Operator:

Good morning, and welcome to the conference call of JSL to discuss the earnings regarding the 4Q19. Today with us are Mr. Fernando Simões, CEO; and Denys Ferrez, CFO and IR Officer.

Right now, all participants are in listen-only mode. Later on we are going to start the Q&A session, when further instructions will be provided. Should any of you need assistance during the conference call, please reach the operator by pressing *0.

We would like to inform you that this conference call is being recorded, and it has simultaneous interpretation into English. Before going on, we would like to let you know that any statements made during this conference call relative to the Company's business outlook, projections, operating and financial goals are based on the beliefs and assumptions of JSL's management and rely on information currently available to the Company. Forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions because they refer to future events and, therefore, depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may affect the future results of the Company and lead to results that will materially differ from those in such forward-looking statements.

Now we will turn the call to Mr. Fernando Simões. Please, Mr. Simões, you may go on.

Fernando Simões:

Good morning, everyone. Before anything, I would like to wish you all to stay healthy and in peace. Also, I would like to thank you for your time in this moment of so much uncertainty we are going through and that we are all anxious for what is to come. I wish you all to your family members and your dear ones health and peace, and that we may go through this phase as soon as possible with everyone healthy and in peace.

And also, I would like to tell you that we continue working very hard within all our possibilities, taking turns, so that we can keep going with the operations that we perform that are fundamental for our clients and society in the smoothest way possible, contributing to the distribution of food, of the beverages and things that perhaps are seen as commodities but they are not. Paper, for instance, contributed to the packaging of food and medication to be taken to the house of people so that they have at least the basics to go through those periods.

All said, with all that, that we are going through, we cannot go without complying our legal demands, but also give you a report of our numbers and results. So we are starting with page two with the main highlights for 2019 of JSL.

So we are starting on page two showing you the results of JSL with the year of 2019. So the main highlights go. We had record consolidated net income of R$319 million in 2019. That is an increase of 68% year-on-year.

And we had the consolidated net revenue from services that was also record, reaching R$7.1 billion in 2019. That means growth of 10% year-on-year. And our EBITDA grew 32%, totaling R$2.1 billion, which means an EBITDA margin of 29.9% growth or 5 percentage points compared to the year of 2018.

With regard to our debt, we decreased our leverage to 3.6x. That means 14% below that of the year of 2018, again, within our plans, as we mentioned to you several times. Also important to highlight is the way that we were to extend our net debt profile from 3.5 years to 4.1 years with a reduction from 8.8% to 7.9% in annual debt.

About JSL Logística, we had net income of R$102 million, growth of 63% year-on-year. That shows the result of the transformation of the operating model that we have in the company in the last three, four years. Today, the Logística company is basically an asset-light company that is prepared for a new cycle of growth.

In Vamos, we have reached net income of R$141 million with growth of 22% year-on-year. Vamos is a company with huge potential for growth, keeping profitability because it is a unique business platform that meets the needs of its main customers.

In CS Brasil, we had net income of R$76 million, also growth of 26% year-on-year. This is a company that is focused, basically 65% of its revenue come from fleet management and outsourcing, long-term contracts to the public sector, most of them public and private partnership who have sanitation and energy companies.

Movida reached net income of R$228 million, growth of 42% year-on-year. EBITDA reached 45.8% margin, 10 p.p. above 2018. That again confirms its continuous operational evolution and management cap commitments. In used car sales, EBITDA margin reached 1%, with an increase of 6.8 p.p. year-on-year.

In Vamos, we had net income of R$141 million, with growth of 22% compared to the year of 2018. Vamos is a company with huge potential of growth, keeping profitability because it has a unique business platform that meets the needs of its main customers.

Movida reached net income of R$227 million, which shows growth of 42% year-on-year, with EBITDA margin of 45%, which also means growth of 10 p.p. year-on-year. That is, it is a growth of margin of almost 25%.

That is how much the EBITDA margin of Movida grew, and it is working much better in used car sales. That shows the capacity of management of the Movida team. And what is important to highlight to you is that Movida has a completely differentiated relationship with channels and clients. It depends on all segments where it operates but not dependent on a single segment. It works with companies, individuals, apps, fleet management and outsourcing. It is strongly in retail, just trying to have customers loyal and individuals, where you have a higher average ticket with a scattering of revenues. Again, we depend on several factors, but not on one single sector.

