

Operator:

Good morning, and welcome to the Localiza & Co.'s 2Q25 webinar. Joining us are Bruno Lasansky, CEO; Rodrigo Tavares, CFO; and Nora Lanari, Director of Investor Relations of the Company.

We inform you that this webinar is being recorded and will be available at ri.localiza.com, where the complete material for the results disclosure is available. The presentation is also available for download on the IR website.

For the Q&A session for analysts and investors, we advise you to signal your interest in participating via the Q&A icon at the bottom of your screens, typing in your name, institution and language. When called upon, a request to activate your microphone will appear on the screen. The questions can be made both in Portuguese or in English. To send written questions, use the Q&A icon at the bottom of your screen and fill in your name and institution before the question.

We inform you that the values in this presentation are in millions of reais and in IFRS. We emphasize that the information contained in this presentation and any statements that may be made during the conference regarding business prospects, projections and operational and financial goals of Localiza constitute beliefs and assumptions of the Company's management, as well as information currently available. Future considerations are not performance guarantees. They involve risks, uncertainties and assumptions as they refer to future events and therefore, depend on circumstances that may or may not occur.

Now I will hand over to Bruno Lasansky, CEO of the Company, to start the presentation.

Bruno Lasansky:

Good morning, everyone, and thank you for attending our 2Q webinar. In the 2Q25, we achieved solid results, aligned with our focus of restoring ROIC spread. We made consistent progress across the strategic priorities outlined for the year, demonstrating the Company's ability to adapt and execute with excellence throughout different cycles.

We continued the process of price recomposition with a sequential quarter-over-quarter increase in average rates, which contributed to revenue growth, both in the Car Rental and Fleet Rental divisions. Our productivity and cost efficiency agenda had a positive impact on expenses, contributing to the expansion of operating margins in both rental divisions.

In Fleet Rental, we continue to make progress in reducing exposure to severe use segments, ending the quarter with around 23,000 vehicles, down from the 31,000 in December 2024. In this division, revenues from light vehicles and subscription grew close to 20% year-over-year, optimizing our capital allocation towards segments with higher returns on invested capital and lower operational complexity.

Seminovos' volumes were flat year-over-year, reflecting a more restrictive credit scenario. We are focusing on commercial and operational initiatives to expand volumes. Following the IPI tax reduction announcement in June, our Seminovos car sales accelerated in July, making it one of the best months year-to-date.

Now I would like to provide you with a few examples of how Localiza continues to further expand its leadership in customer satisfaction and loyalty. In Car Rental, we achieved an all-time high level of digital pickup penetration, now with the option for the customer to choose the exact car model and mileage, significantly increasing NPS and convenience.

In subscription, Localiza Meoo continues to offer the best rated app in the segment and new unique features were deployed, such as the option to digitally schedule maintenance, manage tickets and payments or view mileage spend and car location, all in real time.

These are just a few examples of how Localiza continues to innovate and differentiate at an unmatched speed across a large number of products and segments that are hard to replicate.

Another key milestone was the Fleet Rental system integration, a necessary step for the incorporation of Locamerica that will also allow us to capture further variable cost efficiencies in the Fleet Rental division.

Since the business combination in July 2022, we have merged 14 entities, streamlining operations and corporate structure. The incorporation led to the write-off of deferred income tax balances related to Locamerica's tax loss carryforwards, with a noncash impact in 2Q25 results. Starting in September, we will capture tax benefits from the amortization of the goodwill, reducing cash taxes over the next 5 years, more than offsetting the write-off.

Building on these advancements, we achieved a robust quarter with consolidated net revenue of R\$9.9 billion, EBITDA of R\$3.3 billion and EBIT of R\$2 billion. Finally, net income totaled R\$768 million, excluding the effect of the tax credit write-off.

Debt ratios remained at healthy levels, with improvements in the net debt-to-EBITDA and net debt to fleet value ratios. We closed the semester with an annualized ROIC of 13.7% and a spread of 4.1 p.p. over the cost of debt after tax.

To present the details of the 2Q25, I would like to hand over to our Head of Investor Relations, Nora Lanari.

Nora Lanari

Thank you, Bruno, and good morning, everyone. On page 2, we will begin with the Car Rental division in Brazil. In 2Q25, aligned with our goal of restoring the ROIC spread and our priorities of price recomposition and fleet productivity, we reduced the available fleet in Car Rental following the peak season. With a tighter fleet, we recorded 18.2 million rental days, a 2.3% decrease compared to the same period of last year and an 8.3% increase in the net revenue, reaching R\$2.5 billion.

On page 3, we show a 10.6% increase in the average daily rate for the quarter, which ended the period at R\$148.9. The utilization rate remained stable, reflecting an efficient fleet pricing and mix management during a seasonally softer quarter.

