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FER.MC - Ferrovial SA Company's Strategic Plan 2020-2024

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PRESENTATION

Operator

Hello, everyone, and welcome to this conference call to discuss Ferrovial's strategic plan 2020-2024 which we called Horizon 24. I'm glad to present our new CEO, Mr. Ignacio Madridejos, who will be leading this call. (Operator Instructions) Please be aware that this call will be over at 1:00 p.m. in an hour's time.

With this, I hand over to Ignacio. The floor is yours.

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

Thank you, Veronia. Hello. Good afternoon, everyone. Good morning to those in the U.K. and the U.S. A pleasure to present all of you our strategic plan 2020-2024 that we have called Horizon '24. This business plan is the result of our annual strategic review, an exercise we do every year, and it is consistent with our focus on developing and operating sustainable infrastructure and the sale of our Service division that was announced at the beginning of last year.

To prepare our business plan, first, we look externally to the trends affecting our infra industry. One of these trends is related to changes in demographics. We are seeing more population living in megacities and older. For instance, by 2030, we'll have 11 new cities with more than 50 million habitants and 6.7 billion people living in megacities by 2050.

Another trend is related to new technologies. One of them, of course, is digital technologies and the boom of e-commerce. By 2030, 25% of retail sales in the U.S. will be online, and it will bring additional traffic of commercial vehicles and a very complex last mile next-day delivery. Also we are seeing new technologies, like artificial intelligence and 5G and a huge investment in autonomous cars. However, in spite of this huge investment,



according to some studies, it will take some time to see fully autonomous cars in our streets, and it will come with more traffic because of the changes in behaviors.

We also see a new way to understand mobility as a service with car sharing and car hailing, and it will happen together with more cars, more traffic and more passengers. The challenge is that we have to do all this while reducing carbon emissions, and we need a radical change to achieve the 1.5 Celsius degree goal. So it will not be business as usual.

Also climate change will bring water scarcity. More than 50% of the population will live in regions with water stress, so too much water or not enough water. All this is translating into an estimate of \$3.7 trillion per year of investment needed until year 2035. This is according to McKinsey Global Institute study. And of this, 29% is in energy and 26% is in roads. And also in that sense, the U.S. could be considered an emerging market with a huge need of investment that is considered will be \$740 billion every year until 2035.

So no doubt that we are in the right industry in which Ferrovial can contribute to society. And the way in which we can contribute is developing and operating innovative, efficient and sustainable infrastructure while creating value for our stakeholders. This is an industry that most of us at Ferrovial had dedicated our professional lives, and we feel very passionate about it. It is also an industry in which we can create value for our shareholders, as we will see in our strategic plan Horizon 24.

To create value, we have identified 4 strategic priorities: our people, sustainable growth, operational excellence and innovation. Talking about people, our most important asset, we have a very talented and passionate team that we'll protect with a safety culture and make sure they are always motivated to do their best. We also want to attract the best talent in the industry in each of the locations where we have operations.

We have a unique portfolio of infra assets, like the 407, the Managed Lanes in the U.S. or Heathrow Airport, and they are probably some of the best quality assets in the world that in the period of this business plan should bring us EUR 4 billion of infra dividends.

We also have a strong pipeline of high-quality infra projects, EUR 12 billion of equity in our core markets of the U.S., U.K., Canada, Poland, Spain, Chile, Colombia and Peru. We may look selectively into other geographies to increase the pipeline in the future, but we need to have contracting capabilities, projects with high concessional value and also the countries according to the standard that we are requesting.

Also we will explore new sustainable infra-related opportunities, like mobility or electrification. We will continue rotating mature assets to optimize capital allocation and complete the sale of our Services division. In our strategic plan, we are improving EBITDA 11% per year from 2020, the normalized EBITDA, to 2024 and reaching a 3.5% margin in the contracting division.

We also have targets to reduce our carbon footprint with an objective of 32% reduction by 2030 versus our 2009 emissions. And we're implementing a new operating model that will help us to be more agile, more innovative and more efficient with a target of EUR 50 million annual savings. Our strategic plan, as you can see, has a clear focus on shareholder return.