We are going now to page three, where we talk about JSL's main numbers, consolidated figures. In the upper left corner, you see net revenue of R$7.8 billion in 2019 in the provision of services, which is growth of 10% in net revenue from services.

And we had consolidated revenues of R$9.686 billion, which is growth of 20% year-on-year, comparing again the 4Q19 and 4Q18, with growth in revenues of more than 23% with net revenue including services and the sale of assets of R$2.632 billion.

Also important to highlight is that revenues from services in the 4Q19 compared to the 4Q18 grew 14%, which is above the average of last year, showing a trend of more revenues in the provision of services. And sale of assets grew by more than 50% comparing 4Q19 with 4Q18.

Still on page three, if you go to the right corner of the slide, which is the EBITDA of JSL consolidated numbers. We had EBITDA of R$2.116 billion, which shows growth of 32% over 2018; and the EBITDA margin, 29.9%, which shows significant growth against the 24.9% of 2018. When we take a look at the 4Q, once again, EBITDA shows growth of 59%.

In the 4Q19, we had EBITDA of R$611 million. That shows margin of 31.5%, and again, proves that the Company had a year of 2019 that was extremely important, but also shows that the 4Q signs to positive development for the next year.

In the bottom part of the slide, we talk about net income. We had net income in 2019 of R$319 million, growth of 68% year-on-year and 3.3% of margin over revenue. When we take a look at the 4Q19, the same applies, showing the quality of our numbers and a good trend. We had 4.6% of net income resulting in R$121 million of net income for the 4Q19.

As we can see in the financial results of 2019, when we talk about net revenue, EBITDA and net income, results started to reflect the whole transformation of operation and the change of the business model that we implemented, the whole of our team under the guidance of our Board.

We transformed the Company not only to go through the best four years, but to leave this transformation a lot stronger when the economy would pick up. That was our hope, and we were starting to have signs.

In due of everything that is going on, we have the serious responsibility of facing what is to come, but we have the comfort to say that the Company is prepared for that in a much differentiated manner.

I will now turn the call to Denys, as he will give you more details on our financials. Please, Denys.

Denys Ferrez:

Thanks, Fernando. Good morning, everyone. On the next slide, we have slide four with a summary of investments of the Group consolidated numbers. We show R$5.3 billion of gross CAPEX with R$2.7 billion and net investments of R$2.695 billion net CAPEX in the year.

It is important to mention that this number is 30% above that of 2018, and mostly directed to the growth of our businesses. The major investments were to Movida, R$1.4 billion; Vamos, R$600 million; followed by CS Brasil with R$400 million; and Logística became a lot more asset-light with only R$150 million.

All that said, I would like to go to page five, which talks about our indebtedness. The year of 2019 was a year that was quite active in terms of issuances of the group with the group issued in the market a bit more than R$5 billion with signs quite interesting. The longest, 8 years, and always trying to preserve a very comfortable liquidity vis-à-vis its business profile and indebtedness.

With that, in the end of 2019, we closed the year with R$3.8 billion in available cash, which is equivalent to 2x the short-term debt as of December, already showing the maturities that go past the year of 2026 and get up to 2030. In the end of the third, we have approximately R$400 million.

An item that is important to highlight is our comfort with regard to our covenants. If you take a look at the upper right corner, the covenants that the Company has are local covenants, we have two, net debt over added EBITDA, and we have that indicator at 1.6x. The maximum would be 3.5x, so lots of room here. This is a covenant that has the concept of maintenance that you cannot go past.

And the other is EBITDAR over net interest. We have indicated for 2019 for 6x. The minimum would be 2x. Again, quite comfortable and following the concept of maintenance.

The third covenant is related to foreign issuance. It is net debt over EBITDA. We stayed at 3.6x. The maximum would be 4.4x. Again, quite comfortable with the difference that this does has the concept of incurrence. That is, if this is passed, nothing happens, you are just subject to a basket of exceptions according to the structure of the bonds.

So again, according to all metrics, we are quite comfortable, and we have room in the space to covenants. It is important to highlight that the liquidity that we had in the end of December of R$3.8 billion was reinforced in view of the uncertainties that we have with the global scenario, everything that is going through.

