

Nora Lanari:

Good morning, and welcome to the Localiza&Co.'s 1Q25 webinar. Joining us are Rodrigo Tavares, our CFO; and myself, Nora Lanari, Investor Relations Director 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. Type 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 BRL 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 Rodrigo Tavares, CFO of the Company, to start the presentation.

Rodrigo Tavares:

Thank you, Nora. Good morning, and welcome to Localiza's webinar. We concluded the 1Q25 with solid results, aligned with our priorities announced at the end of last year, which were: scaling up Seminovos for fleet renewal, adjusting rental prices; prioritizing revenue growth and return on invested capital spread; seeking cost efficiency and productivity; continuing the business portfolio optimization process; improving our customer experience to enhance our competitive advantage; and concluding fleet rental system integration, capturing incremental synergies.

At the end of 2024, anticipating the increase in new car prices, we made a significant purchase that added about 31,000 cars to the fleet. In this quarter, we reduced the fleet after the peak season, aiming to improve productivity and overall fleet utilization.

We continue to advance in the process of tariff adjustment, cost management agenda as well as reduction of severe usage contracts, which contributed to the expansion of EBITDA margins, both in Car Rental and Fleet Rental division compared to last year.

As a result, in the 1Q, we presented consolidated net revenues of R\$10.1 billion, EBITDA of R\$3.3 billion and net income of R\$842 million, 14.8% higher than the profit of 1Q24. Debt ratios remained at healthy levels despite the significant reduction in accounts payable to automakers related to the purchase in the 4Q24. We expect these ratios to gradually improve throughout the year.

We ended the quarter with a ROIC of 13.7% and a spread of 4.4 p.p. over the cost of debt, even with the increase in average interest rate for the period.

In the 2Q25, we will continue to advance in our strategic priorities, aiming to restore the ROIC spread as well as integrated fleet rental systems, which should contribute to additional synergies in the 2H25.

To present the details of the 1Q25, I hand it over to our Investor Relations Director, Nora Lanari.

Nora Lanari:

Thank you, Rodrigo. On page 2, we start with the Car Rental division in Brazil. In the 1Q25, aligned with our goal of restoring the ROIC spread and the priorities of price adjustments and fleet productivity, we reduced the number of cars in the Car Rental division after the peak season. With a leaner fleet, we presented 19.2 million rental days, close to the number presented in 1Q24, but with a 9.1% increase in net revenue, which totaled R\$2.6 billion.

On page 3, we present an 11.2% growth in the average daily rate for the quarter, which ended the period at R\$147.1. We also highlight the 0.5 p.p. increase in the utilization rate, reflecting efficient fleet, price and mix management.

Moving to page 4. We see the evolution of the Car Rental branches network. We ended the quarter with 535 corporate branches in Brazil in addition to 18 locations in Mexico and 149 franchise branches, totaling 702 locations in Latin America.

On page 5, we present the evolution of the Fleet Rental division. We continue to reduce exposure to severe usage contracts. And after a moderate start of the year, we saw commercial activity accelerating in March. As a result, Fleet Rental presented net revenues of R\$2.2 billion, an increase of 13.3% compared to the 1Q24. Excluding the effects of the reduction in the portfolio of severe usage contracts, we presented a growth exceeding 20% in revenues of light vehicles and car subscriptions.

On page 6, we present the average daily rate of R\$100.5, an increase of 10.7% compared to the same period last year. The utilization rate showed a strong increase of 2.3 p.p., with an improvement in the car journey productivity.

Moving to page 7, we present the evolution of Seminovos revenue, which reached R\$5.3 billion, a growth of 21.8% compared to 1Q24, explained by the 15% growth in volumes of cars sold in Brazil as well as the increase in the average price of the car sold. The volume of 74,720 cars sold puts us at an annualized base of close to 300,000 cars, which allows for a gradual advancement in the fleet rejuvenation process.

On page 8, we see the Seminovos network with an increase of 19 stores compared to the 1Q24. Throughout the 1Q25, 2 stores were opened, ending the period with 244 stores in 125 cities across the country. We will maintain the scaling of Seminovos as a priority, expanding the network size and seeking to increase productivity per salesperson.