Moving to page 4, we present the performance of Fleet Rental division, which recorded net revenues of R\$2.2 billion, 10.2% higher than in the same period last year. This growth was driven by an increase in average daily rate and stability in the numbers of rental days.

In line with the strategic priorities for the year and aiming to expand the ROIC spread in this division, we maintained a healthy pace of revenue growth in our target segments, light fleets and car subscription, which grew approximately 20% in 2Q25 compared to the 2Q24. However, as mentioned by Bruno, we continue to reduce exposure to severe usage contracts, ending the period with around 23,000 cars versus 31,000 in December 2024.

Moving to page 5, we present an average daily rate of R\$102.7, 11% higher than in 2Q24. The utilization rate increased by 0.5 p.p. compared to 2Q24, reaching 95.8%. For the semester, the utilization rate was 96%, 1.4 p.p. higher than the same period of last year, demonstrating improved efficiency in asset utilization.

Moving to page 6, we present the growth in Seminovos revenue, which reached R\$5.1 billion, an increase of 9.1% compared to 2Q24. The volume of cars sold was flat year-over-year, explained by a more restrictive credit condition as well as the announcement of the IPI reduction on June 26, which impacted end of month sales.

On the other hand, average selling price increased due to the mix of cars and model years sold, contributing to the year-over-year revenue growth. In July, Seminovos sales accelerated again.

Moving on to page 7. We show significant progress in reducing the average kilometer of cars sold. We recorded a 19.5% decrease in the average kilometer from 61,500 in the 1H 2023 to 49,500 in the 1H 2025. Since the peak in average kilometer in 2022, the Company has been advancing in reducing the kilometer of cars sold, especially in the wholesale segment, which has contributed to the higher selling prices and lower maintenance and preparation costs.

Moving to page 8. We present car purchase and sales balance. After reducing the purchase volumes in 1Q25 to adjust the fleet to post-peak season demand, in 2Q25, we resumed car acquisition for fleet renewal.

We ended the quarter with an addition of 5,136 vehicles and a net investment of R\$1.5 billion. During the quarter, around 74,000 cars were purchased, being 50,000 in the Car Rental division and 24,000 in the Fleet Rental division, and around 69,000 cars were sold, with 44,000 in the Car Rental and 25,000 in the Fleet Rental division.

The average selling price of Seminovos cars continued to rise throughout the semester, reflecting a sales mix with lower average kilometer and improved model year mix. As a result, comparing to 2Q24, we added approximately 500 more cars to the fleet with a reduction of about R\$250 million in the net CAPEX.

On page 9, we present the evolution of the average purchase and sale price of cars. In Car Rental, the average purchase price was R\$82,300 and the average sale price reached R\$72,700 in 2Q25, resulting in a renewal investment of R\$9,600 per car. The gradual progress in the fleet rejuvenation and the reduction in the average kilometer of cars sold have contributed to lowering renewal CAPEX.

In Fleet Rental, the average purchase price was R\$98,800 in 2Q, while the average selling price was R\$78,400, resulting in a renewal investment of R\$20,400 per car. The higher renewal CAPEX in the Fleet Rental division compared to the Car Rental is explained by the average contract term with longer vehicle cycles as well as the mix of cars purchased. The reduction in renewal CAPEX has contributed to the improvement in operating cash generation.

On page 10, we present the end-of-period fleet. The Company closed the quarter with a fleet of 632,957 vehicles, stable compared to the 2Q24 and aligned with the strategy of prioritizing price recomposition and increasing fleet productivity.

Moving on to page 11. Consolidated net revenues continued to grow this quarter with an increase of 9.4% in 2Q25 compared to the same period last year, totaling R\$9.9 billion. Rental revenues presented a growth of 9.3%, while revenues from Seminovos totaled R\$5.2 billion in the quarter, a 9.5% increase compared to the same period last year.

On page 12, we present consolidated EBITDA. In the quarter, consolidated EBITDA totaled R\$3.3 billion, a 40.1% increase compared to the same period last year. In the 2Q last year, EBITDA was impacted by the effects of the floods in Rio Grande do Sul as well as the recoverable value adjustment, AVR on vehicles in Seminovos, which totaled R\$386 million. Excluding these effects, EBITDA growth would have been 20.4% compared to a 9.4% increase in net revenues, demonstrating the Company's excellence in execution as well as price and cost management.

In 2Q25, the EBITDA margin for the Car Rental division was 66.5%, an increase of 12.4 p.p. year-over-year. In 2Q24, the Rent-a-Car margin was impacted by the recognition of R\$101 million related to the AVR and adjustments associated with the floods in Rio Grande do Sul. Excluding these effects, margin would have been 58.5% in 2Q24, a year-over-year increase of 8 p.p..

