



**International Conference Call
Localiza Rent a Car
Fourth Quarter 2019 Earnings Results
March 12th, 2020**

Operator: Good afternoon, and welcome to Localiza Rent a Car's Conference Call of the 4th quarter of 2019, end 2019. Hosting the event today are Mr. Eugênio Mattar, CEO, Mr. Maurício Teixeira, CFO and Mrs. Nora Lanari, Investor Relations Officer.

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

The conference call audio and the accompanying page presentation are being broadcast simultaneously over the internet at the address www.ri.localiza.com/en/. The page presentation can be downloaded at this same address, by clicking on the banner "4Q19 Webcast".

Before proceeding, we would like to clarify that any statements made in the conference call concerning the business outlook for the Company, forecasts, as well as operating and financial targets, represent the opinions and assumptions of the Company's Management, which may or may not occur.

Investors must comprehend that political and economic conditions and other operating factors may affect the Company's future and may lead to materially different results from those stated in this call.

To start the 4th quarter of 2019 conference, I turn the floor to the CEO, Mr. Eugênio Mattar.

Eugênio: Good afternoon and thank you all for the presence.

The world of mobility is undergoing a profound transformation. ride-hailing, car sharing, car rental between people (P2P), micro mobility solutions such as scooters and bicycles, the development of self-driving cars and a multitude of investments in vehicles and solutions for transporting people and objects.

We are continuously seeking for answering the questions about the future of our business in this changing environment. Our market has expanded considerably, with car rental being one of the best responses to the demand of individuals and companies that are changing their habits in paying for use instead of ownership, bringing much more flexibility, comfort and economy for all of them. In this



context, a new segment was born for app drivers, who have access to cars and maintenance of quality, with flexibility of use to be more successful in their work. We once more were the pioneers in developing this new challenging segment, creating conditions that make economic return and quality possible in this segment, offering a partnership of value for Uber, drivers and especially for passengers who wish to achieve their destination with comfort and safety.

At the same time, we initiated significant investments in improving our customers' journey, offering greater convenience and access, using technology to move in that direction. The digital transformation has also allowed us to improve our operating excellence, redesigning processes, simplifying activities and allowing easier, faster and more efficient management.

Furthermore, at this time of a lower demand for automakers, while the country is not growing vigorously, we have also been an excellent solution to stimulate car demand, so they do not lose scale.

For the country, we made an expressive contribution with more than 10 thousand direct jobs and the payment of R\$ 691.5 million in taxes, net of tax credits, and approximately R\$1.9 billion in tax incurred in the car purchases.

The result of our efforts in challenging our team to adapt to this new reality in the context of mobility was the Company's performance in the recent years. In four years, from 2015 to 2019, we saw our end-of-period fleet almost triple, going from roughly 125,000 to around 320,000 cars, an average growth of almost 30% per year for four straight years.

The fleet and rental market grew, and we were able to take advantage of our strength to expand and consolidate our leadership. It is important to note that most of this growth came from the most efficient form of growth, which is organic growth. Thus, throughout this growth period, we managed to expand our already high levels of customer satisfaction and engagement. And lastly, it is also important to note that during this period we maintained our strong value generation indicators.

From 2015 to 2019, we added 4,329 employees to our staff and for such circumstance we invested heavily to preserve our culture of customer focus, with a high-performance team building and determination in the search for results. We are very proud of the way our employees act. They think and act like business owners in an environment of hard work, but also that offers a lot of opportunity for professional and personal growth and fulfillment.

The team engagement and motivation indicators are improving year after year, a result of our focus in developing leaders that inspire and transform.

In this wave of changes and growth, we have also reinforced all our care and energy towards being a Company committed to the community with high



reputation. We invest and direct our team to care for the social, environmental, risk control, compliance and governance. We have a plural and respectful environment that takes care of diversity, in an inclusive and healthy manner.

As for 2019, as you will see in the numbers and information disclosed here, we have grown fleet, revenue and results in the order of 30% year-over-year. The numbers speak for themselves.

About our purpose “With you, building the future of mobility”, we are very excited with the receptiveness of our customers to the new solutions we are offering and that consolidates our leading role in market evolution.

For the future, we keep our humbleness in the certainty that everything we are doing can be done better and simpler. For this, as always, part of our margin is invested in building the skills of a future with a lot of entrepreneurial ambition and that will fulfill our purpose.

