December 8, 2025
Transportation – Infrastructure

Brazil Toll Roads

Analyzing *Fernão Dias*; The Last Auction of 2025

Potentially Higher Interest Due to the Project/Auction's Profile

Fernão Dias is Brazil's next toll road auction, scheduled for Dec 11. It is a 15-year federal concession rebalance for a 570 km brownfield toll road, connecting the cities of São Paulo and Belo Horizonte. We expect competition at the auction, driven by: (i) attractive economics (IRR of 11.41% vs. 9.21%-12.33% in recent auctions); (ii) limited traffic risks given its well-established profile; (iii) rapid deleveraging potential despite its larger scale (R$9.5bn vs. R$4.4-10.8bn in previous projects), and (iv) changes in the bidding rules. For listed operators, we believe Motiva may have the higher interest given (i) the alignment with its strategic focus, (ii) potential synergies with owned concessions, and (iii) its more flexible balance sheet. Bid proposals are scheduled for submission on Dec 8 (Mon).

We built an easy-to-use financial model for the project (shared upon request), which can be used during the auction to assess bids' expected return levels. Please refer to page 3 for IRR and NPV sensitivity analyses.

The project in a nutshell. *Fernão Dias* is a 15-year federal concession rebalance, covering 570 km of brownfield toll roads. The corridor connects the cities of São Paulo and Belo Horizonte, linking key logistic hubs (e.g. Betim/MG). The project entails a total investment of R$9.5bn (with ~43% expected to be deployed by year 4), in addition to total opex of R$5.4bn over the concession period.

Auction & timeline details. The submission of proposals is set for Dec 8, with the auction taking place on Dec 11. Bidding criteria will be the largest tariff discount with an additional concession fee payment for every percentage point offered beyond 18% discount (18-23% = R$123mn/p.p.; 23-30% = R$147mn/p.p.; >= 30% = R$184mn/p.p.). We view the gradual concession fee criteria positively, as it helps prevent overly aggressive bids.

High investment but controlled leverage profile. We believe leverage itself would not be a constraint for MOTV or ECOR, given the project's expected rapid deleveraging. This is supported by its strong EBITDA ramp-up from tariff increases and 8/8 operational toll plazas since day one, despite its relatively high capex commitment given its (i) large size (R$9.5bn vs. R$4.4-10.8bn in recent federal auctions), and (ii) short concession period (15 years vs. 30 years in recent auctions).

Competition may be higher this time. Despite following the same method as recent rebalances MSVias and Eco101 (which did not engage competition), we believe the project is likely to attract interest due to: (i) positive economics, with a regulatory IRR of 11.41%, compared to 9.21%-12.33% in recent auctions; (ii) mitigated traffic risks supported by a well-known demand profile and favorable risk-sharing mechanisms; and (iii) changes in bidding rules (see pg. 4). Local media mentions potential bidders as: (i) EPR, (ii) BTG, (iii) XP, (iv) Kinea, (v) Arteris, and (vi) Via Appia. Among listed players, we expect higher interest from Motiva due to: (i) its strategic alignment with the company's focus on the Southeast region, (ii) its connection with MOTV's RioSP concession, and (iii) MOTV's improved leverage position following the sale of its airport platform.

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Company	Ticker	Current Price	Target Price	Upside	Rec.	EBITDA (R$ mn) 2025E	EBITDA (R$ mn) 2026E	P/E 2025E	P/E 2026E	EV/EBITDA 2025E	EV/EBITDA 2026E	Mkt. Cap (R$ mn)	IRR (%)
Motiva	MOTV3	R$ 15,63	R$ 18,00	15%	Buy	R$ 10.276	R$ 11.443	14,6x	12,3x	6,3x	6,0x	R$ 31.418	11,9%
Ecorodovias	ECOR3	R$ 10,40	R$ 13,90	34%	Buy	R$ 5.610	R$ 5.713	7,2x	12,6x	5,0x	5,5x	R$ 7.242	14,3%

Sources: Company Data, Valor Economico, PPI SP, LSEG Refinitiv and XP Research.