In Fleet Rental, the margin was 71%, an increase of 12.8 p.p. compared to 2Q24. EBITDA margin of light vehicles and car subscription segments reached 73.4%. In 2Q24, Fleet Rental margin was impacted by the recognition of R\$113 million related to the AVR and adjustments associated with the floods. Excluding these effects, margin would have been 63.7% in 2Q24, a year-over-year increase of 7.3 p.p..

We remain focused on the agenda of cost efficiencies and productivity, which, combined with the completion of the Fleet Rental systems integration, is expected to support the ongoing expansion of rental margins. Seminovos reported a margin of 1.6%, in line with the Company's expectations.

On page 13, we see the trend in annualized average depreciation per car. In Car Rental, annualized average depreciation per car was R\$7,500, slightly above the average seen in recent quarters. In Fleet Rental, average depreciation per car was R\$8,500 in 2Q25, including trucks.

In July, the government published a decree regulating the Mover program and reducing the IPI tax rate for eligible cars with an effect on new car prices and a consequent impact on Seminovos. As disclosed in the material fact published on August 6, we estimate a pretax impact between R\$800 million and R\$1 billion to be recognized in 3Q25 results.

Moving on to page 14, we see consolidated EBIT for the 2Q25 of R\$2 billion, in line with the 1Q this year, despite a quarter with lower activity due to seasonality. The annual comparison is impacted by the recognition of additional depreciation and AVR in the 2Q24, totaling approximately R\$1.7 billion. For the 1H25, EBIT totaled R\$4.1 billion.

To present the net income, I will hand over to Rodrigo.

Rodrigo Tavares:

Thank you, Nora. On page 15, we present net income of R\$768 million, excluding the write-off of tax credits from Locamerica. As part of the incorporation process, we wrote off Locamerica's tax loss carryforward credits in the 2Q25, totaling R\$937 million with an impact on the income statement, but no cash effect. As a result, the quarter ended with an accounting loss of R\$169 million.

On the other hand, moving to page 16, the incorporation will allow us to begin capturing the benefits associated with the goodwill amortization starting in September, which will result in a cash tax reduction of R\$2.3 billion over 5 years, an amount R\$1.3 billion higher than the write-off of Locamerica's tax loss credit.

We also highlight the potential benefit from the goodwill amortization related to the spin-off of trucks, which depends on the integration of heavy vehicle system and the incorporation of its legal entity to be carried out in the future.

On page 17, we present the initial corporate structure at the time of the business combination in July 2022. Since then, 14 companies have been incorporated as part of the corporate simplification process, contributing to greater operational efficiency and synergies.

On page 18, we present the free cash flow before interest. On the 1H25, the Company reduced its fleet following the peak season and the strong car purchase made at the end of 2024. The cash generated from rental activities of R\$5.3 billion, combined with a net purchase CAPEX of R\$502 million was partially consumed by the R\$3.1 billion reduction in accounts payables to automakers.

On page 19, we present the evolution of net debt, which ended the quarter at R\$31.3 billion, a 4% increase compared to the debt as 31st of December 2024, mainly explained by the strong reduction in accounts payables balance.

Moving to page 20, we present the Company's debt profile. We ended the quarter with R\$9.5 billion in cash, sufficient to cover the short-term debt as well as accounts payable to automakers.

And we continue to advance in the active debt management, seeking opportunities to reduce cost and extend the duration. This strategy has proven effective, allowing us to significantly reduce maturity over the next 2 years while securing funding at competitive costs. This reflects the tightening of our secondary market spread and has led to a reduction in average cost of our floating rate debt.

On page 21, we present the debt ratios. In the year-over-year comparison, the net debt to fleet value and net debt-to-EBITDA ratio showed significant improvement due to the progress in the price recovery and cost efficiency agenda.

Finally, on page 22, we present the annualized ROIC of 13.7% with a 4.1 p.p. spread over the cost of debt, reflecting a 2.1 p.p. increase in ROIC, partially offset by a 1.1 p.p. increase in the cost of debt after tax compared to 2024. We remain disciplined in the capital allocation to restore ROIC spreads to historical levels.

We are now available to answer your questions.

Guilherme Mendes, JPMorgan:

Good morning. Thanks for taking my questions. I have 2 points related to the impairment and depreciation. So following the announcement of the close to R\$1 billion to be impaired in the 3Q, the first question is, how do you think about 2026? If there is some cushion on what was presented on this impairment?