We would like to thank our over 10,000 employees who make all of this happen as well as our suppliers, business partners and investors, who trust and help us to grow and evolve, always. A special thanks to our customers that, by choosing us every single day, give us the opportunity to enchant them with kindness, agility and the pleasure to serve.

I will now turn over to our CFO, Mauricio Teixeira.

MAURÍCIO: Good afternoon everyone. It is with great pleasure that I'd like to share with you Localiza's 2019 results.

Before I begin, though, I would like to note that in addition to the adjustments of IFRS 16 that you are used to seeing, this quarter we started to account for the PIS and COFINS credits as a cost reducer and no longer as a tax reducer in revenues.

There is no effect in gross revenue nor on EBITDA, EBIT or net income. However, it is important to highlight that the margins presented increase, as they are measured in relation to net revenues, which was lower.

The reclassification was fully made in 4Q and the reconciliation of the new and the previous accounting is available in our Earnings Release.

To be comparable to the 2018 figures, we will present the percentage growth without the effect of IFRS 16 and without reclassification of PIS and COFINS. Nevertheless, the GAAP numbers will be presented in the webcast charts.

Moving directly to **page 4** we can see the summary of Localiza's financial performance in 2019.

Once again, we showed spectacular growth. The consolidated revenue increased by 33,7%, achieving the mark of 10.5 billion and EBITDA increased



by 29,3%, reaching over 2 billion reais. Net profit achieved 847.5 million reais, representing a new record.

On **page 5** we can see the operation highlights for 4Q19.

Rent a Car, or RAC, further accelerated its growth pace, with an increase of 38.4% in the average rented fleet compared to the 4th quarter of 2018.

In Fleet Rental we also delivered strong growth, with an increase of 26.6% in average rented fleet.

Seminovos ended the quarter with a record sale of over 41 thousand cars, delivering a growth of 28.1%.

At the end of 2019, we achieved the mark of 323 thousand cars in our fleet, growing both in RAC, Fleet Rental and the Franchising businesses.

On **slide 6**, we can see the financial highlights for the 4th quarter. Year-over-Year, net revenue grew approximately 35% and EBITDA grew 31%. EBIT increased approximately 17% due to the higher depreciation and the net profit grew 29%. We achieved the higher net profit obtained in a quarter by Localiza: 234 million reais.

To present further details on 4Q quarter results, I'll turn over to our Head of Investor Relations, Nora Lanari.

NORA: Good afternoon everyone.

To give you some more granularity on the quarterly and annual results, I would like to start from the car rental division. As you can see on **page 7**, in 2019, the average rented fleet increased by 32.4%, an increment of more than 31 thousand rented cars, on average, in the year. Net revenue increased by 31.1% year-over-year.

In 4Q revenue growth accelerated, increasing in the expressive amount 36.1% year-over-year, mainly due to the growth of approximately 42 thousand cars or 38.4% in the average rented fleet.

On **slide 8**, we can see that the average daily rate of 72 reais and 20 cents in RAC reflects an increase in relation to 3Q19 and a reduction compared to 4Q18. The 3.2% reduction in relation to 4Q18 is mainly due to the effect of the mix of segments in RAC, counterbalanced by an efficient yield management. The utilization rate of 4Q19 was 79.1%, which represents a decrease of 2.1 percentage points year-over-year. This reduction reflects an adjustment in car purchases made between the 3rd and 4th quarters, to anticipate the peak season



keeping an adequate level of car availability in order to mitigate the risk of any impact in the quality of service provided in our branches. In the annual comparison, the utilization rate was kept at a healthy level, above 79%.

On **page 8**, we can see that the network of corporate branches was expanded by 26 units compared to the end of 2018. Of them, 21 are branches previously operated by franchisees. In addition, several branches have been expanded or renovated to increase their capacity and enable fleet expansion.

Moving on to **slide 10**, in Fleet Management division, the pace of growth also accelerated in the last quarter, with the average rented fleet increasing 26.6% and net revenue increasing 23% year-over-year. In this comparison, the daily rate fell by 2.8%, mainly reflecting the pricing of new contracts in a context of lower interest rates, as already observed in recent periods. In the year, the fleet rental division grew the average rented fleet by 25.3% and net revenue by 20.6%, which totaled over R\$ 1 billion.

