



Localiza Rent a Car 1Q22 Results  
May 3, 2022

Operator:

Good afternoon, and welcome to the Localiza Rent a Car webinar referring to the results for the 1st quarter of 2022. Today with us are Rodrigo Tavares, CFO and Nora Lanari, Investor Relations Officer.

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Please be advised that this webinar is being recorded and will be made available on [ri.localiza.com/en](https://ri.localiza.com/en), where the complete material of our Earnings Release is available. You can also download the presentation from the chat icon.

For the Q&A session for analysts and investors, we advise you to signal your interest in participating, through the Q&A icon, on the bottom button of your screens, indicating your NAME, INSTITUTION and LANGUAGE. When called, a request to activate your microphone will appear on the screen. For telephone participants, dial \*9 (raise hand), once your question is announced, dial \*6 to mute and then to unmute the audio.

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Now, I will hand the floor over to Rodrigo, the Company's CFO, to begin the presentation.

**RODRIGO:**

Good afternoon everyone and welcome to the Localiza results webinar.

We begin 2022 aware of the prolonged car supply volatility, especially in the first quarter and the macro economical challenges; but motivated by the perspective of fleet growth resumption throughout the year and by the capture of new productivity initiatives and cost management that begun last year. We believe that these, together, will allow greater rental volume and profitability in the Car Rental and Fleet Rental divisions.

Our energy will be invested in four big initiatives: Growth, Management of Costs and Productivity, Process of Integration and New Growth Opportunities. This way, we will keep enchanting our customers and generating solid return that will allow us to push even further in the development of the future of sustainable mobility.

**On page 2**, we present important progress in the results already in the first quarter of this year: the net revenue in the Car Rental division grew in 36%, surpassing R\$1.3 billion, with an EBITDA margin of 57%. As mentioned in our last results call, after revisiting our internal process for car theft, we had significantly lower costs related to this subject, contributing to the margin expansion. We believe that with a more intensive use of data science and telemetry there will be additional opportunities to reduce the costs of fraud, non-payment, and accidents, and also, opportunities to capture of additional revenue through new solutions offered to our clients.

The customer experience continues to be our main priority. Despite the increase in our fleet useful life, our NPS remains in an excellence level. To maintain this, we keep managing the allocation of our cars by segment according to mix and average mileage, while investing efforts in the maintenance protocol e car preparation.

In the Fleet Rental division, we accelerated our sequential growth pace and reached a revenue of R\$345 million, with an annual growth of 23% and EBITDA margin of 64%, even though the delivery backlog is still extended. In the quarter, we kept a consistent sale pace regarding the Fleet Rental and Localiza Meoo, our subscription car.

For the consolidated result, **on page 3**, the Company revenues reached R\$2.7 billion, EBITDA of R\$1.1 billion and a net income of R\$517 million. The annualized ROIC of the quarter totaled 18.6% and the spread in relation to the debt cost after taxes was of 11 percentage points, result of our long-term view and Company discipline in capital allocation, besides the continuous pursuit for value generation, even though in a context of increasing interest rates and new car prices.

We ended 1Q22 with the net debt/EBITDA indicator in 2.0x and kept our AAA rating by the 3 main agencies. Localiza finds itself in a favorable competitive position to seize opportunities of growth alongside adding value, keeping in sight its strong balance sheet and the perspective for a gradual restoration of production levels by suppliers.

We started the year with expressive results also in the sustainability side. To mention a few of those, we launched a program called Neutraliza, which allows our clients to neutralize the emissions during their rental period and we updated our policies to incentivize ethanol usage. We surpassed the milestone of 1,000,000 kWh of clean energy generated, joined the B3 indexes IGPTW and ELLAS11, comprised of companies with the best human resources practices also generating a positive impact in the business, and ranked within the 60 best reputation companies, according to the Monitor Empresarial de Reputação Corporativa (MERCOS).

Lastly, concerning the process of the union with Unidas, we kept progressing with the sales negotiation regarding the remedy established by the antitrust authority and the process of integration planning.

To present the details of the first quarter results, I would like to give the floor to our IR director, Nora Lanari.

