Operator:

Good afternoon, and welcome to the Localiza and Co webinar regarding the results of the 4Q and the year 2024. With us today are Bruno Lasansky, our CEO; Rodrigo Tavares, CFO; and Nora Lanari, Director of Investor Relations of the Company.

We would like to inform you that this webinar is being recorded and will be made available at ri.localiza.com, where you can find the complete disclosure of results. This presentation is also available for download on our RI website.

For the Q&A session for analysts and investors, we kindly ask you to indicate your interest in participating through this Q&A icon on the bottom of your screens by typing your name, institution and language. When called upon, a request to activate your microphone will appear on the screen.

To submit questions in writing, please use the Q&A icon at the bottom of your screen and fill in your name and institution before the question.

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Now I will hand the floor to Bruno Lasansky, the Company's CEO, to begin the presentation.

Bruno Lasansky:

Good afternoon. In 2024, we redoubled our focus on executing the Company's strategic priorities, and throughout the 2H25, we began to see consistent results from our initiative. The year was marked by revenue growth in all of the Company's divisions with 17% in car rentals, 25% in fleet management and 37% in Seminovos.

In Car Rental, we continue the process of price adjustment, which increased by 15.4% in the year, and in the last quarter, at R$147 million, reflecting the strength of the brand and commercial excellence of Localiza.

In fleet rental, we focused the capital allocation on higher return segments. Thus, we reduced the heavy use fleet by around 25% and improved the global fleet utilization. We highlight that, excluding trucks and heavy use of vehicles, the net revenue in 2024 grew 30%, with the volume of daily rentals growing 13% year-over-year.

On the operations front, we expanded our network of decommissioning centers to 13 units, increasing the speed, quality and management of the preparation process, which contributed to improving the channel mix.

Seminovos doubled the volume of cars sold in only 2 years. During the year, we expanded the store network and increased productivity per store. 280,000 cars were sold, which contributed to reducing the average age of the car sold in the Car Rental division from 28 to 23 months. As a result, in this year, we presented consolidated net revenue of R$37.3 billion, EBITDA of R$11.9 billion and net income of R$1.8 billion, with a ROIC spread of 3.1 p.p., evolving to a spread of 5 p.p. in the 2H24.

In addition, the year was marked by increased cash generation from car rentals, contributing to the reduction of our leverage ratios even with the increase of payment of interest on equity and the repurchase of the Company's shares during the year.

We continue to improve our customer experience. For example, we doubled the number of 100% digital pickup. During the year, launched the new Localiza mobile app with unique features on the market and transform the delivery and return journey in fleet rental, all of which contributed to an excellent NPS and a differential in July. In addition, Localiza was recognized once again as one of the 15 best companies to work for by Great Place to Work.

In terms of technology, we completed the ERP update, as well as the migration of 100% of our applications to the cloud, contributing to greater agility, efficiency and performance of our technological environment.

In 2025, we are facing a scenario of rising interest rates, and potential slowdown in economic activity and reduced credit availability. In this context, we have defined 5 priorities for the year. First, scaling up of Seminovos to renew the fleet. Two, reestablishing rental prices, prioritizing revenue growth and ROIC spread. Three, efficiency and cost and productivity. Fourth, optimization of the segment portfolio, focusing on more profitable segments. Five, improving the experience of our customers to increase even more the differentiation of delight. And sixth, concluding the process of systemic integration and corporate simplification.

These initiatives are crucial for the gradual recovery of profitability levels. We are confident that we will emerge from the current cycle by further expanding our market leadership, competitive advantages and resuming our growth trajectory with value creation.

To present the highlights of the year and this quarter, I will now hand over to our CFO, Rodrigo Tavares.

Rodrigo Tavares:

Thank you, Bruno, and good afternoon, everyone. On page 2, here are the highlights of the quarter. We maintained solid results driven by robust revenue growth in car rental, fleet rental and Seminovos combined with efficient cost management.

The Car Rental division reported revenue of R$2.6 billion for the quarter, a 13% growth year-over-year. In Fleet Rental, we continued the portfolio optimization process, which will contribute to the recomposition of our ROIC spread. Net revenue totaled R$2.2 billion, a 16% growth year-over-year. In Seminovos, we expanded our network with the opening of 123 sales point throughout the 4Q24, strengthening our market presence and driving a gradual fleet renewal process in 2025. Net revenue from Seminovos achieved R$5.1 billion in the quarter, a 35.3% increase year-over-year.

