Local Conference Call
Localiza Rent a Car
Third Quarter 2020 Results

Operator: Good afternoon and welcome to Localiza Rent-A-Car's conference call for the third quarter of 2020 results. Hosting the event today are Mr. Mauricio Teixeira, CFO, and Mrs. Nora Lanari, Investor Relations Officer.

We inform you that the numbers in this presentation are stated in millions of Brazilian reais and based on IFRS. The presentation will be recorded, and all participants will only be able to listen during the conference call. Immediately afterwards, we will start the Q&A session for analysts and investors, when further instructions will be provided. If anyone requires assistance during the conference call, please request help from the operator by pressing * and then 0.

The conference call audio and the accompanying page presentation are being broadcasted simultaneously over the web at ir.localiza.com/en/. The page presentation can be downloaded at this same address by clicking on the banner 3Q20 webcast.

Before proceeding, we would like to clarify that any statements made during the conference call concerning the business outlook of the company, forecasts, as well as operating and financial targets represent the opinions and assumptions of company management, which may or may not occur. Investors must comprehend that political and economic conditions and other operating factors may affect the company's future and may lead to materially different results from those stated in this call.

To start the 3rd quarter 2020 teleconference, I'll turn the floor over to the CFO, Mr. Maurício Teixeira.

Mr. Maurício Teixeira: Good afternoon and thank you all for attending. It's a great pleasure that we present the results of the third quarter of 2020. After experiencing unprecedented challenges that directly impacted the mobility sector, we were able to demonstrate the Localiza team's ability to adapt and execute.

After restricting our operations in several locations during the second quarter, we fully resumed our activities when we were sure about the appropriate level of safety for our customers and employees. This environment required agility to make the right decisions, which allowed the recovery of results and the acceleration of investments in new solutions and innovations.

We report extraordinary result with quarterly records in revenue, EBITDA, EBIT and net income. We accelerated investments in building the future of mobility and announced the launch of our subscription car solution, Localiza Meoo, which brings long-term rental to the market through a digital journey, enabling a superior experience for our customers. This innovation will allow Localiza to open an important avenue for growth.

This quarter, we also announced our intention to combine businesses with Unidas, with the objective of bringing together the best of both companies, increasing access to car rentals for individuals and companies and delivering the best solutions and experiences to our customers. We remind you that the completion of the transaction is subject to approval by the shareholders of the companies in their respective meetings, on November 12, and by the Brazilian Antitrust Agency.

We continue with our purpose of becoming even more committed to the community. This quarter we launched our diversity and inclusion program. We're also supporting clinical trials to test the Covax vaccine against the coronavirus. We were honored to be recognized first in the Época 360° ranking as the company with the best corporate governance in the services sector. We also won the EcoVidas Gold Seal, which reinforces our work in defense of sustainable development, and we started studies to neutralize carbon emissions in addition to becoming institutional partners of the Ethos Institute's commitment to climate. This was the tone of the quarter: recovery of growth and value creation for our shareholders and society.

Now we can move on to the 3Q20 results presentation. On **page 2** we can see the operating highlights for the quarter. In 3Q20, the average rented fleet in the car rental division grew 5.4% compared to 3Q19. Looking only at September, we were already approaching the level of average rented fleet of the first quarter of 2020.

The Fleet Rental Division reinforces its resilience with an increase of 8.6% year-over-year. Used car sales showed a strong recovery with the sale of 45,536 cars, showing an increase of almost 24% year-over-year. The total fleet decreased by 6.7% in the annual comparison at 279,885 cars.

On **page 3** we show the financial highlights, which demonstrate the recovery of the company's growth and path of profitability. In 3Q20, compared to the same period last year, net revenue and EBITDA increased by roughly 19%. EBIT increased by approximately 41%. We achieved a record net income of BRL 325.5 million, with the growth of 59%. This result, after a challenging period, was the result of the correct strategy and agility in decision-making, which puts the company back on the growth path with value generation.

To provide details about 3rd quarter results, I would like to hand the floor over to our Investor Relations Officer Nora Lanari.

