Operator:

Good morning, and welcome to the conference call of Simpar to discuss the earnings regarding the 1Q22. Today with us, we have Mr. Fernando Simões, CEO, and Denys Ferrez, Executive VP of Corporate Finance and Investor Relations Officer.

Right now, all participants are in listen-only mode. Later on, we are going to start the Q&A session when further instructions will be provided. Should any of you need assistance during the conference call, please reach the operator by pressing *0.

We would like to inform you that this conference call is being recorded and simultaneously translated into English.

Before going on, we would like to let you know that any statements made during this conference call relative to the Company's business outlook, projections, operating and financial goals are based on the beliefs and assumptions of Simpar's management and rely on information that is currently available to the Company.

Forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions, since they refer to future events and therefore depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may affect the Company's future results and lead to results that will materially differ from those stated in the forward looking statements.

We will now turn the call to Mr. Fernando Simões. Please, Mr. Simões, you may go on.

Fernando Simões:

Good morning, everyone. I would like to thank you all for joining. We are starting the conference call for the earnings of Simpar in the 1Q22. And we are going to start on page two where we show solid growth and transformation of our results in line with our strategic planning.

We are starting to reap the fruits of our investments made in recent years. Some of our highlights for our 1Q22 net income of R$329 million, which means growth of 92% year on year. Repeat that of R$1.5 billion EBITDA's growth of more than 100% in the same period.

Total net revenue of R$4.6 billion. Net revenue from services of R$3.6 billion, which is growth of 60% to over the net revenues from services in the same period last year. Return on invested capital 14% plus 6.3 percentage points year on year, and the return on equity of 32.3 plus 12.8 percentage points year on year.

CAPEX in the last 12 months of R$10.4 billion. The CAPEX is basically for those assets that have not started operations yet of their car are not reflected in the numbers of our presentation. So, on page two, which showed the main highlights that contributed to the solid growth and transformation our results, we have a unique management model with independent operations that by culture and values that ensure the longevity of our business.

We have diversification and growth, organic and through acquisitions. We are present in several services in the real economy. What does it mean? Basically, we are in activities essentially connected to improving productivity so that we contribute for our clients to produce more.

The industry, those that hire us, have more productivity. And in several sectors of economy, agribusiness, automotive, food, health. We have discipline that is very strong in preserving business margins by means of costs and also always having the right prices for new services and renegotiating pass-through increases in prices whenever we need it.

When we have increases in costs that ensures our margins and the continuity of our business in a healthy way with competitive return. We have focus and continuous care with the strengthening our commercial partnership with suppliers and clients.

It is only possible to have the numbers we are showing you today with solid growth and transformational results with this management model made by our people. That is the main competitive advantage that transform and develop our business.

I enjoyed the opportunity to thank our team of all our subsidiaries controlled by Simpar for the work that creation focuses on the business and development of our companies. Going to page three will have a new level of sustainable profit with transformation in our companies.

We had the quarterly net income in 1Q22 of R$329 million. This says growth of 92% over the same period last year. It is important to highlight that out of the R$329 million of net income for the 1Q22, we are ready head to the impact of costs because of the increase of interest rates and we are still not seeing the results of part of the CAPEX that was invested in the last 12 months.

If you think of the last 12 months all together, we had net income of R$1,486 billion, which is 12% higher than last year. It is this transformation that has been built along the last two years in line with our strategic plan and executed by our people.

Let's go now to page four, where we talk about JSL. JSL, how has had recurring to growth in gross revenue? We had R$6 billion with an expansion of operating margins. That team, led by Hammond, has developed excellent work, continuously negotiating with clients to pass through costs that have been huge.

And the negotiation is not easy because the industry has had its own difficulties. But together with the clients, we have been able to seek solutions to keep our margins and therefore have sustainable growth. We had net revenue from services of R$1,268 billion.

That is almost 50% above the same period last year at R$220 million, 72% growth year on year and net income up R$33 million, which was 21% year on year due to the strong increase of interest rates, which is part of our plan of continuously growing, improving operating margins.

And with that to being as supportive of and supporting the address increase since the IPO, we had five acquisitions that have contributed to our organic growth. We have a combined two average organic growth with acquired company and JSL of 21%, but acquired companies are down 31%.

We closed new contracts in the 1Q22 of R$700 million. We improved our EBIT by 2.5 percentage points and by 2.3 percentage points our EBITDA. So, even with increase of costs, the renegotiation with clients, we are improving operating margins and growth since the IPO was 71%.

If we analyze the 1Q22 and compared to the revenue we had before the pandemic in 2019. Now we are going to go to page five showing the main highlights. Movida there has been at the sectors public companies that the most growth in Brazil together with growth it has put the evolution of profitability which really places the company on a little level.

So, this development improvement of margins is only possible because this is a company with DNA culture and values that are strong. The team makes a difference, but we also offer customers what they want services.

Automation of processes and a new fleet today out of the listed companies’ mobile that has the newest fleet with an average age of nine months of service out of net revenue from services at the R$992 billion, 87% growth year on year, a beat up of R$860 million growth of 183% year on year and net income for the 1Q22 up R$258 million up 136% year on year.