Moving to page 9, we show an important progress in reducing the average kilometer of the cars sold. We present a 21.1% reduction in the average kilometer from 62,800 in the 1Q23 to 49,600 in the 1Q25. Retail showed a reduction of 6,400 kilometers or 13.3%, while the wholesale showed a reduction of 17,600 kilometers, or 24.1% in 2 years. We will continue the process of reducing the average kilometer and age of the sales to file this year.

Moving to page 10. We present the balances of car purchases and sales. As mentioned in the 4Q24 earnings call, in the 1Q25, we reduced the purchases aiming to adjust the fleet after the peak season, aligned with our goal of improving productivity and price recomposition. We purchased 33,899 cars and sold 74,720 cars, resulting in a reduction of 40,821 cars in the fleet, representing a net divestment of R\$2 billion.

On page 11, we present the evolution of the average price of cars purchased and sold. In the Car Rental division, the average purchase price was R\$81,900 and the average selling price advanced to R\$69,100 in the 1Q25, resulting in a net investment for fleet renewal of R\$12,800 per car reflecting the sales mix and the reduction in the average mileage at sales.

The gradual progress in the fleet rejuvenation process should continue to contribute to maintaining the trajectory of reducing renewal CAPEX. In Fleet Rental, the average purchase price was R\$102,100 in the 1Q25, reflecting the purchase mix more concentrated in the car subscription with higher average tickets. The average sale price was R\$74,300, resulting in a net investment for fleet renewal of R\$27,800 per car in this quarter.

On page 12, we show the end of period fleet after the reduction made throughout the 1Q of this year. We ended the quarter with 627,997 cars, stable compared to the same period last year, but with a significant reduction compared to the end of 2024. The reduction of about 41,000 cars was mainly concentrated in the Car Rental division and aims to increase fleet productivity contributing to the recomposition of the ROIC spread.

Moving on to page 13. This quarter, consolidated net revenue continued to advance in double digits presenting an increase of 16.7% compared to the same quarter last year, totaling R\$10.1 billion. Rental revenues totaled R\$4.8 billion, a growth of 11.2% year-on-year while Seminovos revenue totaled R\$5.3 billion, an increase of 22.2%.

On page 14, we present consolidated EBITDA. In the 1Q25, the EBITDA margin of the Car Rental division was 65.2%, an increase of 1.9 p.p. year-on-year. The robust margin in the quarter mainly reflects rental pricing as well as progress in reducing the average mileage of the fleet, which results in lower maintenance cost per car, partially offset by increase in preparation costs, explained by the higher number of cars prepared.

In Fleet Rental, the margin was 70%, an increase of 0.8 p.p. compared to the 1Q24, mainly explained by the pricing of the new contracts and reduction in maintenance costs, partially offset by the increase in preparation costs due to the higher volume of cars prepared for sale.

Allowance for doubtful accounts expenses remained high this quarter, is still impacted by customers in trucks subsegment associated with agribusiness. Excluding trucks and other initiatives, the EBITDA margin would have been of 72.6% in the Fleet Rental division. Seminovos presented a margin of 2%, mainly reflecting the adjustment in prices of used cars observed in December. Throughout the quarter, we observed greater stability in the price of Seminovos.

On page 15, we see the evolution of the annualized depreciation per car. In car rental, the average annual depreciation per car was R\$7,245 this quarter, within the range expected by the Company and in line with the depreciation of 4Q 2024.

In Fleet Rental, the average depreciation per car was R\$8,280 including trucks. The depreciation of light vehicles was R\$7,768 also within the range of expectations disclosed by the Company. Throughout this year, we observed an increase in the price of new cars resulting in higher spreads between new and used cars.

On page 16, we show the evolution of the Company's depreciation expectations range compared to the depreciation realized in each quarter covered by the guidance. This quarter, depreciation remained within the range expected by the Company, both in Car Rental and Fleet Rental divisions. Considering the conclusion of the reference period, we will discontinue the guidance from now on.

Moving to page 17. We see the consolidated EBIT of the 1Q25 of R\$2.1 billion, an increase of 11.5% compared to the same period last year, still impacted by higher car depreciation. The EBIT margin for the Car Rental showed an increase of 1.6 p.p., while the EBIT margin for Fleet Rental showed a contraction of 1.6 p.p. As a result, the consolidated EBIT margin remained stable year-on-year.