And related to that, I recall that on the material fact you mentioned that after the one-off impact, depreciation would follow its regular course. I just wanted to know if you can share more details on what you mean by 'following the regular course', meaning how should we think about depreciation going forward post the impairment in the 3Q. Thank you.

Rodrigo Tavares:

Thank you, Guilherme. Here, we have to look historically at what happens at the other times that we had tax cuts. We used the technical approach here. Basically, we analyze all the cars that were directly or indirectly affected by the IPI reduction during the decree validity here.

Based on this historical data, we assume that the effect of the new car prices would be reflected proportionally in the used car prices. That's how we estimated the R\$800 million to R\$1 billion impact here.

We did not assume higher resale prices for the cars with the increasing rates. That is due to accounting principles. I cannot do a markup in my fleet. So if indeed the resale price of those cars go up, that would be reflected either in higher Seminovos margins or in lower depreciation for the future here.

If you look what has been happening for the new car prices, there was already the cut for the public price, partially translated to transactional price. And in the Seminovos, some part of these cuts have been reflected, but not all here.

By the normal depreciation, what we mean is that we try once again to translate all this impact into our book value. And what we expect is that the depreciation follows the normal course as if there were no IPI cuts.

What were we seeing before the IPI cuts? So the depreciation has some sign of stability, but the marginal car depreciation was slightly higher than the average. So you are seeing depreciation moving up slightly as it did from 1Q to 2Q. So this will not change in our perspective in the future.

Daniel Gasparete, Itaú BBA:

Good morning. Thank you very much for the opportunity? The first question would be a follow-up regarding the last question from Guilherme. Could you also comment a little bit on the margins of the Seminovos division, please? We saw a contraction on a quarter-over-quarter basis. I would like to get your view on how comfortable you are with this level of margin, how do you see that trending for the next few quarters? That will be the first question.

And the second question, if I may, I would like to ask you about elasticity of demand on the RAC division. We saw a lower daily rental volume on this quarter. I would like to get your view on how you are seeing that for the rest of the year, and if you plan to continue increasing tariffs for the rest of the year. Thank you very much.

Nora Lanari

Thank you, Daniel. Let me take the first question here. We saw the gross margin of Seminovos expanding quarter-over-quarter base, which is a good sign. But we saw an increase in the SG&A, which was explained by higher publicity costs. But with that, we were able to increase the brand awareness of Seminovos from 40% before the campaign to 70%.

We also saw a small improvement in the mix of the retail, which adds a bit more cost, but again, compensated by the gross margin, as I mentioned.

And finally, because we saw a slower pace of sales versus 1Q, we saw lower fixed cost dilution this quarter, probably a reflect of the announcement of the IPI tax cut by the end of June that impacted the wholesale by the end of the quarter.

Bruno?

Bruno Lasansky:

Thank you, Daniel. As for the Rent-a-Car dynamic, I reinforce that our 3 priorities here are to continue to work on pricing, continue to work on portfolio optimization and on cost efficiency.

And as for the price volume dynamic in this 2Q, I just would like to highlight that as we continue recomposing prices, what we saw is the sequential price in the 2Q, which tends to be a softer quarter from a demand point of view, trending up, which is a positive sign for us.

And in particular, to bring you more color, we saw that as we continue to push for price increase in the Zarp segment for Uber drivers, we saw the demand accommodating here a bit. So this is a bit of the dynamic that we saw in this quarter, but it was a positive to us that we saw a sequential quarter-over-quarter price increases in the 2Q.

And going forward in the 2H, our strategy remains the same as to recomposing prices. On the one hand, we need to consider that we are in a macro environment with a tight fiscal policy. On the other hand, sequentially, the 2H tends to be a semester with more activity as you compare it with the 1H. So that's a bit of the color in terms of the price volume in Rent-a-Car.

Nora Lanari

And Daniel, just following up on the first question, and you asked about the future margins of Seminovos. We usually depreciate the cars aiming at a margin of low single digits, which is our expectation going forward.

Daniel Gasparete:

Thank you. Nora, if you allow me just to follow up, you mentioned that you increased the percentage of sales on the retail segment. I would just like to confirm that, and if you could share with us how was the percentage of sales that was done on retail compared to wholesale, just to get a big picture on how this has been trending over the last few quarters.

Nora Lanari

Sales on retail were slightly below the 40%. So 40%, slightly below retail, 60% wholesale. But versus 1Q, it was a small improvement in the mix of the retail sales.

Lucas Marquiori, BTG Pactual:

Just 2 follow-ups here as well. First one on this depreciation trends that we were discussing. I am curious about this spike in 2Q. I am assuming this is most likely driven by the lower operating fleet, but I am just kind of curious to hear your thoughts on this jump to 7,500, what drove that, especially because your mix in the retail sales channel actually improved and you were selling cars with lower mileage overall, and depreciation still got up. So I'm just kind of trying to understand that.

