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CREDIT OPINION
30 April 2019

Update

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RATINGS

Concessionaria Rod.Oeste SP Viaoeste S.A.

Domicile	Brazil
Long Term Rating	Ba2
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Concessionaria Rod.Oeste SP Viaoeste S.A.

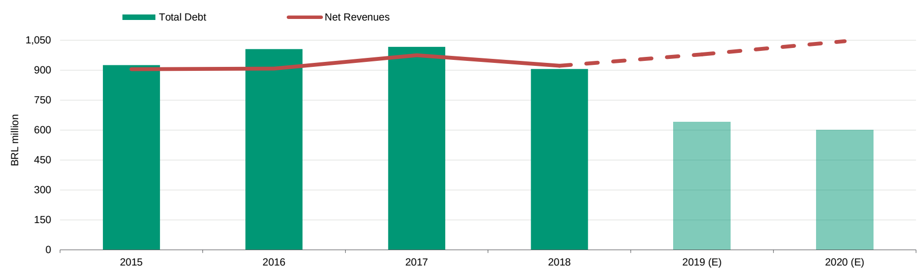
Annual update to credit analysis

Summary Rating Rationale

ViaOeste's Ba2/Aa1.br ratings are supported by (i) the strong asset features of the company's concession which includes one of the busiest highways in an economically robust and populous area in the State of Sao Paulo (ii) a solid track record of high traffic volumes as well as a balanced traffic profile, (iii) the mature profile of the concession leading to relatively modest capital expenditures requirements. Moreover, the solid credit metrics further support the ratings.

The ratings are somewhat constrained by the track record of high dividend distributions which Moody's expects will continue as well as the investment profile of its controlling shareholder CCR S.A. (CCR, Ba2 negative) which tends to pressure the upstreaming of dividends from ViaOeste. The uncertainty on the 2006 contract amendment and potential negative outcome of the judicial dispute with Artesp also weigh on the ratings. Brazil´s sovereign rating (Ba2 stable) somewhat limits the company´s rating given the local content operation profile.

Exhibit 1
Low leverage and resilient coverage ratio continue to improve as concession approaches its end



Source: Moody's Investors Service

Credit Strengths

» Strong asset features in an economically robust service area

» Solid track record of tolled traffic and operating performance

» Mature concession with relatively low investment needs

» Strong credit metrics

» Access to local bank/capital market

Credit Challenges

» Short remaining concession life ending in 2022

» High dividend distributions combined with parent´s expansion activity

» Judicial dispute with ARTESP regarding the 2006 contract amendment

Rating Outlook

The stable outlook reflects our expectation that credit metrics will remain robust mainly driven by ViaOeste´s overall predictable cash flows, even during the recent economic downturn. The outlook also incorporates the company´s relatively low leverage and capex needs, typical at mature toll roads, as well as improving traffic conditions with low refinancing risk. Nonetheless, the domestic nature of the company's operations results in close linkages to the local economic/regulatory environment and ultimate credit quality.

Factors that Could Lead to an Upgrade

ViaOeste´s ratings are somewhat constrained by Brazil´s sovereign rating, therefore an upgrade is unlikely in the short to medium term. An upgrade of Brazil´s rating could lead to upward pressure on ViaOeste´s ratings.

Factors that Could Lead to a Downgrade

A downgrade could occur if there is a significant and sustained deterioration in the company´s credit metrics and liquidity. Quantitatively, a RCF/CAPEX below 1.0x, and Cash Interest Coverage below 3x on sustainable basis could also weigh on the ratings. Deterioration in the parent´s credit quality could also exert downward pressure for ViaOeste as well as our perception of a deteriorated concession and regulatory framework in the State of Sao Paulo, or political interference in the normal course of business. We also assume that neither CCR nor any of its subsidiaries will incur new debt containing cross default provisions that could affect ViaOeste's ratings. In addition, further decline on the respective sovereign credit quality could also impact the company. ViaOeste´s current ratings do not incorporate any concession life reduction from a potential negative outcome of the ongoing judicial dispute with ARTESP.

Key Indicators

Exhibit 2

Concessionaria Rod.Oeste SP Viaoeste S.A.