Demand has been resilient throughout the pandemic. We are we reinforced even more our partnership with the dealerships, which enabled the company to buy 21,000 cars in the 1Q22, an increase of 94% year on year.

As I mentioned, we have the newest fleet in the market with an average age in the rental car business of nine months, all time high, return on invested capital of 16.4% and return on equity of 34.6% in the last 12 months.

Fleet evolution is so on page five to your right. We grew 57% from the 1Q21 to the 1Q22. We closed the quarter with 191,942 cars, almost 192,000 cars, which is only possible because the determination work of our people and the partnership of our company with dealerships, which really makes a difference in supply, continuous development and even more important to attract to our customers and offer them the product that they want and that they deserve.

With that, we have increased customer loyalty and our share among individual consumers, which has much contributed to our margins and results in a very sustainable manner. On page six, we show the main highlights.

We closed with a backlog of R$9 billion. It is a transformation in company scale net revenue from services of R$899 million growth of almost 90% year on year. EBITDA in 1Q22 was R$362 million up by 77% year on year and net income of R$122 million, up 66% year on year.

Still on page six, we have made some acquisitions with some firms that are complementary to our business in the customization industry, such as BMB and Truck Van. The acquisition of HM becoming the largest forklift rental company in Brazil that provides inter logistics services and Monarca, that was crucial for our increase in dealerships and the footprint in the Midwest within agribusiness.

In this business contract that kept us up R$1.6 billion in the 1Q22 and R$1.3 billion in new assets for rental. These assets were acquired, negotiated more than a year ago, and they are being delivered now in very good conditions to us and to have huge appreciation. We estimate about 36% over the book value, which makes us very competitive for a new rental contract.

We have ready to deliver trucks to our customers and these are future results to come. But they are ready to contract because they were sold before or because that they will be hired, ready to deliver at very competitive prices.

We have return on equity of 21.6% in 1Q22 to last 12 months and return on invested capital 14.3%. So, you are right, we see the contracted future revenue. That is our rental backlog with growth between 2019 to the 1Q22 of 310% with R$8,865 billion.

It is a company with a huge transformation in scale and growth that is sustainable in all CAPEX that has been invested is still not shown in the numbers that you're seeing today. So, we have the foundation ready for a new cycle of growth, again, reaping the fruits of everything that was made infamous for in the past.

On page seven, we talk about Original Dealership. Without considering any acquired company, Original now had revenue from services up R$210 million, up by 19% year on year. EBITDA is R$13 million up 8% year on year and net income of R$5 million in 1Q22.

It is important to highlight that the numbers are just four orders in our vehicles alone, without considered any acquired companies in line with our strategic plans. And as announced, we have made some acquisitions such as Sagamar and Group one.

We are very happy with the announcement we made last week. We acquired that outside the largest luxury vehicle dealership in the city of São Paulo with a recognition of its management's multi super palette. And we are very happy that the shareholders of outside became a partners of Original dealership that is consolidating the acquisitions.

Maurício Portela in addition to shareholder will continue as the owner of Autostar business that will enable him to continue the excellent work in a company that is a luxury reference in the city of São Paulo after our service station in North Country, and yet we are going from R$800 million price to R$4.2 million.

Again, we have 20 brands of light vehicles and four brands for motorcycles. These dealerships are very strategic in Maranhão, Paraná, Santa Catarina and São Paulo but in the end the state of support. It is important to mention that all groups of dealerships acquired having their DNA, taking care of people.

They have the executives, managers, salespeople that are excellent, that focus on the customers and that have brands that are recognized for their quality. We are very happy with them. Movements we were able to accomplish and very optimistic about the development of our light vehicle's dealerships.

On page eight, we talk about BBC Bank. As you know, we have just turned into a multiple bank whose objective is to strengthen Simpar ecosystem with a completely independent management focus on the bank, its targets, and objectives to develop in a sustainable manner without the team has devoted to creating systems and automation structures both in back office and at the front end.

Together with customers, the numbers are still very incipient, but the team is prepared with systems and with management in place to start providing financial services that are complementary to the Simpar ecosystem.

And then that will bring huge benefits for customer loyalty and among our supplier base, and also to seek opportunities in used assets in simplified group as a whole, Simpar, Vamos and Movida the dealerships and the trucks.

Now go into page nine. We talk about CS Brasil Fleet Management and outsourcing with drivers. CS Frotas process was merged into mobile then consolidated. So, in CS Brasil we have cars and trucks with manpower that CS Brasil provides the driver.

As you can see on page nine, we went from revenue in 2019 of R$150 million to the 1Q22 to R$240 million annually, that is growth of 72%. We have a debt of R$21 million and of revenue from services up R$106 million although we had that net loss.

Going to page ten, we talk about CS Infra. As we mentioned, all our concessions are being consolidated at CS Infra. And we also acquired a sequence whose net revenue from services in the 1Q22 was R$99 million, EBITDA up R$43 million and net income up R$15 million grew 13% year on year.

