Localiza Rent-a-Car
3Q22 Webcast
November, 16th 2022

Anna Branco:

Good afternoon. Before we begin, for those who need translation, the tool is available in the platform. Please click “interpretation button” using the globe icon on the bottom of the screen and choose your language of preference. You may also choose to mute or unmute the original audio by clicking the “unmute original audio” button.

Good afternoon, and welcome to the Localiza’s webinar referring to the results for the third quarter of 2022. Today with us are present, Bruno Lasansky, CEO, Rodrigo Tavares, CFO and Nora Lanari, Investor Relations Officer.

Please be advised that this webinar is being recorded and will be made available on 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.

To send questions in writing via the Q&A icon, at the bottom of your screens, we advise you to make them by indicating your name and company before your question.

We inform you that the values of this presentation are in millions of Reais and in IFRS. We emphasize that the information contained in this presentation and any statements that may be made during the videoconference, regarding Localiza's business prospects, operating and financial projections and goals, constitute beliefs and assumptions of the Company's Management, as well as information currently available. Forward-looking considerations are not guarantees of performance. 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 the floor over to Bruno Lasansky, the Company's CEO, to begin the presentation.

Bruno Lasansky:

Good afternoon, everyone and welcome to the Localiza results webinar. We are pleased to present our first quarter of combined results, a moment the Company advanced fiercely in the materialization of the business combination and in the carve-out conclusion, sustaining high operational and financial performance.

Following reliable planning, in just three months, we completed the creation of a fully operational company with a fleet of around 50,000 cars, 180 branches, 22 used car stores, systems, and teams (carve-out). On October 1st, we sold this company to Brookfield, which started to operate the Unidas brand, and we received, as agreed, the amount of R$3.2 billion with cash effect in 4Q22. Additionally, we agreed upon a positive price adjustment of around R$320 millions related to the change in working capital and the sold fleet value, which will be paid to the company by the end of January 2023.

The resources attained from the carve-out sale will be reinvested in the fleet growth, now with better commercial and mix conditions, in a context of increased vehicle production and increase in relevance of direct sales. We have a balanced net debt/EBITDA ratio and a mix of segments, which allow us to sustain our growth path.

With the carve-out conclusion, we now have all our focus and energy on the integration process and synergies capture, and we have already taken some important steps in this direction. The Company's leadership has been defined and our teams are already operating integrated, learning the processes and best practices of each company. We also concluded the Rental Car branches integration, which already operates under Localiza's brand, and we are concluding the migration process in the Used cars network. Since 3Q22, we combined the management of car procurement and made progress in negotiating the terms for next year under more attractive conditions for the Company, always maintaining solid and long-term relationships with all automakers. Through a dedicated integration team (IMO), we completed the evaluation and detailed planning of capturing synergies on all operational and financial fronts.

We have compatible cultures, aligned values, complementarity, and strong governance, which will undoubtedly facilitate the integration process.

The high satisfaction level of our customers and engagement of our team, fundamental competitive advantages of the Company, remained at a level of excellence, assuring that we are moving in the right direction. The excellence in conducting the carve-out and integration process, maintaining high performance in the business, is a result of the dedication and extraordinary energy of Localiza's employees, to whom we are deeply grateful.

At last, with the business combination, we started a process to evaluate the combined business portfolio, with the goal of optimizing the capital preliminary allocation and the use of resources, focusing on initiatives aligned with our strategy of growth with value generation.

Now, in a moment of vast car availability, we are thrilled with Localiza's distinct competitive position. We count on a reliable balance sheet, scale, people, brand and energy to capture great opportunities to grow with value creation, fascinating even more our clients. I would like to hand the floor to Rodrigo, our CFO, to talk about the results.

Rodrigo Tavares:

Thank you, Bruno. Good afternoon, everyone. In this quarter, we bring for the first time the combined results of the two companies. To better understand the dynamic and the tendencies, we prepare the release of proforma quarterly numbers dating from the first quarter of 2021 to the second quarter of 2022, adding both companies together. In this release, the annual comparisons will be made upon historical proforma figures from both companies.

The 3Q22 consolidates the result of the companies since July 1st, the date of the business combinations closing. With the conclusion of the carve-out and the beginning of the integration process, this quarter we had additional expenses, related to the business combination, as we highlight in the **third slide**, which impacted the net income in:

(-) R$66.1 millions with cash effect, related to the integration expenses – such as branches and stores rebranding, systems integration, among others, and the carve-out – such as advisory expenses, investment banks and the creation of the new company to be disinvested;

(-) R$116.2 millions with no cash effect, in fleet write-up amortization;

(-) R$4.4 millions with no cash effect, in customer relationship amortization related to the fleet rental business;

(+) R$9.2 millions with no cash effect, of the mark-to-market fair value of the deposit tied to the financing granted to the former Unidas' shareholders;

(-) R$81.1 million with no cash effect, of former Unidas' tax loss write-off, related to the sale of disinvested assets.

These effects, added up, negatively impacted the quarter net income in R$258.5 millions altogether with the costs related to the business combination, the 3Q22 results were impacted by the new initiatives expenses, with a negative effect of R$22 millions in the net income, and the positive effect of the PIS and Cofins credits as a result of the new reports, that added up to R$175 millions in the EBITDA, being R$72.1 millions of those in the Car Rental and R$102.9 millions in Fleet Rental, generating positive net income impact of R$115.5 millions.

Considering the plentitude of effect impacting this semester, we will release, in addition to the 3Q22 accounting result, the adjusted results for the business combination one-offs, that better reflect our performance. Before diving straight in the results, I would like to explain the fleet write up effect. Moving to **slide 4.**

During the business combination process, the book value of assets was lesser than the amount effectively paid. The allocation of the difference between the price paid and the book value must be split between goodwill and write-up.

In a typical processes of business combination, the bigger part of this allocation corresponds to the goodwill, as usually the book value of assets reflects their fair market value. In this operation specifically, due to the sharp increase in car prices during this last cycle, the cars fair market value was bigger than the book value, resulting in a more relevant write-up value in this allocation.

Despite having a similar economical effect, the goodwill and the write-up have different effects for an accounting point of view. Meanwhile the goodwill amortization is allocated directly in the fiscal books, affecting the tax effectively paid, the write-up amortization flows through the income statement. It is important to highlight that there is no cash effect in this amortization. The write-up will impact the income statement as follows:

For operating cars, amortization will be allocated corresponding to the expected devaluation of these cars through use, as shown on the slide. On sale of the car, not only the book value of the car will be written off, but also the residual value of the write-up.This effect will last until every former Unidas' car is sold.