Mrs. Nora Lanari: Thank you, Maurício, and good afternoon everyone. Starting with the Car Rental Division, as you can see on **page 4**, in the third quarter the average rented fleet increased by 5.4% and revenue decreased 0.3% year-over-year, mainly due to the lower in average rental rate resulted from changes in mix of composition dependent on mix of the market increase preference for private transportation and longer-term rentals with lower average rates.

However, as can be seen on **page 5**, we're gradually managing to recompose prices in the average rate of BRL 66.8 this quarter, which is already 24.2% higher than the rental rates presented in 2Q20. The utilization rate directly affected by the drop in volumes during the pandemic, especially at the beginning of the quarter, was 75.9% in the third quarter, 2.7 percentage points lower year-over-year, but 23.3 percentage points higher than the rate of 2Q20. In September, this division already had a utilization rate above 80%.

On **page 6**, we show that the network of the own branches was expanded in the nine months of 2020 by four branches and the network of franchise branches abroad has been expanded by one unit.

On **page 7**, in the Fleet Rental Division, we also see the resilience of the segment with the average rented fleet increased by 8.6% and net revenue increasing by 9.4% year-over-year, with an average rental rate that's practically stable.

On **page 8**, we see the buying and selling of cars. In the quarter we bought 22,881 cars and sold 45,536 cars, a decrease of 22,655 cars in the fleet, with a net sale of BRL 972.9 million. The reduction contributed to the resumption of fleet utilization levels in the Car Rental Division.

On **page 9** we show the Seminovos network, which increased by four stores throughout 3Q20, ending the period at 129 points of sale. We saw strong recovery in the volume of car sales and ended the period at 45,536 cars sold, resulting in a lower cost to sell per car.

On **page 10** we show the end-of-period fleet, with Car Rental showing a reduction of 4.6% and Fleet Rental a decrease of 10.3% year-over-year. Thus, the total fleet was reduced by 6.7% on the same basis of a comparison and reflects lower volumes of cars being activated, decommissioned and less cars available to sell.

Moving on to **page 11**, we see that the consolidated net revenue for the quarter grows 18.8% year-over-year. Net rental revenues increased by 2%, while Seminovos increased 29.6%. In the accumulated results for the year, consolidated revenues increased by 2.4%, with rental revenues growing by 2.9% and Seminovos increasing by 2.2%.

Moving on to **page 12**, consolidated EBITDA increased 18.9% in 3Q20 compared to the same period last year. Third quarter EBITDA results mainly from the rebuilding of Seminovos and car rental volumes and the resilience of the Fleet Rental Division, combined with an efficient cost and expenses management, reinforced throughout the period of the pandemic, which enables a consistent rebalancing of margins. EBITDA margin for RAC was 42.9%, pretty stable compared to 3Q19. The flat margin in a context of lower rates confirms the efficiency of cost and expenses management. Fleet Rental had a margin of 73.4%, reflecting an expansion of 7.2 percentage points. Seminovos presented a margin of 6.3%, reflecting the increase in the price of cars and dilution of selling costs, as volumes were recovered.

On **page 13** we see that in RAC, annualized average depreciation per car was BRL 1,272 in the quarter, with a 51.8% reduction compared to the last quarter. This drop in the level of depreciation was due to the increase in market prices for new and used cars, which were reflected in the estimated sales. In addition, the higher sales volume contributed to the reduction in cost per car sold, another relevant input to calculate depreciation. In Fleet Rental Division, the annualized average depreciation per car was BRL 2,312, 10.5% higher than the last quarter, but in line with the year average.

On **page 14** we can see that consolidated EBIT for 3Q20 reached BRL 503.6 million, an increase of 41.1% year-over-year. The EBIT margin of the Car Rental Division was 40.8%, representing an expansion of 10 percentage points year-over-year. This increase in the margin reflects a lower average depreciation per car and the Seminovos results. In Fleet Rental Division EBIT margin was 73.4%, an increase of 23.3 percentage points compared to 3Q19, due to the factors previously mentioned that affected the EBITDA positively and the decrease in the annual average depreciation due to the higher prices on car sales and the change of the depreciation method to the linear method.

