9M 2018 Ferrovial SA Earnings Call

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Good afternoon, everybody and welcome to Ferrovial's conference call to discuss 2019, 9-month financial results. Just as a reminder, both the result report and the presentation are available to you in our website. If you have any questions, we will have a Q&A session at the end of this call. And with this, I will hand over to Ernesto Lopez Mozo, Ferrovial CFO, who will be leading this call.

Ernesto López Mozo – Ferrovial S.A. CFO

Thank you, Ricardo, and good afternoon, good morning, everybody. Well, starting with the highlights for the 9 months of 2018, with infrastructure assets growth has been excellent. We have said recurrently, the performance is better than what we expected in the Capital Markets Day last year, around April. Traffic has increased across the board and also revenues also are showing great performance. Double-digit EBITDA growth in the main assets, higher dividends from the 407ETR and on Heathrow, and also a strong start to the NTE3A-3B also called I-35 West.

In Construction, EBIT to sales margin is at 2.1% along our expectations for this quarter, and we expect improvement in the fourth quarter, but cost pressure is the main point of uncertainty, we'll elaborate a little bit more along the presentation.

Services in line with expectations, Amey of course impacted by the Birmingham provision, but trading in line with the margin provided ex-Birmingham of 2% EBITDA to sales.

Australia also performed in along expectations. We had the end of the immigration contracts in 2017, and we are performing in line with expectations with good cost effort.

Ferrovial Services Spain EBITDA growth of 3.5%, and this is driven by the good performance of waste treatment and industrial maintenance activities.

In cash generation activities, Services focused on getting more dividends from their projects and Services cashed in EUR87mn and also asset disposals on the strategic of EUR108mn.

Okay. So, let's start elaborating more on the different sections. And before getting into them, just highlighting their proportional EBITDA figures that most of you like to see because it reflects better the proportion of the value of the company, right.

In terms of reported EBITDA, we have EUR580mn if we take out the provision for the Birmingham contract. But if we look into the proportional numbers, we reach
EUR1.2bn, EUR1,257mn EBITDA. And here we see that the contribution of infrastructure assets is around 70%.

Okay, so this kind of growth of the EBITDA from infrastructure will keep increasing this proportion. If we move into the toll roads division, if we were to summarise what's going on, we can call it they’re speeding up, as the slide says, we have double-digit EBITDA in growth, around 50% of the EBITDA comes from the U.S. assets, looking at the consolidated numbers. And we have higher dividends from all these toll roads EUR213mn, EUR202mn were from 407ETR, that is close to 9% growth in Canadian dollar terms, and then the rest contributed EUR11mn. Of course, we don't have yet, dividends from the Managed Lanes in Texas, that will start next year. Also, I would like to highlight the opening of the NTE 35 West Managed Lane with performance above expectations, probably the best number to provide is the EUR13mn contribution from an asset that started in July this year. And when you look into the different graphs, the growth in terms of revenue on EBITDA on like-for-like terms is around 16%.

Okay, we'll move on to the 407ETR to look at it more in depth. There is solid performance compared to last year, even though the weather conditions were much worse, and during this quarter, we saw quite some heavy rains compared to the past year and if we were to quantify this effect, it would have been around 0.5% in traffic for the quarter. Okay, so why is this asset performing so well? You see that traffic is growing, close to 2%, revenues are close to 10%, EBITDA higher. Well, we have a strong economic growth in the area with GDP of the area growing at 2.3%, population also growing close to 2%, personal disposable income is growing above 5%, and inflation is also high compared to the European terms of 2.7%. If we add to this, the fact that a lot of growth in terms of residential and business is happening close to the 407, that gives you an idea of the support for growth that the asset has. This translates into dividends and not only looking at this year compared to 2017. If we look into 2-year period, we see that it is growing above 8% in CAGR. So, the performance is impressive as we know.

Very important if we move to the next slide is that the performance is based on a great service and a great service compared to alternatives, right. So, here we reproduce some of the highlights of the different customer satisfaction polls, and you can see that if you take into account the favourable answers vis-à-vis the competition. ETR being a lot better or somewhat better and you get responses that in terms of being faster to drive, I mean, you have a 98% favourable response; reliable 90%; well-maintained 81%; or safer 78%. So, this is a good value for money, for our clients and is supporting a growth in the near future.