Now moving to each of our business units. In the case of Toll Roads, we want to grow in greenfield projects with high concessional value. A good example of these are our Managed Lanes in the U.S. We are working proactively to develop these opportunities in some of the most congested cities in the U.S., but of course, we also want to develop standard traffic risk projects and availabilities in the countries that I have mentioned before and where we have contracting capabilities. The pipeline that we have today in Toll Roads is EUR 10 billion of equity investment, and we are working to increase this pipeline, look into new geographies, as commented before, with the same criteria, but very selectively.

In the projects we are building today, we have an investment commitment of EUR 830 million in this period of time, most of it coming from the A66, but of course, we will work to increase this amount in the following years with high-return infra projects.

Also as commented previously, we have some of the best assets in the industry. The 407, the Dallas Managed Lanes, the I-77, all of them with a very long duration and with a potential to increase revenues. We are expecting EUR 3.3 billion (sic) [EUR 3.3 million] of infra dividends coming from these assets in the next 5 years.

In Airports, we have good capabilities in this business. We have operated many airports, and we are one of the companies who have built more terminals. We have also been very proactive with the portfolio, buying and selling assets, similar to other businesses. Airports is an attractive business in which we have to participate with partners and with a wider geographical scope, not only in markets where we have contracting capabilities. It is also a more and more competitive industry. And we will only invest when we can take advantage of our capabilities and get the level of returns requested by our investors.

In the case of Heathrow, it is one of the best airports in the world with a well-needed expansion project to cover the additional traffic that would keep Heathrow as the most important European hub. We will follow closely the decisions taken by the regulator because we need an adequate return to make the investment needed for this expansion.

The contracting business is giving us the capabilities to develop infra projects with high concessional value. We'll have these contracting capabilities in Spain, Poland, U.K., Canada, the U.S., Colombia, Chile and Peru, and we will exit noncore markets. We do not want to grow in the Construction business. We want profitability and capabilities to build infra projects. Our size will be between EUR 5 billion to EUR 6 billion in these core markets. Last year, it was close to EUR 5.4 billion. And we want to have between 25% to 30% of our revenue with internal projects. We'll be at EUR 6 billion revenue only if we have more internal projects. Hopefully, it's the case that we are at EUR 6 billion with 30% of internal projects, no?

Also we are working to improve our processes. An important one is related to our technical skills and the contribution from the design. We are also changing the bidding process involving operations and using more external data, and we are improving our controls to identify as soon as possible deviations to the target. With this improvement in our processes and our strategy, we expect to have a margin of 3.5% EBIT that is even below the historical profitability of local markets and internal projects in our Construction business.

We are also exploring other infra-related opportunities. In the case of mobility, it is very close to our Toll Roads business, and it gives us information about traffic and changes on customer behaviors. We have 2 main initiatives. The first one is Zity, our car sharing business in Madrid that we have together with Renault and that we want to expand to other selected European cities, starting from Paris. The second is WoNDo, our mobility platform that we want to develop together with partners.

The fight against climate change and the reduction of carbon emissions will bring an electrification of transport and buildings. We want to participate in the development of infrastructure with concessional value. Today, we have 2 projects of transmission lines in Chile, and we want to participate in more projects in Latin America where we have contracting capabilities with limited equity contribution and rotating the assets fast.

In the case of water, we have contracting capabilities, and we want to combine them with concessions in the geographies where we have these contracting capabilities. Also we have to say that there are very limited opportunities today.

Sustainability is at the core of our strategy, and we can contribute with infra solutions for a low-carbon environment. Also we need to reduce our carbon footprint. We have defined a target to reduce our emissions by 32% in year 2030 compared to the emissions in year 2009. To achieve that, we need that 50% of our fleet has 0 emissions, 100% of our energy is coming from renewable sources. And we have defined this objective that we'll reach that by 2025. And we also need a 30% improvement in energy efficiency in our buildings. These targets are science based with the technologies available today, and we are working on a plan to be carbon neutral by 2050.

We are also launching our 2022 corporate social responsibility plan that is focused on the United Nations' Sustainable Development Goals that -- especially on those that will directly contribute that are related to water, to cities and to infrastructures.

Finally, we'll continue our proactive engagement and advocacy being part of the Dow Jones Sustainability Index where we are now the leaders of the infrastructure industry, the CDP where we have an A rating, FTSE4Good and others and also continue to be part of groups like Green Growth or Heathrow Center for Excellence (sic) [Heathrow Center of Excellence] where we combine initiatives for the aviation industry.