As of the 12th of March until the 20th, in all the Group companies, we had an assertive energetic effort to increase our liquidity position. And that led to our cash position that bounced, and stayed at about R$4 billion in the close of last week, which is again 2.5x the maturity of our debt for the next 12 months.

Now I am going to the next slide, number six, where we show the delivery of our commitment to reduce leverage. In the bars in red, you have the amount invested net along the years. And you see that it has been growing since 2017, quite relevantly. We are showing gradual reduction of our leverage. And that has been our commitment, and we have stated that many times.

If you look at 5x net debt-to-EBITDA ratio 2018, when we were putting together the Movida platform, and compare it to 2019 after record net investments of R$2.7 billion, and so 3.6x net debt-to-EBITDA ratio with a ready organizational structure. That shows the assertiveness of the allocation of our investments, showing reduction in net debt-to-EBITDA indicator of 14% even with record investment. Again, remember, this is for future cash generation, that is expansion of our business.

With that, I would like to move on to the next slide, number seven. And here, I would like to draw your attention to 2 things. First is that the whole fleet of assets in the company, as you can see, is quite young, and that means that we have a very little need for the renewal of assets. And I think about that when we think of a contingent prospective scenario just to show you that we have a low need for renewal, and therefore, a requirement for low investment.

And to the right, you have the expanding free cash flow before investment. From 2018 to 2019, we had an evolution of almost 20%, reaching something close to R$1.5 billion before the investments in expansion, which are discretionary.

Again, and now I would like to move to slide number eight, where we talk about the profitability of each one of our businesses and the group as a whole. The highlight here is return on invested capital consolidated of 9.9%, almost 10%, which is an increase of 100 bps compared to 2018, again, shows our commitment with each one of our businesses.

Just to understand this slide, we have R$567 million, which is the contribution of each one of the Group companies. Then we deduct the financial expense that is connected to capital that is invested in the Company of R$248 million, with consolidated net income of R$319 million, an increase of 68% in year-on-year. So all businesses had important contributions, and all of them also evolved along the year.

With that, I am going to turn the call back to Fernando. Please, Fernando.

Fernando Simões:

Thank you, Denys. On page nine, we talk about the results for 2019. And here, I am going to give you a snapshot per company. JSL Logística, we had net revenue of R$2.936 billion, which is basically the same revenue that we had in 2018. And then in 2018, we had the completion of our change of operational model to logistics, and we had revenues with better margins and contracts of longer term.

With that, R$2.936 billion with EBITDA of R$515 million, a net income of R$102 million. That is the revenue is as stable as 2018, but EBITDA with growth of 26.5%; and net income 63% growth compared to 2018.

In Vamos, we had net revenue of R$999 million, an increase of 13% over net revenue from services; EBITDA of R$528 million, growth of 16%; and net income of R$142 million, growth of 21.9%. And that again shows an improvement in our EBITDA and net income for Vamos because of its scale. The more we increase volumes in the provision of services, the more we can dilute to the cost of the base of the company that is prepared to even further growth.

CS Brasil, net revenue of R$719 million, growth of 3%; EBITDA with growth of 35%; and net income 26%. That shows that our businesses that had growth that were slightly smaller had better margins of EBITDA and net income compared to revenues.

BBC, a small and complementary business with net revenues of R$40 million, and that has contributed to the development of other company businesses and the work with our main suppliers, which are truck drivers in the case of logistics.

Again, Original, a smaller business, but completely complementary to our other business, a dealership of Volkswagen. We had R$811 million of net revenue, EBITDA of R$38 million and net income R$11 million with growth of 21%.

Movida, a huge transformation in its results that shows the capacity and agility of its management to correct its path where necessary, to correct direction. Its completely differentiated management model, focused on growth, customer loyalty and not being dependent on any sector, but also working in all sectors that we have mentioned at individuals, companies, agencies and fleet management and outsourcing. Growth of net revenues was 25% and EBITDA 60%, and net income totaled R$228 million, with growth of 42.6%.

All that, when we see the last column with JSL consolidated numbers, we show that the completion of our transformation, the changes from business units into completely independent companies, the transformation of our core group model of JSL Group led to net revenue from services of R$7 billion, with growth of 10%; with EBITDA, R$2.116 billion, which is growth of 32.5% in EBITDA; and net income with growth of 68%, totaling R$319 million.