In that revenue from services EBITDA had 4% growth and net income 5%. We are completing the work to start operations of two power generators, biogas driven. Basically, the idea is to generate 2.8 megawatts and this energy is going to be used in the treatment station to reduce costs and generate new carbon credits.

We also have here, in the same box, still on page ten, CS Rodovias, which is the highway in Piauí, as already announced that it is in the process of being built. We had the installation license for the stretch obtained on May 2.

There is CS Portos. Both CS Rodovias already has the CEO, who is the leader of the operation, as well as CS Portos. With a management team already hired with its CEO leading all this movement at CS Portos. The forecast for the signing and taking over of the terminals is at the end of May 2022.

And the BRT of Sorocaba starting its last phase of the West Exclusive Corridor in the city of Sorocaba. Now then I pass the floor to Denys, who will present the main figures of Simpar's financial highlight of 1Q22. Please, Denys.

Denys Ferrez:

Good morning, everyone. I am going to start so then to talk about the 1Q22 financial highlights consolidated on page 11. We had substantial increase in all indicators of this page, starting with the revenue on the left top.

We had R$4.6 billion an all-time high and an increase of 75% year on year. Net revenue from services reached R$3.6 billion. Also, a substantial increase of 60% year on year. And when we annualize this numbers up the first quarter compared to the whole of the year 2021.

We have a trend of strong expansion with an increase of around 30% voting, total net new first quarter annualized and in net revenue from services a bit that top right. So, the strong margin expansion growth of 9.4 percentage points reaching 42.3%, which led to an all-time high in the quarter, up 1,513,000,806% higher than the same period last year. That is double the amount.

And again, when we go back, the exercising of and realizing first quarter numbers and that because of the changes in level of operations that the company is having due to continuous investments and expansion, we want to reach R$6 billion, which is an increase of 44%.

When we compare with the 2021, operating income in the period was also an all-time high, R$1,136 billion, with margin up 31.8%, which is an expansion of 8.6 percentage points compared to the same period last year and nominal growth at 20%.

So, that is more than double in a bit, quarter on quarter. And once again, because of the continuous development of the company, by analyzing a bit of the first quarter, we would have the R$4.5 billion, which is 40% higher than that of the whole of the year 2021.

Net income in the quarter reached R$329 million. This is almost double the same period last year, an increase of 92% with net margin of 7.2%. And the net income of comptrollers was R$192 million. That is, it doubled compared to the same period last year.

Going now to slide number 12, we show again consolidated numbers for our long-term debt profile. So, with the liability management which contracted last year, we keep a very comfortable amortization schedule and a very strong liquidity position of R$11.6 billion considering the things that were executed in April 22 of R$1.1 billion.

In addition, it is important to say that the company has about R$2 billion in undrawn revolving credit lines available to the group at any time. When we excluded that cash position then that was R$17.7 billion at the end of the quarter is specifically about the holding.

We had the net debt up R$2.6 billion in line with the closing of last year, basically comprising gross debt of R$5.3 billion and a robust cash position of R$2.7 billion would average term for net debt of close to nine years.

Now that we already talked about our debt payment schedule, we showed the volumes invested by the company to your left. So, you can see that we invested in the first quarter R$2.5 billion, which is basically a threefold increase of what we had in the first quarter last year, which shows the pace of growth that we are following and that on annualized numbers would be that.

So, we are probably going to invest 20% more than last year and obviously the numbers that we showed you today. The benefit and the quality of these investments, but all that it is important to mention is being that.

So, while keeping our net that a bit greater, that is our leverage showing continuous improvement which is our target. And we said that before to get at the end of the year with this indicator below that of the previous year. So, to you are right, we closed last year at 3.4 times the leverage in the 1Q22.

We are closing at 3.3 due to all the investments we made. But there is something very important. If you look of the running rate, which is basically the current volume of cash, this indicator should be about 2.8 times. That is when we analyze the pace of investments in the first quarter.

This is the group's reality much more than the 12 months, again, because of the trend that is motivated by growth, then the earning rate annualized would show at an average of 2.8 times. I think this is a very valuable piece of information.

Going to slide 14, we show that all things first made in our businesses that have already proved their resilience in such troubled times in the past have a suitable return. You see its return on invested capital in the 1Q22 last 12 months reached the 14%. It is the highest level as seen in the company since 2018.

And consequently, return on equity reached 32.3%. So, less 12 months is starting as the 1Q22. With that, I am going to turn the call back to Fernando. Fernando, please.

Fernando Simões:

Thanks, Denys. On page 15, well, the transformation of our results reflects our management model, which really makes it possible for us to intensify the development of our businesses to close.

I would like to invite you to consider that our growth speed has been driven by the agile execution of our team and sustained by business footprint in core services of real economy with customization and innovation at the customer services.

I will give you an example. Movida is a company that is controlled by Simpar and that has heavily invested in pre to expansion and modernization. This is what customers want built them individual are companies. They want services and products.

They have cars that are nine months old. One of the competitions, our postcards at 15 months old. Customers that have our services will come back and we have customer loyalty, discipline and capital invested intelligence in the pricing of services that promotes sustainable business growth, focus on generating value to our customers and income, and return to our shareholders.