The gradual fleet rejuvenation will continue to contribute to the improvement of the sales channel mix positively impacting the average price of cars sold over the year. Consolidated net revenue grew by 24.6% to R$9.9 billion. EBITDA increased by 15% to R$3.3 billion, and profit reached R$837 million in this quarter.

To present the details of our quarterly results, I will hand over to our Investor Relations Director, Nora Lanari.

Nora Lanari:

Thank you, Rodrigo, and good afternoon. Going into the details of the results on page 3, we start with the Car Rental division in Brazil. In 4Q24, the net revenue for Car Rental division achieved R$2.6 billion, a 13% increase year-over-year. Due to the increase in the average daily rate compared to 4Q23, volumes adjusted by 2.9% due to the strong comparison base and prioritization of price recomposition. Compared to the 3Q24, volumes advanced by 1.4%.

In 2024, revenue grew by 16.8% year-over-year, totaling R$9.6 billion, with stable daily rental volumes for the year and acceleration in the average rate recomposition, which advanced by 15.4% over the year.

On page 4, we present another quarter of average daily rate advancements, which added the year at R$147.4 million, a 16.3% increase year-over-year. The utilization rate remains at a healthy level of 79% for the quarter, reflecting pricing and mix management.

Moving to page 5, we see the evolution of the Car Rental branches network. We ended the year with 537 own agencies in addition to 18 branches in Mexico and 151 franchises, totaling 706 service points in Latin America.

On page 6, in Fleet Rental division, volumes and prices continued to rise in 4Q24, resulting in net revenue of R$2.2 billion, a 16.4% increase compared year-over-year. In 2024, there was a 10% increase in volume, 25.1% increase in revenue for this division compared year-over-year. Excluding the effects of reduction of heavy use contract portfolio, net revenue would have advanced by more than 30% in the year.

On page 7, we present a daily average rate of 97.7, an 11.3% increase. Compared year-over-year, the utilization rate increased by 0.5%. In 2024, the average daily rate advanced by 13.7% with a slight reduction of 0.7% of fleet utilization year-over-year due to higher number of deactivated cars resulting from the portfolio optimization process.

Moving to page 8, the revenue of Seminovos achieved R$5.1 billion, a 35.1% increase year-over-year. The volume of cars sold grew by 27%. In 2024, net revenue of Seminovos in Brazil grew by 37.3% year-over-year, totaling R$19.2 billion, with sales volume growing by 26.4% in the year.

Acceleration in sales volumes reinforce the Company's operational and execution capacity, which increased by R$11.7 billion in sales in 2022 to R$19.2 billion 2024, with productivity gains per store. This is the result of improvements in the corporation process, adjustments and maturation of the store network and sales team, as well as expansion of credit for financing.

On page 9, we have the Seminovos network. In 2024, we expanded the number of stores totaling 27 openings for the year, ending the quarter with 242 sales points, distributed across 118 Brazilian cities. Store openings were concentrated at the end of the year and should contribute to sales volumes throughout 2025.

Even with the network expansion, we have advanced productivity per store, ending the year with an average 40 cars sold per store per month. In 2025, we will maintain our focus on scaling up Seminovos productivity gains, expanding the number of stores, sellers and channels.

Moving to page 10, we show the balance of car purchases and sales. In the 4Q24, we purchased 103,064 and sold 71,750 cars, resulting in a fleet growth of 31,314 cars and a net investment of R$4.1 billion.

The sales volume in the quarter was impacted by rising interest rates and fewer business days, which affected demand in December. Even so, we presented a 27% growth in sales volume in 4Q24 year-over-year. In January and February, we saw an acceleration in sales volume again and reduced car purchases after holiday peak, in order to adjust the fleet to seasonal rental demand.

On page 11, we present the average purchase price and sales price. In the Car Rental division, the average purchase price was R$84,000 and the sales price, R$67,700, resulting in renewal investment of R$16,300 per car. In the year, the average purchase price was R$83,300, sales price R$66,800, resulting in a net renewal CAPEX of R$16,500, a reduction of R$3,000 per car compared year-over-year. The gradual advancement in fleet rejuvenation process should contribute to maintaining a renewal CAPEX reduction trajectory.