**NORA:** Good afternoon, everyone.

Starting with the Car Rental division, as you can see on **page 4**, in the context of lower car supply and delivery during the 1<sup>st</sup> quarter, the number of daily rentals increased in 2.7%, and revenue grew by 35.6% year over year, with 31.7% raise in the average rental rate, as we can see in the next page.

**On page 5**, we show the result of the efficient management of mix, prices and additional revenues, resulting in an average rental rate of R\$105.70 and a utilization rate of 78.5%. On the year over year comparison, the price increase comes gradually through all segments, seeking to rebalance return levels, considering the replacement cost of cars, maintenance costs and high interest rates.

**On page 6**, we show that the network of corporate branches was expanded by one location in this first quarter, to 454. The company kept working in its network management seeking higher efficiency levels, through better scalability and serving costs reduction, especially by opening Zarp branches, while the company prepares itself for the volume acceleration with car delivery returning to a higher level.

Moving on to **page 7**, in the Fleet Management division, we see the division picking up pace sequentially as the number of daily rentals increased in 11.9% and the net revenue grew by 22.8%, compared to 1Q21. In this comparison, rates have increased by 9.9%, reaching R\$1,836 per month per rented car and reflecting the pricing of new contracts in a context of rising new car prices and interest rates.

We continue with a positive perspective of the demand and results of the Fleet Rental division and Localiza Meoo. The number of orders continues strong, and Fleet Rental has a backlog of more than 18 thousand cars, but still being impacted by the scenario of restricted production of cars.

Moving on to **page 8**, we show the balance of cars purchased and sold. As we expected, due to the seasonal effect of the beginning of the year, added to the context of semiconductors supply restriction, car production was low, reflecting on the volumes of received cars. In this context, we bought 18,660 and kept car decommissioning reduced, which resulted in the sale of 14,556 cars, an increase of 4,124 cars between purchase and sale and a net investment of R\$639.5 million. Our average purchase price was R\$89.5 thousand, a 54.2% increase in year over year, reflecting an even more premium mix, compared to a sales price of R\$71.5 thousand, which advanced 34.9% also reflecting a more premium sales mix, but with a higher mileage. As result, the replacement effort totaled R\$18 thousand per car, showing the importance of maintaining discipline when buying cars, managing productivity and costs; and the rental rates.

On **page 9**, we show the used car network Seminovos. At the end of 1Q22, we had 127 points of sale and had 14,556 cars sold, a reduction of 49.9% in volume sold year-over-year. We kept a slower pace of sales in the first quarter due to a lower level of production and delivery by the car suppliers. The average price was 34.9% higher than the prices charged in the same period of the prior year and reflect the context of a sharp increase in the price of the new car, which we were able to capture in our decommissioning.

With long-term view, we are keeping a robust Seminovos structure, which will be able to absorb a higher sales pace expected with production normalization, considering our goals of fleet renewal.

On **page 10** we show the fleet at the end of 1Q compared to the prior year. In Car Rental, we ended the quarter with a fleet of 219,406 cars, an increase of 5.1%. While in Fleet Rental, the end-of-period fleet increased 12.6%. On a consolidated basis, the fleet grew by 6.9%, still reflecting volatility in the supply chain and its effects on car production.

Moving on to **page 11**, we see that the net rental revenues increased by 32.7%, with a 35.6% increase in the car rental division and 22.8% in fleet rental, while Seminovos reduced 32.4%, impacted by the lower cars decommissioning and sales volume, partially compensated by higher prices. As result, consolidated net revenue of the quarter drops 3.1% year-over-year, adding up to R\$2.7 billion.

On **page 12**, we see that EBITDA grows 41.3% in 1Q22 year over year, reaching R\$1.1 billion. We highlight the quality operational results of the company, with 80.3% growth in Car Rental's EBITDA and 23.6% in fleet rental. As we were signaling, car rental results are progressing substantially and diluting the temporary effect relevancy of Seminovos tail wind, due to car appreciation.

The car rental division's EBITDA margin increased by 14.2p.p year on year, reaching 57.1%. The great performance is owed to the increase in revenue, due to higher volumes and rental rates; and greater operational efficiency through reduced levels of default and car theft. There is also the effect of a larger recognition of PIS and COFINS credits, the result of a study that led to the reduction of the fiscal useful life of the cars subject to the two technical opinions issued last year, which cover about 90% of the RAC fleet.