Fernão Dias Project Rebalance in Charts

Understanding the Project

Fernão Dias is a 15-year federal concession rebalance, following the same method of recent auctions MSVias and Eco101. It covers 570 km of brownfield toll roads, connecting the cities of São Paulo and Belo Horizonte, and linking key logistic hubs (e.g. Betim/MG).

The project has a total investment of R$ 9.5bn, with ~43% expected to be deployed withing the first 4 years. Key planned works include: (i) 108km of additional lanes, (ii) 14km of marginal lanes, (iii) 9km of trace correction; and (iv) other optimization works.

Changes to the previous project include: (i) updated IRR to 11.41%; (ii) 8-year term extension (now until ~2040), (iii) total investment increase to R$9.5bn (from R$4.17bn); (iv) contractual framework following new concessions.

Figure 01: *Fernão Dias* Concession

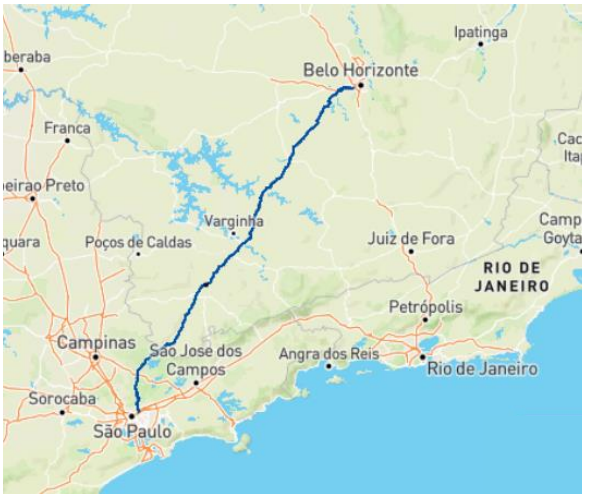
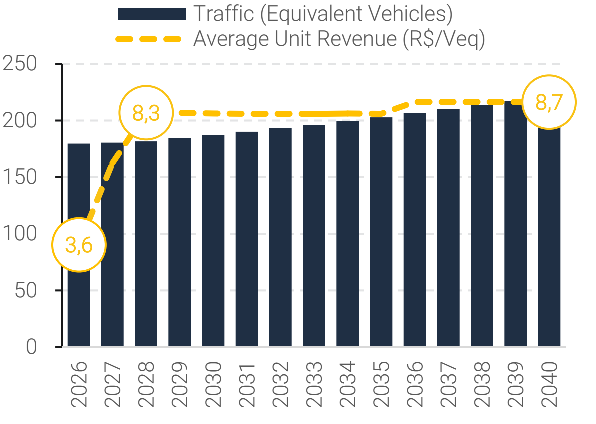


Figure 02: Traffic & Tariff Structure



Project Financials' Summary

Top-line: Government traffic estimates imply a 1.5% CAGR (~0.7x XP's GDP estimate); and (ii) tariff increases in real terms following the completion of road works.

EBITDA: Government figures imply an initial EBITDA margin of 52% at the start of the concession, rapidly increasing to ~77% by Year 2 and sustaining these levels over the long term. Total opex should reach ~R$5.4bn, broadly reflecting: (i) maintenance and general construction; and (ii) variable costs related to the concession and supervision fees (2% and 1.5% of gross revenues).

FCF profile: Given its relatively shorter concession period and capex concentration at the start of the project, cash flow outlook may exert higher leverage pressure in the short term. However, we note positive prospects which may favor rapid deleveraging: (i) strong EBITDA from day one with 8/8 toll plazas currently operative; and (ii) significant tariff increases (+40% in the 1st month and +80% in the 13th month) as major works are completed.