Moving into the Managed Lanes, we have the consolidated numbers here for NTE and LBJ, and revenues NTE growing at 21%, LBJ a little bit faster 24.7%. EBITDA 23.8% and 27%, well, and you traffic also growing. And look at the evolution in the past years. I mean, we really haven't seen this kind of initial performance on any road in the past
and the area keeps growing. So good margin improvement with all the operating leverage that these assets show.

And if we move to the next slide, slide 9, we can see also the support of the growth in the area, helping to perform on this outstanding manner. Employment is growing at 3.5%, population 1.6% and real GDP close to 4% and household income is growing at 5.6%. So, this indicator shows the strength in the area and growth in population and employment will support the growth going forward.

Let's move to next slide where we see, give a little bit more colour on the NTE 35 West, and also, we have a map of the area, that shows a little bit what lies ahead. Well, the NTE 35 West opened 3 months ahead of schedule, and the performance probably has to do with drivers knowing the roads and the area. And also, the fact that there's more connectivity as you can see in the map. Being more specific about the area of the NTE3B-3A, you see it's growing fast with the Alliance area growing fast. And we've been experiencing higher capture rates and faster traffic recovery in this area compared to the others, NTE 1-2 and LBJ. In fact, NTE3B, that was opened first more than tripled since opening 1 year ago.

Very important to mention the different connections, right. So, the NTE3B-3A will have more connections in the south, Downtown and I30 that should continue to support getting more growth. Also, probably the NTE 1-2 is improving because of more feeding from the NTE3A-3B. So, in the map, I mean, I won't extend myself, I'll leave that for your producer, I mean, you have the different roads like the SH 183 or further improvements that could happen in the future in the I-635 that could make better flow, more connection and don't have the construction works that could divert traffic at this point in time. So, the more connection we get, the more traffic we should be getting. At the bottom of the page, you can also see different logos from companies that have relevant logistic development in the area. Okay so this all bodes well for the future growth of the assets.

Moving into Airports, you saw the Heathrow release, I mean, last week, and you can see that in terms of revenues, the traffic was strong but the main driver of revenue growth was retail income with different initiatives to promote that. In terms of aeronautical revenue, it could have been higher, but there’s some yield dilution due to incentives for quieter planes, but please remember that these kinds of incentives are recovered 2 years down the road. Adjusted EBITDA is also growing nicely close to 2% and dividends at GBP341mn for the whole of Heathrow, also healthy and along expectations. In terms of the regulated asset base, the high inflation that we are seeing increases the regulated asset base and this is also a natural deleverage for our participation there and definitely it brings higher equity value.

So, I mean, growth has been widespread, as you see in the map, showing the appetite to connect through Heathrow, to fly through Heathrow, so, looking forward to all the expansion work and efforts that the company is doing. If we move into AGS (Aberdeen,
Glasgow and Southampton), here we have a very strong EBITDA performance on the back of, also initiatives on retail income and also cost efforts because traffic has been affected by adverse weather conditions in winter that forced some closures in the airports. And also, there's been some lower traffic from some local airlines that are re-addressing their schedules. Okay, so EBITDA has grown healthily this year and also in the past, so it's a good history of success for these assets.

Okay, let's move now from the infrastructure assets into the contracting area, starting with construction. And here we see, as I mentioned in the beginning, that the EBIT to sales is at 2.1% at this point in time. Probably the main driver of the performance is increased cost pressure, especially in Poland, that you could see yesterday, and we expect it to remain under pressure both in labour costs and material. Also, in the remainder of international contracts, we also took some provisions for expected higher costs in the future, right. So that's the reason why, even though we have reverted some provisions, the margin is not higher because we have also provided for expected higher costs in some contracts, right. The fact that we've taken this initiative also helps to get a fourth quarter that could have higher margins. In remainder also that in terms of order book, we are growing well, we still have some works to come into the backlog. And recently, after the results closed in October, we had the financial close of the Colombian toll road Bucaramanga-Barrancabermeja-Yondó, and that this should also help to get more backlog in the future, not included in these numbers.