Despite the expansion, some effects still have a negative impact on the EBITDA margin, especially the maintenance line, due to auto parts inflation and progressing fleet average age; and expenses linked to integration planning and union process with Unidas, adding up to R\$12.2M in the quarter, R\$7.9M of those being in this division. Finally, margins have been impacted by continued investments in technology and data, preparing the Company for the next growth cycle and a more prominent presence in the mobility ecosystem.

Moving on to the Fleet Rental division, the EBITDA margin had a slight increase compared to 1Q21, especially due to the addition of contracts with higher contribution margins and the dilution of Localiza Meoo's fixed costs, with the expansion of the fleet. We have a relevant car delivery backlog and maintain a consistent sales pace in both Fleet Management and Localiza Meoo, which should contribute to accelerating growth and further diluting costs, as vehicle deliveries progress.

As mentioned, the tailwind of Seminovos remains this year but becomes less relevant towards the EBITDA, representing 14% of the company's total result. In the annual comparison, the margin rises from 13.5% to 15.5%, a reflex of better prices even with a smaller volume of car sales.

As a result, the consolidated EBITDA margin over rental revenues reaches the level of 68.1%.

On **page 13** we see that in RAC, the annualized average depreciation per car advances sequentially, to R\$2,044. Added cars with higher price levels and the lower volume of sales in the Car Rental division, results in a smaller dilution of fixed costs, explaining the progression of depreciation in this division. On Fleet Rental division the average annual depreciation showed stability in the comparison with 4Q21, with R\$1,284 per car. We reinforce that the depreciation in both business divisions tends to continue advancing as we renew and expand the fleet, since we still have a large part of the fleet 100% depreciated, considering the strong price of cars increase in the last 2 years.

On **page 14**, we can see that the consolidated EBIT in 1Q22 reached R\$952 million, representing an increase of 34,4% year-over-year.

The EBIT margin of the Car Rental division was 53.1%, stable compared to 1Q21, even with a depreciation progression and car sales reduced volume, offset by the EBITDA advance. In the Fleet Rental division, the EBIT margin was 71.5%, an increase of 5 percentage points year over year, mainly explained by the EBITDA growth and greater Seminovos results from this division.

Net income for the quarter, on **page 15**, grew 7.3% compared to 1Q21, reaching R\$517.4 million. The EBIT variation mentioned above was partially offset by rising financial expenses of R\$204.7 million, due to the increment of CDI and debt, in addition to positive MTM which occurred last year, impacting the basis of comparison. The increase in the debt cost reinforces the discipline of capital allocation value. Another point worthy being highlighted in the profit is the smaller Seminovos effect in EBITDA's composition, only 20%, with a trend of continuous reduction, offset by growing margins in both rental divisions. The company is gradually restoring the balance of the results composition, highlighting sustainability and resiliency of business and management.

On **page 16**, we show a cash consumption of R\$735.1 million in the first quarter of 2021, explained mainly by the reduction of R\$617.8 million in the automakers account and the fleet's renewal and growth, in a context of more expensive cars.

As can be seen on **page 17**, net debt increased by R\$1 billion, ending the quarter at R\$8 billion.

On **page 18**, we can see that we ended the quarter with a strong debt profile and strong cash position. Including the issue of R\$1.5 billion in debentures made in April, in the pro forma analysis, the Company has almost R\$7.2 billion in cash. Also considering the pro forma analysis, of the total gross debt, about 20% are pre-fixed, ensuring the profitability contracted in the Fleet Rental division. Another 9% is indexed to 109% of CDI and the remaining 71% are indexed to CDI + 1.69%. The efficient management of the cost of debt, maintaining protection for long-term contracts in Fleet Rental, and the prioritization of CDI+ instead of a percentage of the CDI, makes Localiza well positioned competitive wise for the scenario of higher interest rates.

On **page 19**, we can see the Net Debt / EBITDA ratio for the last twelve months at 2.0x. A level comfortable to finance our short-term growth with third-party capital.

