two PSVs for our client, seven tugboats and obviously we are talking about other opportunities, but the shipyard will probably be more focused on the dry-dock as an alternative to fill the available capacity we will have in 2016.

### **Felipe Gutterres**

We have another question from the Portuguese language webcast also from Rodrigo from GTI Invest. He is asking about the increased usage due to the impact of the depreciation of the Brazilian real and exports

### **Sérgio Fisher**

The answer is the depreciation obviously increases exports and reduces imports. Since in both of our terminals exports are much higher than imports, we will have an increased number of containers but our capacity is quite high meaning that we will not have problems. Adding to that in 2017, the new equipment will arise and that will not only increase our capacity but also the efficiency of the terminal which also helped significantly productivity and its final capacity.

### **Felipe Gutterres**

Another question from the webcast from Peter O'Brien. About the seven tugboat that we recently have delivered, its size and the number of tugboats of that type that we have in the pipeline.

### **Felipe Gutterres**

Well, Titan the most recent and the newest tugboat we have in our fleet. As the one with the highest tugging capacity, it reached 84 tons of bollard pull. It's a very important tugboat for terminals that supply larger crane holdings vessels over 220 tons. So obviously, we're going to be using this tugboat in the port of Açú, which will really help the Acu terminal or operations to increase their operating window.

### **Felipe Gutterres**

We have another question from the webcast from Thiago Noel from Athena Cap.

### **Felipe Gutterres**

How are you, what's your opinion about the competition in the tugboat business. Is there an increase competition especially in the oil and gas sector?

### **Felipe Gutterres**

Yes, competition is higher. Recently a large global operator that belongs to Maersk Group came to our domestic market and that definitely increases competition in the tugboat sector in Brazil. It's worth reminding that over the last 80 years that Wilson has operated tugboats we've always had a lot of competition in Brazil. This is different from other countries in Europe, for example where you normally only see one or two tugboat operators. In Brazil, we've always had four to five competitors in the domestic market. So this is not new for us but recently competition has increased, yes.

#### **Operator**

This conclude our questions-and-answers session. We'd like to give the floor back to the company for their final remarks.

#### **Felipe Gutterres**

Well, on behalf of the company, I'd like to thank you for your time, for your questions and for interacting with Wilson Sons management. We'll hear from you in the next teleconference call.

#### **Operator**

Wilson Sons conference call is now adjourned. We'd like to thank you all for listening. And have a nice day.