And example, in logistics, we have had constant price increases and we are making it possible to pass through these costs together with clients. An example will be that we really transformed our CAPEX amount for color.

We change the level of prices, of course purchased and we're able to increase our daily rates to customize our though offering a differentiated product and keeping that preference because we respect, and we build with our customers partnership and services in the long term.

That is only possible because we have independent companies with a management model with strong culture and values that enable us to be agile regardless of the economics. And ours will continue to operate a diversified businesses with resiliency revenues, high development potential and profitability.

We have solid corporate foundations, and we have strategic plans that are clear by company, by activity, by business, and with the commitment of execution from our teams that ensure to continue to achieve sustainable development and a long-term survival of our companies that are controlled by super.

Once again, I thank you very much for joining us today. And now we are going to open for your questions. And that is any questions that you may have.

Victor Mizusaki, Bradesco BBI:

I have two questions. The first, Fernando, as you mentioned, a significant part of the CAPEX for the 1Q was contracted by Movida. And if I am not mistaken, in the beginning of April, Simpar announced some increase in a stake in of the thinking at the holding level.

Does it make sense to consider that the group sees some of the amounts, the companies, the one that has the best return on invested capital potential to grow and valuation. Does it make sense to think this way?

And the second question, as for the pace of acquisitions at Original. Now with three acquisitions, what you see now is past R$4 billion in revenues. Do you still have room for new acquisitions? Thank you very much.

Fernando Simões:

Good morning, Victor. Good morning, you all. Let's talk about more of the CAPEX in the last 12 months. The CAPEX was more than R$10.5 billion in the 1Q22. It was more than R$2.5 billion and most of it was for Movida.

Movida, you know, have now the inventory and it been prepared, but it is developing as much as after if you go back even just now. Logistics also had important CAPEX and is developing in asset light and asset heavy operations.

So, what I can say, Victor, when we talk about our unique positioning, it is because all the companies that are controlled by impact does so huge potential to grow and develop the stock price.

Well, it is very hard to say. You know, the Portuguese have a saying of people thinks are worth, you know, the price people are willing to pay. So, the market has to see it. So, for one reason or another, every now and then, it is difficult to buy a stake at a company, either because you have a business to happen or because you have some kind of blockage.

Sometimes we do not do things at other companies, things for reasons other than the valuation. Valuation. We saw that the numbers are being transformational numbers. Operating margins for you to look, for instance, at JSL.

So that is what it is. But them we specifically well, I am always suspicious, and I think that, you know, the best relation is not only in between the companies, but compared to the competition. We have 192 thousand cars.

We have scale, you know, quite humbly, our people, our management and our monitor, that is through the board. Movida has been very assertive in it is a strategic move. So, they our average fleet age is nine months.

Movida really contributed to change the market with automatic cars air conditioning in 2014 half of the rental fleet did not have the air conditioning. I say we had black and silver cars, Uno, Palio or Gol.

We did not have what we have today. So, Movida that with the fleet today that is nine months old the competition is 15 months old on average and that is bringing again new customers, individuals, or corporations. That is really changing our numbers.

And, you know, if you look at the first quarter, you are going to see that the purchases that movie that has made in recent years have appreciated even more. So, this is our belief that of the transformations that of the went through and what is to come. And that is why we increased the stake in this company.

So that's about Movida but sometimes we cannot invest in others because of some strategic move because of in M&A and because of that. Talking about the dealerships well, dealerships in Brazil, that you have very good groups, very good chains, very good management.

But you also have a lot of opportunity because it is a fragmented market, different from other countries in the world that are a lot more consolidated. So, we do believe that we have an opportunity.

Of course, this move in Brazil we started, as you saw, we are buying assets that are high quality because of the brands that represent because of their geographic area location. But even more important that have very good teams and people and some shareholders becoming shareholders of others in now and continuing to be the business owners.

So, I am very happy, and I do believe that we have lots of opportunities to continue to develop the dealership business by means of M&A. That is what we see for the future. I am sorry, I long answer, but just to give you an overall snapshot of our position today.

Victor Mizusaki:

Thank you very much.

Luís Capistrano, Itaú BBA:

Good morning. Congratulations on your results. Thanks for your question. I have two groups of questions. The first is a follow up on Victor's question about what is your analysis strategy. You have made it clear that this is a market that is almost a blue ocean with lots of opportunity, especially on M&A, that have been transformational.

My question is about your M&A strategy. Is the focus on a specific region and talking about the future, the specific brand? As you mentioned, the last acquisition showed that premium areas and brands.

Are we going to continue to see things along this line or more in line with the market average? So, I would like to know a bit about your direction in Original strategy as the business is getting more and more robust.

Do you think this is going to be a listed company in the future? And if yes. Is there a minimum size you would like to reach in terms of a bit of revenue to go to market? And then I ask the second question. Thank you.

Fernando Simões:

Original is part of our strategic plan, and we study opportunities by brand region. But again, what is the most valuable people and management. I am going to give you an example of the stuff we just announced. We are very happy.