In our operation particular case, the equivalent effect was the anticipation of a good share of former Unidas' expected result through used car sales directly in the Company's asset, without going through the result.

We will be fully transparent in the write-up effect, be it in the amortization case or the asset sale. We understand that, to analyze Localiza's performance, these effects must be disregarded. The write-up effects do not reflect our means to buy and sell assets, in the due course of our business.
Well, now to talk about the quarter results, we move on to **slide 5**.

With the resumption of purchases, we resumed accentuated growth, which will reflect in the volumes of both the Car and Fleet Rental. Were bought around 98 thousand cars and sold nearly 44 thousand, with a net addition of over 54 thousand cars.

The car rental net revenue presented a 30.7% growth, while the fleet rental soared 52.6% in the annual comparison to the proforma 3Q21. With a bigger car supply and the combined receival for both companies, it was possible to accelerate the backlog reduction, allowing us greater growth these last months.

Our distinct competitive position allowed us to negotiate cars in a mix and commercial conditions more favorable for the last quarter of this year and next year, that, added to a significant comparative advantage, considering the synergies gains and maintenance costs reduction from the fleet renewal, will allows us to resume record return levels, without great need of additional prices' passthrough.
To detail our result, I'll hand the floor over to our head of Investor Relations, Nora.

Nora Lanari:

Thank you, Rodrigo. Good afternoon, everyone. Getting into the details of the result and reinforcing that our annual comparisons will be made considering the proforma result of the 3Q21, in order to add up both companies, we start the presentation by the Car Rental division, on **page 6.** With the resumption of the fleet's Growth, this quarter saw a volume rise of 7.4% year over year in the rental days, with a revenue growing 30.7%, reflex of a 22.1% average rental rate rise, as seen in **page 7.**

In this slide, we show the result of optimization of the mix of segments and selectively made prices passthrough that netted in an average rental rate of R$108.2 and a fleet utilization rate of 80.2%. In the annual comparison, the rental rate rise has been practiced gradually in every segment, seeking for a rebalance in the return levels, considering the cost of replenishing cars, maintenance expenses and high interest rates. As of now, we see a diminishing need to make new prices passthrough, considering that we have other levers that will be prioritized to improve return levels. Some are: operational lever with volume addition, efficiency initiatives for cost reduction, including maintenance costs from the fleet renewal, and the capture of the arising business combination synergies.

Moving on to **page 8**, in the Fleet Rental division we kept on accelerating growth rates sequentially, and in the year over year comparison. The rental days number rose 25.1%, with the net revenue leaping 52.6% against the 3Q21. In this comparison, as evidenced in **page 9**, the rental rate has a 18.8% growth, reaching R$70.9 per daily rental, reflecting the pricing of newer contracts in a context of rising car prices and interest rates.

We still observe a positive outlook in the demand and in the Fleet Rental and Localiza Meoo results.

Heading to **page 10**, we show the balances for the purchase and sale of cars. As aforementioned, we have a favorable context for purchasing cars, in which we saw great volume availability and models diversity, with a higher production level and bigger relevance for direct sales. In this context, we bought 97,729 cars and sustained a gradual acceleration in the decommissioning rhythm, with 43,627 cars sold in the quarter. The result was a net addition of 54,102 cars in the period and a net investment of 5.8 billion reais.

Following in **page 11**, our average purchase price in the Car Rental was R$82.8 thousand, sequentially reducing R$10.8 thousand per car, highlighting the gradual resumption of a mix with more economic cars. The demobilization price drops R$5.4 thousand sequentially, to R$66.3 thousand in the Car Rental, reflecting the sale of entry level cars with higher mileage, seeking fleet renewal. The smaller price drop in the demobilized car in regard to the purchased, allows a sequential reduction in the car replenishment capex.

In fleet rental, we also saw a purchase price reduction, of R$105.2 thousand to R$98.3 thousand. In this division, the shorter price drop reflects the effect of heavy and special vehicles mix's growth. The demobilization prices of the division, on the other hand, suffered a small reduction of 1% in comparison to the 2Q22, as there is no demobilization mix change effect in this division.

On **page 12,** we highlight the progress of the end of period fleet throughout the year, which evidences better car supply, allowing the company to reach a fleet of 586,453 cars in the end of the period or 537,157 in the proforma, after the carve-out sale.

Onto **page 13**, we observer that in the annual comparison for the quarters, the net revenue for the rental divisions displayed a 37.9% growth, being 30.7% of those in the Car Rental, and 52.6% in the Fleet Rental, while the Used cars revenue grew 42.2%. As a result, the consolidated net revenue in the quarter grew 40.0% year over year, adding up to 6.1 billion reais.

On **page 14** we start the EBITDA analysis, bringing up the reconciliation for the accounting to the adjusted EBITDA. On 3Q22, the adjusted EBITDA was R$2,377.7 millions, disregarding business combination one-offs, which added up to R$100.1 millions. We also bring the adjust effect in each activity, that as can be seen, is around 3 to 5% of the EBITDA.

On **page 15**, we display the 30.9% growth for the 3Q22 adjusted EBITDA in comparison to the same period last year, reaching 2.4 billion reais. We highlight the Company's operational result quality, reflect strong volume growth together with practiced prices, in addition to strong margins. The progress in the rental divisions results minimizes the relevance of the temporary Used cars' tail wind effect.

In 3Q22, excluding the business combination one-offs, the Car Rental division presented a 58.9% margin. In comparison to the 3Q21 proforma EBITDA, the 2.2 percentual points reduction in the margin is owed to the recognition PIS and Cofins credits, that in 3Q21 added up to R$320 million reais, in comparison to the R$72.1 millions, resultant from the new reports recognized in 3Q22. Regarding this quarter, it is worth noting the rising rental rates, with volume expansion and bigger operational efficiency, especially with lower levels of default and theft.

The Fleet Rental division presented an adjusted margin for the integration expenses of 73.6%, 8.1 percentual points above last year's proforma period. This margin was positively impacted by the beneficial effect of the PIS and Cofins credits of R$102.9 millions, or 8.9 percentual points, due to the useful life first review of this division assets, allowing the depreciation acceleration for tax purposes. On the other hand, new initiatives expenditure negatively impacted this division's EBITDA margin in 3.3p.p.