Net income for the quarter, on **page 15**, grew 59% compared to 3Q19. This increase is explained by the increase in EBITDA by approximately BRL 103 million, together with the reduction in the depreciate of cars by approximately BRL 50 million and financial expenses by approximately BRL 40 million, partially offset by an increase in income tax and social contribution of approximately BRL 66 million.

On **page 16** we show that over the 9 months of 2020, cash generation after growth was explained mainly by the cash generation from rental activities of approximately BRL 1.2 billion. The reduction of the fleet also generated another 1.6 billion. However, this was consumed through payments made to automakers, therefore the balance of accounts payable to automakers was reduced from BRL 2.4 billion at the end of last year to BRL 857 million this quarter.

As can be seen on **page 17**, net debt decreased approximately 415 million, mainly due to the cash generated by rental activities and fleet reduction, ending the quarter at under BRL 6.2 billion. I would like to turn back over to Maurício to present our cash position and leverage.

Mr. Maurício Teixeira: Thank you, Nora. You can see on **page 18** that we ended the quarter with an extended debt profile and with adequate liquidity to resume growth. At the end of the quarter, we had over 4.4 billion in cash, which would be enough to pay off our debt commitments by 2023.

On **slide 19**, we can see that net debt divided by annualized EBITDA ended the quarter at 2.7 times. For the purposes of our covenants, we measure the ratio with last 12 months EBITDA, and in this case the ratio was 2.6 times. It's worth noting that last quarter the ratio was at 3.6 times.

On **page 20** we present the evolution of ROIC spread versus the cost of debt. In the first 9 months of 2020, we delivered a nominal spread of 6 percentage points, which is quite healthy considering the pandemic that has affected our operations for most of the period. Analyzing the annualized 3Q20 spread only, we reached a level of 9.5 percentage points.

We will always continue being bold and playing a star role to develop new opportunities for growth and value creation. We're now open to answer your questions.

Q&A SESSION

Operator: Ladies and gentlemen we will now begin the Q&A session. If you have a question, please press *1. To take your question off the cue, press *2.

Our first question is from Regis Cardoso, from Credit Suisse.

Mr. Regis Cardoso: Hi everyone, Maurício, Nora, good morning and thank you for taking my questions. I'd like to touch on some points that you've already mentioned during your presentation. One of them, particularly, is depreciation. I understand that the increase in new car prices contributed to reduce or to lower depreciation, I understand that it contributed to that effect. What stood out to me is first of all the magnitude, 50% from one quarter to the other, and the fact that it's completely in RAC. So why don't we have a similar effect?

And another question, if you allow me, about your subscription program Meoo. How do you believe the adoption curve will happen across time? So as from what moment should we expect that this trial program for individuals will be a relevant part or share of the consolidated company revenues and results?

I'd also like to understand the negotiations you have with automakers that you've concluded for the fourth quarter and for 2021. Thank you.

Mr. Maurício Teixeira: Hi, Regis, thank you for your question. I'll start off with depreciation. Just to round up the math, which is 4% under the price of the car per year of depreciation. The price increases that we saw in new cars that also reflect on the used cars are four, six percent and in some cars even eight percent.

So in those cases many cars that were already depreciating had zero depreciation in the quarter, because they already had the price adjusted to what the price we expect to sell them, so on average there's the cars that are depreciating and the cars that depreciated zero, because it was even higher than one year of depreciation. That's why depreciation reacts fast and lowers the level.

In fleet management there was also a reduction, but in that case the dilution of depreciation is throughout the contract, in two or three years, and we're also at a time where we're moving from SOYD depreciation to linear depreciation, so it's still mixing a little and we lowered the level for the new cars that are coming in and it's lower in linear depreciation than SOYD, so car-by-car you also see a drop in depreciation in fleet management. Every one percentage point in price is 400 Less in BRL in depreciation and now that the prices have gone up and we're practicing that, we have a sharp drop.