In Fleet Rental, the average purchase price was R$96,100 in 4Q24, the average sales price was R$76,700, resulting in a renewal investment of R$19,400. In the year, the average purchase price was R$95,000 and sales price R$72,000 resulting in a net renewal CAPEX of R$23,000, a reduction of R$8,500 per car year-over-year.

On page 12, we show the fleet growth at the end of the period. We ended the year with 669,362 cars, 2,1% increase and 1.2% increase in the Car Rental division. The increase of the end of period fleet in Car Rental reflects the opportunity for purchases in 4Q24. After the high season, we expect a reduction in the pace of car purchases. In 2025, we will continue to prioritize price adjustment and seek fleet efficiency and productivity.

On page 13, in the quarter, consolidated net revenue advanced 24.6% year-over-year, totaling R$9.9 billion. Rental revenue grew by 14.9%, 13% in Car Rental division and 16.4% in Fleet Rental division. Seminovos revenue totaled R$5.1 billion in the quarter, a 35.3% increase year-over-year, resulting from a 27% increase in volume and higher average sale price. For the year, consolidated net revenue advanced 29% year-over-year, totaling R$37.3 billion, with strong growth in Rental and Seminovos.

On page 14, we present consolidated EBITDA. In 2024, we stopped adjusting margins for business combination, and impairment effects. And in 4Q23, we began allocating car preparation costs to Car Rental and Fleet Rental excluding them from Seminovos. Thus, we will only make comparison with 4Q24, whose bases are comparable.

In 4Q24, the EBITDA margin for car rental division was 65.6%, a 2.9% increase year-over-year. The robust margin in the quarter mainly reflects rental pricing as well as advancement in rejuvenation process and reduction in average mileage of the fleet, resulting in lower maintenance cost per car, partially offset by higher preparation costs explained by a 24.3% increase in the number of cars prepared.

In Fleet Rental, the margin was 69.8%, a 1.7 p.p. reduction year-over-year, mainly explained by higher preparation costs due to a 29% increase in the volume of cars prepared and greater deactivation of severe use vehicles. Allowance with bad debt expenses also increased for the quarter, especially in trucks. Telematics and other initiatives brought R$50 million in revenue and R$200,000 of EBITDA, diluting the EBITDA margin of the division by 1.6% in the quarter. Seminovos presented a margin of 2.6%, especially reflecting price adjustment in December.

Throughout the quarter, 2021, 2022 and 2023 models adjusted in line with historical patterns. On the other hand, we saw a stronger adjustment in 2024 model year cars. In January and February, volume sped up again.

On page 15, we see the evolution of average depreciation per car. For Car Rental, the average annual depreciation per car was within the range expected for the Company in line with 3Q24 depreciation. For the year, the annualized average depreciation was impacted by the revision of residual value and operational life estimated for the fleet made in 2Q24, to reflect price adjustment for use in Seminovos cars.

In Fleet Rental, the average depreciation was R$8,527,including trucks. The depreciation for light vehicles was R$8,075, within the expected range. In the year, the annual depreciation was impacted by the revision of residual estimates made in 2Q24.

On page 16, in December, we saw greater adjustment in the prices for the 2024 model year cars. But in January and February, volumes and price behaved in line with the Company's expectations. Thus, we maintained the 1Q25 guidance. At the beginning of the year, automakers increased the list prices of new cars. We continue to monitor the impact of these increases on new and Seminovos cars.

On page 17, we see consolidated EBIT for 4Q24, which achieved R$2 billion, a 12.5% increase year-over-year. For the year, it was impacted by the adjustment in car depreciation made in 2Q24 to reflect the widening gap between used and new cars.

On page 18, we present a profit of R$837 million, an 18.7% increase year-over-year, reflecting the increase of R$446 million in EBITDA and a reduction of R$8 million in net financial expenses, due to the reduction in the CDI for the period and the hedging effects of derivatives linked to Fleet Rental contracts, partially offset by the increase of R$220 million in depreciation of cars and R$103 million in income tax and social contribution due to higher taxable income and increase in effective IR rate.

Now, I would like to return to Rodrigo to present cash generation, leverage and ROIC.

Rodrigo Tavares:

On page 19, we present the free cash flow. In 2024, the Company generated R$9.8 billion from rental activities, a 37.9% increase year-over-year. That investment for fleet renewal showed significant reduction due to smaller gap between the purchase and sales price of cars. For the year, R$472 million were spent on renewing 280,000 cars, a sharp production compared to R$3 billion spent on renewing 221,000 cars in 2023.