Moving on to **slide 11**, we can see the fleet purchase and sale. In the quarter, we bought 64,263 cars and sold 41,365, an increase of almost 23 thousand cars and a net investment of R\$ 1.3 billion. In the year, the addition to the fleet exceeded 75 thousand cars, substantially higher than the increase of approximately 54 thousand cars in 2018. The 2019 net investment in fleet achieved almost R\$ 2.5 billion, with car purchases totaling R\$ 10.3 billion.

On **slide 12**, we show the Seminovos network. In 4Q19, as we had anticipated in our last earnings presentation, we opened 10 new stores. We surpassed the mark of 40 thousand cars sold for the first time in a quarter, reaching a total of 41,365 units. We ended the year at 123 points of sale and 147,915 cars sold. It is important to note that despite the accelerated pace of store opening, the average number of cars sold per store increased during the year, reaffirming the strong sales capacity of our team.

On **slide 13**, we show the end-of-period fleet, which surpassed 323 thousand cars, driven by Car Rental division, which grew by 34.0% and Fleet Management, which grew 26.7%.

Moving on to **page 14**, we see that the consolidated net revenue for the quarter increased 35.1% when compared to 4Q18. Net rental revenues increased 33% in the quarter, while Seminovos increased 36.7%, due to the 28.1% growth in sales volume and 6.7% in average consolidated sales prices.

In the year, consolidated net revenue increased by 33.7% when compared to 2018. In 2019, net rental revenues increased by 28.4%, being 31.1% in the Car Rental Division and 20.6% in the Fleet Management Division. In Seminovos, net



revenue grew by 37.6% year-over-year, due to the 32.9% growth in sales volume and 3.5% increase in the average price of cars sold.

Moving on to **page 15**, consolidated EBITDA increased by 31.1% in 4Q19 year-over-year, as a result of the growth in the Company's businesses divisions. EBITDA margin for RAC is in line with the margin of the 4Q18, when compared to the same basis.

Fleet management had a margin reduction of 2.2 percentage points, mainly due to the drop in the average tariff, reflecting the lower level of interest rates. Investments in IT and consulting have an impact on the RAC margins and Fleet Management in the short term, but are aimed to add, further developing the Company's competitive advantages.

Seminovos presented a margin of 1.4%, slightly higher than that observed in 4Q18, which indicates that the depreciation adjustment throughout the year was adequate, so that the cost of vehicles sold remain close to the sales price of cars. Compared to 3Q19, the Seminovos EBITDA margin was impacted by the concentration of store openings. 10 new points of sale were opened in this last quarter of the year.

In 2019, consolidated EBITDA, excluding the impacts of IFRS 16, exceeded 2 billion reais, an increase of 29.3% when compared to 2018.

On **page 16**, we show the evolution of depreciation. We see that in RAC, the average annual depreciation per car reached R\$ 1,917.60, 89.4% higher than average depreciation in 2018. In the quarter, the depreciation was 86.3% higher year-over-year. In the Fleet Management Division, the average annual depreciation per car was R\$ 3,923.40, higher by 9% in relation to the average depreciation of 2018. As explained in 3Q19, the increase in depreciation reflects the lower price level of new cars that impacts the pricing of used cars.

On **page 17**, we can see that the consolidated EBIT in 4Q19 reached R\$ 405.3 million, representing a 16.7% growth compared to the same period last year, due to the 31.1% increase in EBITDA, partially offset by the 80.1% increase in the cars' and other fixed assets depreciation. The EBIT margin of the Car Rental division was 28.5%, representing a decrease of 5.4 percentage points, compared to 4Q18. In the Fleet Management division, the EBIT margin was 43.8%, a reduction of one percentage point compared to 4Q18. The lower EBIT margin mainly reflects the higher depreciation of cars.

In 2018, the Car Rentals division EBIT margin was 29.9%, representing a drop of 3.3 percentage points year-over-year. In Fleet Management division, the



EBIT margin for the year was 44.9%, a reduction of 3.7 percentage points, in the same comparison.

The decrease in the interest rates allows for a lower EBIT margin with the spread (ROIC - Kd) maintained at healthy levels, which, on a larger capital base, results in an increase in the Company's value generation.

Net income for the fourth quarter, on **page 18**, grew 29% compared to 4Q18. The expansion in net income is explained by the EBITDA growth, of approximately 140 million reais, combined with the reduction of financial expenses by approximately 9 million reais; which were partially offset by an increase in depreciation of 81 million reais and an increase in taxes on profits of approximately 15 million reais.