And second of all, on Rent-a-Car margins, I know Bruno has been talking about cost efficiencies and the cost-cutting agenda on Rent-a-Car for a while, but this jump on a usually weaker quarter was impressive. So just trying to figure out if there's something special there, if this is recurring, if it's the magnitude of the jump on a year-over-year basis and that is supposed to be there for the remainder of the year. Just to hear a thoughts on that one. Thanks.

Rodrigo Tavares:

Thank you, Lucas. In the depreciation, as we mentioned in the 1Q, we said that the marginal car depreciated slightly more than the average. That's why you saw it's going up a few hundred BRL per year. Just reminding, a few hundred BRL per year is like R\$30 per month of depreciation of a car. So I would say that it's a slightly changed here.

And once again, when we look at our residual value prices, we are not assuming any inflation. We are trying to be here very focused to depreciate the car at the best way we can. And when we look forward, that's what we expect. As I say, a kind of a stability in the depreciation with the marginal car depreciating slightly more.

Nora will start talking about the margins, and then I can complement her speech.

Nora Lanari

Thank you, Rodrigo. Lucas, thanks for the question. I think that finally reflects our agenda of cost efficiency. So we have been working both on the variable cost of fleet as well as personnel. So when we look to the Car Rental margin, we saw an expansion on a sequential basis following, of course, the price increase of the 2Q versus 1Q, combined with the agenda that I just mentioned.

We had reductions in the maintenance and preparation lines, especially on a per unit basis, but we also have relevant reductions in the payroll and profit sharing. So we do not have any special effects or any one-offs in the margin.

Rodrigo Tavares:

And as Nora described, once again, this reflects the cost efficiency agenda, both in variable costs and in fixed costs, so we can see not only maintenance and preparation, but also personnel costs here.

And I think it's important to mention that if you look in the future, we have not reached our full potential in terms of margin in both Rent-a-Car and Fleet Rental, not only because we believe that our fleet will renew, probably not at the pace that we wanted at the beginning, but we will continue to renew here, and there are still some initiatives that have not been implemented.

On top of that, the incorporation of Locamerica will also allow us to unlock some of these synergies, both in variable cost as well as some process optimization as well. This improvement will happen gradually. So we do not expect this to be a very short term, but there is still potential to increase that margin, and that will happen gradually across this year and 2026.

Pedro Bruno, XP:

Good morning. Thanks for the question. I wanted to explore a bit on the Fleet Rental side, especially on the heavy rental to sort of recap the strategy there. And I wanted to just use something that you mentioned in the earnings release, that you said that the light vehicles plus signature are growing year-over-year by 20%, when we saw the overall Fleet Rental revenues growing by half of that, around 10%. So first, I wanted to understand what is not included when you say light vehicles and signature other than heavy rental. And if we could assume that this implies a significant reduction in heavy rentals, and whether or not this is a correct statement, what is a recap on the strategy in that segment, please? Thanks you very much.

Rodrigo Tavares:

Thank you, Pedro. When we mean light vehicle and signature, and subscription, as we say here, we are excluding not only trucks, heavy rentals, but also excluding what we call the severe usage vehicles. These are the vehicles that are specialty vehicles such as ambulances, police patrols, other types of vehicles and some specific segments that are for agribusiness.

In the beginning of the year, we had close to 33,000 of those vehicles, and we are gradually reducing those. So one pillar of our strategy this year is to optimize our portfolio in Fleet Rental, and we have been very rigidly following this strategy and executing this strategy here.

When we look at the part that we really want to invest and allocate capital, which is what we call the light vehicles and subscription, that is the one that is growing 20% in revenue year-over-year. And the other one, which includes specialty vehicles, agribusiness specific vehicles here and trucks is the ones that are shrinking.

Pedro Bruno:

Perfect. Thank you very much. And if you can comment quickly on a recap for the strategy, specific for the heavy rental regardless of the segment itself, anything on top of what you already said that you can add there would be great. Thank you very much.

Bruno Lasansky:

Thank you, Bruno. I guess, reckon you were referring to trucks. And in that particular segment, we continue to put our focus on capital allocation on light vehicles and subscription for long-term contracts. So this is an area in trucks where we are focusing on cross-selling trucks, particularly in the existing portfolio of Localiza customer.

So this is not an area where we are overweighting capital allocation. And just a small add up here that the chunk of the provision of doubtful accounts of the truck segment was particularly reflected in the 1Q. So this is gradually normalizing.