We are partners of the current shareholders. They state with a stake in Original holding. So, the founder modus operandi continues as the business owner. But we have a fantastic management team. You know, we know that they are in support of both AB group in addition to high luxury and Paraná they have very premium brands in São Paulo, Valparaíso, ABC regions and others.

So, complementarity is very important in brands or regions. Maranhão is growing so much. We have premium brands there, but we have more economic cards. So, we are looking into complementarity.

This has always been our strategy. Brands and regions that can complement one another. This is what we are looking to. And the second part, yes. In Brazil, you know, there are always people that want, you know, to generate liquidity or they are tired and, you know, dealerships are no different. So, we have opportunities. We have a very strong group with R$4.2 billion. But we intend to continue the movements. With the strategic brands, strategic regions and quality businesses with people that are committed and recognized by the IPO.

Well, you know, we always look at our businesses thinking of their future. And this is part of being a holding having companies under it that are completely independent. But the IPO can never be the final objective.

It is a consequence because it generates value to shareholders, contributes to governance, is aligned with the brands that are working with us, and that is welcomed by the market. It may happen in the future. In terms of size, well, that so you know better than me, more than size is to have, you know, a prospect of growth with people of quality.

And if it happens, if we have an opportunity to grow, use the money to generate value to shareholders and contribute to long term survival, we might have an access the market. It does not mean that we will, but we might.

Luís Capistrano:

Thank you. Very clear, Fernando. My second question, another exercise that I was doing, because, you know, today you are with a very comfortable cash position which gives you the comfort for M&A strategies. And here I am not talking about the Original, but all businesses.

If you think almost, I am doing the math there, you had the very strong cash position of R$2.7 billion. And with the funding of April, you are going up to R$3.7 billion. And then I go to a calculation of power parts and power in M&A.

If it excludes the interest and taxes, the think of last year, perhaps this year is going to be a little higher. Talking about R$700 million, you would have R$2.8 billion. And then we have variables with a bit less control.

And that is my question for us to give us an insight. Dividends receivable from subsidiaries, dividends payable and the minimum cash position that you would like to keep it, the holding to generate to convert to creditors. So, if you could give us a bit more color about the three points, just for me to be able to think of your firepower for this year in or other investments, please.

Denys Ferrez:

Well, the Group is in constant development and likewise the financial department is always planning for the next move. So, the snapshot of the moment is what it is a liquidity of R$ 11 billion, the holding as you show this.

But because we are already looking into 2023, it is also very important to mention that we have R$ 7.4 billion available, of which R$ 1 billion has already been executed. R$ 4.6 billion to be executed and the revolving credit lines that I mentioned.

So, this says, you know, beyond the 2022, when you think of acquisitions, we had the cash made beforehand and of last year, we raised R$ 1.5 billion with an average estimate of nine years, specifically talking about the holding.

And whenever you have a movement, you do not stop thinking of the specific funds packed to acquisitions. But we are doing that in a very cautious way. For me not to be dependent on the market, whether the line is available or not, but if it is, you can keep liquidity and have the specific low for acquisition.

So, we have credit that is already directed to safeguard with more than a billion, R$1,5 billion. And if you think of a minimum cash position, we are talking about R$ 2 billion. Now you see that simple cash flow has a concentration of payment in 2031.

And this is what we agreed to with those that the trust that their money for a long term which is the development of the group. So, the long-term structure is a given continue to liquidity.

Thinking of ready about the year of 2023 is a given and the option of funds for acquisitions that are specific. It is also a given. So, I would say minimum cash level at holding for growth. Would be R$ 2 billion, but we already have more than that.

Fernando Simões:

And just to add, as an executive and a board member. You know, if you look at our group four or five years ago and you will think of all the CAPEX made in the last three years with and the level of results of the company today, the member will always have the option to use the cash and have CAPEX or not.

Not only M&A, we have CAPEX with the backlog of trucks. We have more of the strength of the results of the alternatives that we have to generate cash in addition. So, there is a strategy that really is excellent.

We have so many alternatives and the strength of our results today that really enable us to make any move with confidence and sustainability.

Luís Capistrano:

Thank you very much for your efforts, guys.

Guilherme Mendez, JP Morgan:

Good morning. Thanks for taking my question. I also have two questions. First about OEMs. How do you see OEMs resuming production? What are your expectations for the next quarter?

So, what is your feel as a holding company, and do you think there are any risks for the purchase of cars as of the second quarter, but more specifically in the second half of the year?

And the second question is about CS Infra, what is the main assets that you are looking into and what kind of return do you want to consider for new projects? Thank you.

Fernando Simões:

Let me tell you something, predictability is a bit complicated. We have been in a very comfortable position because of our partnership with OEMs. We really changed the average ticket of Movida and Vamos as well.

But Movida have a longer-term relation and a movie that we were able to have better daily rates, which was really important and movie that was able to do that. And it was the first in the market to really partner with OEMs.

And I think this is something that we have been doing throughout our history for 65 years, 40 of which in the relationship was that, oh yes, I particularly have been relating to more than 30 years and that really gives us the comfort of negotiating.