On page 18, we present the profit of R\$842 million in the 1Q25, a growth of 14.8% compared to the same period last year, reflecting the increase of R\$406 million in EBITDA partially offset by the increase of R\$193 million in depreciation, R\$85 million in net financial expenses and R\$19 million in income tax and social contribution.

To present the cash flow, the debt ratios and the ROIC spread, I will hand over to Rodrigo.

Rodrigo Tavares:

Thank you, Nora. On page 19, we present the free cash flow before interest. In the 1Q25, we have the seasonal effect of reducing accounts payables to OEMs after year-end purchase to support peak season. This quarter, the Company generated R\$2.3 billion from rental activities, which, added to the R\$2 billion generated by fleet reduction were consumed by reduction of accounts payables to automakers by R\$4.5 billion.

On page 20, we present the movement of net debt, which ended the quarter at R\$32.2 billion, an increase of R\$2.1 billion compared to the end of 2024, mainly explained by the significant reduction in accounts payables to OEMs, financial expenses and IOC.

Moving to page 21, we present the Company's debt profile. We ended the quarter with R\$9.4 billion in cash, sufficient to cover short-term debt as well as accounts payable. We continue to take advantage of that market opportunities to reduce costs and extend the duration of the debt.

On page 22, we present debt ratios, which remained healthy even with the reduction of about R\$4.6 billion in accounts payables to suppliers. Throughout the year, higher operational cash generation, combined with the cost and productivity efficiency agenda should contribute to improving the Company's debt ratio.

On page 23, we present the annualized return on invested capital of the 1Q25 of 13.7% with a spread of 4.4 p.p. over the post-tax cost of debt. We maintain strong discipline in capital allocation and pricing of new contracts, which, combined with the process of rejuvenating the Car Rental fleet and reducing exposure to severe usage contracts in Fleet Rental, as well as the productivity and cost efficiency agenda will contribute to the recomposition of the spread level.

We are now available to answer your questions.

Guilherme Mendes, JPMorgan:

Good morning. Thanks for taking my questions. I have two. The first one is the Rent-a-Car, another quarter of strong rental price increases. Just wondering if you can share your thoughts on what we can expect for the remaining part of the year, if you have been seeing any kind of demand weakness on the subsegments of the Rent-a-Car division or not yet?

And the second point on taxes on the quarter, it was a positive surprise. What is your expectation for the remaining part of the year? And if there was any one-offs that let this effective taxes to be better than expected. Thank you.

Rodrigo Tavares:

Thank you, Guilherme. I will start with the Rent-a-Car question here. So we see in the beginning of the year, in general, a soft demand for corporate demand. But on the other hand, the daily rentals here increased in volume, but with a tariff slightly lower to compensate for the volume.

After the Carnival, we saw corporate demand picking up, which contributed to the stability of volumes and also allowed us to continue to increase our tariffs for daily rentals. We do not expect any changes when we look for the rest of the year.

Our focus is the recomposition of ROIC spread. So we are going to continue to adjust our tariffs with a very balanced portfolio among all these subsegments here, and this should continue to be the trend in the year. In terms of volumes, we expect somewhat a stability of those volumes throughout the year.

Moving to the second question, the tax. First, we had the IOC, which was R\$60 million above the amount in the 4Q24. This was due to a higher net equity and also the reference long-term rate, which increased from the 4Q24 and 1Q25. These 2 effects together reduced the effective tax rate by 300 bps, about 3%. On top of that, we had other onetime events here that accounted for an additional 200 bps that should not be repeated throughout the year.

Having said that, when we look for the rest of the year, our expectations is that the tax rate will be around the high teens.

Alberto Valerio, UBS:

Good morning. Thank you for taking my question. I had one here on new car market. We have seen prices going up. And you mentioned in the report of yesterday, but Seminovos is still lagging. My question is, what is your expectation for the Seminovos, if you will make a catch-up, or do you think that these new prices have been through bonus and some discount made from the OEMs or the dealership for the consumers? Thank you very much.

Rodrigo Tavares:

Thank you, Alberto. This is not a surprise. Since 2Q24, we have been signaling that our expectation is that new car prices would increase at a faster rate than used car prices. In the beginning of the year, we saw the increase of MSRP, and we also saw the increase of the transactional price. Of course, there is a lag, but we have been seeing both public-priced MSRP and the transactional price going up.