Filipe Nielsen, Citi:

Good morning. Thanks for taking my question. I have one question and one follow-up. Starting with the follow-up, we discussed a little bit about pricing elasticity earlier in the call. I just wanted to get a little more clarity about how this elasticity should push the Rent-a-Car volumes and fleet size during the 2H. We have been seeing you reducing fleet quarter-over-quarter following a 4Q increase, and this has enabled more tariff increases. I just wanted to get a sense if we should see that continue shrinking or maybe stabilizing, or going a little bit up considering the 2Q is stronger.

And the second question is regarding capital structure. We saw you deleveraging very strongly this quarter, more than we expected, and with a good cash generation in the quarter. I just wanted to get a view on what should the desired leverage for you be, and once we reach that level, how should we think about capital allocation, maybe repurchasing stock, increasing dividends above the interest on capital? Some color on that. Thank you.

Rodrigo Tavares:

Thank you, Filipe. About the elasticity, I think it's important to mention once again that we are executing our strategy. We have to resume our return on invested capital in Rent-a-Car. We still have some room to reach the historical levels. One important milestone that is important to mention here is that despite the fact that the 2Q in terms of seasonality is a weak quarter, we were able to increase the tariffs quarter-over-quarter compared to the 1Q, which is usually the strongest quarter of all. That shows our capacity to execute our strategy here.

When we move to the 2H, if you look historically and if you look in terms of seasonality, usually the 2H, it is a stronger half than the 1H here. So if you look sequentially from the end of the 1H, the 30th of June, we should not expect the fleet to continue to go down. It should continue. We, of course, will remain increasing our tariffs because we have to recover our returns. But if you look what usually happens is that fleet tends to go up, especially in the last quarter because of the peak season.

In terms of capital structure, we look at leverage. basically, there are 3 important metrics here. You are right, we are generating cash. Even though we are paying more dividends, we are still generating cash here. First one is the one that we do not look very often is net debt-to-EBITDA, which is going down because depreciation is going up, interest rate is going up. Of course, the EBITDA has to go up. As a consequence, net debt-to-EBITDA will go down, but that's not the metric that we use to establish our capital structure.

The 2 most important metrics that we use to establish our capital structure are net debt over the value of the fleet, which typically, it is between 50% and 60% and net debt plus outstanding to OEMs over the value of the fleet. That usually is between 65% and 75%. Those would be the metrics that guide our capital structure. If you approach the low end of those metrics, we can decide the best use of the capital here, depending on the opportunities that we have.

Alberto Valerio, UBS:

Thank you very much. Good morning. I have 2 on my side here. The first one, I would like to hear from you, how have been competition? We see maybe a slightly different strategy on the cars bought in this quarter, a little bit cheaper for Localiza than competitors. And just to take a question out from us here about the PIS/COFINS, if you can consider this level that we see this quarter for RAC division going forward, close to 10% of revenues. Thank you very much.

Nora Lanari

Let me start with the last one. Thank you, Alberto. On regards to PIS/COFINS, yes, you can assume that a normalized level in the Rent-A-Car, but we still do have room to increase the PIS/COFINS tax credits on the Fleet Rental division once we now incorporated Locamerica and integrated the fleet systems.

Let me pass through to Rodrigo for the first part of the question.

Rodrigo Tavares:

Thank you, Alberto. In Rent-a-Car, we see a more rational kind of competitive environment. Most of the players are increasing tariffs and you do not see a lot of volume increase. There may be some difference in the allocation more in the daily rental versus monthly rental, but in general, we see a more rational type of competitive dynamics here in Rent-a-Car.

In terms of the mix that we purchase, there is no material change. We are always looking at the expected return on invested capital, depending on the amount of cars that we are decommissioning, we buy more or less, but there is no material change in the mix that we are buying.

In Fleet Rental, then you have still some players that have more aggressive approach towards pricing and towards volume here. But in general, both in Rent-a-Car and Fleet Rental, all the companies have to cope with a higher interest rate, a higher depreciation, and that's why prices are going up and dynamics have been more rational.

Alberto Valerio:

Thank you very much. If I may, just a follow-up, talking about purchase of cars. It's any difference in the relationship with the OEMs. So if the newcomers a little bit more aggressive, it's any opportunity? How has been this relationship with the OEMs?

Bruno Lasansky:

Thank you, Alberto. As you know, we have a decade-long relationships with the OEMs, and I believe that both from a risk profile, Localiza offers a very reliable long-term partner as OEMs think from their sales plans. And this is very important as you think about an industry. When they start the year, they think about their manufacturing plans and they really need a reliable, trustworthy partner to deal with the volumes that they need to make.

So we have a very close and trusted relationships with the OEMs, and I believe that coming out of the pandemic cycle, they really saw the type of company that they can find both from a credit risk profile, but also in the consistency about what we do with them.