In the annual comparison, the Used cars EBITDA margin retracts 6.5 percentual points, to 11.6%. This quarter we selectively accelerated the demobilization of cars with higher mileage from the car rental division, bringing higher preparation costs and directing these cars to the wholesale. With advancing new initiatives expenses, this margin was impacted by 1.2p.p. this quarter. It is also worth highlighting that the car demobilization acceleration occurs especially in the Car Rental, which possesses a smaller EBITDA margin, impacting the overall Used cars margin. The gradual sales rhythm acceleration contributed to the SG&A dilution.

As a result, the consolidated EBITDA margin over rental revenues reached 75.2%.

On **page 16** we note that in the Car Rental, the average annualized depreciation per car continues to gain sequentially, at R$4.358. The purchase acceleration and fleet renewal lead to an increase in the average depreciation since the new cars have higher depreciation levels than the formers, which were no longer being depreciated. In the Fleet Rental division, we also see an acceleration in the average annualized depreciation, reaching R$4.195. We highlight that, in Fleet Rental, the new cars have a mix with higher depreciation, by the book value of the assets, that now includes heavy vehicles, and by the higher wear rate, in the event of special vehicles.

On **page 17**, we bring the reconciliation for the consolidated EBIT of 3Q adjusted for the business combination one-offs, which reached 1.7 billion reais, representing a 10.8% growth year over year. In the EBIT case, in addition to the integration expenses, there is also the amortization effect for the intangibles recognized in the business combination, which brought R$182.6 millions non-cash effects.

Moving on to **page 18**, we observe that the EBIT margin for the Car Rental division was 49.7%, lower than the 3Q21 due to a smaller EBITDA margin, already analyzed, and a higher 3Q22 depreciation. The Fleet Rental division presented an EBIT margin of 64.5%, presenting 0.9 percentual point increase in comparison to 3Q21, explained by a growing EBITDA, partially offset by higher depreciation.

The adjusted net income of the quarter, displayed on **page 19**, reaches R$682.1 millions, accounting for the effects aforementioned in the EBIT and also the reversal of the fair value adjustment of the financing to the shareholders with a negative impact of R$9.2 millions, and the former Unidas' tax loss write-off regarding the carve-out, of R$81.1 millions.

On **page 20**, we see the income dropping 27.6% in the annual comparison. We detail that the EBIT variation described above was more than offset by the financial expenses, which advanced R$669.3 millions, due to an increase in the CDI and the average debt balance, in addition to the mark-to-market effect of swaps, that in comparison to the 3Q21 raised the debt in R$190 millions. This cost of capital rise reinforces the need of caution in capital allocation, making adequate decisions to allow the restoring of the return levels. We are sure that, gradually, the company is restoring the balance between results and returns, making investment decisions thinking in the car cycle and evaluating the long-term effect, in a way to reinforce and solidify even more its competitive differentials.

I would like to turn the floor back to Rodrigo to present the cash generation, leverage and ROIC.

Rodrigo Tavares:

On **page 21**, we displayed the operational free cash generation before growth of R$3.7 billion in the 9M22, consumed by the net investment of R$4.9 billion in fleet growth, resulting in a cash consumption of R$1.2 billion.

As seen in **page 22**, the net debt grew R$4.9 billion in the year mainly in order to finance fleet growth, ending the period at 21.2 billion.

On **page 23**, we can verify that we ended the quarter with a healthy debt profile and cash position. Including the R$1 billion issuance in debentures made in October, the Company has R$8.7 billion in cash.

On **slide 24**, our debt ratios shows' that the company is prepared for the growth trajectory, highlighting the net debt/EBITDA ratio for the last twelve months, which stood at 2.76x

On **page 25**, we present the ROIC spread evolution versus the cost of debt. We observe a strong spread of 7.6p.p. considering the last 12 months. The return displayed in 2021 was positively affected by the cycle of uprising price in car sale. We highlight to those who analyze our sector the importance of understanding that the level of return to be monitored is the level of return of the car at the replenishment rate. We reiterate that because an occasionally elevated ROIC resultant from fleet appreciation says little to nothing about the company's ability to create value consistently.

Today, watching the resumption of car supply, it is possible to have the conviction that we made the adequate decision by delaying growth and fleet renewal in a moment when we had access to a mix of cars with higher total cost ownership and worse commercial conditions, which demanded strong prices passthrough.

What we seeded at that very moment leaves us well positioned to accelerate growth in a context after merger and production resumption, considering lower financial leverage and cost of issuance, in addition to a fleet with less total cost of ownership. We are now at your disposal to answer questions.

Anna Branco:

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Our first question is from Andre Ferreira, Bradesco BBI. We will open the audio so you can ask the question: Please, Andre, can you proceed.

André Ferreira, *Bradesco BBI*:

Hi everyone, good morning. Congratulations on the result. I have two questions, first, how have the negotiations with the automakers been and the payment method? What if the value of the cars purchased in the third quarter would be paid later this year or in early 2023?

My second question would like to explore the used car margin a little more, understand what is the effect that most contributed to this drop? If it was a normal drop expected by the company or a downturn in the FIPE chart, thank you very much.

Rodrigo Tavares:

Thank you, Andre, regarding the payment period with the automakers, what we did specifically was the purchase of the third quarter. So, that's what we did to have a better cash flow match hereBR

In terms of payment term, in general, there was no change. Some automakers have a longer term, others less, but the payment term has not changed, apart from this third quarter, where there was this adjustment of the flow to match the carve-out ticket. Regarding the drop in used cars, as we have already reported, we really expect a soft landing here in terms of used cars, since the cars that are being decommissioned gradually increase their old book.

We still have a very large volume of cars, with a lower old book, why is that? It's just that, despite the tendency of the used car margin to be still of accommodation, we expect this to happen more gradually, we also have a positive effect in this case, which is with the increase in sales volume. If there is a dilution of used sales and administrative costs, then it compensates for part of this effect, but not entirely, so the perspective was within expectations, as we were already signaling to the market, there was a margin accommodation of around 1 p.p. of the previous quarter. When we still expect, as I said, an accommodation of this margin, but in a smoother curve in the coming quarters.

Nora Lanari:

André, complementing Rodrigo, I would point out that in the used car margin of fleet management, we still had an impact of 1.2 p.p. due to the new initiatives, some of which we will potentially reassess in a context of portfolio rationalization, but it is worth emphasizing this.

And the second point associated with the used car EBITDA margin is the fact that as we disproportionately decommissioned more RAC cars, the RAC used car margin is lower than the Fleet used car margin. You have a mix effect here in the composition of this margin, I don't know if you are comparing it individually or on a consolidated basis.