So where we had net revenue that grew by 10%, which is extremely significant for the year of 2019 compared to 2018 with several factors, our EBITDA grew 32% and net income 68%, totaling R$319 million; with our net debt-to-EBITDA indicator of 3.6x below what we had projected and that I have always told you that we had a target for the end of 2019.

Just to close, first, I would like to thank our team very much. We have been working very hard in the last three, four years to be able to get to the end of 2019 with the numbers that we are showing you. All of them developing that net revenues that is showing huge transformation in EBITDA and net income comparing 2019 to 2018.

That shows our focus, agility, simplicity that is present in all our teams in our companies, seeking for better results, revenues, longer-term contracts and sometimes having the peace of mind of leasing contracts that were not as interesting for the company to seek for better revenues. Once again, we thank you very much for your attention. We are very happy about our results of 2019.

Just before opening for Q&A, I would like to tell you a bit about what we see and what we have been doing with regards to the new coronavirus. Our company is 63 years old. Our major differential in terms of management for transformation, for execution is our people. I always say that. And it is not different right now.

We created a crisis committee that is basically focused on COVID-19. This crisis committee has some coordinated actions. The idea is to take care of our people. We have a channel of communication that is daily and constant with our teams. We're taking care of our people. And we also opened a communication channel just to answer their questions, to clear their doubts so that we are useful in any situation for our employees and family members.

Also, we asked the people over 60 years older to take their vacations, especially those that are part of the group at risk. We have encouraged home office whenever possible. Also, several administrative activities that we cannot do from home are being performed in rotation. We provided vehicles for each three employees so that they do not have to depend on public transportation, so they are at a safer transportation.

And in parallel to that, we are sparing no efforts to keep our clients' operations running. Remember that all our companies have services that are stopped. But thank God, most of our services continue to go on, in the agribusiness areas, in pulp and paper, mining, food is very strong. We cannot forget that the industries like pulp and paper contribute to the packaging of medication of food for the paper every day. Mining is no different. It is somehow inserted in our society. And food, it goes away with comments.

We have prepared contingent plans to keep the operations ongoing. If we have occurrences, we know we are going to have them, it is a matter of when and how much, so we are expecting things to happen, but we want to act fast and safely working to preserve life, and also working very much to meet our obligations before our clients, especially contributing with our results to society so that we can ensure food, fuel supply or any other products that can get to the population.

When we take a look at our financials, Denys has already mentioned that, but again, it is important to highlight. Due to our governance, we have always carried cash that I would consider in excess. But because of our governance, executive committee, we have always carried excess cash. This is very important.

And also, Denys and other CFOs were very agile, had very strong manage to report our cash even further of each one of our companies and as a group. As shareholders, we are looking at our people, the needs of our clients so that we can meet our obligations before society to do our best, even socially contributing to those that need the most and contributing to the supply of trucks and foods.

And we are also paying attention to our cost. We are being very strict right now to contribute to our results to the less affected. We know they will be affected, but we are sparing no efforts to reduce costs and to keep revenues where society needs the most.

What I am telling you is that we are doing whatever we can for us not to have activities of risk. As a counterpart, where we do have an obligation and where we know we are going to contribute to society, we are sparing no effort, and we have conducted preventative so plan that we can keep on operating.

And to close, it is what I always said. One of our major differences is our diversification of revenues, type of service segments and types of contract. Most of the group's revenues without mentioning companies is quite predictable with long-term contracts with large, serious companies that will meet their agreement, which will be fundamental for us to go through this crisis.

And as a Group, as the holding, we are paying attention to all the companies we control so that we can all lead these difficult times, if not stronger, solid as we have always been, focusing on management and on seriousness.

Thank you very much. I would like to thank you very much for joining us, and now we are going to open for your questions so that we can answer any of your points.

Lucas Marquiori, BTG Pactual:

Thanks for the call. I hope you are all good. I have two questions that I would like to hear you. First, Fernando, in your presentation, you did talk a bit about the impact of coronavirus on the logistics segment. I would like you to talk about the digital logistics segment. You talked about truck drivers. I suppose that highway cargo will have possibly the least impact because the sector is going on. But how you see the movement of logistics in commodities? We see a restriction in the transportation of passengers that you also have business with. So I would like you to comment the impact of the crisis in the different segments, which ones are more or less affected.