And then, about automakers. Automakers we have close the program by the end of the year. All the automakers, and not just them, but also the production chain for auto parts are adjusting to that recovery in car sales and the new cars and Seminovos, or used cars, are selling well, with higher prices, but it takes a while for the industry to adjust their entire production chain, not only the automaker but also auto parts, so they decrease production and it takes a while for them to come back.

So, what we expect for the 4th quarter, we've already agreed with the automakers, the delivery might take longer than what we expected, but they will come in throughout the fourth quarter. For 2021, right now we're in the middle of the negotiation with the automakers in relation to volumes and the adjustment and recovery of production and we expect that throughout the third quarter next year or first will be ready and delivering at a regular flow.

In relation to Meoo, there's a long-term rental and a negotiation to change the contractors customer profile so the sales cycle isn't immediate and right now we see the first quotes that we've offered to turn into rentals, contracts are being signed and cars delivered to customers. We don't want to give any guidance or the magnitude that we expect, but yes, we do believe that it will be a relevant division in fleet management, but it's still in the beginning

Mr. Regis Cardoso: Great, clear, thank you Maurício and Nora. Good morning everyone.

Operator: Our next question is from Rogério Araújo, from UBS.

Mr. Rogério Araújo: Hi everyone, good afternoon, congratulations on your strong results for the quarter. I have two questions on my side. The first one is about the rates and return. We saw almost a complete recovery in year-over-year in RAC. I'd like to know if the rates have gone up apples to apples, so that, even with a lower airport mix, you've pretty much offset that rate, or if individuals that are renting for short distances that probably have a similar rate to airports, has that grown a lot and offset, or almost offset, the mix of airports?

And in relation to return, we saw the ROIC spread that's very strong, higher than the historical average, but in Seminovos we see a return close to historical levels, 8, 8,5%. Could we consider ROIC Kd closer to 8 than 6 for the next quarters and years? Then I'll do the next one.

Mrs. Nora Lanari: Rogério, thank you for your question. Let me start off at the last one. The spread, in fact, throughout the pandemic we've reviewed and reinforced the practices of managing expenses and costs and we've become efficient across time. You have to remember and consider that we've been talking about major Investments for a while in increasing productivity and technology, so we already been capturing efficiency across time and the pandemic reinforced the company's actions in relation to have been stricter controls. Yes, we have a recurring benefit here, but the fact is that the spread is assisted by the context of lower depreciation.

The lower depreciation lasts while the prices of new cars are going up and the trend is that at some point it goes back to normal, but until that happens we always signal to the market a ROIC spread of 8 percentage points, so we probably maintain that in that range if depreciation, or while that depreciation continues to help.

The rates in return and RAC, we see that there's a utilization rate, as Maurício mentioned, that goes up to 80% already in September and we see a resumption of growth that's faster than what we originally imagined and obviously that's been helping in price recovery. So when we look at the mix effect, it has an impact, I'd say, detracting, and not in a bad sense, but in the long-term that gives us lower rates, on the other hand we have a favorable price given the recovery, especially now in August and September, of the individual segment that contributes with higher average rates.

We don't provide guidance, but the expectation for the fourth quarter is that these trends continue. We've seen a lot of demand, mainly in the short-term now and that indicates a recovery of the daily rates and that's what suffered the most in the crisis.

Mr. Rogério Araújo: Perfect, Nora, thank you. And the next question is about the merger with Unidas. Is there any clause in the contract of any potential adjustment of the share swap, depending on the results? Could that happen before the general shareholders meeting or is it fixed and that won't change? Thank you.

Mr. Maurício Teixeira: Hi Rogério, that's fixed, regardless of the results. The only adjustment has to do with the dividends and interest over capital. So, the rest, the results, that would not change. The only adjustment in relation to the dividends are they already agreed dividends of 425 million, so additional dividends, yes, would be adjusted. The 425 million dividends that have to do with the closing, only that which will be declared in every quarter, not only us, but also Unidas.