The point related to the purchase conditions, I think it is worth reinforcing here that I highlight, that we are in a very privileged position here, in the sense that the company has a robust balance sheet for these purchases, we are returning to strong growth and we see an increase direct sales, in addition to the sequential increase in vehicle production. So, we achieved a better balance between production and demand here, which consequently helps us from the point of view of commercial conditions and purchase mix, which is as important as the purchase discount.

Anna Branco:

Our next question is from Rogério Araújo, Bank of America, we will open the audio so you can ask the question: Please, Rogério, may you proceed.

Rogerio Araujo, *Bank of America*:

Hi, good morning everyone, Bruno, Rodrigo, Nora, thanks for the opportunity. I have a follow-up on that last question about used cars. We noticed a sale price, trying to calculate the purchase and sale spread in the car rental that came below what the market indicates, in terms of the increase in the price of the car accumulated there in the last quarters. You mention in the release that there was a deactivation of the oldest car rental fleet in this quarter, when we think, then, of the sale price in the purchase and sale spread, we can think of the third quarter as something more non-recurring, a mix worse from the oldest and most round fleet or not? Or should you continue to see an average price, not following the new car price increase trends in the recent past?

And if you could explore this a little bit and still in used cars about depreciation, we understand that there are some vehicles being depreciated at zero, especially in Fleet, then, but also car rental and others, entering with higher depreciation. If you could tell us what is the depreciation level of the vehicles that are now entering RAC against Fleet, just so that we have a better idea of what the normalized level should be in a few quarters. That's it, thank you very much.

Rodrigo Tavares:

Thank you, Rogério, regarding the mix, what happened, when we extended the useful life of the cars, we basically made a large part of them in 1.0 cars, which were allocated in the Zarp. In application drivers who are less sensitive to mileage, these are the vast majority of cars that are being demobilized now, so you have a disproportionate volume of high mileage 1.0 cars, when I talk about high mileage, there are cars from 70,000 to 80,000 kilometers that were in the app cars that are being decommissioned, most of them allocated here to the wholesale channel.

But there is still a significant volume of these cars in Localiza's fleet. So, the third quarter, yes, had a disproportionate allocation of these cases, but we should still see a predominant demobilization of this type of vehicle for the next quarters. We should start to see this curve changing in the mix, probably only after the second quarter of 2023 because there are still cars, which we are going to gradually deactivate less used cars, so now we are deactivating the cars that have a lot of running 1.0, gradually increasing, but even in the next two to three quarters we will still have a prevalence of these cars in the deactivation mix from now on.

Regarding depreciation, yes, we can say that we have three car vintages here within Localiza, there are cars that are fully depreciated both in the RAC and in the Fleet. Of course, in Fleet it's a bigger proportion because the cars are older, but it's also in RAC. There are cars that were purchased between the end of 2021 and the first half, the first three quarters of 2022, still in a context of recession in offers, which are cars with a greater mix of depreciation, not only for reasons of conditions, but for reasons of car buying mix as well. And now, with new commercial conditions for the new purchase mix, a third crop comes in with a healthier depreciation than the depreciation of this second crop that I mentioned, but obviously it is higher than that of cars, not depreciated. What we must worry about at this moment is the return on replacement, that is, these new cars that come in, the EBITDA margin as well, the expectation is for an increase, why? In maintenance, maintenance will drop a lot with these cars with a better mix and also better mileage, our expectation here is that the new crop, when it is rejuvenated, just from maintenance we have an impact of 3 pp on the margin when you still put the growth, dilution of fixed costs and synergies, even with the depreciation of this third crop, the expectation is that the return on replacement is already at historical levels and that is what we constantly monitor.

Nora Lanari:

Rogerio, just to complete a point here in relation to what Rodrigo said, the spread of used cars, I think it is worth reinforcing the following, we saw in the cycle there of the 0 kilometer increase, which, due to the scarcity of new or used cars, stuck a lot in the price of new. So, the used car went up more than the new car. Our purchase decision was taken last year, it already assumed that this gap would normalize, so this, in a way, was already mapped by the company. The point of used cars will not keep-up, it does not maintain the same price level as the price increase of the new car. Just to reinforce this point.

In the second comment I would make is the fact that we still have a fleet rejuvenation process here until we start selling a little more of these SUVs purchased throughout 2020 and 2021.

Rogerio Araujo, *Bank of America*:

Okay sure, thank you very much. Good morning everyone.

Anna Branco:

Our next question is from Guilherme Mendes, JP Morgan, we will open the audio so you can ask the question: Please, Guilherme, can you proceed.

Guilherme Mendes, *JP Morgan*:

Hi guys, Rodrigo, Bruno, Nora, thanks for the opportunity. I have two points here, the first is the follow-up on the issue of return, you have been very vocal on the issue of recomposing the ROIC spread and on the issue of price not being the only lever, and when we think about the levers that Nora commented in the introduction about cost cutting, operational leverage and synergy, if you could give a little more detail, what is the balance between these levers? So, how much should come from the price part, how much do we already capture synergy and how much from these cost cuts?

And my second question regarding the heavyweight business, which is a segment that Unidas was very vocal about before the M&A and now we are starting to see the new Localiza, returning to invest in this segment. Any perspective in terms of fleet size that you see for this segment, what is the objective? Medium to long term strategy? Thanks.

Rodrigo Tavares:

Thank you, Guilherme, I'm going to talk here about replacement replacements and then I'm going to ask Bruno to comment specifically on the heavyweight part. When we looked at the replacement return and we had said that in the new car there was still a gap to the historical returns, we basically have three levers, better mix conditions in the purchase, the whole cost efficiency part and the price increase, today began a process of negotiating volumes for next year and today we have practically 80% of our need already closed for next year.

About these new conditions with the perspective that we have, it exceeded our expectations in relation to what we had at the moment, so we closed a large part of this replacement return gap due to the fact that we managed to optimize the mix in relation to the conditions here, we still have these levers of energy that come, as I said, from gains, mainly from maintenance, store density, that is, more cars per store, which in addition to fixed costs, exchange of best practices, among others. With that, using these two levers, our understanding is that we would already be able to close here or get very close to the replacement return at historical levels. achieve that return,

Bruno Lansansky:

Adding expertise already contributed by Unidas as to what Localiza must contribute. Yes, it is possible to build competitive advantages in this segment as well, where we are continuing this trajectory, that is, the decision is not to discontinue, on the contrary, to continue this trajectory and we hope to continue these analyzes and development and we will continue to communicate with the market about that segment. But in summary, we found the level of return and the performance of this business contributed by Unidas, a little higher, to put it that way, than what we expected in this segment. on the contrary, to continue this trajectory and we expect to continue these analyzes and development and we will continue to communicate with the market about this segment. But in summary, we found the level of return and the performance of this business contributed by Unidas, a little higher, to put it that way, than what we expected in this segment. on the contrary, to continue this trajectory and we expect to continue these analyzes and development and we will continue to communicate with the market about this segment. But in summary, we found the level of return and the performance of this business contributed by Unidas, a little higher, to put it that way, than what we expected in this segment.