We have defined a new operating model to be more agile, more innovative and more efficient. We want to keep the same level of accountability, entrepreneurship and innovation that we have today, but at the same time, we want to enhance transparency and collaboration while improving efficiency through utilization and automation. We are taking several measures to simplify our processes. We are creating self-service centers for

finance and human resources. And we are reviewing all nonpersonnel overhead expenses. It will help us to reduce our overhead costs by EUR 50 million per year. We expect that this year, we will see only EUR 20 million and the full amount next year. This reduction is done in parallel with the sale of our Services division, and it will help us to be leaner in a smaller but more profitable company.

To summarize, I think we are in the right industry, an industry we all feel very passionate about and an industry in which what -- we can contribute developing and operating infrastructure of high concessional value. We will do it in selected geographies where we can develop contracting capabilities and there are high-value projects. We will continue rotating mature assets. We'll see an improvement of our profitability, 11% EBITDA improvement per year from our 2020 base; a reduction of our CO2 emissions; and a new operating model that will make us more agile, efficient and innovative and always with the same passion to create shareholder value.

So thank you very much, and now I will take your questions.

QUESTIONS AND ANSWERS

Operator

The first question comes from Robert Crimes from Insight.

Robert P. Crimes - *Insight Investment Research LLP - Research Analyst*

Ignacio, which are the potential noncore parts of Construction?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Yes. Thank you for the question. As commented, what -- we have defined markets that we want to have contracting capabilities as a local company, and these markets are Spain; Poland; U.K.; Canada; the U.S., parts of the U.S. because it's a very large country, so we cannot have local capabilities everywhere in the U.S.; Chile; Colombia; and Peru. These are considered for us core markets to have contracting capabilities. We have defined them also based on the infra projects that we may have in these markets in the future to develop and where we can develop contracting capabilities at the same time, no? So that will be the focus. It does not mean that we cannot be on/off in other countries. And of course, we select if there are other interesting infra projects where we can develop opportunities -- contracting capabilities in the future. But we will focus on these core markets that I mentioned before.

Robert P. Crimes - *Insight Investment Research LLP - Research Analyst*

Any comments on the EBIT margin outlook for Construction for 2020? And what steps will you take to reach the 3.5%?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Yes. Our objective of 3.5%, of course, is -- that's something that we want to reach for the contracting business. But of course, in the short term, we have still the effect of these projects that -- large projects that we provisioned last year and will have 0 results in the following months, no? The steps that we are taking in the contracting business, first is about people. And we made changes last year in those places where we have problems and issues, and this was done at the beginning of last year.

We are also reviewing all our processes. One of the main processes that I commented before, starting from the design and technical. I think it's very relevant for our construction business. We are also reviewing all our bidding processes, looking how we can get more data, how we can involve more the operating -- operational teams that later will develop the projects, and of course, how we can get more information about the cost of



the different projects that we are bidding. And also we are also looking at the control, have early warnings of any deviations to the target that we are implementing and, of course, new reports, and also we are looking to improve the transparency in all the projects and with all information.

So people, processes and then strategy, no? I think it's very relevant that you are a local company. As commented, in those markets that we have local capabilities, like Spain or Poland or Texas, our returns have been well above this 3.5%. But we want to develop local capabilities in markets where we see that we may have infra projects with high concessional value, and we want to focus just on those places, avoiding one-offs or avoiding entering in new markets where we don't have these local capabilities and is difficult to make money. So this 3.5% is a target that we have. I think that in the past, looking at the historical information, where we have been local, we had higher margin than that. And our midterm objective is to be 3.5% EBIT margin, no?

Operator

The next question comes from Nicolas Mora from Morgan Stanley.

Nicolas J. Mora - Morgan Stanley, Research Division - Equity Analyst

Can you please provide more color on your thinking on dividend shareholder retribution? What will it be dependent upon?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

Yes. Our dividend policy is something that is defined by the Board every year, and it will continue to be the case in the future. Of course, we want to have this flexibility because it will depend on the industrial projects, infra projects with high concessional value that we may have in the future. So based on that, it will define what is the cash available to give back to the shareholders via dividend or share buyback. So we want to keep that flexibility. And of course, the main driver in the -- our decision will be related to the industrial infra projects with high concessional value that we may develop in the future.