And in financials, if Denys could give us a bit more color. You talked about a very robust cash position, 2x the debt expected for the year. But Denys, if you could tell us if you are able to extend your debt in theory, what is the negotiation with banks and also with suppliers, OEMs, if they are extending terms in an interesting manner? These are the two questions that I have.

Fernando Simões:

Lucas, good morning, everyone. Again, health and peace, everyone. Lucas, let me talk a bit about logistics. Of course, we are going to have some impact. We always say that all the time, we do not live at fantasy island in logistics. But, inside logistics, we have several segments from the economy and several services: road logistics, distribution, storage, inbound, outbound. So you have several segments that are being affected, like the automotive industry. Everybody knows those companies that have not stopped, are going to stop.

Can you hear me okay, Lucas?

Lucas Marquiori:

Yes. I can hear you all right.

Fernando Simões:

Great. So you have the automotive industry that is basically 100% stopped. But as a counterpart, when you take a look at commodities, mining, pulp and paper, these are industries that continue in full operation. And I am happy that they are inserted in our life somehow.

Agribusiness, sugar, ethanol, soy, everything is working normal. Life is going on. People are counting on logistics, and it is operating. Food is super important. We are going through this, the production chain is going on. As I talk about, pulp and paper, it is still involved in the production chain of food and everything.

These are segments that are doing well. We are sparing no efforts together with our suppliers to take care of our people. Drivers, thank God, they are alone in their trucks. So we have been working with educational process for cleaning trucks even better, educational campaigns.

I think that there are segments that are more effective, like electronic appliances, automotive, although they say people are going to start buying. But anyway, these are industries that are a bit more affected. But mining, pulp and paper and agribusiness, they continue normally.

I do not know if this has been a snapshot that you wanted, but this is the business in which we are inserted.

Lucas Marquiori:

Okay. Fernando, just a follow-on. Good, it is very clear what you said. But to have an idea, commodity, mining, agribusiness, road transportation. How much do they represent percentage-wise in logistics?

Fernando Simões:

About 60% to 65%. If you take a look at our chart that we always show you in terms of segment, I would say, 60%. To 65%. And Lucas, what is very important is that in commodities, you have food, you have services inside the plant, outside the plant. So once again, thank God, diversification of activities and sectors to us is very important. We do not work only that, but we are being fortunate for these segments to be crucial in the base of people, the day-to-day of people.

Lucas Marquiori:

Okay. Thank you very much.

Denys Ferrez:

Lucas, as we mentioned in the beginning, we had a preventive action to have an assisted reinforcement of cash, both with new money and also the conclusion of the extension of some debt.

So today, we do not have to do anything. We closed the stage of our strategy in terms of being precautious. It was from the 12 to the 19, 20 of March, when the banking system tried to rationalize their actions, but we had already done our homework. There are some things that does need to be formalized.

But we did have the support of our partners, of our commercial bank partners. The movements with OEMs also worked, also supported by the bank system. So we are able to do our homework. And now as Fernando mentioned, we are taking care of our day-to-day and adjusting the company for its size. So in an objective manner, we did everything that we had to do.

We have more things that are being offered, that we are not even using other instruments that are being offered to us because we understand we did our homework, and we did it well to go through this period of uncertainty. But we have other things being offered to us should we need them.

Lucas Laghi, Santander:

Good morning, everyone. My question is also a follow-up of the Lucas question first. I would like to understand the impact of coronavirus. I understand that in logistics, but I would like to know in terms of the rental. If you could break down the impact in the operation for light vehicles but also for trucks, if trucks are more similar to logistics, that is if it is moving up and it has a lighter impact or not. Just want us to have an idea of how you break down the impact of coronavirus with regard to rental operations.

Fernando Simões:

Lucas, I am going to answer, you but also answering the question from the previous Lucas. When you talk about light and heavy vehicles, there is also something that we have to say.

If you get a company like Movida, Movida's team was very cautious about that because of the history and the DNA of our company. People think that our DNA is to serve clients, and it is. But all our services are independent. We work with all channels that aren't dependent of now.

So Movida has always paid attention to have cars with transportation app but not dependent on that. It always wanted to bring the young to have differentiated services, to bring cars that were not in the market, things that we have not in Brazil before. And that brought individuals to Movida. It brought companies to Movida. It brought different people. And with that, our fleet management and outsourcing had significant growth as well.