In addition, the Company reduced the net fleet addition, which contributed to R$960 million reduction in net investments for growth compared year-over-year. As a result, the Company went from a cash consumption of R$2.9 billion before interest and others, to cash generation of R$3.3 billion in 2024.

Throughout 2025, we will continue to adjust rental prices to reflect the higher interest rate. Additionally, we will maintain discipline in cost and productivity management. Both combined with lower renewal and growth CAPEX should continue to contribute to positive cash generation and reduced leverage indicators.

On page 20, we present debt evolution. We ended the year with net debt of R$30.1 billion. During the year, R$940 million were paid in interest on equity, net of income tax in addition to repurchasing 8 million of Company’s shares.

On page 21, we present the Company's debt profile and cash position. Considering the funding and settlements announced up to February 27, the cash position totaled R$13.1 billion. The Company has been taking advantage of debt market opportunities throughout 2024 to reduce cost and extend debt duration.

On slide 22, we present solid debt ratios. For the year, the higher operation cash generation contributed to the improvement of net indicators, even with the repurchase of Company’s shares and the distribution of interest on equities.

On page 23, the ROIC spread. We ended 2024 with a ROIC spread of 3.1 p.p. In 2H24, the ROIC spread reached 5 p.p., resulting from price recomposition initiatives, as well as efficient cost and productivity managed.

Now we are available to answer any questions you may have.

Alberto Valerio, UBS:

Good afternoon. Thank you for taking my question. I want to know more about what we can expect going forward. We expect strong increase in rates, a recomposition of ROIC spread. Maybe a slowdown of the recomposition in 3Q and 4Q, maybe because of the car market in December that was worse than expected. January, March and February, how do you see the rate of recomposition, if it will continue strong, and if you can see the Seminovos market a little bit better? I know that the

FIPE table is not the same that you use, but we had an improvement in January and February compared to November and December last year.

Rodrigo Tavares:

Thank you, Alberto. Let me explain your question for Seminovos and then I will talk about rental. For Seminovos, what we have seen was, in fact, the last quarter started strong. It settles down in December, price and volume. We have less activity in December. And at the beginning of the year, January and February, it's already going back to normal. We see stability in prices and a volume level, much healthier for the 2 months of the year when we talk about the Seminovos market.

About rental, we continue constituting our profitability, especially now with the change of the macroeconomic scenario and interest rates. But, as you have seen, we had a little lower growth in the segment, but we follow the policy of reconstituting our profitability.

Nora Lanari:

Alberto, just to answer question about FIPE, we monitor it, and at the beginning of the year, we saw that the automakers increased their prices. It takes some time for the practice price, so we are waiting because the dealers have old inventory. So we looking at that at the beginning of the year. On the other hand, we know that this year has more limited credit and affordability is worse than it was in the past.

Daniel Gasparete, Itaú:

Good afternoon. Thank you for taking my questions. I also have 2. I would like to know about Car Rental. How do you see the demand going into monthly and seasonal? We see the volume suffers a little bit more.

And the second question is about your opinion of a trade-off. For this year, like Nora said, a more limited credit, if you would choose between aging the fleet or maintain a volume of Seminovos like you have been. I would like to understand the trade-off.

Bruno Lasansky:

Thank you, Daniel, for your question. About the volume, clearly, we have priority to reconstitute our profitability, and we have been having that consistently in our prices. It's important to say that for a relevant part of our customer base and segment, the alternative is buying a car. Obviously, in either subscription or monthly for app drivers, the total cost advances when you have an increase of interest rates. So that's the first consideration.

About the demand, what we have been seeing is that in general, the segments are resilient. However, we have been seeing at the end of the year, due to the scenario, that some companies are postponing projects or reducing investment projects, which have impacted especially the corporate segments in Car Rental.

So we see a robustness in the segment, except a point of attention is corporate because of the scenario, our customers are more cautious.

For your second question, I will pass to Rodrigo.

Rodrigo Tavares:

Thank you Gasparete. Your second question is excellent because it's a trade-off that the Company has to consider. But being very straightforward. We are monitoring, the credit is less available, but still at healthy levels. It is more expensive for the consumer, which means smaller version and funding, but still at healthy levels.