The Seminovos prices in the 1Q, at least for us, we saw a greater stability. So once again, that's not a scenario that surprised us. And when I look in terms of capital allocation, actually, our assumptions are even more conservative to what is happening. If you ask about the implications for the depreciation, we should not expect any material changes in the depreciation looking forward.

Having said that, this trend that the new car prices are increasing at a faster pace than the used car prices makes the marginal car to depreciate slightly more than the average car in our current fleet. In that scenario, once again, we should not expect any significant changes going forward. This scenario is not a surprise to us.

Daniel Gasparete, Itaú:

Thank you very much for the call. Two questions here. Also, please, the first one will be a follow-up from Alberto's question just to be clear here. Rodrigo, you are saying that you are seeing higher depreciation rates looking forward, and please correct me if I am wrong, because you are seeing that new car prices are going up and Seminovos prices are kind of flat, so depreciation should be higher, and you do believe that the nominal depreciation should go up because of the following car price that you are buying. Is that correct? Just to understand that, to be completely clear here for us.

And the second question would be regarding the auto loans market, if you are seeing any kind of deceleration of any kind of change in parameters from the banks, any kind of pushbacks. We have seen some data from April, which showed some acceleration. So I wanted to get your view. Thank you.

Rodrigo Tavares:

Thank you, Gasparete. Once again, let me be clear. This scenario is a scenario that we already expected. So what I am saying is that you should not expect to see any significant change in the depreciation levels that we are presenting today.

What I mean is that we should expect somewhat a stability here, but the incremental car is depreciating at a slightly higher pace than the current fleet. In that scenario, you should expect a very gentle upward trend in the depreciation, but nothing that would change the current levels materially.

Nora Lanari:

Just adding to that, if I may, Rodrigo, building up on your comment, it's important to mention, Daniel, that we also benefited from better conditions to buy the cars for 2025, which compensates part of the MSRP increase and transactional price increase.

Rodrigo Tavares:

Perfect, Nora. Thank you. In terms of auto loan, we saw in the beginning of the year some more restriction of credit, but when we look at our sales, it's still in very healthy parameters. So in the 1Q here, despite the fact that we saw the reduction, not in approvals; what we saw is that, due to the fact that the interest rates increased, the customer has become a little bit more selective in accepting the conditions from the banks, but the approvals have remained quite healthy in the 1Q, and we saw that same trend in April.

I understand that maybe we are attracting on average, a client that has a higher income than the average of the market. So that's why the trend that we are seeing in the market is not fully materialized in Localiza. Once again, our approval rates and the credit availability to our customers have remained at healthy levels.

Nora Lanari:

It's important to add here, Daniel, if I may also, that the Company is prepared for a deceleration in the credit approval rates. And that's why in the 4Q call, we mentioned that pretty much the rejuvenation process would probably spill over to 2026. So we are working with a scenario of tougher credit approval, but we have not seen that affecting us so far.

Jens Spiess, Morgan Stanley:

Thank you for taking my questions. I also have two. One is regarding the monthly depreciation. At one point last year, you were showing how much, according to FIPE, the 1-, 2-, 3-year-old car adjusted by your mix was depreciating. So I was just wondering how did that behave in the 1Q? Was it close to 0? And how did you look at that metric in April?

And also, you mentioned that overall depreciation of your fleet is slightly better than what's embedded in your depreciation assumption. So if that continues to be the case, should we expect a slight increase in the Seminovos EBITDA margin?

And lastly, just in terms of modeling purposes, how much do you expect to reduce payables to OEMs in the 2Q? Thank you.

Rodrigo Tavares:

Thank you, Jens. Let me start with the last one, payables. This is seasonal. We bought a lot of cars in the last quarter, so usually, what happens is that you have a large consumption of cash in the 1Q. In terms of payment terms, that has not changed. So we are still talking about 3 to 4 months here of terms that we paid to OEMs. It's just a seasonal effect.

In the 2Q, we start buying more cars again, but we pay very little to OEMs. So you should see a normalization of payables here going forward. So no more cash consumption because of reduction of payables going forward.

In terms of the Seminovos margin, no, you should continue to expect a low single-digit margin for Seminovos. We are still monitoring the market here. It's too early to say what's going to happen in the future here for that margin to rebound and start to go up. So I would not consider any increase in the margin in the short term. We still have to understand what the market dynamics will be, given the macro scenario that we are going to have going forward. It's the first question.