	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Cash Interest Coverage	7.0x	6.8x	5.9x	5.5x	5.5x
FFO / Debt	60.7%	56.6%	53.1%	53.4%	38.8%
Moody’s Debt Service Coverage Ratio	2.0x	2.2x	2.4x	2.8x	2.1x
RCF / Capex	7.1x	4.4x	1.8x	4.6x	1.1x
Concession Life Coverage Ratio	2.3x	2.6x	3.0x	3.5x	2.8x

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Profile

Concessionária de Rodovias do Oeste de São Paulo - ViaOeste S.A. (”ViaOeste” or the “Company”) is an operating subsidiary of CCR, one of Brazil's largest toll-road concession groups, which operates and maintains 3,736 kilometers of toll road concessions.

ViaOeste holds a concession that ends in December 2022 to operate and maintain the toll road services of the 169-kilometer Castello Branco-Raposo Tavares road system, which connects the municipality of São Paulo, the capital city of the State of São Paulo (Ba2 stable) with 12 million inhabitants, to the western region of the State, serving 16 municipalities, including the capital city. The concession was granted in March 1998 to a consortium of construction companies, which sold it to CCR in 2005.

CCR is controlled by the Andrade Gutierrez Group, the Camargo Correa Group and the Soares Penido Group with a combined participation of 44.77%; the remaining 55.23% of shares are free float. ViaOeste accounts for approximately 12% to 18% of CCR's consolidated net operating revenues and EBITDA, respectively. As of FY2018, CCR reported consolidated net operating revenues of BRL8.1 billion and EBITDA of BRL4.0 billion.

Detailed Rating Considerations

Strong asset in relatively economic robust service area

ViaOeste connects the cities of Sao Paulo and Cotia to Sorocaba, in the western region of the State, crossing the Barueri and Osasco cities, an economically dynamic service area with a large base of manufacturing, agribusiness (mainly sugar cane and ethanol production) and service-rendering businesses, including large distribution centers for retail, construction materials and a growing high tech corridor. Due to the large population concentrated near the city of Sao Paulo, ViaOeste is one of the busiest roads in the State.

Castello Branco runs in the same direction as Raposo Tavares, so the immediate competition is largely limited within the concession area. The potential competition could come from the Anhanguera and Bandeirantes (AutoBAn) road system, which is connected to the Castello Branco road section through the Rodovia das Colinas and Rodoanel's west section. These potential alternative routes also have toll plazas, which mitigate the competition with ViaOeste. Depending on the final destination, there are other smaller alternative routes, which do not offer similar quality or safety standards to vehicles.

The Government of the State of Sao Paulo, through the Companhia Paulista de Trens Metropolitanos (CPTM), operates an urban train that runs in parallel to ViaOeste, connecting the municipalities of Sao Paulo and Itapevi.

As Brazil's largest and wealthiest state, Sao Paulo has a population of about 44 million, contributing to more than one-third of the country's GDP. The State's economic base is highly diversified and wealth levels are relatively high compared to the national average and among the highest in Latin America.

Solid track record of traffic with improving trends drive predictable cash flows

ViaOeste's traffic profile expressed in equivalent vehicles (VEQs) has been overall well balanced between light and heavy vehicles. Light vehicles accounted for around 55% of total traffic volume, a large portion of which represented by the more stable and predictable commuter traffic, which is a credit strength. More recently, the light vehicles portion increased to 62% mainly driven by the truck drivers' strike that also affected the 2018 traffic rebound with a traffic decline of 4.8% in the year, well below our initial forecast of up to 2% growth.

The 11-day strike was a protest against increased oil prices that directly affected the cash generation of ViaOeste as well as other toll roads. To resolve the matter, among other measures, the federal government raised the overload weight limit and prohibited toll charges on suspended truck axles, an exemption that by itself caused immediate revenue loss for ViaOeste. As a consequence, there is an ongoing discussion with the regulator to rebalance the financial equilibrium of the concession, however we do not incorporate any positive outcome in our projections as this is still uncertain.

Moreover, the continuing local economic recovery with Moody´s forecasted GDP growth of 2.3% and 2.5% for 2019-20, should drive Viaoeste´s improving traffic conditions and revenues in the next 12-18 months projected period. We expect total volume to return to the pre-crisis level by 2020 at around 120-125 million VEQ. The main risk to our forecast is that traffic growth is tempered by the unemployment rate improvement or another truck drivers´ strike, for example, as well as whether growth in industrial output is maintained.