Mr. Rogério Araújo: That's very clear. Congratulations again. Have a great week.

Operator: The next question is from Murilo Freiberger, from Bank of America.

Mr. Murilo Freiberger: Hi Maurício and Nora. Good afternoon everyone. I have some questions here on our side. First of all, if you can talk about fleet. We see that the volumes are very good, even though we have a slower economic activity, because it's a business that doesn't really have financial leverage, but you're still increasing margin, so could you talk about volume and margin in the competitive environment that fleet is? That's my first question.

Mrs. Nora Lanari: Hi Murilo, thank you for your question. We, as I mentioned in the answer to Rogério, we've been working in operating excellence in terms of productivity gain. And in general, we've seen a reduction in maintenance cost per unit. Obvious, it depends on mileage and other things. But when we look at that per item and per unit, we've been achieving efficiency. And that helped in terms of margin. Another point that helped was bad debt.

We had a reversal of bad debt in this quarter that also helped the margin. We also have to remember that in the past 3 years, the average rate in fleet was dropping as a result of repricing of new contracts to reflect the drop in interest rate as of 2017 until today. Now when we look at the future curve, we see an upwards trend. So, the average rate stops dropping here and that already we consider the operating efficiency that we've been building in the past one year and a half, which enables us to support a higher margin.

And it's also worth mentioning that until the last quarter, in the first quarter of this year, we provisioned PIS and Cofins tax. And given the second favorable decision in March this year, we're no longer provisioning those taxes. So, year-over-year, that generates one percentage point extra in fleet and 1 to 2 percentage points in RAC, in addition.

Mr. Murilo Freiberger: Thank you, Nora. That's clear. Second point, and I know you can't give guidance on this and I know that this topic is very dynamic, but in the first of Regis' questions, and that was already addressed, but I'd like to understand what happened in this specific quarter. So, it's best of both worlds. Given the company being conservative, now that Seminovos has a good margin because you are coming back to the market and also the depreciation, so you have something that's very favorable, right? So, the Seminovos margin is going up.

But in those 2 items, they have a different relation. So, depreciation has to be higher so you can achieve a healthier Seminovos margin. You don't have both pay wins at the same time, they're usually inverted. So to understand the magnitude of the adjustment that we should see in the next quarter is the level that we've seen in this one and the profitability in Seminovos or is inventory already adjusted and those 2 items will convert to normality? I know it's complicated to talk about that and give us guidance on that and It's very dynamic, It depends on market conditions to know what's going to happen in the next quarter, but just so we understand about the dynamics and the adjustments.

Mr. Maurício Teixeira: Hi, Murilo. In fact, the depreciation cycle and margin of Seminovos aren't always in sync. As you remember at Localiza Day last year, we were in the opposite cycle, where we had depreciation going up, and we didn't have car inflation and margin was low. And then we started to balance that out with margin coming back, recovery in the beginning of the year and depreciation a bit higher. Now we have the opposite. So, in favor of that, depreciation dropping and margin of Seminovos at a high level. And considering the car price dynamics that we see today with that higher margin should remain for some quarters.

Obviously, that could change a lot. And if there's a second wave of the pandemic financing, you never know. But considering the price levels that we have today, the Seminovos margin would be high even lowering depreciation. And then if we're considering the same levels of depreciation now and a more normalized margin in the future quarters.

Mr. Murilo Freiberger: Excellent, thank you Maurício.

Operator: Our next question, in English, is from Mr. Stephen Trent, from Citibank.

Mr. Stephen Trent: Thank you Maurício and Nora and I hope you're well. Thanks for taking my question. I got cut off from part of the call, so I apologize if you already answered this, but just getting back to the margin question, looking at the fleet rental side, it looks like the EBIT margin and the EBITDA margin in the third quarter for fleet rental were the same and are you essentially saying that depreciation per car was minimal? Just wanted to understand that.