So in Movida, we have six channels of revenue. Of course, we are going to have channels that will be more or less affected. Some are not affected at all because you have very long-term contracts, others are very much affected. So you have a variation of revenues.

Of course, the sale of used cars. In the next 60 days, this is going to be very difficult, to sell used cars. We probably will have a drop in prices. But as a counterpart, with the USD price and production still as it is, the prices for new cars tend to increase. So in the midterm, if the new car prices go up, used cars will go up as well. This is very clear. The diversification of our revenues is a must and a different positioning with our clients.

In the beginning, we had a concern of reinforcing our cash, and now, we want to focus on costs, maintenance of our revenues and even think of new channels. Perhaps, people are going to do things they did not do before, and they stopped doing things they did before.

When Lucas asked about passenger transportation, and I am sorry I did not mention that, we do not have much of passenger transportation. We have about R$30 million, R$35 million in revenue a year for bus transportation. What is our companies doing? We did that. Basically, you change buses for cars. You have 40 people on a bus. Some companies doubled the number of buses and are transporting 20 passengers. If you have 20 passengers, you can take three cars, with fuel.

So there is a channel that is being born, and this is going to be interesting for Movida. We have some clients in supermarkets that we are delivering their grocers with cars. So there are several channels. We are not going to share everything that we are doing in the market, but that can bring differentiated revenues to us.

When you talk about rental in Vamos, Vamos is a completely different segment. It is not comparable to car rental. And why not? Because you have contracts that are five-year long. There are heavy assets inside the companies. And thank God, all the companies that work with them are doing well. They are demanding services, their activities are going on, and they are major companies.

And no one wants to invest CAPEX. And now we are in Vamos assessing credits of our customers. So this is a segment that, once more, everybody is going to do their math. What is their core activity? And with that, we are going to have even further demand.

Even without the market picking up, we are having a lot of demand. We are being more selective by channel and by credit, and this is how we are living things. But again, quite comfortable. And again, our Group is based on diversification of sectors, segments, and that makes a huge difference.

And just as a reminder, just sharing with you, when you get CS Brasil, you are going to see the year of 2019, public transportation is 20%. But in the year of 2020, it is 3% of revenues. 90% is the rental of fleet to large public/private companies. And I say this is a Vamos/Movida or Movida/Vamos because you are talking about long-term contracts with light vehicles and trucks, predictability of revenues of 100%. We need more and more cars in social areas, in health, in inspection agencies.

With that, once again, we confirm our resilience. And again, remember that more than 70% of our revenue comes from fixed, long-term leasing contracts. And I am sorry, I am using your questions just to give you a more overall snapshot of the company as a whole.

Lucas Laghi:

Thank you very much, Fernando. Thank you, and let us hope we are all doing fine in the comings months.

Victor Mizusaki, Bradesco BBI:

Good morning. Congratulations on your results. I have two questions. The first is given the current scenario. You talked about expectation of even an acceleration of demand for the rental of light and heavy vehicles. I would like you to give us a bit of a breakdown about your CAPEX plan for 2020.

The second question is also related to rental, CS Brasil. We know that the health segment has a major concern today. If that segment could create a higher demand for CS Brasil.

Fernando Simões:

Good morning, Victor. What have we done in the Company as a whole? Basically, it is CAPEX zero. This is our focus. And why is that? Because there is something very important. We have a new fleet. We have closed contracts. Movida has the BBI cars for turnover, so it has brand-new cars that its held for fleet management and outsourcing.

So together with the OEMs, respecting the relationship that we have with OEM, holding hands because they cannot stop their plans. We have not broken contracts with anyone because it is when times are tough that you build relationships, not when everything is good. We are careful, but we are holding our CAPEX.

So our CAPEX for Vamos, Vamos knows the market, it has a lung for procurement that is making a difference because it is ready to deliver trucks. So we are quite comfortable, and we are only going to have CAPEX if we have contracts that are signed.

This is what we are doing, with healthy credits and in segments in which we believe. It is not only credit, but where the segment is demanding.

I have a client that wanted to do business with us. The credit was good, but we did not know about the sector. So this is what we have been doing, and we are quite happy, because this is time that we sit down and control the Company. Our focus was to grow, but now it is to manage costs and keep revenues and et cetera.

And when you talk about CS Brasil, what I really think is that the public sector, more than ever, will have to improve the quality of its services in health and everything. Sometimes I joke around, Vamos rented a large amount of ambulances to a private sector, and now you have the public sector revisiting its members.