ViaOeste also has a relative low investment requirement embedded in the concession contract amounting BRL315 million (as per FY2018 report) to be concluded until 2022, mostly concentrated in the next 12-24 months. This, together with a strong cash generation, drives the cash flows and support the overall strong credit metrics for the rating category. According to Moody's standard adjustments, from 2016-2018 the average Funds from Operations (FFO)-to-Debt ratio was 57% and the average Cash Interest Coverage ratio 6.5x.

Going forward, we estimate further improvements in these credit metrics mainly driven by the traffic rebound and the decreasing leverage as the concession approaches its end in 2022 and we expect one more refinance activity in the next 12-18 months. We expect these ratios to average even higher due to a combination of lower CAPEX needs and decreasing indebtedness as the concession approaches its maturity with a projected average of 99.7% and 11.7x FFO to Debt and interest coverage, respectively, in the next 12 to 18 months.

Overall supportive regulatory framework but some uncertainties remain

The relatively stable regulatory environment, together with attractive levels of returns and revenue risk management, are key to attract much-needed private investors to a sector that has significant expansion potential. We see a number of contractual changes in the new concessions that are overall credit supportive— though still untested—showing a renewed effort by regulators to enhance the transparency and predictability of concession contracts, mitigating some risks through the life of concessions.

Nevertheless, some actions by both the federal government and ARTESP, the regulator for the state of Sao Paulo, have weakened the predictability of the regulatory environment, as per example last year´s measures after the truck driver´s strike. Meanwhile, ARTESP ´s legal case against 10 concessionaires to challenge a 2006 contract amendment that extended the companies´ concessions in order to compensate them for additional investments and taxes could have a negative outcome for the industry and CCR, though the case is still in the early trial stage and will likely not be concluded in the next 12-18 months. The judicial process as of today is at different stages for these four concessionaires under CCR portfolio: (i) 1st instance court for ViaOeste, with favorable ruling for the company after an independent technical analysis of the contractual rebalance process, waiting the judicial ruling, (ii) AutoBAn and SPVias received a negative ruling at the 1st instance court that also denied an independent technical analysis, both companies filed an appeal, (iii) Renovias had an independent technical analysis favorable to the concessionaire, but received a negative ruling at the 1st instance, the company has filed an appeal.

Moody´s notes that compensation for additional investments or changes in the business circumstances are generally subject to negotiation, which has occurred successfully with several concessions. The regulator may change the terms of the contracts, as long as it provides conditions to restore or maintain the economic and financial equilibrium of the original concession contract.

Financial policy is somewhat constrained by parent activity

CCR has a track record of making sizeable investments in the transportation sector, not only in its core business of toll road concessions, but also through strategic investments such as Sao Paulo's subway line 4 (Concessionaria da Linha 4 do Metro de Sao Paulo). More recently CCR acquired the subway concession for lines 5 and 17, granted in January 2018 for a 20-year period.

CCR has also invested in other modes of transportation, like airports (Quito´s International Airport in Ecuador; San José's International Airport in Costa Rica; Curaçao International Airport), BH Airport in Minas Gerais, Brazil, ferryboat transportation (Barcas S.A. – Transporte Marítimo in Rio de Janeiro/ Brazil) as well as urban mobility (ViaRio Toll Road in Rio de Janeiro/Brazil; the VLT Project in Rio de Janeiro/Brazil; the subway in the city of Salvador - Metro Bahia). In 2013, CCR was also awarded the toll road concession BR 163 - MS, which is operated by MSVia, a subsidiary of CCR. Therefore, Moody's expects that CCR will continue to use the mature cash-cow concessions, such as ViaOeste, as vehicles to finance investments in new concessions by upstreaming high dividend payments.

CCR's portfolio requires capital expenditures of approximately BRL 7.5 billion up to the concessions maturities according to company ´s announcements. Nonetheless, there are several investment opportunities within the existing portfolio of concessions which could move forward depending on negotiations with the regulator regarding the financial rebalancing. However, the ultimate magnitude and timing of these potential capital investments may exert downward pressure on CCR's ratings

Acceleration events under ViaOeste's debentures documentation include the non-payment by ViaOeste of any financial obligation above BRL 60 million, change of the company's control and the termination of the concession contract. An acceleration event could also occur upon the payment of dividends above the minimum required by Brazilian Corporate Law if the Net Debt to EBITDA ratio exceeds 4.0x, except in the case in which ViaOeste contracts a letter of credit equivalent to the outstanding debt amount. In the last three years (2016-2018), this ratio averaged around 1.3x as per Moody´s standard adjustments.