I would like to turn the floor over to Rodrigo to present our ROIC spread.

**Rodrigo:** Thank you Nora.

On **page 20**, we present the evolution of the ROIC spread versus cost of debt after tax. In 1Q22, considering the last 12 months, we see an increasing spread, which reached 12.6p.p. We emphasize that, despite the

high level of short-term returns, the current context highlights the importance of thinking about the entire rental cycle, as well as the replacement cost of the cars in the decision-making. That is why we maintain our discipline in capital allocation and in managing cost and productivity certain that we are making decisions with a long-term view, seeking growth with value creation.

We are now available to answer your questions.

We remind you that for the Q&A session, we advise you to signal your interest in participating, through the Q&A icon, on the bottom button of your screens, indicating your NAME, INSTITUTION and LANGUAGE. When called, a request to activate your microphone will appear on the screen. For telephone participants, dial \*9 (raise hand), once your question is announced, dial \*6 to mute and then to unmute the audio.

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#### < Live Questions >

Our first live question is from NOME. We will open the audio so you can ask the question: Please NAME, you may proceed.

The next question is from NAME, we will open the audio so you can ask the question: Please NAME, you can proceed.

#### < Written Questions >

SPEAKER NAME: We have a written question in LANGUAGE. It's from NAME, COMPANY. "The question is: SPEAKER NAME: read the question..."

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#### CLOSING

Operator: In closing, I would like to turn the floor over to Mr. Rodrigo Tavares.

**RODRIGO:** Thank you all for being here. Our IR team will be available for further clarification. A great day for everyone!

#### **Bruno Amorim:**

Good morning. Actually, I have two questions. The first one is about theft. Can you give us further detail about the measures that you are taking, and why there is such a quick improvement focusing on the theft levels in the 1Q? I know this is a longstanding problem, I know that you have been investing in this constantly. So I would like to understand better, why such a strong improvement in the 1Q?

And the second question is about the Seminovos dynamics. When we compare the average price of the cars booked on your balance sheet, dividing the amount of the fleet by the size, and when we compare that to the sales price for the quarter, it seems like the current sales price would already be enough to guarantee expressive gross profit in Seminovos, not to mention that the average price underestimates the future sales price given the recent change in the mix.

So my question is, is that analysis correct? Do you see it that way as well? And secondly, why increase depreciation in that context, even considering a smaller number of car sales vis-à-vis historical levels? And cars that are already purchased in current prices, you also mentioned depreciation, but given that extra that you have in the balance sheet, are not you being too conservative by increasing depreciation now?

**Rodrigo Tavares:**

Thank you very much for your question, Bruno. Speaking about theft, as we mentioned in the last quarter's call, it is a work that we have been working on for many quarters. We have basically revolutionized the way we see fraud and theft, be it through the evaluation processes and fraud, the algorithms. Our fleet is much more connected. The Rent-A-Car fleet, a high percentage of the RAC fleet is connected.

And as I mentioned in previous calls, we lowered the bar in recognizing that. We have always had that, but now the process even is even stricter, making us realize that faster in the backlog of cars in that situation. In December, we had already seen a different situation, and that went on to the 1Q.

I even mentioned that our vision would be of an expressive, lower reduction of 70%, 80%, but we achieved even more than that, and that is the result of long term work, and we already had that experience being realized in the 1Q.

So it is the use of technology, the use of other devices, algorithms, credit assessment in real time, fraud assessment in real time, many different factors explain that.

About Seminovos, given the fact that we extended the useful life a little, we do still have cars with a lower book value, giving us a longer tilling. And the Seminovos prices for this quarter have already been benefited by a more premium mix. And since we have been allocating these cars per segment, and especially car apps that are mainstream cars, and you extend the useful life of those cars a little longer, that led to a decommissioning mix that was more premium in the 1Q, which partially explains that price increase.

We have also been investing a lot in preparation to guarantee higher allocation of those cars in the retail segment. So we do have a heavier framework, but we are maximizing the efficacy of that framework to add value to the cars and directing them to an audience that will pay for them in a better way.