Figure 03: Net Revenues and EBITDA Margins

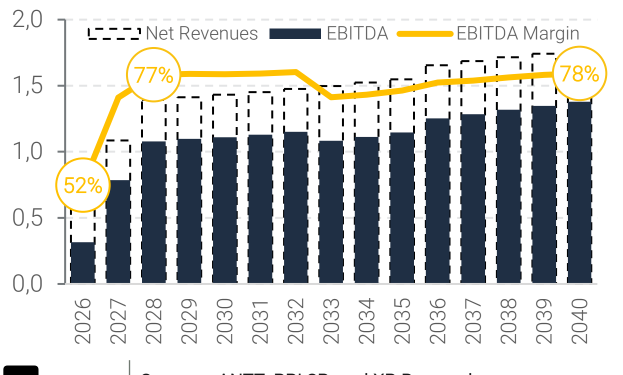
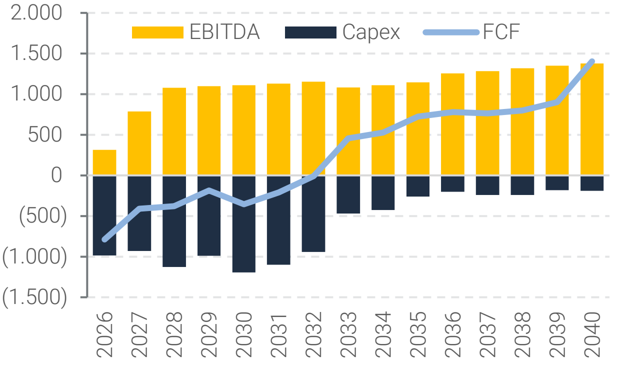


Figure 04: Cash Flow Profile



Assessing the Project’s Return Potential

Deep diving into the project's return prospects. The government model is based on an 11.41% real, unlevered IRR. In order to assess players’ expected return upon their potential bids (tariff discount and concession fee), our model uses four main variables (sources of upside/downside to bidding proposals): (i) auction bid; (ii) traffic growth; (iii) capex optimization; and (iv) opex optimization.

In Figure 05, we show a sensitivity analysis for the project’s IRR (real, unlevered) and NPV (using the government’s discount rate) under different scenarios.

Our analysis draws a sensitivity analysis on government estimates, which include: (i) 15Y traffic CAGR of 1.5% (~0.7x XP’s estimate for long-term GDP growth); (ii) total capex of R$9.5bn; (iii) total opex of R$5.4bn; and (iv) a base tariff R$3.6 per equivalent vehicle (EV).