When you look at the market itself in the 1Q, and you look at our inventory. On average, it went down somewhat between the 30 bps to 50 bps per month. Having said that, our prices did not. So the market applied to our inventory reduced between 30 bps to 50 bps. But when you see the actual price that we were charging to our customers in the 1Q, they did not change, which means that we gained efficiency in the first 3 quarters relative to the market. That was due a little bit because in December, we had some reduction of our prices. But the 1Q, our prices remained flat despite this reduction of the market.

In April, we had to make some adjustments in some models which are still below the market, but we saw an April that had fewer business days, and that's why it had some impact on the sales. Once again, credit is healthy, but we started to make some adjustments in the price following a little bit more closely market movements.

Lucas Marquiori, BTG Pactual:

Good morning. Thanks for the call. Two topics as well. One, Rodrigo, just to clarify the first topic on increasing Rent-a-Car prices. And my question is more like the gap between your price increase and the competition price increase that we saw last night. I am assuming there's a big mix difference here according to your answer. So you are planning to have this kind of a widespread portfolio of products, and I am just willing to confirm that, or if there's anything kind of else to say in regards to this difference in the price increase difference in between yours and competition.

And number two, could you clarify a little bit more on the bad debt provisions on Fleet Management division? I think this is the second quarter in a row that we have some provisions there. I am assuming this is on heavies. If you could just kind of confirm and kind of clarify what's happening there. It would be nice. Thank you.

Rodrigo Tavares:

I appreciate it, Lucas. Thank you very much. Let me start with the provision for doubtful accounts. If you remember, in the last quarter, we already said that this effect would last for 2 quarters, so the 4Q24 and the 1Q25. And you are correct. The vast majority here of this comes from truck subsegments. Specifically a handful of clients in agribusiness that entered in Chapter 11.

And in addition, given the macro scenario, we also reviewed the risk of the entire portfolio. Having said that, we believe that we are conservative here because when you look at our financials, you are going to notice that we are currently provisioning 114% of the accounts overdue with more than 90 days.

More important than that, looking forward, we expect normalized levels of bad debt provisions in the coming quarters. So you should not see anything related to trucks anymore in the coming quarters.

When we look at Rent-a-Car prices, once again, you are absolutely correct. This has to do with the mix portfolio here. And of course that the daily rentals are much higher than monthly rentals, or ride-hailing affairs or even replacement here.

We are very happy with our current portfolio. We believe in a balanced portfolio here. Of course, in some products, we are going to have a higher daily rental, but you have higher costs, you have lower utilization. You have other metrics here that make also some subsegments here a little bit more volatile.

In the 2Q specifically, this is a lighter in terms of demand for Rent-a-Car. So once again, all this difference in terms of increasing rates is due to segment mix.

André Ferreira, Bradesco BBI:

Good morning. Thanks for taking my questions, and congrats on the strong results. I have two questions. So first, when we look at how much of the fleet is depreciated, it went back to above 11%. I think that reflects the net fleet reduction after having accelerated purchases in the 4Q, and this suggests that the baseline is well adjusted. So my question is, first, are you comfortable with the baseline rate depreciation of the fleet? And does that mean that now Localiza will only basically have to follow the marginal depreciation of the cars in the market?

And the second question is, given the challenges in truck rental and the clear focus on Car Rental, does Localiza consider getting out of the truck rental business?

Rodrigo Tavares:

Thank you, André. And actually, you put it in a much better way than I did. So it is exactly what you said. We are comfortable with the baseline depreciation of our current fleet, and now we have just to follow the marginal depreciation, which depends not only about the difference between new car prices and used car prices, but our levels of discounts and other conditions as well. So you are absolutely correct in the way that you described our current dynamics of depreciation.

In terms of truck rental, I would also like to remind you that this accounts today for roughly 3% of our capital base. So it is not a priority in terms of capital allocation. Having said that, we still believe that there is some room for some specific clients in specific subsegments that make sense for us to keep allocating capital here.