If we have a stronger credit restriction, the Company will probably delay its rejuvenation process instead of a stronger drop in prices. This said, I would like to make clear that we are saying that you delay a little bit the rejuvenating process, but continue to rejuvenate. We do not see any scenario of aging the fleet even with more restrictive credit.

Guilherme Mendes, JPMorgan:

Good afternoon. Thank you for taking my questions. I also have 2. It's a follow-up about depreciation. I understand that the beginning of the year is in line with expectations and guidance. But going beyond the 1Q, does it make sense to consider that we have this depreciation increasing from the 2Q forward?

And on Seminovos, that the Company mentioned as one of the priorities for the year, what are the main KPIs you are looking at? In activity per store, what are you looking at for the margin of 2025? Thank you.

Rodrigo Tavares:

Thank you for your question, Guilherme. I am going to talk about depreciation first, and then Bruno talks about the KPIs. As we mentioned, December was month of adjustment, we saw more volume and price in January and February. As Nora mentioned, for the short term, we understand that it's a little bit more stable, both in volume and price.

When we think about the rest of the year, two forces contributing positive and one negative will interact. The first is price increase of new cars. On the first day of the year, we saw a public increase of 3% to 4% in new cars. There's still a lot of inventory, so it was not reflected in the market price yet, but it can happen. These prices reflect in practice prices and have an effect in the Seminoles and used cars.

On the other hand, you have eventual credit restriction that can affect demand putting a negative pressure in the market. So the year starts within normalcy, but it's early to say how this will behave throughout the year. We have to continue monitoring to understand these effects and see if we have to take any action to adjust our depreciation.

Now I am going to pass it to Bruno to talk about Seminovos.

Bruno Lasansky:

Thank you, Guilherme, for your second question. When we think about Seminovos, we have been talking about the scaling of Seminovos to rejuvenate the fleet with efficiencies. There are 3 pillars. The first, increase sales per store; the second is to expand new stores and routes; and wholesale and expand channels.

As you saw, we had success, more than doubled our sales in 2 years, expanding with efficiency in the number of stores in the last quarter, which will continue to help scale sales in 2025.

What are the indicators that we look at? We look at efficiency and also the customer indicators. So in terms of efficiency, we follow what we obtained with the car sale compared to the new cars. We also look at indicators that are what makes this sale feasible, like availability and cost of credit, as well as efficiency in terms of cost per car sold and how fast we can turn over our fleet.

So we see this in Seminovos and we follow closely the indicators of delight of our customers to repurchase, purchase again and make recommendation for future purchases.

Lucas Marquiori, BTG:

Good afternoon. Thank you for the call. Rodrigo, in the volume of demobilization of Seminovos, you mentioned credit, you do not know if it's going to speed down or slow down the fleet rejuvenation. What is the range if you are speeding up or slowing down car demobilization to know what is the target you are using for the year?

The second point, in a scenario of slowing down of fleet rejuvenation, what could you unlock in terms of cash or leverage stopping to buy cars? What is the leverage you are aiming at, maybe reducing purchases of cars?

Rodrigo Tavares:

Thank you, Lucas. I am going to answer the first question a little bit more conceptually. If you look at the number of cars that we have at Rent-a-Car and our inventory of fleet, putting in the cycle of 15 months, we would need to sell 340,000, 350,000 cars per year to achieve a constant volume considering our volume of Rent-a-Car and our fleet.

To achieve our ideal cycle, we need 15 months of Rent-a-Car. And fleet, it varies according to contract, around 34, 35 months. That volume of 340,000 to 350,000 would be the target to find a balance at the Company. If we see something around 28,000, 29,000 cars, we would reach this equilibrium.

This said, as I mentioned, there are many variables involved in credit. So if we need a trade-off, maybe that volume will be a little bit lower than that figure. But once again, we do not expect aging the fleet, but a delay in rejuvenating the fleet.

About cash, you are right. In a scenario in which volume grows less or is stagnant, the Company is cash generator. When you look at our levels of leverage, especially two, one for the net debt over EBITDA, you will see a gradual conversion and this number should be close to lower in terms of net debt over EBITDA.

If it's set then over the value of the fleet at the beginning of the year it has a slight increase because you pay the automakers. So you reduce your accounts payable, which has a short-term effect in your ratio of net debt over fleet and it reduces throughout the year in cash generation and is below what we closed in 2024.