In depreciation, that is individual, according to each vehicle. For cars that have already been depreciated, we do not have to have any additional depreciation, but all new cars that have a higher capital base, and with an expectation of higher depreciation, we are anticipating that depreciation, and it would not be conservative. We just believe that that is the best estimate given the market situation that we see right now, and given the higher fixed costs of Seminovos expected during the decommissioning period.

**Bruno Amorim:**

Thank you. Good morning, everybody.

**Lucas Barbosa:**

Good morning. My question is about margin evolution that happened in the 1Q. We saw significant margin evolution in RAC and GTF. Can you quantify that? In RAC and fleet management, there was an effect of advertising expenses, marketing expenses, decommissioning. But can you quantify what you have seen in each effect? That would be great. Thank you.

**Nora Lanari:**

Thank you, Lucas, for your question. The RAC margin was 14.2 p.p. year over year, and there is a number of effects that explain that. There is the fact that the revenue, 31.1%, so the average rental rates increased 12.2%, and the prices go up.

In addition, you have the effects of the improvements that we had been signaling six since last year. First, bad debt, probably four points of effect of that. In the 1Q21 it was still high, and lower during the year. There are probably two points from the PIS/COFINS credit effects in the first year, when accounting for those accelerated credits, And that started happening as of 3Q21. There is profit sharing with a lower provision. We have a little less third-party services, and in the maintenance line you can see an improvement, But I would like to call your attention that that improvement is mainly focused on theft, as we have been mentioning, because maintenance per se is still going up because of lower price costs and aging of the fleet. So that line is getting an improvement of 1 p.p. in margin.

Did I answer your question?

**Lucas Barbosa:**

Yes, very clear. Nora. Thank you for your answer. If you allow me, I have a second question. How do you see the delivery of brand new cars in 2Q, compared to what you expected for the 1Q?

**Rodrigo Tavares:**

The 2Q starts off better than the 1Q. We still have volatility, there is the Ukraine war, things that we did not expect. That said, we have a sequential improvement. February better than January, March better than February, April already showing better than March and so on, and that should happen in the quarter.

There is still some uncertainties, but it is a quarter of much different deliveries and much higher than the 1Q already.

**Lucas Barbosa:**

Clear. Thank you, Rodrigo. So far, nothing that would make you consider lower your perspectives for the 2Q in terms of deliveries?

**Rodrigo Tavares:**

No, we do not have any signs for that in the 2Q. For the year, we do not have any expectations of lowering the volumes in the year. If there are any lower volumes expected in the 2Q, we believe it will be offset by the 3Q. But there are still many uncertainties associated to that.

**Lucas Barbosa:**

Very clear. Thank you, Rodrigo and Nora. Have a great day.

**Fernanda Recchia, BTG Pactual:**

Good morning. Thank you for taking my question. Congratulations on your results. I have two questions. The first one, I would like to have more information about theft. I know you have many initiatives, so I would like to know if you have already captured all the benefits of those initiatives, or will we have an effect of that in the upcoming quarters?

And the second point, in RAC use, there is a small drop compared to the other quarters. I would like to know what the reason for that effect is. Thank you.

**Rodrigo Tavares:**

About theft, we are never satisfied. If we still have at least one car that is being stolen, we are not going to be satisfied with that. That said, we have had a relevant reduction and there are other effects. The car prices go up, the fleet is more premium. So even with all those initiatives, you have a mix that is more valuable. So in that sense, any theft would have a higher impact. That said, we have advanced a lot, but we still see room for improvement.

The next frontier that we have to revolutionize here is accidents. We really have to use everything that we know in technology, in our internal processes to try to lower that number, because that does not add value to us or to our customers. So our next focus, in addition to improving our gains in theft, is to try to improve our efficiency in gains in the costs with accidents.

About RAC use, It is a relatively small variation, and could be explained by the mix. Every time you have a mix that is focused on daily use, the use drops a little. So we do not see any huge factors. Obviously, omicron did have a one-off effect, but we did not see anything really that is really out of the ordinary in this quarter.

**Fernanda Recchia:**

Okay. Thank you, Rodrigo.