Filipe Nielsen, Citi:

Thanks for taking my question. Good morning. So my question is still regarding demand and tariffs. I would like to explore a little more and see if I understood it well. You continue seeking higher tariffs, but with stability in volumes, I just wanted to understand how this trend combined with your expectations for fleet size during the year. For example, you could continue with stable volumes, improve a little utilization, but continue reducing the fleet, or do you see any fleet stability going forward? How this compares with your appetite to increase tariffs? If you see room for that, or if you see that it's necessary to reduce the fleet further to continue increasing tariffs. I just wanted to have a follow-up on this point. Thank you.

Rodrigo Tavares:

Thank you, Filipe. I think it's important for me to separate the priority and the expectation. The priority is the recomposition of the ROIC spread. And that's why increasing tariffs in Rent-a-Car is

very important here. I also mentioned that when we are locating additional capital, incremental capital, we have been conservative in our assumptions, both in fleet rental and in Rent-a-Car as well. So our priority is tariff recomposition in order to come back to the ROIC spread that we delivered historically here.

In terms of expectations, the 1Q is a quarter that we typically reduce our fleet because we anticipate some of the purchase in the 4Q24. When you look at the remaining part of the year, we have to separate between Fleet Rental and Rent-a-Car.

In Fleet Rental, we are growing quite strong, the part that we think it's healthy to allocate capital. If I exclude the severe usage vehicles, our growth was more than 20% year-over-year revenue-wise. So the part that we really want to grow is growing in a very healthy pace in Fleet Rental.

Looking at the next quarters, we will continue this portfolio optimization here. So you may see some volume stability, but that does not mean that the market that we really want to be in is not growing.

So when you look at Rent-a-Car, once again, priority is to increase our return here because now the interest rate hopefully, it has peaked, but maybe it will continue to rise. Having said that, our expectation is that volumes will remain somewhat flat when you compare year-over-year here.

Bruno Amorim, Goldman Sachs:

Good morning. Thanks for taking my questions. I have a follow-up on the discussion around car prices. We have seen over the past several months, a significant increase in interest rates in Brazil, and we are still talking about a healthy environment in terms of kind of flattish used car prices, as you have mentioned, depreciation under control. Do you think it's fair to say the worst is now behind us? Or do you expect any lag effect of higher rates? Or otherwise, maybe one could argue that at the end of the day, you are talking about stable depreciation car prices, but in a context of lower liquidity in the car market? As you have discussed, you have pushed forward a bit, the renewal of the fleet. I just wanted to hear your thoughts on where we are in the cycle. Can we say the worst is behind us? Or is there still a risk that we are going to see a deceleration going forward as a result of the much higher rates?

And just a second follow-up as well on the dynamic around volumes on the rental side of the business. You have been successfully increasing prices to offset the higher depreciation, interest rates and so on. At the margin, whenever you raise prices in fleet or in RAC, can you share what has been kind of the reaction? Are clients still accepting the margin increases? Are you seeing any signs of fatigue there? Anything you could share in that sense would be helpful. Thank you so much.

Rodrigo Tavares:

Thank you, Bruno. Let me start with the second question. We have always to remember that our main competitor is ownership. And the fact that interest rates are increasing, the fact that the difference between new car prices and used car prices is also widening, that affects ownership costs. That's why, especially in fleet rental, the resilience is very high.

So in summary, yes, we are passing through costs to our tariffs here, and the clients are accepting because the alternative is owning a car. And when you do the math between owning a car and renting a car, it's still advantageous for you to Rent-a-Car rather than making the disbursement.

I would also like to point that when you are approaching a scenario of scarcity of credit in general for corporations, that tend to be even more positive for the demand of rental. Because rather than using their balance sheet to buy a car, companies tend to rather use their balance sheet on core

activities, and use our balance sheet, that's much more efficient, in Rent-a-Car rather than buying a car. So that's why there is a resilience in Fleet Rental and in a large portion of Rent-a-Car.

I would also like to remember that a large portion, like ride-hailing drivers, when you look at, for example, monthly rentals, the alternative usually tends to be ownership as well. That explains the resilience of volumes and tariffs that we have been experiencing not only this quarter, but in the last 3 years.

When we look at car prices, I think that the world is quite volatile right now. In Brazil, we still do not know what is going to be the rate. So we have to keep following. The 1Q was very positive in that sense, both in terms of the demand, both in terms of credit availability. But here, we are actually monitoring day by day, month by month to understand what the dynamics for the future will be. And if we need to adjust residual values, we are going to just residual values, or if we need, for example, to reduce a little bit the pace of rejuvenation because of the demand.