Jens Spiess, Morgan Stanley:

Thank you for taking my question. I just want to ask how much do you expect or are targeting to increase rental rates for each of the divisions this year versus last year?

And also, do you plan to introduce a formal depreciation guidance for upcoming quarters at some point? Because I think it has been quite instrumental to have both the depreciation guidance and your price expectations. I would like to fine-tune numbers in general. Thank you.

Rodrigo Tavares:

Jens, thank you for your question. I will start with the second one. It's easier. We do not intend to go through, despite the depreciation guidance. We did one for 3 quarters and then an adjustment in the 3Q, where you have high volatility of expectations. And since Localiza's policy was never to go over guidance, we go back to our policy. We will not have any guidance for the rest of the year.

About recomposition, with the increase of interest rating expectation, this has to be repassed to our rates. In general, every cent bps equals to an increase of tariff. And you saw what happened in the

4Q24. We had an increase of expectation of future interest of 50 to 300 bps. So we need to readjust the profitability and rates, but also to offset this increase in cost.

Victor Mizusaki, Bradesco:

Good afternoon. Two questions and a follow-up on our side. The first, about excluding the activation of severe use vehicles, if you could confirm how much is the increase of rate in the 4Q for this effect?

And second, about depreciation, when we look at the guidance of the 3Q and 4Q, and now for the 1Q25, we see the range and what was reported, and since in January and February these scenarios were in line with the Company's expectations, can we expect something closer to the middle of the guidance for the quarter? 6,800, 7,000?

Nora Lanari:

Thank you, Victor. Year-over-year, the lightweight and subscription segments grew on 10 average as a reference.

Bruno Lasansky:

Just to add for this first point, Nora, it's very important to look at the information and understand the portfolio of fleet management. We have about 31,000 vehicles in the segment of severe use, and all the others are light and subscription cars that have an annual growth of 32%, which shows that, within this portfolio, we have a very healthy majority with good profitability, good origination. And it's important to interpret that when we look at the growth and total evolution of the volume and revenue in the business.

I would like to highlight this point, so that we can have more visibility of what this division is like. And our plan is to continue to have these two dynamics. On one hand, continue to allocate capital with discipline and good profitability segments, with good generation of value, and continue to discontinue or close the contracts as they get to the end of the cycle, those that have lower profitability.

Now I would pass to Rodrigo.

Rodrigo Tavares:

Victor, as we mentioned, in December, we had something different than other months, than January and February, more stability. But when we look at the quarter, we are talking about the top of the guidance, not the middle of the guidance.

We are still adjusting, especially the effects that took place at the end of the year. So the current expectation with the information we currently have, we do not know if this scenario of stability will continue, if it’s going to change, if it’s going to be better. The price of new cars will start to affect positively the price of used cars, but now it’s more looking at the top of guidance than the middle of the guidance.

Bruno Amorim, Goldman Sachs:

Good afternoon. Thank you for taking my question. First question is a follow-up about the elasticity of demand. You are going to a growth rate close to flat in volume. And I imagine that the more discretionary segments are shrinking, and those segments like Bruno mentioned, in which the alternative is to purchase the car, might be responding better to price increases. Do you see this shrinkage in the segments more related to leisure and Car Rental, and those segments in which the car purchase is increasing? Just to see if the evidence corroborates with this theory.

The second question is about the Company's future buybacks. The share prices are much lower than they were, so it probably makes sense to buy back shares, but the interest rates are high, managing the balance sheet. How do you think about this trade-off?

And lastly, Rodrigo mentioned about a sustainable and recurring level of selling vehicles, about 350,000 cars. Should we expect to see the Company converging towards that level and then the average age of the car being lower? Does it make sense that it will go a little bit beyond, sell even more to reduce the average age and stabilize in 350,000 later?

Bruno Lasansky:

Thank you, Bruno, for your question. About your first question, as I mentioned, we are seeing a resilient demand in those segments that you call discretionary, like leisure, as well as the monthly rentals for individuals, and even app drivers. And we see a little bit more accommodation in the corporate segments as of the 2Q24. Because of the macroeconomic landscape, the companies are reevaluating or postponing their projects.

We also see a clear determination of the Company to continue to reconstitute the price. It's important to remember that the Company learned to do these repasses and increases, price adjustments gradually, working with the customers in order to continue our relationship and continue the business. And more specifically, it’s in the corporate segments that we see this accommodation than the segments that you mentioned and call discretionary.