Guilherme Mendes, *JP Morgan*:

It's super clear. Bruno, thanks for the reply. Thank you, Rodrigo too.

Anna Branco:

Our next question is from Lucas Marquiori, BTG Pactual, we will open the audio so you can ask the question: Please, Lucas, can you proceed.

Lucas Marquiori, *BTG Pactual*:

Thanks guys, good afternoon, everyone. I also have two topics on my side, first, you have been very vocal in commenting on the improvement in the condition for purchasing new vehicles, but looking specifically at the RAC, the average price purchased, these R$ 82,000 of average purchase price, they are still somewhat above the reported average number purchased from the main competitor. I would like to understand if there is any mix effect or if there is any effect, perhaps a negotiation legacy that has not yet been 100% reflected here in the purchase price. Even for us to try to understand what the journey of this average price should be here of a car purchased for the next quarters if there is eventually any metric to conclude on the average purchase price.

And the second topic, also taking advantage of this recent answer on the question of analysis in the heavy market, usually together with the analysis of heavy vehicles, you always comment on the issue of internationalization, and this is a point that we have received a lot Doubt here on our side if you could also comment on how this access to international expansion is going, if it is eventually a viable decision at this moment, given all the integration efforts still by Unidas. Anyway, if you could somehow replicate in the market analyzes you've done so far a little bit of the competitive advantages that you have here domestically and abroad, if you could also comment on this avenue of growth, that would be great. That's it guys, thanks.

Rodrigo Tavares:

Thank you, Lucas. Regarding purchases, we accelerated car purchases here a lot, yes, there is a mix effect, a large part of the new car conditions will be effective next year, with a good portion of it in the last two months of this year. A part will already have a direct impact in the last two months, in the last quarter, in some cases, but the vast majority that we are seeing from the effects of the new conditions will be for next year.

Having said that, yes, it has some mix effect. We bought a large volume, rejuvenated the fleet here, but I say again that the average price is not the best indicator, there are cars with different prices, with totally different returns, the price can be higher, but the return can be much better depending on the lease, really depending on where the car is rented and at what rate it is rented, the fact that the average price was higher than the competitor is certainly a question of the associated mix, remembering that the higher price does not necessarily refer to lower profitability. Regarding the International part. I will also ask Bruno to comment.

Bruno Lansansky:

Thank you, Lucas, for the question regarding internationalization, before going into it, I would like to point out that we are in a permanent evaluation of the Company's business portfolio and we are right until the end of the year in this evaluation to decide, including potential fronts where we will simplify and rationalize the portfolio. As I commented here and, in the release, so there is an increase in focus that will happen by the end of the year and we will obviously be communicating with the market, we will be focusing on areas where we believe there is greater opportunity to generate value in the long-term term for the Company.

With regard to internationalization, specifically, we have been very vocal, the Company, as you know, has been present in countries in South America since the 1990s and we have been studying for a long time, what are the factors that can make for us to replicate the success in countries outside Brazil, we understand that when you talk about internationalization, we are actually talking about replicating the success of Localiza in Brazil in other countries, that is, this implies building leadership, the position of leadership in some or other markets where we believe it is possible to create these differentials. And the reason for that is because there are very few revenue and cost synergies in each of these businesses. So, more than internationalization, in our case,

Where are we in this process? As you know, we have been looking at this permanently. Our focus is on continuing to be Latin America, where there are many markets that do not have the level of development that they could have and where we understand that it is possible to create these differentials, these plans are not aggressive, entry plans, you already know our planning profile is robust and one advantage we have is that these plans were already being carried out, but now we have senior talent, quite experienced to be able to start stationary, which I reiterate, will not be an aggressive journey, uncontrolled, quite the contrary, will follow our capital allocation discipline and continued decision to continue investing in them to build a success story in one or more countries. Then,

Lucas Marquiori, *BTG Pactual*:

Perfect, Bruno Rodrigo, thank you. Good afternoon, everyone.

Anna Branco:

Our next question is from Daniel Gasparete, Itaú BBA, we will open the audio so you can ask the question: Please, Daniel, can you proceed.

Daniel Gasparete, *Itaú BBA*:

Good morning, everyone, thank you for the call, there are two questions as well, if possible, the first to understand a little more your view on demand elasticity. We have noticed not only the pass-through of rental rates, but also a good level of use.

And the second question, if possible, it takes a little of your reading about the competitive scenario, not only for the known player, but also a little of your reading about Ouro Verde and LM Frotas, how you see the changes in the environment that's competitive. Thank you, good morning.

Rodrigo Tavares:

Thank you, Daniel, regarding the elasticity of demand. It is clear that there are limits here for price increases, so we even want to try to reach our return without the need to raise the tariff so much and pass this on to the consumer, and that is why efficiency is so important for this. Having said that, demand remains strong because the rental substitute has also gone up in price a lot, so today a subscription car has gone up in price, but just like a new car, just like a car for a car driver the price of the app went up, as did the used car too, that's why the demand, we are talking about segments that are still very under-penetrated during the pandemic, the level of growth was much lower than the historical one, so you still have a dammed demand, which explains the high levels of utilization. Therefore, we are seeing that demand is still strong, of course we are not immune to elasticity and much less to macroeconomic issues, but it is positive. We are seeing positive demand for car rental services here in all our segments.

Regarding the competitive dynamics, we understand that we are in a very special moment after the business combination. We currently have a robust balance sheet, we have a fleet mix with low total cost, when you look here, depreciation and the expected mix itself, the mix of our fleet currently, while we see a large part of the competition here, reducing the pace of growth, actually reducing the appetite for purchases at a time of undersupply of cars. So, in relation to the competitive dynamics too, we see an extremely positive moment for everything that we built, making our strategy of having postponed this growth apparently the appropriate strategy,

Daniel Gasparetti, *Itaú BBA*:

Excellent, thank you very much, gentlemen. Good morning.

Anna Branco:

Our next question is from Pedro Pimenta, Eleven, we will open the audio so you can ask the question: Please, Pedro, can you proceed.