Mrs. Nora Lanari: Hi Steve, thanks for the question. I'll switch to Portuguese here. That's exactly it. We have a concept of net fleet depreciation. That means that the depreciation that we book throughout the car minus the EBITDA margin in Seminovos that we generated in the sale, that's the actual depreciation of the car. And what we see in the current scenarios that new car prices have been going up with some consistency, so automakers have announced reasonable price increases, mainly as a result of the devaluation of the BRL, the Brazilian real, and that impacts the production costs.

With the increase of new car prices, Seminovos, it shows up that there's a gap relating to the new. If new car prices go up, Seminovos also goes up, the used cars, at the end of the day, and Mauricio mentioned this in the previous question. If we consider an average price of BRL 40,000, every 1 percentage point that we have in the sales price implies in a reduction of BRL 400 in depreciation.

So, depreciation is extremely sensitive to price fluctuation in new car prices and consequently, seminovo or used car prices. So, to answer your question directly, that means that the depreciation of the cars was practically zero or very close to zero.

Mr. Stephen Trent: Okay, I appreciate that. Just one more, if I may. Just to understand when we look at the 0.4468 exchange ratio for Unidas shares into Localiza, is it the case that the ratio would not change even if the antitrust regulator comes out with some material remedy?

Mrs. Nora Lanari: In contractual terms, there's no idea to switch the share swaps. But what may happen is that a part of the deal, the parties can sit and talk about that again, but the exchange ratio is not considered in that.

Mr. Stephen Trent: Okay, let me leave it there. Thanks a lot.

Operator: Our next question is from Victor Mizusaki, from Bradesco BBI.

Mr. Victor Mizusaki: HI, good afternoon, congratulations on your results. I have two questions. The first one you already addressed partially, the daily rental rates that are back to pre-COVID period. I have a question. When we think about the ride hailing product, Uber, in the second quarter you gave more discounts to those drivers, so that they can hold on to the car. So, my doubt is, if we consider the difficulties in the fourth quarter to change the price of those contracts and could you give us some flavor about positive impacts on that and rates that would be already contracted?

And the second question is about the average age of the RAC Fleet that we see an increase in the third quarter, as Mauricio mentioned, that it should get back to normal in new cars, should we see a drop in that average in the beginning of 2021? Thank you.

Mr. Maurício Teixeira: Hi Victor, thank you for your question. About average price in ride hailing, we had temporary and conditional discounts during the pandemic. We didn't change the price for our customer for the app drivers. So, it was like a promotional offer during that period of the pandemic, because they didn't have any revenues, they couldn't drive. And as the mobility restrictions were relieved in cities, we started taking away the discount city by city. And now the price level is normalized. In mid-September, we didn't have any discounts applied, actually almost the entire quarter or mid-quarter to the end. And for the fourth quarter, we should have the price levels for app drivers that's completely normal with no discounts. The discounts were really temporary to help them during the crisis. So, fourth quarter, we have normal rates, as the drivers are able to drive again and generate revenue and income.

The second question is about average age. The average age of the fleet did increase because we had car purchases that stopped and resumed that in the middle of the third to fourth quarter. In the fourth quarter, I believe, not yet, because we will still have cars coming in, and we're talking to automakers in terms of deliveries, because that might be towards the end of the quarter. I think that end of the quarter, beginning of the next quarter, like next year, we'll see a reduction in the average age, but not yet.

Mr. Victor Mizusaki: Okay, thank you.

Operator: Our next question is from Bruno Amorim, from Goldman Sachs.

Mr. Bruno Amorim: Good afternoon, thank you for taking my question. My question is about demand recovery in RAC. Could you comment the dynamic of the recovery? Is most of the recovery because of the recovery of the industry overall or market share gains are more relevant? I know we don't have precise data on that, but maybe you're closer to the competition and may have some insights in that sense. Thank you.

Mrs. Nora Lanari: Hi Bruno, thank you for your question. We have little information from the industry on a quarterly basis. Usually, the official data disclosed by the association have to do with the year. What we've seen is a change in habit or at least a change in habit that was expedited because of the pandemic, such there's the subscription car, and we launched that for the long term, but we also see a demand for individuals in the monthly rental, as they prefer private transportation now. And the recovery of economic activity, or less lockdown, ends up bringing the app drivers back to driving. That's also a demand.