That's not what we have been seeing so far. So far, volumes have been healthy. The price has been quite healthy as well and credit availability too, in the 1Q was actually above than what we had pre-pandemic to give you an example.

And important to mention as well that the margin capital that we are allocating is already considering the wider gap. So we are very cautious on the marginal capital allocation.

Nora Lanari:

Exactly. That's a good point. When we talk about marginal capital allocation, it's basically how we price. And when we take the assumptions of pricing here, the scenarios that are embedding those assumptions are actually even more conservative than what is happening as we speak.

Pedro Bruno, XP:

Good morning. Thanks for the call. Sorry to insist in the theme, but I want to go back again to the demand discussion, especially in Rent-a-Car. I may have had a bit different impression. But regardless of mix, et cetera, of course, you could have impacts coming from there, but my sense is that we have started to see some deceleration in terms of volumes, which is well explained as has been well discussed, since 3Q24, and continuing until now, as we saw in this quarter. But now, what caught our attention a bit more was the fact that the average tariff did not grow when you look on a quarter-over-quarter basis. And it was the first time, if I am not mistaken, for over 10 quarters. Regardless of seasonality or even mix, you have been growing consistently quarter after quarter in this endurance that you were going through of raising tariffs. And yet, I understand from the strategy that, in order to keep restoring ROIC spread, you still need to increase more prices with stable volumes, as you mentioned.

So my question is, what would you need to see in the rest of the year that was not there in the 1Q for these price increases to continue the trend that we have been seeing until 4Q24? That's the question. Thank you very much.

Nora Lanari:

Let me start looking to the history of the Company. If you look up to the pandemic, pretty much 4Q and 1Q prices were similar, a few years slightly up, a few years slightly down, but those are 2 quarters similar in terms of seasonality.

Of course, since the beginning of the pandemic, we started raising prices because car prices were moving up. This year, new car prices were moving up. We got a bit more discounts on the purchases of the cars, but as Rodrigo mentioned in the previous question, we adjust EBITDA pricing to the volume considering that the start of the year was a bit softer on the corporate

segments, so the daily rentals to individuals had to accelerate and part of that is stimulated by pricing.

We will continue on the passing through prices. But I think the most important takeaway here is that when we look to our capital base from 2019 to last year, it moved up by 5x. So the focus is not going to be volume increase, it is going to be the ROIC spread restoring this year.

So we made a strong adjustment in the fleet in the beginning of the year after the big purchase of last year. The global utilization of the fleet increased by almost 200 bps in the Car Rental compared to 4Q and that's where we want to be.

So we will, of course, adjust fleet according to the demand. But prices continue to be an important agenda of the Company, but we will add on to that an agenda of cost management and productivity where we should be able to see expanding margins going forward in the 2H25.

Rogério Araújo, Bank of America:

Thanks a lot for the opportunity. I have a couple here. One is, I would like to understand the impact of the swap contracts this quarter and also if there was any one-off factor in the financial results, as we estimated and implied a debt cost that was below what we would expect. And then, if you could also speak a little bit about those contracts of trucks on companies that filed for Chapter 11. What are you doing with those trucks? Are you repossessing the assets? Are you selling them? Are you trying to rent it again? How many, if possible to say? What is your plan of action on those? Thank you very much.

Rodrigo Tavares:

Thank you, Rogério. So in terms of the financial expenses here, let me point that during the 2024, we raised R\$16 billion, and we are very active in that market. We have been able to reduce the spreads of our debt and increase the duration at the same time.

Another thing that is important to mention is that about 2/3 of our net debt is hedged at a cost slightly above 11%. So those 2 figures are very important to explain our efficiency in terms of interest expenses here.

In the beginning of this year, we are seeing another compression of spreads, about 40 bps to 50 bps in the capital that we raised. We were also able to diversify the source of funds. I will give you an example. If I look at all the A loans and B loans that we raised from IFC, we are talking about close to US\$700 million here. So that took the pressure from the local market here, which is helping to reduce not only our secondary market, but as I said, the spreads of future capital raise.

Those main effects, and the fact that we are actively managing here our liabilities, sometimes paying in advance some of our debts that contributed to the reduction of our interest expenses here.