**Filipe Nielsen, Citi:**

Good morning. Thank you for taking my question. I have two questions. One is about the union with Unidas. I would like to understand if you have a more detailed update about the advances in negotiations, how things have advanced with the main buyers that you have been evaluating, and if you could give us some names.

And also, understand about the acquisition, how do you plan on selling the cars? Will you sell only the older cars for fleet renewal? Or are you considering selling newer cars to guarantee a better price? How are you balancing that out? That is the first question, and then I will move on to the second one.

**Rodrigo Tavares:**

Thank you, Filipe. First of all, the process is ongoing according to schedule. We have been advancing in negotiations. Obviously, it is always hard to give a more accurate date in M&A, but it is still according to schedule. Interest is strong. We have negotiations, in the plural, and it is a high quality asset, with many people interested.

About divesting the fleet, there is no hand-picking. We are going to think about the fleet in Rent-A-Car of Unidas, because in operational terms, we are talking about a very high percentage of that fleet. So in operational terms, that is not feasible. And in addition, we are committed to deliver a sustainable business that reflects the Unidas' Rent-A-Car performance in its essence.

**Filipe Nielsen:**

And just a follow up to your answer, and then I will go on to the next question. Do you have a date in which you expect to conclude that transaction? How is the timeline going?

And the next one is a follow-up to Fernanda's question. I understood that use drops a little, but it does not have many significant effects. So I would like to understand the impact to pricing and rates, and how you see that going forward, as the cars supply renews itself?

**Rodrigo Tavares:**

About the timeline, we still have time. We are working to speed that up according to the forecast and the process to divest. It is hard to precise or give you more accurate information about the timeline.

About use versus price, our entire strategy and attitude has been to transfer the least we can to consumers. Brazilian income has not been increasing according to inflation, and much less according to prices. So we have to be a buffer in that through our efficiency.

So cars with lower depreciation, and if we can maintain that, we also have a lower need to actually transfer these rates to consumers. And use reflects the exposure of the segments, as I mentioned. In daily rates, the use drops a little more.

**Filipe Nielsen:**

Okay. Thank you for your answer, Rodrigo. Good morning, everyone.

**Victor Mizusaki, Bradesco BBI:**

Thank you. Congratulations on your results. I have two questions. The first one is pretty much related to the fleet and average age of RAC. When we consider the historical age for Localiza in renewal, for the 1Q, what percentage of the fleet could we consider is the normal level of Localiza pre-pandemic?

And the second question is about what Rodrigo mentioned, that in the 1Q you sold a more premium mix of cars vis-à-vis Company fleet. Can we consider that the car sales mix matches the fleet mix that you bought in the 1Q, given that we saw an increase in the 1Q? Thank you.

**Rodrigo Tavares:**

I will start off with the second one. The decommissioning process is a technical decision, not associated to the mix that we are buying. So it is a more premium mix, mainly because of the factor that I described. So the allocation in between segments extends the useful life of mainstream or 1,000 cylinder cars a little longer, and that is why you have a higher share in decommissioning of premium cars. But then that goes into the regimen and reflects the fleet.

About the extension of useful life, that is a complex math. You switch maintenance with depreciation, because you are trying to satisfy our customers. And what we see in that is NPS. So with the change in protocols that we applied and processes, we see that our NPS is at absolutely normal levels, compared to a time when our fleet was, like you mentioned, at a normal range.

And when we see that that impacts customer satisfaction, we may make a different decision, but right now we do not have any problems related to that, and especially because we were able to segment that fleet, and to different types of customers, we can offer different types of products that meet their needs better.

**Nora Lanari:**

Victor, that reflects the first question about average age of cars. Today. It is at 16.7 months, 1 year ago, 1Q21 it was 12.6, and historically it is closer to 7. But as Rodrigo mentioned, the intelligence of allocation per car, according to mileage and segment, has enabled us to have important advances in many of the different Rent-A-Car segments, without affecting the Company's NPS.

**Victor Mizusaki:**

I have another question about those two points. So Rodrigo, given what you mentioned about the NPS, can you say that there is a structural change in the industry, and that you can maintain that average age and extended average age in RAC compared to historical ages? Is that the actual new scenario?