Nicolas J. Mora - Morgan Stanley, Research Division - Equity Analyst

Can you talk about the realistic 2 to 3 years' pipeline in Toll Roads, especially in Managed Lanes in the U.S.?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

The case of Managed Lanes is something that you need to create the demand. As you know, U.S. cities are very congested, huge problem with traffic. They have not received enough federal or state funding to solve some of the infrastructure projects. I think that we bring very good solutions to traffic in most of these congested cities with our Managed Lanes, and we are working proactively to increase this pipeline, no? So we are working in most of these large cities where we have contracting capabilities and where we have -- we see opportunities. Of course, in the very short term, we see Maryland. That is one opportunity that we'll see develop during this year, beginning of next year.

In Atlanta also there are also some projects that could come ahead. And it's not only these places, but we are also working with unsolicited proposals in other cities in different states in the U.S. So as commented, when you see the EUR 10 billion of pipeline, most of it is related to Managed Lanes in the U.S. and is something that we expect that will get some traction in order to develop some of these projects in the future. It's our main focus on developing infra projects because I think it's a very good contribution to solve a problem of traffic in very congested cities. And I think that we have unique capabilities to bring these solutions and to develop these projects.

I don't want to be more specific about other projects because it is something that we are working. It's relevant commercial information that we don't want to serve. But it will be the focus on developing our pipeline in the following years, and hopefully, we are successful because we think it's a very good solution.

Operator

The next question comes from Barclays from Nabil Ahmed.

Nabil Ahmed - *Barclays Bank PLC, Research Division - Head of European Construction, Building Materials and Infrastructure Equity Research*

Also you mentioned interest in electric and water infrastructure. Were you diversifying and allocating resources to non-Toll Roads and Airports assets where you have less expertise?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Of course, the main focus for us on allocation of resources will be Toll Roads and Airports in the case of we can leverage our capabilities and get a return adequate for our shareholders, so that will be the case and our main focus. But also we have capabilities and we have developed projects both in electrification and in the water business. In the case of electrification, we see that, first, there is a huge opportunity. As commented, it's needed a radical change in order to fight against climate change, and it will bring together an electrification of transport and also cities, no, especially buildings and heating and cooling them, no? So there will be a need of transmission lines, changes in the grid system. So it will be a need of infra-related opportunities. I think that could have a high concessional value.

Today, we already are -- we have 1 transmission line in Chile. We are developing another 1 in Chile, too. It's a limited equity investment but I think will be relevant. We have, in these places, the contracting capabilities. The idea is that we rotate the assets very fast. I think that we have capabilities in certain countries. We can take advantage. So that's why we will explore further opportunities, but it does not mean that our main focus will continue being Toll Roads and Airports where we can get investments adequate -- with adequate return for us.

In the case of water, it's a little bit more difficult, I will say, more limited in terms of opportunities, I will say. We have today contracting capabilities with [Cadagua] and also in Texas. The idea is we can leverage those capabilities in order to participate in P3s. The issue is that there are very limited investments in P3s in the places where we have these contracting capabilities. But of course, as commented, with climate change, 50% of the population in water-restricted regions, well, maybe there is some opportunities to do P3 projects in water and will be explored if that's the case, and we can generate returns adequate for our investors, no? But again, as commented, main focus -- Managed Lanes U.S. will be the main focus in the future.

Operator

The next set of questions comes from Stephanie D'Ath from RBC.

Stephanie Fabienne D'Ath - *RBC Capital Markets, Research Division - Analyst*

Could you explain what is included on the figure of dividend which was mentioned in the presentation from 2020-2024? Is that the dividend for the stake Ferrovial holds in the assets? Or the total that will be paid by the infrastructure assets?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Yes. The 4 dividends -- the EUR 4 billion of dividends is the amount that we are -- estimate that we'll receive from the participation that we have in the different infra assets, no? So we are including there, of course, the 407. We're including the Managed Lanes. We're including Heathrow. So we're including our main assets. And these are the dividends that we are expecting to receive to the Ferrovial group from these infra assets that, as commented, are some of the best in the industry and, as commented also with very long-term duration. But this is what the Ferrovial would receive from these assets, no -- infra assets.