And lastly, mid this quarter, moving forward, we see a consistency in the comeback of the daily rental. That was the one affected the most by the pandemic. Our airport revenues are recovering. It still is recovering. We see that the number of flights still lower than last year, but obviously better than the most critical part of the pandemic and we also see a demand in rental for shorter travel. So domestic tourism is coming back and because we have a higher exchange rate with the U.S. dollar and the flights, so it's boosting the business, but it's hard to say in market share gains and our objective is to maintain a fast recovery. So, the company is ready in terms of leverage, in cash flow, and even based on the operational point of view, to capture growth from that recovery of the market.

Mr. Bruno Amorim: Thank you Nora. Just a follow-up, maybe you have already commented, but during the quarter, you can see that there was a faster… do you think there was faster growth or not necessarily?

Mrs. Nora Lanari: There was a recovery. It's happening gradually consistently. We see an improvement on a monthly basis, not only in utilization rate, but also in the rates.

Mr. Bruno Amorim: Ok, thank you.

Operator: Our next question is from Lucas Barbosa, from Morgan Stanley.

Mr. Lucas Barbosa: Good afternoon, Maurício and Nora, thank you for taking my question and congratulations on your results. I have a follow-up about the car depreciation and Seminovos result. I understood that in this quarter, you marked to market the price level of new cars that helped Seminovos. The problem is that brand new car prices went up a lot because of the real devaluation, so if we see a valuation of the real because of the exchange rate, would that be flat or even dropping, and in that case, you'd increase depreciation, or are you conservative in relation to the current figures and depreciation? Thank you.

Mr. Maurício Teixeira: Hi Lucas. First of all, in terms of price dynamics, we already expected that brand-new car prices would go up this year. That's a movement that we expected in the beginning of the year with the dollar at 4.2. So, the automakers were already considering that. And then the pandemic also affected price, volume, and now the volume came back, the demand came back, they were able to do that at an exchange rate higher than the 4.2, now I'm talking about 5.7, the exchange rate with the U.S. dollar.

So we believe that that change in price level is here to stay, even if the exchange rate gets a little better, because even lower than 5, we already expected that price adjustment in the beginning of the year, so we're monitoring that. Obviously, going to lower the perspectives of sale and in Seminovos the impact should be even higher in the margin than the depreciation, because in depreciation there's still a lot of cars that have an expected sale price higher. So, if it lowers a little, could still be higher than the amount that we have of the old book value for the car. So, if there's a lower seminovo price, the margin won't be as high as it is today, and margin will go back to normal.

Mr. Lucas Barbosa: Perfect, Maurício, thank you, that's very clear.

Operator: Our next question is from Alexandre Falcão, from HSBC.

Mr. Alexandre Falcão: Good afternoon, Maurício and Nora. I'd like to know about the Seminovos, the used cars dynamic for the next year. You can clearly see, and as you well mentioned, that there should be a recovery of new cars, right, new car prices going up. You talk to dealerships, they don't have any cars to sell and used cars, I think maybe the spread is one of the lowest in history. It can have a very positive dynamic, everything that happens to Localiza, it's very positive for Seminovos or used cars. And there's depreciation and there's a number of tailwinds for you in your favor. So for how long will Brazilian production be able to do that and that go back to normal, not that the prices will come back, but when will that dynamic no longer be positive, 3 months, 6 months, 9 months? Just so we can understand the timeline of that opportunity. Thank you.

Mr. Maurício Teixeira: Hi Falcão, this is Maurício speaking. Well, we see the movement. Sometimes, we see things in our favor or not and that's the dynamic of the industry. And we have to consider our balance sheet so we can portray that market reality. But unfortunately, we can't guess what's going to happen. We imagine, though, as I mentioned before, that we'll still have some adjustments in the first quarter. In used cars resale stores, we didn't have that much to sell and now people are confident in buying again. So, the entire chain is being replenished and there is a repressed demand that people didn't want to go out, or leave their house, to buy a car or invest in buying a car. Now that we see more clarity, then people are starting to buy cars again.