If we move into the Services, but before getting into Services, the summary of the outlook for the fourth quarter is that margin should improve. Probably, we won't get to the 3% because of these cost pressures, but we are expecting an improvement because we've taken care of some provisions for the future in some contracts.

In terms of Services on the next slide, which is Page 13, we see that we are performing in line with expectations. And I would like to start with Spain, that is growing well and this, as I said in the beginning, is helped by more treatment of waste and also industrial maintenance activities, it's keeping a margin quite high and has contributed to cash generation. As I said before, with some dividends from some of its projects. I mean, Services in Spain has some infrastructure maintenance projects and they have provided healthy dividends.

In terms of the U.K., ex-Birmingham, we have the margin of 2% and this also is looking probably for a better performance in the final quarter helped by the incorporation of business with Carillion that was previously in joint ventures. I mean, and the... in September, we had the incorporation of some defence maintenance contracts with them, with Carillion, they added some EBITDA this quarter around EUR9mn, and we expect them to keep contributing in the last quarter.

On the other hand, we had some cost pressure from Milton Keynes. I mean, the plant just started operating, but it has had some stop-and-go situations. And with the stoppage, we have to basically, redirect tons to landfills and that costs us, right. So that
has cost us something like GBP7mn in the quarter. And now the plant is operating, and we expect with a more solid maintenance team to be able to operate more smoothly. And also, we have some contracts where it's taking longer to get out. But as I said, in line with expectations and expecting to improve in the last quarter of the year.

Regarding Australia, we have the end of the last year of the RPC immigration contract, and therefore, we have less profitability this year because we don't have that contract anymore, but we are trading along expectations in terms of margins with improvement in overheads. In terms of revenues, it’s a little bit lower, it’s not that the pipeline is not there, it's a little bit delayed. We remain with expectations for the backlog and to capture revenues for growth in the future. Okay, so of course, for any newcomer to the story, we have in the results of the Services division the provision for the Birmingham contract we took this year of EUR236mn.

Okay, if we move into the net cash evolution ex-infrastructure projects, just please remember that the infrastructure debt has...the infrastructure debt itself has now recourse to shareholders, and therefore, we concentrate on the evolution of net cash or net debt at the ex-infrastructure projects level.

Okay, so when we look at the graph on Page 14, we start with the net cash position at the end of December 17, and we can see the contribution of dividends from projects 407, airports and from the Services projects, I mentioned on the previous page. Of course, then we have the working capital evolution that was kind of expected by us, you see the figure close to EUR600mn, and it’s due to the advance payments last year in Poland that basically affected this year’s performance. Also, in the U.K., there has been a reduction on the days of payment to suppliers by Amey, and we also have some works both in Poland and in the U.K. Services that get collected more at the end of the year, right.

So, this evolution was kind of expected, and we should see some reversal of this at the end of the year. And then what we can see is that divestments almost cover for investments, and we have dedicated EUR302mn to shareholder remuneration along this time. Please bear in mind that also today, the board approved the details for the second scrip dividend that will take place along November, all the trade-in of rights and the final payment of cash to the shareholders that decide to take the cash. This will happen along November, you will have all the details on the web, and basically it is as announced at the General Shareholders Meeting, no news there.

In terms of debt, we move to the next slide. I think it's worth just to focus on the sensitivity to higher interest rate risk that is something that many of you bring up in different meetings. And well, you can see on the slide that basically we have our debt substantially in fixed terms, and therefore, we have only in floating, our cash, right. So, when rates go up, we tend to do better. Actually, part of the group financial performance in terms of expenses is the higher remuneration of our U.S. dollar cash position that is helping results this quarter. When we look into the sensitivities on Page
15, as I was mentioning, you see that an increase of 100 basis points on interest rates. On the debt, it would be something like EUR7mn higher financial expenses, but financial income would also be higher by EUR50mn. So, we would get EUR43mn of net result and net cash if rates were to go up. Of course, this is a constant debate in the market.