Stephanie Fabienne D'Ath - RBC Capital Markets, Research Division - Analyst

The EUR 12 billion projects in infrastructure, is that mainly Toll Roads or also Airports? And could you please update us on the Maryland process?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

The EUR 12 billion is EUR 10 billion related to Toll Roads, mainly Managed Lanes, and the other EUR 2 billion are mainly related to Airports and is the expansion in the -- in Heathrow expansion, no? So this is what we have included in the pipeline. But as commented, again, it's mainly related to U.S. Managed Lanes.

Maryland is a process that has been just announced officially at the beginning of the year. There is a request -- initial request for companies to participate in the process, I think, this next week, I think it's the 8th or the 9th of following week. With that, we'll get more information about how it's going to be -- develop the process. I think that we need to prepare our bids by the end of the year. And I think that the idea is that be defined the winner or the company that will do the project at the beginning of next year, no, with the closing of the project, no? So it's something that -- as you know, we have the I-66 in Virginia also covering Washington D.C. We have expertise in and knowledge of the area. And of course, we'll participate and involve in this project that. But again, it's a very complex project in 2 phases. But I think that we have the adequate skills to, I mean bid for this project and, hopefully, to be successful and incorporate as part of a committed investment in the future. But of course, we'll be competitive. And we'll have to wait to see what they are requesting and how is going to be exactly the process, something that we'll learn in the following days.

Stephanie Fabienne D'Ath - RBC Capital Markets, Research Division - Analyst

Please, can you update us on the Services divestment processes?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

Yes. Nothing new compared to what Ernesto commented in December when we announced that we signed the SPA for the sale of Broadpectrum. As you know, initially, we looked for interested parties in the whole Services platform with global exposure in different countries and different type of Services businesses. And as a result of that process, we learned that there is not much interest from investors in the whole platform. We sell -- we are in the process of selling and expected to close in the next 6 and 9 months Broadpectrum out of that initial process. But at the same time, during the process, we understood that there are some interest in individual countries, and that's why we are launching a process that is by country.

Fully committed to the divestment of our Service divisions. And also at the same time, what we want to do is to maximize the value for our shareholders, no, out of this division. So we are working to do it as fast as possible and, of course, with obtaining the maximum income or maximum funds for -- or equity for us from this Services division. And hopefully, it's something that we do in the short term, no?

Stephanie Fabienne D'Ath - RBC Capital Markets, Research Division - Analyst

Could you please develop how your experience in U.S. construction will be leveraged at Ferrovial? And what do you think the biggest challenge of Ferrovial is today?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

Well, I started my professional career in Ferrovial. I studied civil engineering in Spain, and my first job was in construction here in Spain with Ferrovial. And well, after that, studied MBA at Stanford and worked for McKinsey and then joined CEMEX. And in CEMEX, I have been in different countries, no? I've been in -- I mean from Mexico, Egypt, Europe and the U.S. lately, no, I have been in the last 3 years, always with the same industry, no? Our



DNA, we are talking about the same industry. And Ferrovial, some of these projects have been our customer. And -- for instance, in Grand Parkway in Houston or in Atlanta, it was one of our customers.

And I have been there operating in the U.S. in CEMEX for the last 3.5 years, no? Of course, it gives me a good understanding of the U.S. market. But at the same time, being in a global company like CEMEX also gave me knowledge and understanding of also other countries and always related to the same industry, no, developing infrastructure. In the case of also -- for CEMEX, where it's also supporting the developing buildings, no, the same type of activities, no?

So I think that at the same time, Ferrovial is a company with a very high -- talented people. I think a very good team of professionals, very good knowledge of the industry, both in construction and also in the concessional business and Airports. So we have a great team to develop all these projects and to develop the pipeline, no? So I think that with that, we think that we can deliver, no, on the goals that we have defined for the next 5 years and the business plan Horizon, no, that we are now implementing, it's all about execution, no, of the strategy and a strategy that is very clear, no?

Operator

The next question comes from Deutsche Bank from Adrien Fourcade.

Adrien Jacques Robert Fourcade - *Deutsche Bank AG, Research Division - Director & Credit Analyst*

Which credit rating do you target? And what leverage do you target?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

We'll be investment grade. I think that as a company is -- that will be something that we want to be, of course, at that level, and we want to be BBB. So I think that will be our objective as a company, and I think that we'll not have any problem to maintain that rating.

Operator

The next question comes from Marcin Wojtal from Bank of America.