Pedro Pepper, *Eleven*:

Good morning, everyone, congratulations on the results. I would like, firstly, to confirm an analysis that we have been doing here thinking about the purchase of vehicles, you bought there year on year, practically 100,000 vehicles, and if we consider the sale of semi-new vehicles with the departure of the 50,000 vehicles from Unidas, we have a more conservative net growth in the contra-year, up to a certain point, I understand within this renewal that you would have a greater allocation in the Fleet, so, mainly the purchases would be more for the renewal with the leasing more for the Fleet. So, if this analysis is positive, I would like to understand what the fleet growth strategy is from now on, this allocation between the two segments.

Second point, last week the São Paulo labor court recognized Uber's employment relationship, so I would like to understand with you, Uber is resorting to this, but I would like to understand how these impacts? If you could, reallocate this part of your Uber more quickly, between RAC and Fleet.

Nora Lanari:

Pedro, thank you for the questions, I think that just in terms of the analysis, almost 100,000 cars were added to the fleet, of course we have disinvestment in the medicine that will affect the fourth quarter, around 50,000 cars, but we have our own purchases in fourth quarter they are going to enter. So, there is an important net addition to our fleet expected in the year, in this specific quarter, we disproportionately placed more cars in fleet management that had a higher backlog of orders in the backlog, for reasons that you already know, in addition to that , I think it is worth emphasizing that we do have the objective of also growing in car rental, as Rodrigo said, we see robust demand in both divisions, both in car rental and in fleet rental and we have a goal of gradually rejuvenating the fleet, so in RAC, more specifically Pedro, we are going to calibrate growth with rejuvenation. But, as an important net addition to the fleet.

As for the question related to Uber, we have already seen other sentences in this same one, I will say, felt in the past, but I think they are not final decisions yet, it is probably up to the platforms to appeal, they will probably deal with this decision and the Company will monitor it.

Anna Branco:

Our next question is from Pedro Bruno, XP Investimentos, we will open the audio so you can ask the question: Please, Pedro, can you proceed.

Pedro Bruno, *XP Investimentos*:

Good morning people. Thanks for the question, I would like to understand a little with you, albeit a little more subjectively, about the performance of the approximately 50,000 cars from the carve-out that were still in the result during the third quarter, thinking a little more about projection here than fourth quarter, Nora just commented that there is still a fleet addition to happen. It is not, to further compensate for this exit, the addition of the fleet in the third quarter, which was very strong, I understand that it also happened throughout the quarter, so there is still an effect on the result, an effect on the EBITDA revenue to happen to the throughout the fourth quarter as well, our perception is that this compensates in a very relevant way, the exit from the carve-out.

But, I would like to understand a little better what you were able to give in terms of visibility, even on how these cars operated during the third quarter, within the combined company's results in terms of revenue, level of efficiency of this fleet, how it operated during the third quarter for us to try to imagine the impact of her leaving now for the fourth quarter. Thanks.

Rodrigo Tavares:

Thank you, it is clear that with the carve-out we counted in this last quarter, with the result of these 49,000 cars. But I think it's very important to highlight the pace of growth that we showed. We ended the third quarter with a larger fleet than the beginning of the third quarter. Even disregarding the carve-out, so in one quarter, we managed to grow more than the equivalent of the entire carve-out. out with adjustments mentioned earlier, a very relevant amount of R$ 320 millions referring to the value of cars and working capital adjustments. But the company is exactly accelerating and in the fourth quarter we continued at a very accelerated pace of growth here, precisely for us to continue growing even disregarding this effect of the carve-out, it is an important result, there are 49,000 cars they were performing in a similar way, equivalent to the other cars in the organization. The change from the other cars from the former Unidas to the RAC from Localiza, of course it has an inefficiency, when the car is being transported, it cannot be rented, among other reasons and we are gradually correcting this, but our expectation is that we continue to grow even considering the effect of divestment.

Nora Lanari:

Pedro, so, a very simple calculation here, if you take the 50,000 cars and compare them with the operating fleet here, the average for the third quarter, we are talking about 16% is a similar performance, as Rodrigo said, the average of the Company. But I think it will reinforce the following, this traffic inefficiency, we ended up rebranding the agencies, transporting cars that were not the object of the Cade determination to the agencies, I would say operationally active, but we enter the high season, so I think that we start to improve performance here after, let's say, this first moment of integration in the high season and I will reinforce what you mentioned, much of this third quarter purchase, which was quite robust, has not yet been passed on to the result because we obviously have mobilization costs, of preparing and transporting these cars to the agency. So, I'm going to say, in a certain way, confident that in the high season we're going to get here in shape, to take advantage of the cycle.

Pedro Bruno, *XP Investimentos*:

It's great, thank you very much.

Anna Branco:

Our next question is from Regis Cardoso, Credit Suisse, we will open the audio so you can ask the question: Please, Regis, may you proceed.

Regis Cardoso, *Credit Suisse*:

Hi everyone, good afternoon. Thanks for the questions, Bruno, Rodrigo, Nora, some topics here that I would like to come back to, one of them is the subject of depreciation in our account, which, in short, there are several ways to do it, I think it's more straight forward, comparing depreciation with the price purchase of the car and would already be a little above 5%. I would like to understand, we do a similar calculation too, taking the historical purchase price past the average age of the segments and arrive at a similar conclusion. I would like to understand, if I mean, if that's right, if you are already depreciating, let's say the new car at this 5% or if the new car actually has a higher depreciation than that at the end?

I'm going to amend, here's a second question related to this subject of depreciation, so that we can understand the return equation as a whole, what did you see on the other side, let's say, on the other side of the economic depreciation equation, regarding prices of used cars, and then if you can, maybe Rodrigo will detail a little bit, how do you see the evolution not only of the list price, but of the realized price and then your price of used cars vis-à-vis the price of the new car. I mean, what I'm trying to understand here is what was the impact on economic depreciation? Thinking about a combination of used margin effects, therefore, the question of price and, on the other hand, the effect of economic depreciation, therefore, also related to the purchase discounts for cars that are now entering the tip. Thanks.