So, I think that the first quarter will still have a dynamic of adjustment and as of the second quarter that should get back to normal. But that would not imply in price reduction. I believe that it's more of a volume that's flowing and renewing the fleet in our case and selling cars, so as Victor mentioned, our fleet is older and now we have to renew the fleet in the next quarters, buying higher volume and selling the cars that are over 12 months with a high mileage. So, until that cycle goes back to normal, that should be, I don't know, second, third quarter of next year.

Mr. Alexandre Falcão: Okay, great, thank you. My second question, if you can update, sorry, I joined a little late, maybe you already addressed this about subscription cars. Can you share more about that launch, your perspectives, how it's going, anything that we can have more clarity about that product for the next year?

Mr. Maurício Teixeira: That's right, Falcão. That's a very recent launch. It was a launch done in September 22, so there's quoting going on, website, and the first reaction is good, there was a lot of demand.

Mr. Alexandre Falcão: Okay, thank you.

Operator: Our next question is from Rogério Araújo, from UBS.

Mr. Rogério Araújo: Hi everyone, thank you. Actually, I have two quick questions about the one-offs and financial results. There's a 9 million swap, is that correct? And what was the gain with the buyback, debentures buyback in that quarter, and what's the expectation with the gains, if you continue with the buyback in the next quarters? Then I have another quick question. Thank you.

Mr. Maurício Teixeira: Hi Rogério. We had an approximate gain in the quarter for buyback of BRL 13 million, that we were able to obtain in the buyback of the debentures and in the FX swaps and interest rate swaps of approximately BRL 20 million. In the financial results, we were benefited by both aspects, so we had a negative mark because of the drop in interest rate, and now it's positive, so the buyback of BRL 13 million in debentures.

Yesterday we approved the program with the Board, we can buy back up to BRL 500 million in debentures. We increased that to BRL 1.3 billion at Localiza and BRL 2 million at Localiza Fleet, so it really depends on the rates that we get and the access to market that will be willing to sell these bonds. We're not in a rush, it will be open for approximately a year, so we should have almost 9 months for that program. And we'll do that as we did with the buyback program, it will be open as opportunities come in, we'll buy them back. And we won't necessarily have that benefit in the fourth quarter, I hope so, and we'll assess market conditions for that.

Mr. Rogério Araújo: Okay, perfect Mauricio. How much of the BRL 500 million that was authorized have you sold? Or actually bought back, right?

Mr. Maurício Teixeira: Yes, bought back. BRL 500, everything. Yesterday we approved that to expand the program. A part of that was in October.

Mr. Rogério Araújo: Okay, perfect. Another question is about cutting costs. We can see that the “others” line, that’s a very strong reduction in travel and third-party services. Could you share what that means exactly, what's in each one of them? And about recurring reductions, is anything that's not recurring? If you could share that with us, that would be great. Thank you.

Mrs. Nora Lanari: Rogério, remember that others in the same quarter last year, we were provisioning PIS and Cofins credits to 1/60, right? That's why you see the variation in that math. And we even show that number with some more flavor. So, from now on, that will benefit results because we're no longer provisioning. But in general terms, we have a reduction in third-party services. We've been reviewing a lot of things, a part of investment in consulting and IT that was done in the past year, this year we don't have it anymore. And within the contingency measures, we still have the ones that we're negotiating, rentals, so we had some adjustment in staff, and that impacted the third quarter.

Mr. Rogério Araújo: Perfect, very clear. Thank you once again.

Operator: Ladies and gentlemen, to ask a question, please press *1.

Operator: The Q&A session is now over. I’d like to hand back over to Mr. Mauricio Teixeira for his final comments.

Mr. Mauricio: I would like to thank everyone for their presence and inform that our IR team is available for any further clarification. Thank you very much, good afternoon.

Operator: The Localiza Rent-A-Car conference call is now over. Thank you for your attendance and have a good afternoon. Thank you.