Moreover, dividends can only be paid above the minimum level required by the Brazilian Corporate Law if the Net Debt-to-EBITDA ratio is less than 4.0x. Moody's foresees ViaOeste will continue to re-leverage to maintain the high dividend payout, although its cash generation would be more than enough to meet upcoming maturities and cash needs as the concession approaches its maturity in 2022. We also expect that the company will continue to prudently manage dividend distributions, financial leverage and liquidity so that its credit metrics remain adequate for its rating category.

Comfortable liquidity profile to improve as debt declines

ViaOeste's cash and cash equivalents position was BRL 156 million as of December 2018 combined with a BRL 185 million free cash flow generation in the period which is more than enough to meet the BRL 245 million short term debt maturities, according to Moody's standard adjustments.

As per the FY2018 the company has a total debt of BRL 900 million as according to our standard adjustments, we treat concession liabilities as debt. We forecast ViaOeste will maintain a comfortable liquidity profile either by reducing dividends distribution or by maintaining its strong access to the local bank and capital markets continuing to refinance a portion of its debt until the concession end in 2022. Nonetheless, we project overall debt to further decline to around BRL 600 million up to 2020, with the last window of refinancing activity, as the toll road maturity approaches, which somewhat distorts leverage metrics upwards.

Also, the company has ongoing discussions with the grating authority ARTESP that include additional investments which could lead to a concession life extension that is not incorporated in our projections.

Rating Methodology and Scorecard Factors

Exhibit 3

Concessionaria Rod.Oeste SP Viaoeste S.A.

Privately Managed Toll Roads Industry Grid [1][2]	Current FY 12/31/2018		Moody's 12-18 Month Forward View As of 4/29/2018 [3]	
Factor 1 : Asset Type and Service Area (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Asset Type	A	A	A	A
b) Competing Routes	Baa	Baa	Baa	Baa
c) Economic Resilience of Service Area	A	A	A	A
Factor 2 : Traffic Profile and Performance Trends (15%)				
a) Traffic Profile	A	A	A	A
b) Track Record and Stability of Tolled Traffic	A	A	A	A
c) Traffic Density	Aa	Aa	Aa	Aa
Factor 3 : Concession and Regulatory Framework (10%)				
a)Ability and Willingness to Increase Tariffs	Baa	Baa	Baa	Baa
b) Protection Provided by the Concession and Regulatory Framework	Ba	Ba	Ba	Ba
Factor 4 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 5 : Coverage and Leverage (40%)				
a) Cash Interest Coverage	7.0x	A	10.0x - 12.0x	Aaa
b) FFO / Debt	60.7%	Aaa	80.0% - 100.0%	Aaa
c) Moody's Debt Service Coverage Ratio	2.0x	Baa	2.0x - 2.8x	Baa
d) RCF / CAPEX	7.1x	Aaa	1.8x - 2.5x	A
e) Concession Life Coverage Ratio	2.3x	Ba	2.6x - 3.0x	Baa
Rating:				
Indicated Rating from Grid Factors 1-5		A3		A3
Rating Lift	**0.0**	**0.0**		
a) Indicated Rating from Grid		A3		A3
b) Actual Rating Assigned				Ba2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.[2] As of 12/31/2018; Source: Moody's Financial Metrics™.[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 4

Category	Moody's Rating
CONCESSIONARIA ROD.OESTE SP VIAOESTE S.A.	
Outlook	Stable
Corporate Family Rating	Ba2
Senior Unsecured -Dom Curr	Ba2
NSR Corporate Family Rating	Aa1.br
NSR Senior Unsecured	Aa1.br
PARENT: CCR S.A.	
Outlook	Negative
Corporate Family Rating	Ba2
Issuer Rating -Dom Curr	Ba3
NSR Corporate Family Rating	Aa2.br
NSR LT Issuer Rating	A2.br

Source: Moody's Investors Service

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