Okay. So, before getting into the concluding remarks, you will probably also see a press release with some changes in the management committee. Enrique Díaz-Rato, the CEO of Cintra, is leaving the company as expected. Basically, he reached his date that he was discussed with the company for retirement long, long time ago. And well, I would like to thank him from... for, really, all the value creation that he has helped to contribute the company, just remember all the improvements on the 407, customer segmentation, customer satisfaction, all the growth operationally, and financially, the Managed Lanes, the way he could manage to get these assets on, and also all the innovation around them in terms of pricing and all the sophistication regarding that, right. So, thanks for all, all the best for your new ventures, Enrique, and he will be substituted as was long planned by the company by Alejandro de la Joya that was the current CEO of the Construction division. So, this goes according to the plans of the company. And then also keeps going with the strategy that we have in plan of more capital allocation to infrastructures. So, no change in the strategy and welcome, Alejandro, in the new role long-term plan.

Substituting Alejandro will be Ignacio Gastón that is the current successful CEO of the Services division in Spain, also a Civil Engineer, that basically was in the Construction division a long time ago, before getting into Services. Both Alejandro and Ignacio have been for a long period of time with the company, and we wish them well in their new, in their new positions. Okay, so everything is normal as expected. I just wanted to share that with you rather than you reading the press release.

Okay. So, if we move into the conclusions for the results. I mean the summary is quite easy. The strong performance from the infrastructure assets, performing better than what we expected, even in a more optimistic scenarios. Growing dividends that we were expecting, probably accelerating a little bit. The third runway is very important for Heathrow and the U.K. and looking forward to delivering that. And the full opening of the NTE 35 West that is also a corroboration that these assets are really something that customers like and deliver an important service in the region. And looking forward to reducing risks in contracting with more capital allocation on infra mainly in the U.S. And of course, we cannot forget that we’re looking forward to more dividends from infrastructure in NTE and LBJ in the coming years.

Okay, so thank you for all your attention, maybe took a little bit longer. We open now the floor for Q&A.
QUESTION & ANSWERS

Q: Vittorio Carelli, Grupo Santander, Research Division - Equity Analyst

The first one is related to the possible sale of the Service unit. The question is, which is the ideal perimeter according to management that could be on sale? And which is the rationale behind the change of the strategic view about the Service unit? The second question is related to the timing in tariff reset at Heathrow, if you can guide us through the recent developments? And what to expect in terms of returns on tariff, if you have an idea? And the last one is related to the EUR600mn of working capital consumption. How much of this is related to construction, and how much of this is related to Services and what to expect by the end of the year?

A: Ernesto López Mozo, Ferrovial, S.A. - CFO

Okay. Vittorio, thanks for the questions. Well, as we said in the communication to the market regarding Services, we said we are analysing potential sale of the whole or part or maybe not even a sale of the division. I mean, our plans really are for an improvement of the Services performance that could be quite substantial in the coming years, and therefore, there's no decision yet, right. As I said the strategic rationale is, we focus more on the infrastructure investment now, where we think we have some good competitive advantages, and the reason for focusing on infrastructure is clear, we create a lot of value there. Regarding Services, there's no final decision, right. So, the only thing I can comment is what's mentioned in that communication, right. Regarding Heathrow, you were asking probably about regulation coming forward, the kind of tariffs. I didn't get the question right. So probably, if you could redo that again, the question on tariffs on Heathrow.

And I will take the next one in terms of working capital consumption. I mean, we just really don't break this down, but it's fairly split between Services and Construction. In Construction, the main driver being Budimex, in Services the main driver being Amey, right. As I said, both of them tend to have an improvement at the end of the year in Services because some of the milestones, in particular in consulting works, happen more at the end... and rail... sorry, it happens more at the end of the year, and in Construction, in Budimex, usually you have also more collections in advance payments at the end of the year. So, if... I mean, without getting exactly into the number, the degree... I mean, the scale is very similar in both, right. So, if you could, Vittorio, say again the question on Heathrow, I couldn't get it correctly.
Q: Vittorio Carelli, Grupo Santander, Research Division - Equity Analyst

Yes. Very simply, it’s if you can give us an idea what to expect about new tariff reset for the next regulatory period according to your latest conversation with the regulator. And if you can give us an idea of what could be the return on investment, so the wacc?