In 2019, the Company showed a record net profit of 847.5 million reais, representing a 28.6% increase year-over-year.

On **slide 19**, we show the cash generation before the growth of R\$ 1,255,500 reais in 2019. The addition of approximately 75,600 cars to the fleet consumed approximately R\$ 3.5 billion.

As can be seen on **page 20**, investment in fleet growth was partially financed by our operating cash generation and the follow-on, but also impacted net debt, which reached R\$ 6.6 billion.

I would like to turn back over to Mauricio.

Mauricio: Thank you, Nora. As you can see on **page 21**, we ended 2019 with a debt profile adequate to continue on this growth path. We also present the debt profile after some issues and prepayments that we made in the beginning of 2020 that makes us even more comfortable to face this period of turbulence in the markets with a cash position of more than R\$ 3.5 billion and practically no payment amortization in 2020.

On **slide 22**, we can see that the Net Debt over EBITDA closed the year at 3x, a level that we believe is efficient, considering our debt profile and low interest environment.

To conclude, I would like to highlight the evolution of the ROIC spread versus cost of debt that can be seen on **page 23**. In 2019, we delivered the nominal spread a little lower than the previous year, but with a much larger invested capital base, resulting in increasing value generation for our shareholders.



We maintain our objective of growing with profitability and we will leverage our competitive advantages to capture market opportunities and continue the consolidation of the car rental market in Brazil.

We are now available to answer your questions.

Q&A SESSION

OPERATOR: Ladies and gentlemen, we will now begin the Q&A session. To ask a question, please press *1. To take your question off the list press *2.

Our first question is from Bruno Amorim, from Goldman Sachs.

BRUNO: Hi, good afternoon everyone. If possible, I'd like you to comment about the exposure in airports, considering that the demand in the aviation market, what is going to be like resulting from the coronavirus or COVID-19. So, what's your elasticity in RAC demand if there's less traffic in airports? I believe that the main risk is in international traffic, that's where you would be more exposed. So, if there is an impact to domestic air travel, I'd like to know the impact for the Company. And in that same line, are there any other products or lines that you can accelerate so you're not affected by the airports? If they, in fact, air traffic will be affected by that?

And a second question in terms of your potential for growth in RAC. You have a number of fronts to grow and they've been contributing to what you're delivering, but there's one that every now and then that grows more than the other. So, what are your main initiatives for 2020? That would be great if we can hear some of that. Thank you.

NORA: Bruno, thank you for your questions. That is the hot topic for the moment, right? So, when we look at the indicators, up to February, no impact as a result of the coronavirus and in March everything is normal, but we don't have that much time yet to feel an impact.

When we look at our level of exposure, I think we can separate that into three scenarios. But the first one is what you mentioned. So inbound, foreigners coming to Brazil. That is... doesn't really account on our basis. I'd say that less than 1% of RAC that comes from our foreign travelers that come to Brazil. And if there is an increase, sorry, decrease of that traffic, there might be Brazilians traveling less abroad and more internally, so that could be an upside.

The second scenario, at the limit, less leisure travel and less corporate travel could impact our revenues. But there's always the other side, which are the tourists that don't desist, but instead of that decide not to travel by plane and they decide to use a car to go to their final destination. So, it's very hard to estimate the final impact on that. However, our revenues are less dependent on airports compared to what they were in the past. Obviously, some are still



representative, but they did lose their representativeness, given the interest in new segments, as you've mentioned.

So, to give you some flavor on that, moving forward, we believe that there's still a lot to grow in individuals regardless of airports. Here we're talking about frequency and habits of individuals renting cars, given more affordability. And the other driver is the ride-hailing, that still has a very relevant growth potential. So, when we add both of them, the economy coming back, let's see how the coronavirus will impact that.

And lastly, the individual segment, more in the long term, that could also be worked on monthly rental and also annual rental. And just to set you at ease, we have a permanent committee monitoring the effects and impacts to reservations and so far, we haven't seen any effects.

BRUNO: A quick follow-up on that. The individual's product that you said that could be monthly or annual, what's the maturity plan for that? Is that product ready? Is... I don't know, it is about kicking it off? Are you still testing it? It seems like there's a big potential there, just so we can understand that and have some timing on that. Thank you.