Figure 05: IRR and NPV Sensitivity Before Leverage

		Tarrif Discount (%)											
		IRR (%)						NPV (R$mn)					
Capex / Opex Multiplier	15yr CAGR Traffic Growth (%)	0%	5%	10%	15%	20%	25%	0%	5%	10%	15%	20%	25%
120%	1.2%	4.2%	2.6%	1.0%	-0.7%	-2.5%	-4.3%	-1,273	-1,569	-1,865	-2,162	-2,617	-3,343
	1.3%	4.5%	2.9%	1.3%	-0.4%	-2.2%	-4.1%	-1,229	-1,527	-1,826	-2,124	-2,582	-3,310
	1.5%	4.8%	3.2%	1.5%	-0.1%	-1.9%	-3.8%	-1,184	-1,485	-1,786	-2,086	-2,546	-3,276
	1.6%	5.1%	3.5%	1.8%	0.2%	-1.6%	-3.6%	-1,139	-1,442	-1,745	-2,048	-2,510	-3,242
	1.8%	5.4%	3.8%	2.1%	0.5%	-1.4%	-3.3%	-1,093	-1,399	-1,704	-2,009	-2,474	-3,208
110%	1.2%	7.1%	5.3%	3.6%	1.8%	-0.2%	-2.4%	-681	-977	-1,273	-1,570	-2,025	-2,751
	1.3%	7.4%	5.6%	3.9%	2.1%	0.0%	-2.2%	-636	-935	-1,234	-1,532	-1,990	-2,718
	1.5%	7.8%	5.9%	4.2%	2.4%	0.3%	-1.9%	-592	-893	-1,194	-1,494	-1,954	-2,684
	1.6%	8.1%	6.2%	4.5%	2.7%	0.6%	-1.7%	-547	-850	-1,153	-1,456	-1,918	-2,650
	1.8%	8.4%	6.5%	4.7%	3.0%	0.9%	-1.4%	-501	-807	-1,112	-1,417	-1,882	-2,616
100%	1.2%	10.8%	8.7%	6.7%	4.8%	2.4%	-0.3%	-89	-385	-681	-978	-1,433	-2,159
	1.3%	11.1%	9.0%	7.0%	5.1%	2.6%	0.0%	-44	-343	-642	-940	-1,398	-2,126
	1.5%	11.4%	9.3%	7.3%	5.4%	2.9%	0.2%	0	-301	-601	-902	-1,362	-2,092
	1.6%	11.7%	9.7%	7.6%	5.7%	3.2%	0.5%	45	-258	-561	-864	-1,326	-2,058
	1.8%	12.0%	10.0%	7.9%	5.9%	3.5%	0.7%	91	-215	-520	-825	-1,290	-2,024
90%	1.2%	15.5%	13.1%	10.7%	8.4%	5.5%	2.2%	504	207	-89	-386	-841	-1,567
	1.3%	15.8%	13.4%	11.0%	8.7%	5.8%	2.5%	548	249	-50	-348	-806	-1,534
	1.5%	16.2%	13.7%	11.3%	9.0%	6.1%	2.7%	592	291	-9	-310	-770	-1,500
	1.6%	16.5%	14.0%	11.6%	9.4%	6.4%	3.0%	637	334	31	-272	-734	-1,466
	1.8%	16.8%	14.3%	12.0%	9.7%	6.6%	3.2%	683	378	72	-233	-698	-1,432
80%	1.2%	22.1%	19.0%	16.0%	13.3%	9.4%	5.2%	1,096	799	503	206	-249	-975
	1.3%	22.5%	19.3%	16.4%	13.6%	9.7%	5.4%	1,140	841	542	244	-214	-941
	1.5%	22.8%	19.7%	16.7%	13.9%	10.0%	5.7%	1,184	883	583	282	-178	-908
	1.6%	23.2%	20.0%	17.0%	14.2%	10.3%	5.9%	1,229	926	623	320	-142	-874
	1.8%	23.5%	20.3%	17.4%	14.5%	10.6%	6.2%	1,275	970	664	359	-105	-840

Sources: ANTT and XP Research

Can Listed Players Afford this Project?

A Well-Known Profile; Likely To Attract Competition

Low demand risks with competitive economics. We believe the project has attractive perspectives, due to: (i) low demand risk given its (a) well-known profile being an important corridor in Southeastern Brazil, and (b) important demand mitigation mechanisms (described below); and (ii) compelling economics, given its regulatory IRR of 11.41%, at the top of the recent federal auction range of 9.21%-12.33%. On the flip side, the rebalance implies a relatively high investment commitment of R$9.5bn, compared to R$4.4-10.8bn in recent auctions, and a shorter execution period.

Well-designed project structure reduces financial risk. The rebalance benefits from a positive design, including (i) mitigated top-line risk through a 98-102% demand band mechanism, with 90% of any deviations shared with the government; (ii) rapid cash flow ramp-up, favored by 8/8 toll plazas already operational, and significant tariff steps in the short term.

We expect increased appetite for the auction (…) Despite its similar structure to recent rebalances MSVias (link) and Eco101 (link), we expect Fernão Dias to attract higher competition given (i) the significantly higher relevance of the asset, and (ii) the bidding rule changes as (a) Arteris must offer a tariff discount of at least 0% to participate; (b) it does not automatically win the process if no other bid is offered; and (c) it does not have the right to match if other groups propose a discount difference higher than 5p.p. vs. its bid (unlike previous rebalance auctions, where current operators could participate in the live auction regardless of the bidding difference).