Rodrigo Tavares:

Thank you, Regis. Let me separate here first between Fleet and RAC, one point is that Fleet typically has a higher depreciation than RAC, because commercial conditions can, let's say, mitigate the first year of depreciation and you don't have a second discount for the second year, so typically Fleet's depreciation is greater than RAC's. What happened recently was the opposite, because cars appreciated so much and Fleet had a volume of old cars greater than Fleet's depreciation was smaller, but looking forward this should settle down, an important point of Fleet's depreciation is that we have already integrated the depreciation methodologies of the two companies that were very similar, but the assumptions have not yet been 100% standardized. So, we wait,

When we look at the RAC depreciation here, you have been talking about this 5%, when you look at buying and selling today, it is very difficult to calculate this, isn't it? We look more at the return of each car, but yes, the level of depreciation of new cars is slightly higher than the historical level, in percentage when you look at the past, this must be, yes, a trend that will occur. When you look at the dynamics of prices, let's separate the public price of the car and the list price continues to rise, it continues to rise, yes, the price practiced for the consumer, we still haven't seen a detachment, with the exception of some specific models, it has been following, in our account, that it is not very close to 1% here of difference in public price variation. So, we are seeing a price increase here for the consumer, of course, who have some promotions, financing, among others, but we have not yet seen a detachment from the price practiced by the public price, what has actually happened is the return of the price difference being lower than the price practiced, so, during the pandemic, this was very close, we had cases from car prices to being sold at a premium and now we are already at historic levels of this difference, it has already resumed and the difference has already opened up practically completely. We are already at the same pre-pandemic levels of difference in used cars. we had cases of car prices even being sold at a premium and now we are already at historical levels of this difference, it has already resumed, and the difference has already opened up practically completely. We are already at the same pre-pandemic levels of difference in used cars. we had cases of car prices even being sold at a premium and now we are already at historical levels of this difference, it has already resumed, and the difference has already opened up practically completely. We are already at the same pre-pandemic levels of difference in used cars.

In the specific case of Localiza, there is still a mix effect, which is that high mileage is more prevalent in the wholesale segment for these high mileage cars. So, this affects specifically as I mentioned in this quarter, we will still see this effect probably for a couple more quarters of a higher prevalence of high mileage cars, 1.0 being sold to the wholesale sector, but in price dynamics this is one bit of summary I wanted to pass here, Regis.

Regis Cardoso, *Credit Suisse*:

Thank you, Rodrigo. If I could just go back to the subject of depreciation, you have one, usually in the ITR, at the beginning, you have in the accounting practices what the depreciation is, which you are using for each of the segments. I don't know if it was there anyway, I haven't been able to see it yet, but if this is the number can you share?

Rodrigo Tavares:

So, the issue of the percentage perspective of the fleet going forward will not be a number that we do not give guidance here, because there is a lot of variation. The ITR information should be there, there was no structural change in the information we share.

Nora Lanari:

Régis, the difficulty here is because we are also at a time when the market is very fluid, we are buying a crop now under more normalized commercial conditions, but there are, as Rodrigo said, three crops here, one that depreciates zero, one that depreciates above that 5% and certainly one that should tend towards a more normal, more usual depreciation. But, as we have the target, the market is very fluid, we are not going to set that number here, the trend is still upward for the next quarters, but I think it is an increase that, as Rodrigo well informed, does not prevent this ROIC spread from returning for that rate that we normally operate, remembering, we normally operate between 500 and 800 beeps, above the cost of debt.

So, we are already in these cases of replacement, regardless of the size of the nominal depreciation, we are already operating this new crop at these levels of return. So, the problem with nailing this in the next quarter is that you have the speed of renewal of used cars, the speed of exit of these cases that depreciate zero and the entry of new cars. Is good?

Regis Cardoso, *Credit Suisse*:

Cool, understood. Thank you, Rodrigo and Nora. Again, congratulations on the result.

Anna Branco:

Our next question is from Isabella Lamas, UBS, we will open the audio so you can ask the question: Please, Isabella, can you continue.

Isabella Lamas, *UBS*:

Good afternoon people. Thank you for taking my question, I would like to touch on the point here regarding PIS-Cofins credits. You obtained new reports this quarter, including the first report there in the fleet management segment. So, I would like to know if these new reports are already covering some of the cars that were acquired this quarter, and if you can share, what percentage of the total fleet is covered by the reports, if you have the perspective of really continuing every quarter getting cover the cars purchased, but now especially that you should speed up this renewal a little. For us to really understand the dynamics comparing the quarters, that's it, thank you.

Rodrigo Tavares:

Thank you, Isabela, the last report we obtained was, if I'm not mistaken, last November, so we spent the first two quarters here without any specific report. And in this third quarter, we got three reports from Localiza's RAC, Unidas' RAC and Localiza's Fleet, Unidas' Fleet still has no cars covered by the depreciation reports according to the accelerated depreciation of 2 to 3 years of the vehicle's useful life car, so in the case of RAC we have good coverage of cars, both from Localiza and Unidas. Our perspective is not to do it every quarter, it will probably be every two or every three quarters, also because it is a very difficult operational job here, especially in the Fleet where the inspection of the cars needs to take place within the Fleet customers themselves, what increases the complexity of the relevance even of large amounts here, which are not covered, are the former Unidas Fleet cars. In this case none of these cars are covered by either side.

Nora Lanari:

Isabela, just to add, we have been asked if this is recurring or not, as Rodrigo said, we will continue to do these sides every two or three quarters, so it is recurring. Now, it is clear that the effect should not be all in the third quarter, if you dilute the effect of the report in these nine months of the year, you have a good reference of what would be, effectively, the recurring in the quarter. In RAC it is a little, almost half the effect in the quarter, in Fleet more or less there, a little more than 1/3 would be the effect in the quarter.

Rodrigo Tavares:

Our guidance for projection and modeling issues, Isabella, is that you use the credits up to the debit limit and that you do not eventually assume that all excess credit will be monetized, which is how we do it, including here internally, for Fleet and RAC pricing, so the way that I think is more conservative was better for you to understand the issue of the impact of PIS and Cofins is to use it up to the debit limit and as Nora said, of course the effect happens in the third quarter, but it should have an effect since the first quarter of this year. A good part of this effect is not only in the third quarter, but throughout the nine months of this year.

Isabella Lamas, *UBS*:

Perfect guys, thank you so much.

Anna Branco:

Our next question is from Filipe Nielsen, Citibank, we will open the audio so you can ask the question: Please, Filipe, can you proceed.

Filipe Nielsen, *Citibank*:

Hi everyone, good afternoon, thanks for taking my question. I have two, actually three, but I'll try to be brief here. The first is about the Free Cash Flow that you announced. I would like to understand if it is the proforma cash flow considering the merger, or if it is just from Localiza, and if it is just from Localiza, what would the proforma look like?

The second is about the fleet renewal that you said you will continue to gradually increase car sales. I would like to understand what are the factors that are preventing you from preferring to do this gradually, instead of expanding these sales more quickly.