A: Ernesto López Mozo, Ferrovial, S.A. – CFO

No. I mean, basically, the...there's going to be exchange of information in... with the regulator and their advisors in the coming months. There will be ranges, there will be discussions, there could also be commercial discussions with airlines, so it is too early to discuss this. As I said, there will be information on ranges, but final numbers on this probably will come second half of 2019. So, there is still some way to go.

And well, before the next question, if I may, we got a question through the web. It's a clarification on EBIT margins. What the guidance we provided was for the full year, right. So, when we say we are likely to stay better than 2.1%, but short than 3% probably is for the whole year, right, not for the specific quarter, just that clarification.

Q: Guillermo Fernández-Gao Sánchez de Nieva, Kepler Cheuvreux, Research Division - Equity Research Analyst

It's Guillermo from Kepler. I have 3 questions. First one would be regarding the divestment process of the 7% stake in the ETR by one of your partners, SNC-Lavalin. I would like to understand if Ferrovial has some kind of preferential rights, given you're the major shareholder there. And what would be your intention there if you could consider investing in and getting hold of this 7% stake. Second one would be regarding the working capital. I know you already answer to Vittorio. But last year, you recovered more than EUR600mn in Q4. And my question would be, if we could expect something similar to that in 2019? And probably the last one is regarding the margins, both as Construction and Services. Monitoring the Q4, my question would be if you consider sustainable... the level of margins you're going to close this year looking into 2019?

A: Ernesto López Mozo, Ferrovial, S.A. – CFO

Thanks, Guillermo. Okay, regarding the divestment process of SNC-Lavalin. I mean, I cannot comment on the shareholders agreement, it’s confidential, therefore, I cannot give you any information on that regard. Regarding the working capital recovery, last year we had the benefit of some financial closings that provided good advance payments for the Construction division, and we don't have these sorts of financial closings. So, it's going to be difficult to reach this level of last year recovery. Okay, and then the third one regarding margins in Construction and Services. I mean, I mentioned in the past conference call that we didn't expect improvements for next year in Construction. But it's early, we will be working on the budget in the coming
weeks and probably the time to update our view here is on the conference call with the year-end results.

Operator: Next question today comes from Stephanie D’Ath from RBC.

Operator: Next question today comes from Olivia Peters from Macquarie.

Q: Olivia Peters, Macquarie Research - Analyst

(technical difficulty)

A: Ernesto López Mozo, Ferrovial, S.A. – CFO

Olivia sorry to interrupt, I mean, we are getting nothing. I don't know if you could get close to the microphone, do something regarding that.

Q: Olivia Rosalind Peters, Macquarie Research - Analyst

Is that better?

A: Ernesto López Mozo, Ferrovial, S.A. - CFO

Much better, thanks.

Q: Olivia Rosalind Peters, Macquarie Research - Analyst

Okay. Sorry. Okay, so my first question is on the 407. And I was just wondering, and I don't need you to be specific, if there have been any changes to the shareholder agreement. And also, what makes you think that this... of a disposal this time around will be more successful than obviously the last attempt back in 2015? And that's my first question. And my second question is on the construction, the consensus in terms of the EBIT. Obviously, you're saying you're not going to get to the 3% margin target for full year, which you had kind of guided to at the first half in any case. But it seems like the consensus is expecting a further margin improvement in 2019. And I'm wondering how confident you are that you can get there in next year given the cost pressures you're under.
A: Ernesto López Mozo, Ferrovial, S.A. - CFO

Well, thanks, Olivia. Well, regarding the 407 process I cannot comment. I mean, it will depend on SNC’s willingness and how they design the process, if they decide to carry it out, right. So, I cannot comment on that. It’s a question for them. Regarding the Construction EBIT to sales, as I mentioned in the past conference call and today, I don’t see really improvement for next year at this point in time. I would like to take the benefit of analysing a little more the budget and update at the year-end conference call but at the moment, I don’t see improvement.