And second, can you talk about the purchase mix? The two things are not connected, but we saw a price increase of the average car bought in RAC. Was that a mix effect, or was it actual, absolute price increase?

**Rodrigo Tavares:**

Victor, what is going to be normal in RAC is not actually the important thing. The important is that we develop the competency and the muscle to extend car useful life and, at the same time, guarantee the customer satisfaction and experience.

That gives us options. So at some point you may see that depreciation in first year will be lower, you will have car supply, and then you can speed up that cycle. And at other moments, you might believe that, okay, depreciation in the second year will not be so prejudicial.

The important thing is not to say if that is the new normal, that it is going to be 12, 16, 17, 18 months. But the important thing is that we have developed these competencies, and that gives us the option to decide what's best depending on market context. So I think that is the main point.

Second, about the car mix, it is in fact more premium in the purchase. So it is a more premium mix, and that is also a reflection of what automakers are making. In the 2Q and the 2H mainly, we should see an increase again of the carmakers that might balance out that mix. But the 1Q reflects a portion of a regular price increase of cars and a more premium portion of that.

**Victor Mizusaki:**

Okay, great. Thank you.

**Regis Cardoso, Credit Suisse:**

Good afternoon. Congratulations on your results. There are some topics, if you can comment. The performance of the quarter and your expectations looking forward in between segments, and maybe a higher focus on Meoo, Uber, and the mix in one-off rental rates and corporate. The app drivers in general, Uber drivers recently went through a downturn in the affordability, with higher gas prices, higher cars, lower demand. In Meoo, it seemed like there was a high repressed demand, so a high backlog. But on the other hand, we were in doubt about if that would be a firm backlog, in the context of taking too long for car delivery and car inflation prices. So could you talk about the performance of these segments? And then I will ask the second question. Thank you.

**Nora Lanari:**

Thank you, Regis. That is sensitive information in terms of competition, but in the first season, in 3Q and 4Q, you do you have more rental in short term rental for individuals. But we made it clear when we reported the 4Q that we want optionality and we want to move in between segments according to demand. So going forward, historically, you have the end of the 1Q seasonality and usually long term segments gain more relevance in that mix in the 4Q, and then you see short term increasing.

In relation to the demand, as you mentioned, we have been very careful since the launch of Zarp in lowering our cost to serve drivers, in a way that we will be able to transfer less prices in what they see in new car prices.

The new car prices in the past two years grew almost 40%. The interest rates for financing, which was 18% last year, now it is close to 28%. So we want to give them a feasible option for app drivers so they can continue to work.

Economics are a little tighter, especially in high gas prices, but we do see some platforms increasing their prices, lowering their take rate. We saw that taxi started increasing their rates in some regions, and we are giving them some slack, and we really believe in that segment. We continue to invest in that product.

For Meoo, the replacement would be buying their own car, and then the same reference is valid: car prices are much higher and interest rates are as well. So we believe that, in that context that would expedite that cultural change of owning a car and moving on to renting a car.

So we still see a robust demand in that, not only in fleet management but also in Localiza Meoo. Obviously, we cannot show all of that in the figures yet because of the backlog that is still very relevant. We are still talking about something over 18,000 cars.

**Regis Cardoso:**

Great, Nora. Thank you for your answer. And if you allow me, I have a second question. The industry, the OEMs had a very weak start this year, not only in licensing, but also sale. And based on empirical evidences, if you go to a dealership, for instance, it seems like that significant increase in car prices that we mentioned is already having an effect in the retail channel, in selling new cars.

So I would like to understand how you see that production, a smaller output in the beginning of the year. Is there a demand effect, or is it just supply restriction? If it is demand, meaning if the direct retail channel is weaker and has negative elasticity, would that be an opportunity, in your opinion, starting now in 2022, to buy more cars, to expedite fleet renewal and better commercial terms? And what are your expectations for capital needs for fleet renewal? I believe that is a trend in the industry overall, net debt is growing every result.

**Rodrigo Tavares:**

The 1Q is usually weaker in seasonality terms, but there is less supply than demand. There was omicron, and even less workers in the beginning of the year. Still, a lack of supply of components, but the main aspect was the supply as well.