And just a final understanding if the medicine will continue to be sold, in a block with the cars that were from Unidas or if there will be some cherry picking of the older cars to make this sale. Thanks.

Nora Lanari:

Filipe, thanks for the questions, let me start backwards. Does not exist. cherry picking is in fact, there is contractually even our obligation is to send to, in quotes, new Unidas cars of the standards of Unidas itself that by the way had a fleet even a little younger than that of Localiza itself, so here there is no cherry picking.

Regarding the cash flow, we are reporting the cash flow here in the accounting. We did an exercise to try to show that the DRE is pro forma, which is not trivial. But, the cash flow, it's accounting, that is, it includes the effects of Unidas only from the first of July, is that ok? Fleet renewal, the question here is especially the speed of sales, Felipe, we reduced sales during the pandemic to almost 1/3 of our used car capacity, if you look at the volume of cars sold in the first quarter Localiza stand along we were selling about 4,000 cars around that, we had already sold a peak of 17,000 cars per month, so we chose to keep the used cars structure close to those 130 stores, even during the entire pandemic knowing that we would have a certain idleness, why? Exactly to increase this sales volume, when car delivery starts to normalize and what we are doing, we say that it is gradual, because selling cars faster would probably impact on a need to expand the network faster than we already are selling, there were more than 4,000 cars in the last quarter, but it would impact a very rapid expansion of semi-new cars or eventually the opening of the sale price. What we don't want to do. but it would impact on a very rapid expansion of used cars or eventually the opening of the sale price. What we don't want to do. but it would impact on a very rapid expansion of used cars or eventually the opening of the sale price. What we don't want to do.

So, we learned here to manage an older fleet, from the point of view of mileage, and we understand that it is possible to gradually rejuvenate the fleet, while growing the car rental and fleet management divisions.

Filipe Nielsen, *Citibank*:

Thank you.

Anna Branco:

Our next question is from Josh Milberg, Morgan Stanley, we'll open the audio so you can ask the question: Please, Josh, can you proceed.

Josh Milberg, *Morgan Stanley*:

Hi everyone, thank you so much for the event and the question. When I was with you in London, in September, a point that was discussed a lot was the possibility of you making a follow-on offer eventually motivated by the opportunities to make good deals with the automakers and however, accelerating your growth and renewal of fleet. I would like to ask if you could update us a little bit, how your thinking about this possibility has evolved and if you see in some scenario, where new initiatives, new avenues of growth as heavy could change your plans in this regard. Thank you very much.

Rodrigo Tavares:

Josh, thank you, when you look at Localiza's balance sheet, we are talking here about an LTM of 2.76x, we still have a lot of room to grow and grow all businesses in double digits, still maintaining a healthy level of leverage, so we it could go through the whole year here from 2023 still growing at an accelerated pace, probably with a leverage a little higher than three times EBITDA, as I say here three low. Even considering such heavy initiatives, today, given the size of the company, if you are talking about a lease of R$ 1 billion just for us to give a theoretical example here, this would impact the Covenant by about 0.1 pp without considering the effect of the EBITDA associated with this investment. Then, even considering possible internationalization and possible growth in heavyweights, we understand that our balance sheet today supports this type of growth, the follow-on is the most expensive money, isn't it? A dilution for shareholders for a company that delivers a lot of return, and returns consistently above the cost of debt, so dilution is usually the last instrument we use. But, of course, we are always looking at market opportunities, if we have opportunities to use the shareholder's capital well, to give a return above the cost of equity that makes sense, we are always open to evaluation. But, today, at the moment, it is not the company's original plan. and return consistently above the cost of debt, so dilution is usually the last instrument we use. But, of course, we are always looking at market opportunities, if we have opportunities to use the shareholder's capital well, to give a return above the cost of equity that makes sense, we are always open to evaluation. But, today, at the moment, it is not the company's original plan. and return consistently above the cost of debt, so dilution is usually the last instrument we use. But, of course, we are always looking at market opportunities, if we have opportunities to use the shareholder's capital well, to give a return above the cost of equity that makes sense, we are always open to evaluation. But, today, at the moment, it is not the company's original plan.

Josh Milberg, *Morgan Stanley*:

Perfect, Rodrigo, thank you very much. It turned out pretty clear.

Nora Lanari:

Well, here is Fernando Ando's question via chat, I'll read the three questions here, Rodrigo I think he answers. Why is Localiza's purchase price higher than Movida's? Does it have any specific effect for this?

This is the first question, the second question concerns the shareholders' equity, which rose R$ 6.2 billion there, whether this refers to agile or added value, whether there would be any tax gains.

Rodrigo Tavares:

Perfect. I think the first question I already answered. Yes, of course, there is a mix effect here. We accelerated again, remembering that we have conditions, we will probably be in one of the best relative positions here in recent times, due to the dynamics I mentioned, with the combination with the return of cars, with the reduction in appetite, so it is the biggest growth, we are certainly talking about some mix effect, remembering once again that a more expensive car is not necessarily a worse car. It depends a lot on the buying and selling ratio of that car.

Shareholders' equity, yes, we are talking about goodwill, yield and surplus value, Unidas' entire assets, entered at market value and not at book value. This significantly increased Localiza's shareholders' equity, which generates a very relevant tax gain. As we had already commented, so the 34% here on all the goodwill measured, a tax gain in which we will make this amortization of this goodwill, as soon as we carry out the incorporation of the company, even taking a topic that you wrote in the MTM too, right? I know it wasn't a question, but it's also worth mentioning that we manage our debts, associated with Fleet contracts.

In this quarter, especially, we had a negative effect of R$145 millions due to associated derivative instruments. So far, we don't have a head account, so it's not that it's directly reflected in shareholders' equity, it's directly reflected in the result, there are R$ 145 millions associated here with derivative instruments, with a large portion of our financial expenses due to this moment, so I took a ride here on your car MTM also to explain the debt MTM issue that substantially affected the result of this quarter.

Nora Lanari:

Just to complete and give the number that is in our ITR, on page 71, the total preliminary goodwill calculated here was R$ 7.9 billion, is that good? I think we're going to close the conference here, with no more questions, but before closing I'd just like to remind you, I imagine you've received our Save the Date for our Localiza Day, the event will take place on the 7th December, in São Paulo from 1:30 pm to 6:00 pm and will count on the participation of Eugênio, Luis Fernando, Bruno and Rodrigo. We are counting on your presence there and to close, I will pass the floor to Rodrigo.

Rodrigo Tavares:

Thanks to everyone here for being here, the investor relations team will always be at your disposal for further clarifications. A great day everyone.