Q: Olivia Rosalind Peters, Macquarie Research - Analyst

Can I just follow up with one more question? Just on... if you did sell all or part of your Services business, in terms of the capital allocation, you’ve obviously said that you wish to deploy that into infrastructure assets. On that basis, you very helpfully listed out all infrastructure projects that you’re bidding on in the U.S. Are there any where we can expect the decision fairly imminently on those tenders?

A: Ernesto López Mozo, Ferrovial, S.A. - CFO

No. I mean, probably the first tenders we'll be looking at for the second half of 2019, maybe some smaller projects could come in the first half, but no, not imminent. Also, any potential transaction probably would be done in '19, not before year-end.

Q: Marcin Karol Wojtal, BofA Merrill Lynch

Yes. Just first a couple of just technical questions on Construction. First, can you provide us with the balance of provision reversals and in your provisions created for the 9 months? And then my understanding previously was that the improvement in Construction margin for the second half was supposed to be held by provision reversals, probably on that new Managed Lane project that you completed. Can you confirm if that is correct?

And I'm actually interested to know if there were any provision reversals on that major project already in Q3? Or you are keeping that for Q4? And maybe one more question regarding the pipeline, I mean, you’re mentioning 2 projects in the state of Maryland, 2 complex greenfield motorways. Can you confirm that those are Managed Lanes or similar to Managed Lanes? And more broadly, I mean, are you seeing more states in the U.S., potentially looking to adopt to this model? Are you seeing more of a significant pipeline of those complex projects for Ferrovial for the next 2 to 3 years?
A: Ernesto López Mozo, Ferrovial, S.A. – CFO

Okay. Thanks, Marcin. I'll take the ones regarding construction, and then I'll pass on the pipeline prospects to Paco from Cintra. Well, without giving you the specific number on the technicalities of Construction, I'll give you answers to some concepts, right. We have reverted provisions for... and the works in Poland, and also in Spain, and also have recognised some higher margin for the Construction in the U.S. So, these are the substantial numbers, but we have taken the similar amount substantial hit for expected losses due to increased costs in some international works. And this is spread into some different works, right. So, yes, we are starting to revert provisions that we were expecting. We are being prudent on the cost outlook. That also means that it's not costs that have been incurred recurrently but kind of one-offs as a result so why we expect improvement in the fourth quarter. And okay, I'll pass it on to Paco for the pipeline.

A: Francisco J. Clemente Sánchez, Cintra Infraestructuras S.A. - CFO

First of all, the pipeline in the short term, which is for the next 24 months, we have unscreened projects totalling up to 26 projects, which means roughly between EUR35bn and EUR40bn of investment. Out of that, we'll say that out of that... those 26 projects, we expect that something like between 4 and 5 will be Managed Lanes and the rest will be availability payments. In terms of geographies, 6 out of the 26 will be in the U.S.; in Europe, roughly 12; and the rest will be splitted between Australia and Latin America, mostly in Chile and Colombia. And in regards of the calendars, most of them will be in the second part of 2019 and in 2020.

A: Javier Galindo Hernandez – Ferrovial Agroman, S.A. – CFO

Sorry, I believe we have received an e-mail question concerning where margins... that is asking about the decrease compared with the first half of the third quarter in Webber. And also, his view was we have commented with for the main markets in USA and Poland, also in United States due to the high activity, we are being in part is also for increase of costs in labour and materials in several projects. It’s not so much, but it’s a small decrease compared with the previous half.

A: Ernesto López Mozo, Ferrovial, S.A. – CFO

This question was from Alejandra Pereda. And also, just to add that some of the big projects are starting production now, and we don’t recognise margin in the beginning. That’s an example with the Grand Parkway project in Houston.
Q: Luca De Risi, Milan Anima

I have 2 questions to ask. The first concerning your relationship with the rating agency and what are your next steps to support... to possible to improve your rating. Second question concerns your consideration regarding the issue of hybrid debt. Do you think at the moment you create a curve with other issues over time or it was a single event?

A: Ernesto López Mozo, Ferrovial, S.A. - CFO

We didn't get the last question. Well, the first one regarding the rating, we are at BBB stable and looking to remain that way, right. And this is the kind of level where we feel comfortable operating internationally, right. Regarding the question with issuance and tenders, could you repeat that, please?