NORA: Thank you, Bruno. We already have a product for individuals, it's the monthly. But we've been signaling that we're rethinking that product, not only in monthly, potentially annually or the annual version, we still don't have the final version ready. We started with some pilot projects, but we don't have anything that could be scaled up. Maybe second half of the year. We'll keep the market posted.

BRUNO: Okay, perfect. Thank you.

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

ROGÉRIO: Hi everyone. Good morning. Thank you for taking my question. I'd like to talk about Seminovos. We had seen an increase in depreciation in the past quarter. And when we look at the purchase and sales spread of RAC; we see that quarter a marginal increase. We did have an increase in vehicle depreciation. Could you talk about that driver, the driver for that new expectation in the Seminovos market? Is it already worsening in 1Q20? Is that future expectation? Will you grow more, sell more cars? Could you give us some flavor on that? Thank you.

MAURÍCIO: Good afternoon, Rogério. This is Mauricio speaking. We've seen this movement in depreciation in 4Q over 3Q at BRL 100, so if we do the math, it's a natural volatility. What we saw end of last year and beginning of this year, we saw very strong sales, record sales of 40,000 cars in 4Q, and this year sales started really strong. So, it's natural and very small compared to the cars. Sales are still strong, even now in the beginning of 2020.



ROGÉRIO: Okay, perfect. I imagine that you had mark-to-market in the last quarter, and this quarter could have had some sort of reduction in the depreciation level. But based on what I understood, you didn't. You already had an expectation of maintaining that level for the next quarters. Is that correct?

MAURÍCIO: Yes. It was a new level and the curve of depreciation inclination changed. When we say mark-to-market, it's a change in the inclination of the curve. It didn't really change, it reduced, so let's see how the next quarters will behave. We still have a positive vision for 2020, even considering transferring automakers' price in new cars, considering the exchange rate. But we have a lot of instability in the market right now in the news. And in practice, though, they haven't reflected on our business. So, it's hard to give you, let's say, perspective. There's a lot of things to come, you know, the coronavirus, supply and demand, but so far what we're seeing is a very positive scenario for 2020.

NORA: Rogério, this is Nora speaking to add. When we see the inclination of the depreciation curve throughout the third quarter, it was going up, especially in September or end of August when we had the news from Argentina. It's reflected in the price of new cars and used cars. So, the adjustment of depreciation was in September, and that changed the curve. But remember that the change in the level of depreciation is divided by the rest of the useful life of the cars. So, when they're close to the end, they're marked almost one-off, but the rest cars have a higher depreciation curve moving forward until they're sold. So, you can say that in 4Q, it has already settled downwards, but not enough to change the quarterly average. So, the adjustment in September was more relevant, in fact. All right?

ROGÉRIO: Okay, very clear now. Thank you, Nora, and Maurício. If you allow me a second question, now about Fleet Rental. You had an increase in the speed of that. Do you have contracts with smaller players or new players, so... and a little bit about what you expect in terms of Fleet Rental for the next quarters, upcoming quarters?

NORA: Good question, Rogério. I would say that that growth is the sales efficiency, and it's very disseminated. It's very spread out. So, we've gained momentum in many different fronts. And what we believe, it's about a change in mindset. Instead of owning, it's about use. So, I think that the general culture in Brazil is changing, and also in companies is changing. So, you can see a very disseminated growth, spread outgrowth, and that's based on the efforts from our team in Fleet Management.

ROGÉRIO: Ok, thank you. Very clear.



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

VICTOR: Hi, good afternoon, I have two questions. The first one, to follow-up on Rogério's question about depreciation, I think it was in the beginning of November, where you had an event here in São Paulo, and you talked about depreciation. There was a slide where you showed the price dynamics for new cars. And then in September, new car prices were dropping a little, and you were marking that.

So my doubt is even though it's a small decrease, BRL 100 per car in depreciation, and there was just a press conference, given by ANFAVEA, saying that with the devaluation of the exchange rate, you can have an increase about BRL 2,500 in new cars. I'd like to understand why there would be another increase in depreciation. And in this first quarter, would you see in terms of the dynamics, is it going to stabilize, drop or is the depreciation per car going to increase?

And my second question, also related to the coronavirus. When we see what's happening in Asia and the Uber shares and Lyft shares, everybody is concerned with the risk of contamination, and they're stopping to use ride-hailing services. So, your exposure to ride-hailing today, what's the percentage of your fleet and RAC revenues account for that?