Marcin Karol Wojtal - *BofA Merrill Lynch, Research Division - Analyst*

In Airports, is there any reinvestment pipeline apart from Heathrow's third runway?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

No. In the pipeline that we have for Airports is mainly related to Heathrow and the third runway. If that happens, and of course, if there are the conditions for us to get the adequate return of that investment is the only thing that we have included in the pipeline, yes.

Marcin Karol Wojtal - *BofA Merrill Lynch, Research Division - Analyst*

Considering rotation of mature assets is mentioned in the business plan, would you consider selling stakes in your Toll Roads in the U.S. and Canada?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

As commented, we rotate mature assets, no? Mature means that whenever we feel that we can reduce the risk of construction, the risk of traffic or the traffic is very stable, and also we have maximized the revenues, at that point of time, of course, it maybe has more value for a third-party or a financial investor that are requesting less profitability from those assets than our investors are requesting for us for the equity that we invest. So it may happen in the future, whenever we reach to those levels, but I don't see that in the short term. I see still a lot of upside, especially in terms of revenues from pricing and especially in terms of pricing, no, so -- traffic, sorry.

So I think that whenever we feel it's a mature asset, then, yes, we can, of course, rotate that, like we have done with any other asset, and especially with financial investors that they are open to get returns of 7%, no, even lower today, no? But not yet for the 407 or the Managed Lanes in the U.S.

Operator

The next question comes from Elodie Rall from JPMorgan.

Elodie Rall - *JP Morgan Chase & Co, Research Division - Research Analyst*

With regards to your 3.5% margin target in construction, when do you think you could achieve this level? Can we expect a meaningful improvement as soon as next year? Or do you expect a gradual improvement in 2024?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Well, you will see, I mean a very relevant improvement now in year 2020, no? Yes, only elimination of the provision normalized the situation, so we expect that will be, of course, in a positive EBIT. Not yet probably next year in the 3.5%, and it is mainly related to what I commented previously that in these jobs that we have this provision, especially I-66 and the Atlanta project, in both of them, we have 0 results because we have been provisioned a negative part. But still, which are the overhead, no, the allocation of the overhead to these projects, no? But for the rest, I think we'll see a clear improvement, a positive EBIT for the -- this year, 2020, and it will gradually improve. As long as these projects are terminated that we'll see a stabilized -- at least 3.5% as commented previously. We have been above these numbers in countries where we are local and also where we do projects internally, no?

Operator

The next question comes from Insight from Robert Crimes.

Robert P. Crimes - *Insight Investment Research LLP - Research Analyst*

Could you better define the 11% EBITDA growth per year target? Is this a consolidated EBITDA, a proportional EBITDA? And does it include new assets such as the I-66?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

It's reported EBITDA. It's from 2020 to 2024. So it's normalized after the provision that we took last year, and it's including all the assets that we have in our business plan, including, of course, the I-66, but we'll see that, yes, at the very end of the 5-year period, no?

Operator

The next question comes from Angel Pérez from Renta 4.

Angel Pérez Llamazares;Renta 4 Banco;Analyst

Could you explain what your expected allocation is for the funds obtained from the Services divestment, please?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

We -- as commented previously, no, I think that is a decision that will be taken by the Board. And of course, what we do will depend on the activity cash flow generated every year and also based on the industrial investments that we may have, especially in U.S. Managed Lanes in the future years, no? So I mean now we want to keep that flexibility. And it has been the case in the past, and we'll continue to do that in the future. And I think that we have to decide based on the -- when we get this money coming from the divestments of the Services division and, at the same time, the activity cash flow and the projects that we may have at that specific point of time. So it will be decided every year and will be decided by our Board based on those considerations.

Operator

The next question comes from Guillermo Fernández-Gao from Kepler Cheuvreux.

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

Which assets in your portfolio today can you consider mature?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Well, I think that I don't want to explicitly name assets, but I think that you can take your own conclusions, no? But those that don't have construction risk or traffic risk and do seem that we cannot increase the revenues, of course, we may consider, especially in a situation that very low interest rates and that, also we see a lot of interest for financial investors in these type of assets, no? But it's something no different to what we have done in the past. You saw the divestment of the Ausol during the last year, and we'll follow whenever we think that it has more value for a third party. But we will announce or will comment in any specific asset whenever we take the final decision about that. And I mean you can -- based on the criteria that I have defined, you can identify those, no?