Q: Luca De Risi, Milan Anima

Yes. I was asking if you are confident at the moment that the hybrid debt emission would be a single event? Or do you think to create a curve with other issue over time as other players have done in the past like Telefónica, like Range, like Volkswagen.

A: Ernesto López Mozo, Ferrovial, S.A. – CFO

Okay. The question was regarding hybrids. No, there's no plans for further hybrids. When the time close... comes close to the call option that would be the time to think about hybrids, not at the moment. And that call date, it's 5 years since inception if I'm correct, maybe slightly higher. And the next issue we have in hand is a regular bond maturing in 2021.

Q: Vittorio Carelli, Grupo Santander, Research Division - Equity Analyst

I messed up, apologies for the follow-up. Do we have any one-off in the accounts below EBITDA, because I saw a deviation just above EBIT, which... in the third quarter, which does not fit to forecasts. Probably in the impairment, so below D&A. And second question for obvious related to the provision of Birmingham - should we expect somehow in the future reverted provision related to the EUR230mn that we had this year? Sorry, again.

A: Ernesto López Mozo, Ferrovial, S.A. – CFO

Regarding the question below the line of divestments. So, I mean the sale of the different participations from Services, mainly, that I mentioned that brought something like EUR100mn in cash. In terms of results was something like EUR28mn in terms of impact, and also we have a small sale by Budimex of Elektromontaz Poznan that is a machine operator, it was EUR10mn impact at that level, right. So, you have that, that is kind of different from other quarters, okay?
And regarding the Birmingham provision, I guess, it was no comments for the time being and there's different talks about the parties for the future of the project, but I don't have any update that I can share with you at this point in time.

**Q: Guillermo Fernández-Gao Sánchez de Nieva, Kepler Cheuvreux, Research Division - Equity Research Analyst**

Yes, I’m sorry, as well a follow-up. This time on the margin of Amey, I checked that for the Q3 you were already up 3.2% EBITDA margin. And the guidance for the full year was from 2% to 3%. If I remember correctly, you were quite confident in the last call that you could get to the upper range of this 2% to 3% taking into account the Carillion contracts that are contributing from September. The question is, if we should still expect for you to reach these... the upper range of the EBITDA margin guidance? So, this around 3% taking into Carillion contract?

**A: Ernesto López Mozo, Ferrovial, S.A. – CFO**

Thanks, Guillermo, I don’t remember saying upper range, but I mean it doesn't matter. We expect improvements as to the Carillion contracts, and here the main driver, up and down, would be the operations if they remain smooth of Milton Keynes. As I say, when you start operating this kind of plant energy from waste, you could have different stoppages. So, if it runs smoothly it would be one margin if not the other, but we think we can deliver on this regard of range of margins.

**Q: Robert P. Crimes, Insight Investment Research LLP - Research Analyst**

Just wondering if we could have some clarification on the legal structure of the Birmingham PFI. I mean, if the losses continue in kind of a relatively worst-case scenario, are you under any legal obligation to continue to support the Birmingham PFI? Or is it kind of typical as with a PFI project where, in a worst-case scenario, you could walk away from it.

**A: Ernesto López Mozo, Ferrovial, S.A. - CFO**

Okay, this typical PFI infrastructure has different caps on the obligations. I mean, one of them is during the CapEx phase where we are still in. So that cap applies. And if we move from this CapEx phase to others, it would be a different obligation, right. But, yes, now we have a cap rather than say we can walk way, no, we have a cap on the liabilities.

**Q: Robert P. Crimes, Insight Investment Research LLP - Research Analyst**

But after the CapEx phase finishes, then there's more potential if losses continue to potentially think about walking away.
A: Ernesto López Mozo, Ferrovial, S.A. – CFO

No, after the CapEx cycle, if you sign off, you have caps that apply every year. So, every year as we said you have like, let's say, 1-year obligation every year.

Operator: We currently have no further questions, so I'll hand back to the team.

Ernesto López Mozo, Ferrovial, S.A. – CFO

Well, thank you all and looking forward to meeting you in the following days. Thank you. Bye-bye.