MAURÍCIO: Thank you for your question, Victor. First, about the prices of cars that reflect in Seminovos and depreciation. Even though there's a price increase, signs of price increase, that's actually real. So, if the exchange rate goes up, it should be reflected in the car price.

We depreciate actually to what's happening in the market and not related to expectations, and we don't see that happening in new car prices, therefore it's not reflecting on the used car prices.

So, if new car prices go up, the historical trend is that used cars also go up and then depreciation will drop, and that's natural. But we will only lower depreciation if we actually see that in the list price, which we haven't seen yet. And if that happens, that is the phenomenon, the depreciation will drop.

About the coronavirus. In the ride-hailing segment, we don't see that risk. And actually, that's an option, instead of using public transportation, and public transportation is packed here in Brazil and people are all packed together. So, I believe that the risk of contamination in the subway or in a bus during rush hour is much worse than using ride-hailing.

So, there are a number of different hypotheses for coronavirus. Actually, I believe that it would increase the demand in ride-hailing because people won't want to share a packed environment with other people that could be contaminated but, you know, these are hypotheses. We haven't seen a



coronavirus impact to our business yet, either positively or negatively. But I believe that the demand would increase for one driver and one car instead of sharing a bus with seventy other people.

VICTOR: Okay, great, thank you.

OPERATOR: Ladies and gentlemen, to ask a question, please press *1. Our next question is in English, from Stephen Trent from Citi.

STEPHEN: Good afternoon everybody and thanks for taking my questions. The first one, if you could maybe provide a little color on the Car Rental segment? To refresh our memory, what portion of your demand comes from the corporate segment? And within that corporate segment, are you guys relatively diverse in your customer base, or do you have a lot of corporate demand coming from big natural resource companies?

NORA: Well, Steve's question is about the corporate demand and how much it's concentrated or not. We don't break down the segments in Rent a Car, but the corporate segments are relevant. And I'd like to remind you that in the past years, given the recession, this segment, it loses relevance and what gains relevance is individuals and the app drivers, but it's still a relevant segment, and especially in the corporate monthly, and not concentrated. We don't have concentration in one big customer or big industry, it's very fragmented. That's why we don't have much exposure risk to a specific industry or segment.

STEPHEN: Great, I appreciate that. And on the Fleet Rental side, just out of curiosity. Could you also trying to refresh our memory with respect to the turnover of those contracts, the relatively long-term contracts? So, in other words, would the Fleet Rental segment be somewhat insulated from a short-term demand shock because of the long tenor of the contracts? Thank you.

NORA: Exactly. See, Fleet Rental. We have average tenor of 30 months. So, 2 to 3 years, most of them 2.5 years. So, I'd say it is insulated, compared to those short-term fluctuations.

STEPHEN: Oh, great, thank you very much.

OPERATOR: Our next question is from Samir Patel, from Merian.

SAMIR: Hi there. Sorry, can you hear me? Hello? Hi there, my question was just on the Seminovos division. Could you give an explanation of how much of your sales or used car sales are done through third-party points of sales?

NORA: Currently, approximately 46% of our sales are direct to end users and the rest to wholesalers, as we call them.

SAMIR: So, 54% is wholesale. And also, could you just clarify, in terms of the Seminovos stores that you have, what the potential capacity? Is there... just to get a sense of the number of cars you're putting through the stores historically



versus, say, whatever it was last year? Just to get a sense of what the throughput could be in the store level. And I appreciate that, obviously, you know, the makeup of the stores can be quite different as well as geographies.

NORA: Exactly. If we do a math for total sales of the period divided by the average number of stores, we can see efficiency. Approximately 115 cars sold on average per month per store. It goes up and down a little, but we've been able to gain in productivity in that indicator. And that's why that the SG&A for Seminovos over the sales revenue, they dropped from 9% to 10% to something close to 6%. So, we've been able to gain efficiency and productivity in the Seminovos store. So said that, we're going to have to open more stores, so that we can renew the fleets in 2020. Therefore, in 2019, there were 16 new stores opened and that number of stores, new store openings, should increase for 2020.

SAMIR: Thank you.

OPERATOR: Our next question is from webcast. We've received the following question here. What do you think about automakers and dealerships going into the rental market?

NORA: It's not a new phenomenon, actually. We've seen that in the past, way back when Ford bought Hertz and then Chrysler entered the business. In Brazil, we saw that some years ago, and usually they come in and then they go out, it's as if they're testing the market, that's what it seems to us. I think it's normal competition, they have less scalability than us because they use, in the rent a car, their dealerships, and they could eventually go into fleet rental, but these capabilities are completely different than what they currently have.