And we believe that in the future, not only for 2020, a lot of governments are contacting us. We only signed contracts through public bids. Not even if the law allows us, we are not going to sign emergency contract. We have to follow all due processes for a legal public bid. And I think this is going to be a trend for the future in health, public security and social demand.

I do not know if I answered, but that is it.

Victor Mizusaki:

Yes, sure. Thank you, Fernando. Just so if you allow me a last question, when you take a look at the dilution of your ROIC in terms of logistics, one of the points that you always talk about is to have a lighter logistics and the role of independent truck drivers. But recently, because of coronavirus, we started to see truck drivers complaining about the lack of support that they have on the roads, trying to refer to a risk of strike. Do you believe this is a real risk or not?

Fernando Simões:

Two things. When you talk about commodities, when you talk about pulp and paper and mining, we have our own operations 24/7, our own drivers, changing turnover. We have back up of people at home. So we are taking all care that we need in terms of hygiene education and et cetera.

Logistics is truly asset-light. We are very comfortable with it. And traditionally, we have more than 80,000 truck drivers in our file, 9,000 that are recurrent. We pay them through a card of ours. We pay them in advance for services, 60% to 70% of the freight costs. We finance trucks to them. We are close to our truck drivers. We are close to our providers.

We are working with them in different segments. Just for you to have an idea, we are offering minimum conditions for them. If they do not have work, we are going to give them the minimum, a basic food basket. And if they need more, we are going to be there for them.

And since yesterday, all the truck drivers that work with us have a voucher for meals for 14 days, our independent workers. Actions like those make truck drivers see us differently.

As a reminder, my father was a truck driver. We know their needs. We believe that we can help them. I have not experienced that, but we have a very different relationship with them. I have visited some of them, some of our operations, and things are under control.

And more than that, no one knows what's going to happen in the next 15 days. We have been trying to do things, to give them comfort, to show that it pays off to work for us. And with that, we believe that we are going to be working with all factors.

Of course, there are comments that the roads are going to close, and they are going to stop. But remember, in Vamos, our dealerships are working to have all the support that we can, and we are open to serve the population.

So I think that truck drivers will continue to work if they have their minimum needs met and there is no panic in terms of the pandemic. We have to be honest, our families are concerned of us working. But if the families of truck drivers understand that they have the support, they will go on. But if the pandemic goes on and they have no support on the road, then perhaps the families are going to be stronger to call them home.

I do not believe this. I do not see that in our operations, but this is a comment that I think I have to make. This is a scenario that we have to analyze in the next days, and we are trying in our Company to try to minimize that, not only because of our corporate responsibility, but because of our social responsibility as well.

Victor Mizusaki:

Great. Thank you very much.

Leandro Piva, Condo Insider:

Good morning. With the USD exchange rate higher, lower fuel prices and global/local recession, what are the effects that we should expect in the short-term? What segments could be more affected or could profit more? And what would be the worst-case scenario in terms of leverage? And could you extend your debt?

Fernando Simões:

Leandro, Denys is here. He is going to talk about the debt soon. I am just going to make a comment, being quite honest and being quite humble. The exchange rate high and fuel low, and the experience that we are going through, I would say the predictability of the market in the future, I do not know. What I can tell you is that our Group is positioned in several segments, in several sectors. With that, we have all he facilities and resilience of our revenue.

And as a reminder, and I think this is very interesting. We went through 2013 with interest rates skyrocketing, the economy collapsing. We built Movida. We transformed Vamos. And we sat down, and we did our management, and we left, as you can see, in

2019, in an extremely differentiated position. This is thanks to the capability of our management.

So what I can tell you is the following: we pay attention to what's going on. We are building a relationship with our customers that is going to be important for the future, and we are very confident and comfortable that we are going to finish this process in a differentiated manner.

As leverage, Denys can tell you, but the best way to build leverage is not taking care of your debt. It is adjusting cost of the Company and take care of your revenues for you to have the same proportion, and this is what the Company is doing 24 hours a day, sitting on the cockpit, flying the plane.

Denys Ferrez:

Leandro, I thank you for the question because it gives me the opportunity to explain some things that sometimes are not so transparent for people in the course of our day to day and development of the Group.