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

Could you share some economics on your car sharing mobility business, capital employed or margins? Any possibilities to expand to other cities from the ones you are present now, just to understand the potential value creation?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

In the case of car sharing, as commented, no, it's Zity. We have that in Madrid. We expect to reach breakeven this year in Madrid. We're very close to that number. And next step is to launch Paris. We'll do it together with Renault, they are our partners for this. And we don't have any further decision for the time being. Of course, we need to see if we make money in Spain first in Madrid, and then how we are developed in Paris. And if we see that we can reach breakeven, we'll be cautious to develop a new city, but always, first, making sure that we're profitable and we have a good business model, no?

As commented, I think we have good information about traffic, about behavior, but it's also about operational capabilities, it's about data. And I think that with a partner together with Renault, I think that we can make money, no? And it's a business that could be profitable. Of course, if it's

not the case, like in any other team, well, we'll stop or we sell it. So it's something that we are here to make money. And if we cannot, of course, we'll stop immediately.

Operator

The next set of questions come from BPI from Bruno Silva.

Bruno Almeida Da Silva - Banco Português de Investimento, S.A., Research Division - Head of Research

On construction, what is the expected free cash flow of the unit for 2020? And can you quantify the contribution from I-66?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

That's -- I think that is very detailed. I think that when we present the results, we can comment further in more detail about the activity cash flow in the construction business for next year. Also we'll give information about how we closed last year in terms of activity and cash flow for the different business and the Construction. So based on that, you can take information about what it will be in the next year and the following years, no? But I cannot comment about that now, but we'll give more detail in February with our results.

Bruno Almeida Da Silva - Banco Português de Investimento, S.A., Research Division - Head of Research

And on the I-66, have the delays being mitigated already? What is the expected opening date at this point of the road?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

Well, I think that what we provisioned in the I-66, it was not related to the delay. It was more related to the expectations of what will be the results at the end of the project. We have plenty of time in the future. This is true that we have a lot of months that we need to do a lot of work, but at the same time, we recently got an extension of additional 6 months, no, especially for the part of the general purpose lanes. And I think that we feel comfortable, no, that we can finalize in December '22. That is the final date that we had initially, plus the 6 months that I think we have now for the general purpose lanes, no? So we don't see any issue for the time being related to the timing of opening the Managed Lanes, no?

Bruno Almeida Da Silva - Banco Português de Investimento, S.A., Research Division - Head of Research

Dividends from the Toll Roads, the EUR 3.3 billion, does that include the exceptional NTE dividend recently announced? And does it also include leverage effects eventually from I-77, 35 W and 3C?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

Well, what we are including now is our expectations of dividends from all our infra projects. So of course, if there is an initial dividend from any of the assets, of course, it will be included in this period of time. And -- but however, the NTE was in previous year, so I think that for the rest of the assets, of course, it'll happen something similar in LBJ or in any other, it will be included. NTE was something that happened in 2019, so it will not be included in this 5-years' dividends. And this is what's sort of the expectations, no, based on the information we have today. And I think that is a conservative figure, no, that we feel comfortable we can get from the assets that we have in Cintra, no?

Operator

The next question comes from Nabil Ahmed from Barclays.

Nabil Ahmed - *Barclays Bank PLC, Research Division - Head of European Construction, Building Materials and Infrastructure Equity Research*

In the best case scenario, how much of the EUR 12 billion pipeline could Ferrovial be awarded? How much could this imply in terms of equity contribution? And would you be able to fund these internally from your cash flows? Or would you need to sell assets or raise equity?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Well, I think that this EUR 12 billion is, of course, is all the work, all the jobs in which we are working today. Some of them are incipient in terms of projects that we are in conversation with the DOTs in certain places. So it's not something that probably the probability that it will happen will be lost or we don't expect that, first, all these projects that we are trying to develop, they will be real projects that they happen, and then later, it will be competitive, and being competitive, we can win them or not. So I think that we have to think that they're going to happen, and second, that we are able to win whenever it's a, competitive situation. So I cannot give you a percentage of probability that -- what will happen because I don't know. But it's not a 50% probability, I think it's lower than that. And at the same time, I mean hopefully, we are at the problem that we have too many good projects because I think that funding them, it will be not a difficult thing to do, no?

Operator

The next question comes from Patrick Creuset at Goldman Sachs.