It's like going from industrial to going into the services area. So, we see this kind of movement, especially if there's a lower demand or a repressed demand in the country for some years. So, there are attempts that they're making. But we haven't seen a consistent case yet of them actually staying in the market in the long-term, renting to individuals or even to corporates, in a successful RAC in the short term. We're monitoring that closely, but we don't see any major threats in that sense for us at this time.

We have another question from the webcast about the COVID-19 effect in the day-to-day rental. And in addition to that, what's the outlook for car prices in Brazil? And if it's reasonable to suppose that depreciation in RAC will continue to go up?

Well, let's split this question up. First of all, about the COVID-19, we mentioned that in the beginning of the call, we have an exposure in airports. So, at first, we believe that the international flow of tourism will decrease, but domestic tourism might even benefit from that.



If there's more contamination, we believe that domestic travel could decrease. And in that sense, if the demand has a relevant drop, it's worth noting that our assets are flexible and easy to monetize. We experienced that in the recent past with the 2019 financial crisis, where we closed or we stopped buying a little, but kept selling and adjusted the fleet according to demand. So Localiza has that room to do that.

And if the case, we can reduce the fleet to maintain the utilization rate, obviously we would have less revenues. But on the other hand, as we did in 2009, there could be an opportunity for prepayment of part of the debt, which would in turn reduce financial expenses. A good example of that was 2019, no, 2009, sorry.

MAURÍCIO: About the car prices for 2020, if we consider ex-coronavirus or COVID-19, we had a positive evolution of car prices that 2019 didn't follow inflation, and that it would at least follow inflation, go up new car prices, then Seminovos, your used cars and then depreciation would lower. With the impact of COVID-19 to the sales of the used cars, there's some uncertainty. People might say that there's a lower demand, but there's also a scenario that could be less supply, as a result of lack of parts at the automakers and less working hours in automakers, and there's the exchange rate, so Seminovos or used cars would be... so the price would go up, and then we would reduce depreciation faster.

So, to summarize, if you... ex=COVID-19, we don't see depreciation going up. But even with COVID-19, we don't see this hypothesis in all the scenarios that we simulate, the depreciation would still drop.

NORA: And a little bit more color relating to car prices. I think it's worth noting that the exchange rate is affecting that, and on the other hand, and also steel prices were adjusted.

And in the beginning of the call, ANFAVEA, the association, has signaled an increase of production cost about R\$ 2,600 per car. So, I believe that the automakers are suffering pressure to raise new car prices, and if that happens, used car prices will increase and depreciation will drop. So I'd say, and that's the last part of the question here, from the webcast, the depreciation trend is more prone to flattish with a gradual decrease, If new car prices go up, used cars will as well, and depreciation will fall faster, but we don't have the evidences of that, and Mauricio mentioned that. We don't see that price increase being transferred.

We have another question here from the webcast. When only 39% of your revenues come from rental, isn't that dangerous, a risk, depending on sales of used cars?



Well, the fact is that Seminovos isn't an area of results. We don't have a profit in buying and selling cars, quite on the contrary. For each car that we sell, we lose a little money. The objective of the Seminovos division is to reduce depreciation and renew the Localiza fleet. So, the revenues we get from Seminovos division, that cash is used to buy new cars to replace the ones that we're selling. So, it's not an area for Company's results. Our results... our EBITDA, EBIT and profit come from Car Rental and Fleet Rental.

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

CLOSING

OPERATOR: As we have no further questions, I'd like to hand over for Mr. Maurício Teixeira for his final comments.

MAURÍCIO: Thank you, everyone, for your presence, and our IR team is always available for any clarifications. Now I'd like to hand over to our CEO, Eugênio.

EUGÊNIO: On behalf of Localiza and everyone at Localiza, I'd like to thank you for your interest and participation in this conference call. All the care and the relationship that you have had with Localiza throughout all this time, I'd like to stress our satisfaction, and there were always concerned in being very transparent in our Investor Relations.

And I'd also like to say that we are still excited about our business and also very cautious with any issues that may be caused by the COVID-19 in our activities here in Brazil. Thank you very much.

OPERATOR: The Localiza Rent a Car conference call is now over. Thank you for your participation and have a great afternoon.