I've been trying to emphasize that our leverage 3.6x in the end of the year was discretionary. That means we made a decision to invest in expansion. This is a decision of the company, and all the investment expansion is not something that you enjoy in the current year.

That is why I mentioned that we had a 14% drop in leverage at the end of 2018 to the end of 2019, even in a year in which net investment was R$2.7 billion. And when you take a look at the breakdown of this gross CAPEX of R$5 billion minus the sale of assets, was not a replacement of assets, but basically the expansion of business. So I think this is very important.

And why that? Because I always mentioned, and based on all the current operations that we have and the profile of our assets, the need of maintenance CAPEX for you to keep the Company the size it is today is very little.

On the other hand, we had a generation of free cash before expansion that does not contemplate all the benefits of investments made to foreign expansion. And we grew almost 20% year-on-year, 2019 and 2018, reaching R$1.5 billion before interest and investments that would be fundamentally of expansion.

All that said, it shows you the importance of how we can manage our leverage and even reduce it. Being quite transparent, there are all kinds of scenarios. I think the group is prepared because it works with each one of the companies and did it homework in terms of liquidity. That makes us comfortable at least in the base scenario, but there is always a worst-case scenario.

So today, we have a base scenario that we are monitoring, and we see it deviating up and down. I think that we always have the means to continue extending debt, gaining maturity. And why is that? Because all our businesses have an economic ground.

The society is going through a period of a deterioration in economic activity. But the economic fundamentals of our business, each one of them, remain based on the solidity and essentiality of our services. And that is why I believe what I am saying.

And again, 3.6x with an investment of R$2.7 billion. These are assets that in normal temperature and pressure conditions are net assets, and that will survive the recession, and now we are going through an increase of a deceleration of economic activity because of measures that are important.

But if you believe in the whole, the businesses that we have are inserted in the context, and we have done our homework to go through the recurrences.

I do not know if I answered your question, Leandro.

Leandro Piva:

Yes. Very clear. Thank you very much.

Operator:

Since there are no further questions, I would like to turn the call back to Fernando Simões for his final considerations. Please, Mr. Simões, you may go on.

Fernando Simões:

Once again, I would like to thank you. And just to close, I would like to give you a brief snapshot and make a comment that I always make. This is our 1Q, and even with some channels suffering more or less, we should have a good quarter. We are doing well, even with the last 15 or 20 days of March that were a bit worse, but it should be a good quarter.

And I would like to highlight exactly what I mentioned in the beginning of the call. The transformation of business units into dependent business in a focused manner helped us to go through this period of 4 years. And now we came out in a differentiated manner, enabling us to grow and develop. This was the objective of the transportation. And thank God, we did the right thing, and now we are prepared with our companies separated, with focus, management, lots of focus, lots of confidence, prepared to go through the time in a differentiated manner.

I would like to share something with you and remember what we went through from 2013 to 2018. We are seeing what is going in economy today. There were sectors of ours, like the automotive, that had a drop of 70%. The automotive industry fell by 40%. We transform logistics into asset-light in this period without having problems with our customers. Everything was built with difficult credit. We built Movida. We had the transformation of Vamos. All that in the last four or five.

Of course, that is not a reference for the next steps because we do not know what is to come, but what I can tell you is that our team is focused. Our CAPEX in terms of structure of assets is already finished to generate revenues. Our assets are very liquid. It is important to tell you, we have a new fleet in everything that we operate, and that is a major difference.

This is part of our day-to-day. If the market is bad, liquidity of used cars will come back before brand news. With the exchange rate, we know that new assets will go up because it historically has always been like this, both in heavy and light vehicles.

So I can assure you that we have the humbleness and the awareness of what is going through, which is completely different from everything we have seen before. But we have the energy and focus to make any daily corrections to live the following day that we do not know what will be.

I am sure we are going to go through this moment, if not stronger, at least solid as always, with much care about our costs and management. This is what we are doing. We are confident. Our IR team is always available for you from our companies for you to know the direction we are taking.

And once again, on behalf of our team, we would like to thank you very much for your attention. About 250 people attending. Thank you. If you want to contact us at any time, thank you very much. And we wish you all health, peace, and I hope to have another call very soon to tell us what is picking up again and that we are able to help socially those that are most deprived.

Thank you very much. May God be with you.

Operator:

JSL's Conference Call is now closed. We thank you very much for attending, and wish you a good day.