And finally, I think that it is important to consider the importance of Localiza in developing the car industry in the country because many of the sales that they make to Localiza would not be possible as you think, for example, in the cycle in which an Uber driver changes the car when he rents from Localiza or how frequently a company changes its fleets when rents with us. So the relationship with all of the OEMs is very good and very close.

Rogério Araújo, Bank of America:

Good morning. Thanks for the opportunity. I have a couple here. One, a follow-up, actually a confirmation on the impairment subject. I think you mentioned that some prices have actually increased because IPI, instead of reducing, it has expanded, but you cannot recognize it into the

result, you cannot increase residual values of cars. Is that right? If that is right, can margins in the Seminovos business likely trend up because you have a stable margin for those vehicles you made impairments, but a rising margin for those you could not? This is the first question.

And the second is related to debt cost. We estimate the R\$1.5 billion expense this quarter implies a debt cost of Selic plus only 0.1% spread. Was there any one-off item here? Maybe it's a matter of the gross debt we are looking at, which is the end of the quarter. Last quarter, you mentioned some gains with debt paid in advance. Did you have that this quarter?

And also lastly, regarding interest rates hedges from the past, just confirming, are those gains being treated as financial revenue or are they reducing financial expenses? Thank you.

Rodrigo Tavares:

Thank you, Rogério. Let me start with the second one, because it's more technical here. We have close to R\$20 billion of our debt pre. So it's hedged. That R\$20 billion is currently to CDI-3%. So because we hedged that in the past, this particular debt is CDI-3%.

We also have close to R\$22 billion. I am talking about gross debt here of floating debt. This today, all in effect, everything with fees is CDI+1.9%. The debt that we are raising right now because of our strategy, it's closer to CDI+1% to CDI+1.1%. So we are reducing the cost of this new debt here.

On top of that, what are we doing? Because we have the liquidity, our strong cash position here, we have some opportunities, and that happens every quarter, especially by the end of the quarter, to anticipate payments to OEMs. This is something close to 115% to 120% of CDI. So CDI+2.2%, CDI+3%, which increases our revenues in terms of interest revenues here when we do this kind of operations.

And finally, we started having credit card installments to customers in Rent-a-Car with interest, not only without interest, but with interest, which is also increasing our interest revenues. All that combined made us have very efficient interest expenses this quarter.

In terms of the impairment, or the additional depreciation to better say that, you are correct in your understanding. For the cars that the tax increased, and just to remind everyone here in the call, there is 90 days still to that tax increase to happen since the announcement, and you cannot do a write-up, you cannot increase the book value of the car due to accounting principles. So that is not going to be recognized as a positive impact.

In the scenario that those particular vehicles are sold for a higher price, you have either 2 effects: or you are going to have, in the short term, higher Seminovos margins for those cars, or in the long term, you are going to reduce the depreciation of those cars.

It is important to remember that there is a ladder in the price. So not necessarily because one price of one type of vehicle went up and the other goes down, that this will happen exactly as it is, because those cars compete against one another. But what we are recognizing here is the tax cuts of the cars that went down. Once again, the cars that will have a tax increase, I cannot recognize a write-up. If that indeed materializes, it will happen either in the margin in the short term or in the depreciation in the medium term.

Nora Lanari

A quick follow-up here, Rogério. The anticipated liquidations of debt and impact of the NTMs are recognized as financial expenses.

Bruno Amorim, Goldman Sachs:

Good morning. Thank you for taking my question. I would like to go back to the discussion on the price increases that you have been implementing. Can you comment on which segments have you been finding demand more elastic to prices? I am particularly interested in understanding in those more discretionary areas like leisure or even the Localiza Meoo products, where you do not necessarily have sophisticated clients. Consumers, they do not always account for things like higher depreciation, while part of the price increase that you are doing is because of effects like higher depreciation, among others.

So do you find most of your clients, especially the individuals, the consumers, cognizant of the increase in the total cost of ownership of the car, especially with regards to higher depreciation as such? Have they been accepting higher prices? Or are you finding it more difficult to raise prices in those segments? Thank you very much.

Bruno Lasansky:

Thank you, Bruno, for the question. Let me start here with Car Rental and then move to long-term contracts. For Car Rental, the dynamic is that we find is a healthy environment for leisure, the leisure segment, both for short term and monthly rentals for individuals.

In the second bucket, I would put the corporate, as we discussed in the previous quarter. The corporate segment had some sort of softer and slower start of the year, and it's been accelerating, but there we see a more cautious approach of companies this year because of the macro context.