And to conclude, it's important to take a step back also, and remember that we are talking about segments that have a very large addressable market still. So once we achieve the price levels that Rodrigo mentioned, we need to reconstitute the profitability, which is our goal, we still have a lot of space to grow in the various segments that we mentioned.

I will pass to Rodrigo for him to complement my answer.

Rodrigo Tavares:

Bruno, thank you for your questions. I would like to address the two additional questions, using what Lasansky just answered. With greater stability of volumes, the Company goes back to its focus on cost efficiency, and a relevant cost efficiency.

When you are growing strongly, you have many activities and you generate a natural inefficiency in some processes. When you have greater stability, that’s also part of the Company's focus to gain efficiency and review all our processes. And we expect this to contribute to generate profitability to the business, even reducing the need to repass the prices that we still need to do.

About the two questions of buyback, we bought about R$800 million in our shares. And the Company is always looking at buyback as a possible capital allocation. Since we have a more robust cash generation, we can always allocate the capital either buying more cars, reducing our debt or increasing the payout in terms of buyback. If the Company sees that as an interesting investment, we do that, but we do that currently without it being a policy. It's something we always look at.

About the Seminovos. Just to make it clear, when I mentioned 350,000 cars, I was talking about the level that we need to achieve to get an optimized cycle of cars for Rent-a-Car and Fleet. I would like to make clear that we are not at that level of 350,000 cars per year. We expect that at some point, we will achieve that. And it depends on macro conditions.

What the Company is not willing to do is to speed up reaching those 350,000 cars more aggressively in terms of price. We will respect market demand and coordinate the fleet rejuvenation with the scenario that we are facing.

Bruno Amorim:

Thank you. Just a follow-up to see if I understood. When you normalize the average car age, the Company has to sell 350,000 cars per year. Is that it?

Rodrigo Tavares:

Yes, that's correct. But once again, we are talking about a constant fleet. If the Company grows again, that level will change. But Localiza today, if they do not grow their fleet achieving 340,000, 350,000 vehicles sold, we would stabilize car sales in 15 months for Car Rental and 34 months for Fleet.

Bruno Amorim:

So that's the figure for the steady state. And to do that, does the Company have to make more efforts to sell more cars to normalize the average age, or will that converge naturally?

Rodrigo Tavares:

If we sell more, we will converge quicker, but achieving that level, we can reach that throughout the year.

Rogério Araújo, Bank of America:

Good afternoon. Thank you for taking my questions. I have 2 as well. First, I would like to explore the severe use segment. If you could talk about the expected time to end the contract and sell the assets that are still in the fleet, the 30,000 cars.

And just to confirm my understanding, you increased volume and price. Can we understand that instead of growing 5% year-over-year, it would be 15%? And if you could comment if we can use that as an expectation for when you finish selling those vehicles, that increase of growth. I can ask the second question after.

Rodrigo Tavares:

Rogério, your question is not clear because your audio was a bit choppy.

Nora Lanari:

I can help, Rogério. I will answer, Rodrigo, and if you need, you can complement. First, about the timing, these contracts are 3 years on average. So we started the demobilization process last year, and this should take some time to happen. We have about 30,000 vehicles at the end of the period that we will discontinue. So the process will respect the expiration date of these contracts for the next 2 years.

About growth, we commented on the previous answer that if we look back, if we exclude the effects of severe use segment, the Company would have a 30% growth in revenue, which is half price, half volume. We are not giving guidance. We do not have the practice of guidance, so we are not having the guidance going forward.

We have to take into consideration a few things. First, it’s a macroeconomic scenario that tends to worsen going forward, which would reduce the appetite of large fleet, as Bruno said. But given the better affordability of vehicles, we have other customers going into the base for subscription or third-party fleets, since the price to finance also increased. But it's not the run rate that we find going forward. Our main focus is to reconstitute profitability, and the trade-off is very clear.

Rogério Aráujo:

Thank you, Nora. It was very clear. The second question is for Seminovos. If you could give us more details on how October, November and December were in terms of margin. If we can better understand a normalized market, how much cushion do we have in margin?