In terms of trucks, in summary, all the above. We are basically reclaiming those assets here. We are actively looking to get that money, either directly or through legal actions here. But once again, this is very specific to a handful of clients, and that has been completely in the past right now. As I mentioned, the impact was basically in the last quarter and in this 1Q, but we are reclaiming those assets, trying to rent them again and trying to sell if we can.

Of course that, when you compare the capacity of the Seminovos for trucks, it is very difficult for you to sell all those vehicles at once. So it's a combination of selling some of them and renting again to other clients.

Rogério Araújo:

Okay. And then maybe a follow-up on that. What about IRR on these new contracts, the new life cycle of the contract? Is it higher, similar, lower than what you had in the first cycle? Is it easier to finalize?

Rodrigo Tavares:

That is an excellent question, and it really depends on how you look at it. Because the way typically that you should look at it from an economic point of view, you have to understand that this is a new capital allocation. And what is the capital base? The capital base should be for how much I would sell that vehicle today.

So in one hand, you could say that since the alternative is to sell that truck at a discounted price, the return on that new capital base is a healthy one. Nevertheless, you took the loss, because you are basically applying that return on a more discounted capital base.

Sorry if I am being a little bit more confuse, but of course, when you re-rent those vehicles, the overall return is lower, but the way that we price here is that we look at the alternative. And the alternative is to sell that truck. So we are pricing in a way that is as if our rebuying that same truck at the price that I am able to sell the truck right now.

When I am considering that, the profitability is the same, but of course, I had a loss because now I am considering a lower capital base in that repricing of that reclaim truck. Sorry if that was a little bit confusing, but that's how we think about the capital allocation of reclaimed assets here.

Marco, LarrainVial (via webcast):

Could you please comment on how the postponement of the rejuvenation of the fleet to 2026 could affect your operational performance in rental units? Should we expect lower improvement on the ratio of the price of cars sold versus price of car bought?

Nora Lanari:

Let me just get started here, Rodrigo, and you can complement me. But Marco, we are looking from the perspective of renewing the fleet from 2 lenses here. The first one is that the average age of the cars sold is going to be a bit more gradual than initially thought and to the normal cycle of the current. It used to be 15 months. We are still operating in 2023, but we are selling, and if you look at the 1Q pace of sale, it already allows us for renewing the fleet probably closer to 20 months if we keep the 300,000 cars annualized. So we are in a pace of renewing, but on a more gradual fashion.

But the other lens is on the mileage. And on the mileage, we made a huge improvement already. If you look on page 9 of our earnings release, we showed that the average mileage of the car sold went down by 21% since the 1Q23, being 14% since the 1Q24. So we are already improving the mileage of the car and therefore, the gap between what we buy the car for and what we sell tend to continue to reduce.

Gabriel (via webcast):

How do you see the tariffs recomp affecting your competitors' health? How does Localiza, as one of the main players in the market, balances the increasing in daily rates, and also not giving too much breathing room for the competition, especially the smaller ones?

Rodrigo Tavares:

Thank you for the question. As we said, our priority is to get our returns back to the historical level. Of course that, as we do that, we have to increase prices, which gives more room to some of our competitors.

Having said that, our competitive advantage is very strong. In fact, I think we are probably in the all-time high in that scenario in terms of competitive advantage given our scale, given all the things that we have been doing since the merger.

So of course, that it is a spillover effect that you went up giving a little bit more room to competition, but our main focus here is once again to raise our return to our historical level.

Nora Lanari:

Gabriel, adding to what Rodrigo comment and touching more upon the smaller players, the smaller players, usually, they struggle more with the higher capital cost. They do not have access to capital market as we do.

Rodrigo mentioned in a previous answer that we have been able to reduce the spreads. So even with the merger and our scale, we are reducing the part costs, maintenance costs and so on. So the competitive advantages are actually increasing from our vantage point. So we do not assume that us raising rates will give too much room for competition. We still see most of our competitors being vocal on talking about reducing their fleets in the Car Rental division.

With that, we conclude the Q&A session. So I will now pass the floor to Rodrigo to conclude the call.

Rodrigo Tavares:

I would like to thank you all for your presence, and our Investor Relations team remains available for any additional clarification.

Thank you.

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