And the one where we saw a bit more of this elasticity happening is in the Zarp segment, where we pushed very decisively for price recomposition, and we are being successful in that regard. But as I mentioned, we saw some of that demand accommodating. This is something that we have learned over the last 2 years or so, that you make these price movements and then the demand takes some time to accommodate and the teams are working very closely to do that gradually as you saw in the numbers.

So for Car Rental, I would say that Zarp is the one where we saw this elasticity pushing a bit more. And as the platforms increase the prices to passengers, we expect that evolution to continue going forward.

As for Fleet Rental, both for light vehicle rental for companies and subscription, the dynamic is quite different, because here, you are competing against a clear ownership by the Company or by the individual, and that alternative is going up together with the rental pricing, if I may.

So we see healthy origination in both of those segments that are our target, and that's why you saw this year-over-year revenue growth for those 2 segments of close to 20% on a yearly comparison.

Jens Spiess, Morgan Stanley:

Thank you for taking my questions. A few follow-ups here. You mentioned, first of all, that Seminovos sales volumes accelerated in July after somewhat weak June. At what pace do you expect to sell RAC Seminovos fleet in the 3Q? Is a pace of like 50,000 a fair assumption, or will it be below that?

And regarding, if I may, on the depreciation going forward, you already mentioned that the marginal depreciation is higher than the average depreciation, but I was just wondering by how much. For Car Rental, is it close to 8,000? Or what level should we have in, in our model basically?

Rodrigo Tavares:

Thank you very much, Jens. I will try to help you. As you know, we do not provide specific guidance for those items. But what happens in Seminovos, when they announced the decree here, of course, especially wholesale in June, they decided to postpone some of their purchase to understand if there would be some impact in the prices.

In July, demand picked up. It was one of the strongest months in the year here, and we expect that the 3Q is a stronger quarter when you compare it to the 2Q.

I did not understand exactly your parameters. 50,000 cars, you are probably referring to Rent-a-Car, right?

Jens Spiess:

Correct.

Rodrigo Tavares:

But what we say is that we expect the 3Q to be stronger than the 2Q. In the depreciation, no, it's not that the marginal car is much higher than the average, it's slightly higher. That's why you have a very subtle upward trend in the Rent-A-Car depreciation, but nothing major happening here.

Andre Ferreira, Bradesco BBI:

Good morning. Thanks for the space. I have 2 topics. First, a follow-up actually, going back on the comments on efficiency. In the 2Q, 11 Rent-a-Car stores were closed compared to the 1Q. I just wanted to check your view if this is part of a strategy to optimize the structure for profitability, and if you expect to close more stores from now on.

And my second question is kind of on a broader term, I guess we have not discussed this in a while in these calls, but once macro improves, depreciation normalizes, fleet gets renewed, ROIC spread bounces back, where to next? What's the target fleet age? Where will Localiza focus capital allocation? Where will the growth come from? Anything else you want to explore here for this answer. Thank you.

Bruno Lasansky:

Thank you, Andre, for the question. As for the network optimization, of course, in the current environment, as we mentioned, one of the priorities is cost and expense efficiencies. And we looked in the regions where we could capture and keep service for customers. So no volume damage there, but with an opportunity to reduce the cost of our infrastructure. We did so. We expect this not to continue as intensive.

So whatever we had to do, we did it. So this is gradual. Of course, you have optimization on a regular basis, but we should not expect a further contraction of our network here.

And as for the midterm answers here, we are very focused on the priorities that we outlined in the beginning of the year on pricing, cost and capital allocation optimization, as well as continue to expand our Seminovos volume, and finally, as I mentioned in the beginning of the call, continue to make sure that Localiza is the best choice in terms of mobility, both for individuals and companies.

As we get to the level of ROIC spread that we aim for with the current capital invested size of close to R\$50 billion, we believe that there's plenty of opportunities ahead of us. And we just want to make sure that everyone understands that this is a deliberate choice of the Company to pursue ROIC spread as opposed to capital allocation expansion at this point, given the context.

But we do see a lot of opportunities in subscription, particularly in light fleet for companies where they decide to use our balance sheet and get really easy and convenient solutions to manage their fleet.

And in some of the Rent-a-Car segments, we continue to see opportunity going forward, both in the individual sites in some, but particularly corporate segments as well. So we believe that once we reach the ROIC spread target that we have, there are plenty of opportunity to allocate capital profitably for the Company.

Operator:

The Q&A session is over. Now to close, I will hand over to Bruno Lasansky.

Bruno Lasansky:

I would like to thank everyone and reinforce our commitment to disciplined capital allocation, operational excellence, delivering outstanding experiences to our customers and creating long-term value to our shareholders.

To close it up here, our Investor Relations team and I remain available for any additional clarifications. Thank you very much.

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