Patrick Creuset - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Does your EBITDA target include the EBITDA from the I-66 and NTE3W extension? And is it fully incorporating the targeted construction margin improvement and EUR 50 million corporate cost saving?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Yes. We are including everything there, yes.

Patrick Creuset - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Can you please confirm that the scope of the 11% EBITDA growth target is the time horizon from end '19 to 2024?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

It's from 2020 to 2024. So we are not including -- as you know, I mean the EBITDA in year 2019 was low because of the provision. We are normalizing that in year 2020. So from the high level of EBITDA in 2020, improving 11% every year, of course, including everything, all the projects that we have today and also the savings that we're expecting, yes.

Operator

The next question comes from Stephanie D'Ath at RBC.

Stephanie Fabienne D'Ath - RBC Capital Markets, Research Division - Analyst

Could you let us know when we should hear back from the appeal to be able to increase your stake in the 407ETR?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

No idea. We don't know. I think that's something that will happen in the first half of this year, but we don't have any specific date of when we may know about it.

Operator

The next question comes from Nicolas Mora at Morgan Stanley.

Nicolas J. Mora - Morgan Stanley, Research Division - Equity Analyst

On Airports, what is your attachment to your 25% stake at Heathrow and 50% stake in AGS?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

As long as we can get attractive return to our shareholders, no? I think that -- as commented, I think, especially, both -- all of them are very good assets. I think that we are happy about and satisfied about the possibility of expansion of the airport. But if the regulation is at a level that we cannot get an adequate return for our investors, of course, if there are -- other player has more value for us, of course, we rotate the asset, as we do with other cases. But hopefully, it's not the case. Hopefully, we can get a good return. And hopefully, with a good expansion project at a very good asset, we can get the adequate return for our investors. But I mean we are open to rotate if that's the case and if we see that we cannot get adequate return, no?

Nicolas J. Mora - Morgan Stanley, Research Division - Equity Analyst

On Services, can you clarify what you wish to sell and keep? And what your ideal time frame would be on the divestment?

Ignacio Madridejos Fernández - Ferrovial, S.A. - CEO & Executive Director

We want to sell everything, no, and that's very clear as part of this strategy. And when? As fast as possible, no? I'm worried about the when and also about the how much, no? So I think that we'll try to maximize both things, no? But ideally, we would like to do as fast as possible, of course. I mean they are difficult business in terms of the number of projects, number of contracts and the number of countries, but we'll try to do it as fast as possible. But at the same time, always, trying to get the maximum return for our shareholders, no?

Operator

The next question comes from Tobias Woerner at MainFirst.

Tobias Alfred Woerner - MainFirst Bank AG, Research Division - Research Analyst

How comfortable are you about the 2 delivery schedules and budgets for the Heathrow expansion? How do you see this expansion in the context of current dividends?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

I think that probably it's something that is more for a question for Heathrow, not directly to me. Of course, I visited Heathrow and I have met with the team there, but probably something that our team at Heathrow, they have more knowledge about how comfortable we are with the budget and with the timing, no? So I think that is something that probably we'll need more information. We'll see until maybe at the end of '21, it will take some more time, no, to -- but I think as commented, I will prefer not to give some information that may not be very precise. And I think that -- of course, I have met with the team and I have heard about all the projects, but I think it's better than to give that information.

Operator

The next question comes from Antonio Rodríguez Vicens at BBVA.

Antonio Rodríguez Vicens - *BBVA Corporate and Investment Bank, Research Division - Chief Analyst*

What is the maximum equity amount you intend to commit to electrification and water?

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

It has been very limited, no? I think in water, I think there will be very few opportunities and very small. In the case of electricity or investment, last investment in 1 traditional line was, I think, EUR 100 million of equity, if I remember well. EUR 100 million, I think that number. So I think something like that. But I think we have 2 projects only, and we have to see other opportunities that are profitable, have an adequate return for us, no? But as commented, limited, and the way we want to do this is rotate them very fast, no? So whenever we finish the construction of these projects, the idea is that -- and we eliminate the construction risk, that we'll rotate them, no?

Operator

They are no further questions.

Ignacio Madridejos Fernández - *Ferrovial, S.A. - CEO & Executive Director*

Okay. Thank you very much all of you for your questions, and we have a new opportunity with the 2019 results at the end of February. Thank you very much.

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