Of course, each side defending their companies, but also working together. And I think that, you know, that just for the fact that the movie that has the newest fleets, the quality of cards it has, I think this is a major difference. Risk set of the automotive industry for the coming months exist and you know it is you know, it has been a bit of a peak and valley journey.

OEMs themselves do not have much predictability. And why is that? Because sometimes their direct suppliers do not have a problem. Their first year do not have a problem. But sometimes it is the suppliers of their suppliers, producers, people are talking about the hardness from Ukraine.

But it is not only that and because in logistics we had lots of problems, for instance, with sea lines, most of the inputs that come from abroad, you have tires coming by air. Believe it or not, the raw material, it is good that that, you know, the airplanes are quick, but you have a problem in production.

You are going to know that the plane is not coming four or five days before with ships, you had a lot more predictability. So, peaks and valleys will happen and the 2Q22 is still going to be very hard to predict.

As of 2023, I think things are going to go a bit more back to normal. This is what we have been hearing from OEMs. And in our group, we believe that we are going to continue to have a preference and conditions and we have ready to deliver assets to our clients.

So that is a bit of automotive industry. At CS Infra, we are looking into concessions infrastructure. We had a strategic move that was approved by many of our shareholders for Ciclus.

But we are looking into things that are focused on services and so the portfolio is very broad with less invested CAPEX and mostly services and that the CAPEX cannot impair our capital structure or our other businesses.

So, we do not want to go crazy with CAPEX investments in concession, but we believe that city is state or federal administrations will focus on services to really change the lives of people and improve the quality of life. As for returns, I am going to turn to Denys.

Denys Ferrez:

Guilherme, without, you know, writing it on stone. We are part of the segment to create value and then each initiative has specific characteristics and funding and risks and other alternatives.

So, I would tell you what we have already in the company based on funding that has been committed and that supports 80% of the CAPEX that Fernando mentioned, things that are to operate.

We are thinking of 25% to 30%. But once again, this must be looked into case by case. But I'm using it as reference just for you to have an idea of how we look at opportunities.

Verner Roger, Trigono Capital:

Good morning. Congratulation on your results. As shareholders, we are very aligned and happy with the results. I have a bit more of a macro scenario question, but that involves the company.

How are you feeling the willingness of entertainers in outsourcing services in the current interest rate scenario? Are they less willing to expand partners and businesses or quite the opposite because of the interest rate?

Environment efficiency is even more important, and it makes sense to use Simpar's services and if it the importance of logistics in the economy as a whole, how do you feel. The economy is growing, especially in the last months.

Do you think it is in and stoppage of the real economy, the segments in which you are involved? Do you think that it has come to a halt? Where do you think growing is growth is going to?

Fernando Simões:

In the ecosystem of companies controlled by Simpar, I am not going to say it is good or bad, but the difficult times of interest rates, everybody is rethinking what to do. I you know, I think that when credit is easy and interest rates are high, you know, those things up and those that do not think much, you know, they just do anything.

At an environment like today, people rethink their prices, which is good for us. And, you know if you do the math, outsourcing is better. So, when the interest is high, and the economy as is the industry does their math some more. And with that, we have opportunities to grow.

For those who also have high interest or cheap interest accounts, outsourcing is much better. I need to say the following, when interest rates are high and when the economy is the way it is, the industry pays more attention.

You know, if you think of, look, we grew 21% year on year considering JSL and the acquired companies and that is, you know, the industry looking for opportunities. And also, because our competition unfortunately is frailer because they really cannot keep pace with, you know, the current time.

So, JSL is being able to improve its operating margins. So, these two works together with clients in a sustainable way. So, I am talking about productivity and outsourcing. In the case of trucks, machinery, mostly the with the cars, huge opportunities. Vamos has a very incipient market.

So, you know, the rent of trucks, machinery and equipment is just starting, and it has developed excellent work. And both the other that is more mature. But so, you know, the rental, our brand-new cars, we kept rentals, the kind of car, the mix of movie, the newer fleet has really been breaking lots of people breaking records off the records on weekends in the booking of rental cars.

So, we are advancing all our businesses quite strongly in that time where the market is a little more difficult and people and the industry are rethinking their practices. I always joke around with Denys is ahead of and we always thought, you know, what was going to happen with the pandemic. And we have been very positively surprised things are happening.

The automotive industry, of course, they are having problems and supply, but and food and beverage. They are the same general they are developing. We have not really fell to a valley. We probably are going to have that dip interest rates go up.

But, you know, so far, I do not know if people are not traveling. People are enjoying that. The pandemic kind of easy down, but we are not really feeling the opposite and lots of opportunities for organic growth. I do not know if Denys has anything to comment.

Verner Roger:

Thanks for your answer. I think that one thing complements the other. But you know, it is, you know, for those that are not in the real economy, you know, we do not know. But this is what we feel as well. Thank you very much.

Denys Ferrez:

The next questions came on the webcast platform and are going to be answered by the company in the order they were collected. I am going to turn the call to Fernando simply to answer the questions.