And there is also a cripple defect, which is not billed, but you do not lose it there at the carmakers, but they are not fully completed. So as the components arrive, they deliver the cars. I would say it is a supply restriction.

Obviously, the lower demand offers an opportunity and a risk. An opportunity, like you mentioned, is an increase in direct sales that we can see even in a lower quarter, like the 1Q. You see that the direct sales share was relevant. So we do expect that, with the increase in production, those volumes may move towards direct sales.

And the risk is at the sale of used cars. Since retail is slower, it is higher for you to decommission the fleet. That is another reason why we maintained our framework, we maintained our best professionals here, and we are focused on slowing that car sale.

**Regis Cardoso:**

Thank you, Rodrigo. Do you have any expectations for capital needs during the year? Even credit?

**Rodrigo Tavares:**

You can see that, by our cash flow, we decided to anticipate some of the funding, and we believe that the year is comfortable according to what we had planned. Our balance sheet also allows for that type of leverage. It is very deleveraged according to any metric. It makes us feel confident that we will not have any issues in funding our growth or renewing the fleet.

**Regis Cardoso:**

Okay. Thank you. Congratulations again on your results.

**Rodrigo Faria (via webcast):**

Good afternoon, Rodrigo and Nora. Congratulations on your results. Can you give us some sensitivity about how much leverage would increase if you were like to lower the average age of RAC by half?

And a second question is, how did the sales channel mix of Seminovos behave in 1Q22?

**Rodrigo Tavares:**

Thank you. Rodrigo. It is not an easy question to answer. I will see what I can do with some of the figures. When you look at the replenishment costs from 18,000 to 20,000, and I will say it is 20,000 just to make the math easier, if we renew 20,000 cars, that is R\$2 billion, and that compared to EBITDA last 12 months of a little over R\$12 million, that would be RAC. So if I renew today, right now, without increasing our EBITDA, 100,000 cars, that would be 0,5x EBITDA, increasing our indebtedness from 2 to 2,5. That would be more than enough to decrease our useful life in more or less a half. That shows the robustness of our balance sheet and how much we are prepared not only to renew our fleet, but also to grow.

About your second question, once again, our Seminovos strategy has been to preserve our competencies. And with that, even though the useful life of a car is more extended, and even the retail is not that weak, we are reaching record levels. So investing more in car preparation and taking advantage of that strong difference in between retail and wholesale prices, so we can concentrate our sales and efforts on the high value added customers.

**Igor Araújo:**

Thank you for taking my questions. Congratulations on the results. It is just a follow-up from the last questions. About your relationship with automakers, what has changed in the past year to this 1Q? We know that the scenario is very hard to deliver cars, but I would like to know what changed.

And the second question, if you can comment, you mentioned potential additional revenues coming from the investments in data science and telemetry, and providing customer services. Could you give us some flavor about what type of services you would provide for customers? That would be great.

**Rodrigo Tavares:**

About relationship with carmakers, there is no change in that. We have very long term, decades long, and that continues. The relationship is excellent with all automakers. And now, with lower restrictions from the pandemic, we have been traveling more and interacting more frequently with them. I believe that is what changed.

All of top management is involved in that, Me, our CEO and even the Chairman is in that relationship. So the relationship is still excellent. We have preserved what we have always had in the past, and now, with lower restrictions coming from the pandemic, it is much more in-person. I would say that is the only thing that changed.

We have been long term partners. We understand the supply restrictions right now, and we know it is temporary. It could take a little more, a little less. And we are here not just for a couple of months, we are here for years, and we will continue to partner with them.

The second question, about new products and services, we are always looking to service our customer needs and listen to them. That comes from protection, for windows that we could offer, other services connected to that, we are also always listening to them and looking to increase our services, mix.

In telemetry, that is much more internal than external. We are developing that skill so that we can turn that into another service line, and we currently use it internally to not only lower our theft costs and accidents, but also towing and fleet movements, trying to streamline our logistics.

**Igor Araújo:**

Perfect. Thank you.

**Operator:**

Now, to conclude, I would like to hand over to Rodrigo Tavares.

**Rodrigo Tavares:**

Once again, thank you all. Have a great day.

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