(…) especially from Motiva among listed names. We see higher potential interest from Motiva on (i) its alignment with the company's focus on premium concessions in the Southeast/South regions; (ii) its connection with one of its main assets (RioSP); and (iii) MOTV's more flexible leverage after the conclusion of the sale its airport platform (see our report). On the other hand, we would be more surprised if Ecorodovias participates in this auction, given its constrained balance sheet flexibility, due to capex commitments and elevated leverage. Furthermore, we believe the company could benefit from traffic migration, as Fernão Dias (Fernão Dias + BR-381) serves as an alternative route (from São Paulo to Belo Horizonte) to RioMinas (Dutra + RioMinas) and is expected to have a higher toll rate as tariffs increase along the concession.

Controlled leverage for listed players. We do not view leverage as a direct constraint for MOTV or ECOR, given the project's deleveraging trajectory, which should accelerate over the long term as cash flows stabilize (see Figures 06-09).

We note that the analysis below is a hypothetical simulation of the listed players' financial impacts from eventually adding this project to their portfolios. We used the government's official estimates for the project (without potential tariff discounts during the auction) and XP's official estimates for Motiva and Ecorodovias.

Figure 06: Ecorodovias' Net Debt/EBITDA

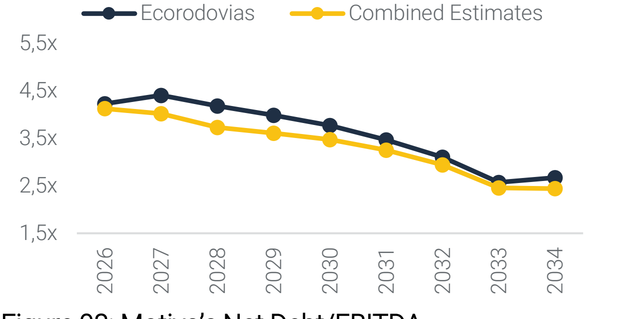


Figure 07: ECOR's (lhs) and Project FCF (rhs) – R$mn

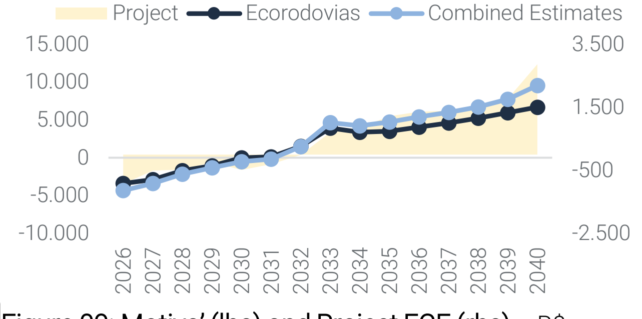


Figure 08: Motiva's Net Debt/EBITDA

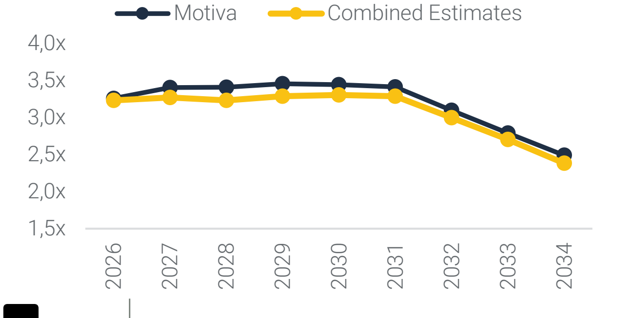
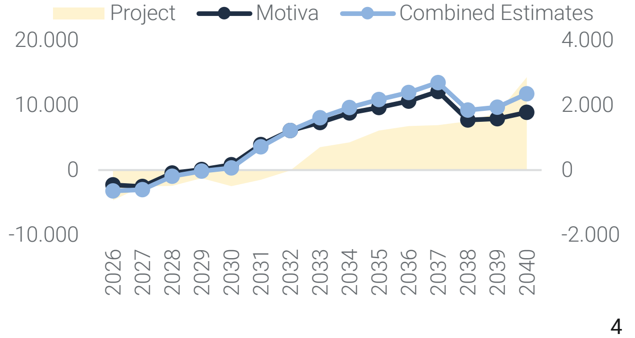


Figure 09: Motiva' (lhs) and Project FCF (rhs) – R$mn



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