Well, this is the end is going to answer the questions that were posted on the internet. We have one question from Lucas Barbosa from Santander, who says what I think part of the strategy to grow considering vehicle dealerships.

So, you went to luxury. Was it a coincidence or are you going to focus on the segment? Do you have opportunities up at the dealership seeing fewer premium brands? Giving the protection of cars in this niche is being more affected.

Fernando Simões:

Part of our strategy as Simpar is to diversify businesses and second sectors that are complementary and resilient. So, after this, you know, as dealerships, we want to have dealership networks in regions.

Brands and models that are independent but complementary because if you have a problem in economy, you will have a lot more resilience in development and growth.

So, you are going to see luxury, you are going to see premium, and you're going to see economic as well, more affordable areas in different regions and therefore contributing to our revenues and results. Thank you, Lucas.

Denys Ferrez:

Next question comes from Ricardo, an individual investor. The question is, do you believe that there is a risk of substantial drop in prices of cars if the commodities go down?

Fernando Simões:

Quite honestly, I never saw prices going down substantially within cars. So, to answer your question, no, I do not believe the prices are going to go down substantially.

Quite the opposite. I think that the prices were depressed, and I think this is a level that is fairer and more balanced if you think up the exchange rate and everything. So, I think the level is here to stay. Thank you.

Denys Ferrez:

The next question comes from Breno, and it is the following in view of growth opportunities and higher interest rates, why has the company decided to have a more aggressive dividend payout recently?

I am going to answer the first. But I would like to tell you the following, although it is true with the pace of growth. The idea is to pay the minimum mandatory dividend. From time to time, we have been doing that every five, six years.

If I will remember by heart, the last was 2016. So, it is a way of free, I do not know, five years to give back a bit to shareholders. Now, when we look at this, we also think about the future and the certainty of development.

So, if you think of the cash generator generation, in the first quarter, we had the substantial change and along, yes, we have been quite assertive in between investing and generating cash. Our businesses are resilient.

The company is based on contracts signed. So, when we think of the future, we think of a very comfortable situation to make that decision. And why is that? Because we are always thinking of reducing leverage year after year. So, this is our projection.

We see contracts connected to investments made, for instance, to R$2.5 billion to another measure in the first quarter is three times higher than what we had in the 1Q21, and leverage was not affected.

If you look at our reported figures. So, since 2016 onwards, we continue to improve our capital structure measured by a reduction in leverage. We have a history of assertiveness in generation of cash connected to investments.

The R$2.5 billion have not yet reflected in our numbers. And when we project all that. Aligned with our funding plan and credit lines available to the company and the expansion of cash generation. We see that we can grow respecting our gradual improvement in capital structure.

So, this is something that the company has already been practicing, but indeed generally we have the minimum payout but never know when they will make the exception.

Fernando Simões:

I think Denys has answered the question and it is what it is. We will have a strategic plan that is being followed and we are very comfortable that the dividend payout, although different from our history, does not mean that it is going to be always at this level.

But we understand that every now and then we can do it again. This is the recognition of for the shareholders that believe in us and also reflecting the new level of results of the Company.

So, today the company set the new level of results and cash generation in a very responsible manner but sharing a bit with shareholders. What I can assure you is that you have a new company level to be perceived in terms of cash generation of results.

Denys Ferrez:

And so, you know, this answer is also a dancer of a similar question from Rafael. Next question comes from Luciana and is the following.

How do you see the direct and indirect impact clients in the group's businesses with the increase in fuel prices?

Fernando Simões:

Luciana, increasing fuel prices have a name has an impact on the lives of everyone on that day to day. But what is important to what has happened in the last 12 months. I never see fuel was going up so high so frequently. It seems that they are completely out of control.

But, you know, logistics, which is where fuels impact the most. Has been working in an excellent manner with clients passing through prices without losing clients and in terms of logistics. Most of revenue comes from internal logistics and others that the client provides fuels and dedicated operations.

So far, you do not have, you know, double taxation. So, with that, we have a slightly lower impact. So, what I can say is that we are prepared. We have been developing well and we have been working regardless of increases. So, of course, you know, for the whole of the economy, it is a problem.

And, you know, the pandemic also made people willing to use their own cars and other than use public transportation and traveling on weekends. So, fuel has not really affected any of our companies in their development and growth.

Denys Ferrez:

Thank you very much. Well, I think that the last question on the internet and as we have more back to. Comes from John Line and says, when are we going to see an inflection point in results regarding financial expenses? Is it as the 2Q22 of we just see the beginning of this inflection?

Well, John, this is Denys. Well, thanks very much for your question. And I would like to emphasize some points. First, they inflection itself in terms of rates depends on the market. And it seems that as of the 2Q22, that may happen. But what is important to highlight is that this is not a concern.

And why is not it a concern? And perhaps I will say again something that has been said before, we are 65 years' experience, and this is a business model that was built to operate in an inflationary environment.

That means that our contracts, the contractual structure foresees the pass-through prices and logistics, you will have dedicated operations with dedicated investments, and you have the very specific formulas well-structured to reflect to the reality of each contract.