Rodrigo Tavares:

Thank you, Rogério. Talking about price volume, we see October with strong volumes and the market accommodating a little bit below the 50 vehicles that we were expecting. November was in line with our expectation. We see some macroeconomic effects at the end of November with the change of expectation.

When we look at December, without talking specifically about Localiza, I have talked to several colleagues from the market, and it was a month for the economy in general, retail, industrial production, which are activity markets. We had two effects.

First, in December, the volume was below what was expected, even considering that it's a month with vacation, holidays, and the price elasticity was higher, especially for those cars, model year 2024. When you look at cars model year 2021, 2022, that went back to normal. 2024, specifically in December.

January and February, we recovered the volume and stability in pricing in several of these year model vehicles. I know that I was not specific about margins, but I just wanted to give you more flavor of how the price and volume evolved throughout the 4Q.

Nora Lanari:

If I could add, Rogério, in terms of margin, it has to be clear that we expected margin accommodation in the 4Q, quarter-over-quarter, because of the impairment that we did in the 2Q. That had a positive effect in the book value of the cars in the 3Q.

Rodrigo had signaled that the margin in Seminovos was not expected. The lower volume in December vis-à-vis to our expectation does get in the way of fixed cost, but it does not have that much of effect on the margin of the 4Q in Seminovos. We expanded the network of Seminovos to increase sales volumes. We think that the volumes in January and February are strong and can help to dilute fixed costs, but we also want to expand channels, especially for a more restricted credit scenario.

Rodrigo Tavares:

It's important to mention, Nora, about the dynamic of the 1Q, it's usually stronger in the wholesale than retail segment. A lot of retailers reduce their inventory, so they do not have to pay the vehicle taxes in the beginning of the year. They resume purchasing to replenish their inventory. So you have an effect in the 1Q, which is increase in wholesale that is stronger than retail because of the seasonal issue.

Rogério Araújo:

Very clear. A very quick last one, about the R$91 million, R$34 million above historical levels. How much of this was in trucks?

Rodrigo Tavares:

Thank you. I think it's an important point for this quarter. Let me be very specific. We have the macro issue and the micro sectorial issue. What happened in the 1Q was specific for the sector. Some customers, especially the agribusiness, they are going through a financial restructuring, and that led to bad debt, especially for heavy vehicles, and in lower level fleet management and even less for Rent-a-Car. So we have the effect of this segment associated to the agribusiness. So it was not something generic. It was very specific.

This effect will still have some lasting effects in the 1Q, but it was specific for those customers of the agribusiness industry, and more focus on the heavy use vehicles. It's also starting to stabilize and get better.

This said, we have the macro economy and interest rate increase. And we did not see any effect yet of this. So it was specific of a subsegment that impacted, more specifically heavy vehicles. A little bit in fleet management and even less spread apart. We will still see the effects in the 1Q, but we think this is already at the end, and it will be stabilized by the end of the quarter.

Rodrigo Faria, SulAmérica (via webcast):

Was 25% of fleet reduction all in heavy-duty vehicles?

Nora Lanari:

The heavy vehicle segment is specific. These are usually agribusiness or light vehicles that have more severe use. So the answer is no. The reduction of fleet in heavy-duty severe use is a Company's strategic decision to reduce those contracts with lower ROIC spread.

Marco (via webcast):

If the purchase and sales ratio is improving, how much of this improvement has to do with the change of mix of the purchase and sales cars?

Nora Lanari:

The mix of purchase is already stable. Can you answer, Rodrigo?

Rodrigo Tavares:

Yes. We have to split what we are talking about in the mix. It's expected to have an improvement of the mix. But in the model, the fleet rejuvenation, you start selling a higher proportion of cars that are 1 year old and cars that are 2 and 3 years old.

With this, the spread of purchase and sales improve like we saw. And as we mentioned before, a strong reduction in maintenance costs. That's also an effect of rejuvenating the fleet that we have in our fleet.

So if it was the mix of model, sell more SUVs and buy more 1.0 cars, the answer is no. It's a mix of year models, a newer car that is aligned with our strategy.

Nora Lanari:

With this, we conclude our results conference call, and Bruno will say his closing comments.

Bruno Lasansky:

Thank you for your presence and for your questions. Also, I would like to acknowledge the dedication and engagement of our teams and employees for the results. I reiterate that our RI team is here to answer any additional questions.

Thank you very much.

Operator:

Localiza’s conference call is over. Please disconnect your devices.

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