And that is how we got here. So, if interest rates are going up, that is the trend is bad. It is just not a concern for us. And it is also important to mention along the same lines is that we have been so therefore loosen up our returns. And that brings us to certainty in our pricing.

Of course, if you have a pace of growth that is very accelerated and you will have time to start, you know, collecting the benefits of investments. You will sometimes have a gap between the investment made and the benefit of the investments made.

But going back to your point, the market seems to show that as of the second quarter, we are going to have an inflection. But I would like to highlight the quality of our contracts, the quality of the group's businesses and our history of 65 years' experience.

With that, we are closing our questions on the Web. And I am going back to the operator. For the conclusion or if we have any question, let's answer them.

Fernando Simões:

Just to adding to what Dennis mentioned, Jonh, I agree with Denys 100%. And I would like, you know, for you to think of something that I am going to mention in my final message. The only thing I want you to consider is that they stressed that we signed 2014, 2015 and 2016 let alone before, when we are building more than transforming thermals, because thermals as a legal entity is for 60years.

But it was being built in the past and we didn't have the level of results we have today. So, some time you see, you know, profit's a bit repressed, but the operating margins are going to increase with phenomenal scale and you're going to see that the cash generation today is much higher than what we need to expand our business or to renew our assets.

So, we are very comfortable. We have very solid contracts, and I think that's it. Now we are going to turn to the operator and then I would like just to have a final remark. Thank you very much.

Operator:

Since there are no questions, we are going to turn the call to Mr. Fernando Simos for his final considerations. Please, Fernando. Semblance, you may go on.

Fernando Simões:

Once again, I would like to thank you all. We have more than 160 attendances. Thank you so much. I would like to tell you that our results do not completely reflect to our company today. Once again, in the last 12 months, we had CAPEX of more than R$10 billion assets that are in operation and that are to start operations.

Operating segments. As Dennis commented, in the first quarter alone there were more than R$2.5 billion CAPEX, not even one real being seen our results and that gives you that opportunity of assessing what the company is going to be in the future is not showing acquired companies are Sagamar and the dealership network has not been consolidated yet.

Every member of the quality of assets we have been by engaging the group that is really differentiated in their dealership segment more than 20 brands. Several regions in Brazil with different services and know how in Maranhão, São Paulo etc.

Now talking a bit about the future and sharing with you what I see, we are going to have the opportunity of being together on-site at the Simpar Day on May 26. We are going just said you while doing fight but talking about the future.

We are comfortable with the quality of our development growth and maintaining our results. Rest assured that today we have a completely different company with solid, sustainable, transformational growth.

Now you can tell me what about the market? The interest rate is going up, the industry is being affected. I will tell you something I do not see any different from you, but what I can tell you is that we have a management model and unique positioning issued by our and its subsidiaries. The only point is that, in the way that companies are part of the market ecosystem that we are inserted in the industry, whether in service, in the industry, or outside the customer and mobility.
And that enables us to be part of an ecosystem in a market of real economies, services, industry, mobility.

The more challenging, the more opportunities for us to develop. How we were, I'm sorry, in the beginning of the pandemic and how we are today in the past 2014, 2015 and 2016? And today the numbers are up, but their numbers are up because we plan ourselves for that.

See how much Vamos prepared itself with inventory purchases were one and a half year ago? No one buying versus establishing a partnership with OEM. It is prepared to provide services to its clients with a dealership network of trucks, tractors that that is really transformed more feed that we talked about that the growth of its fleet since Brazil with the proof of most shareholders from 120 thousand to 192 thousand cars, the newest fleet in Brazil.

And, you know, if you go to rent a car and you have a 15-month car, you keep it, you want to stay, you have customer loyalty. And that company has, you know, got it right and has been able to have better prices. They live right, taking care of its people and customers.

And we talked about the dealerships, the transformation, and we are sure that we still have a lot more to do. JSL Logistics net income is in line with our plan, with our capital structure. We acquired some companies increasing debited those interest rates as part of that. But even with the increase of costs, you are improving margins.

Our team is improving margins, passing through prices to clients and improving our operating margins and return. So, our management model, our people have made a difference. Our net income is better in the first quarter, even with an increase in costs and interest rates, an increasing financial cost.

Look at our net results this year, which reflects that the increase in the financial costs. So, a new level of results that are here to stay with operating margins that will we increase reflecting our going upscale.

So, once again, thank you very much for your opportunity, for your attention. Thank God we have wonderful people with excellent businesses. We are very much confident that this cycle and that our operational margins are here to stay, and we are even going to be more transformational for the future.

Do not forget that you are going to get the invitation for Simpar Day on May 26, and it is going to be a pleasure to answer your questions and to be closer to us and the main managers of our companies. We are confident about our future, our development.

I would like to thank our people, more than 36,000 employees. So, they are our leaders that make a difference. The people that work hard every day. Thanks for them, our family, their family members, our board members that have been paramount to our future. And so, you all that many of you that have been following us for many years, thank you very much on behalf of all of us and have an excellent weekend. Thank you.

Operator:

The Simpar's conference call is now closed. We thank you very much for attending and wish you a good day.