International Conference Call

Tegma Gestão Logística S.A.

4Q 21 Earnings Results

March 10, 2022

Operator

Good day and thank you for waiting. Welcome to Tegma Gestão Logística S.A. conference call to discuss 4Q 21 Earnings Results. Today we have:

- Mr. Marcos Medeiros, CEO, and
- Mr. Ramón Pérez, CFO and IRO.

We would like to inform you that this event is being recorded and that all participants will be in listen-only mode during the company's presentation. After Tegma's remarks are over there will be a question-and-answer session, when further instructions to participate will be provided. Should you need assistance during this call please press star zero (*0) to reach the operator. The replay of this event will be available right after the end of the conference call for a period of seven days.

And now I will turn the conference call over to Mr. Marcos Medeiros, Tegma's CEO, who will start the presentation. Mr. Medeiros you may begin.

Mr. Marcos Medeiros – CEO

Good day everyone. I am Marco Medeiros, Tegma's CEO and on behalf of the company I would like to thank you once again for joining us for another earnings conference call. Here with me is Ramón Pérez, our CFO and IRO, as well as Ian Nunes and Felipe Silva, from our investor relations team.

As you all know, the COVID 19 pandemic has had a global economic impact, making the business environment extremely volatile and adding uncertainty to all forward-looking statements to be made during this presentation. Tegma is providing information valid for the date of this webcast and reserves the right not to update any forward-looking statements contained in this presentation.

So let us get started on slide number 3 with some highlights of the quarter. First we highlight the proposal to pay 23 million BRL in complementary dividends and interest on capital to be approved in the shareholders' meeting on April 13. This distribution reflects the financial strength of the company and if approved will correspond, when added to the pre-payments made, to a distribution of 71% of the adjusted net income for the year, or 60% of the net income without the constitution of tax reserves, and to a dividend yield of 5.7% for the year.

Next we highlight the tax credit that the joint venture Catlog recognized in the amount net of taxes of 5.8 million BRL, which impacted Tegma's equity income by 2.8 million BRL, reflecting Tegma's 49% stake in the company.

The third highlight is related to our startup accelerator, TegUP, and our first invested company, Frete Rápido. At the end of 2021 Tegma and TegUP decided to sell their stake in the startup for strategic reasons, and because we understood that this was a good opportunity. This deal led to a gain of 2.6 million BRL for the company, almost 2x the investment made in 2018.

And the fourth and final highlight we give update on the commercial dispute that led to a delay in the receipt of payment for the provision of vehicle transportation services. This delay has impacted our working capital since mid-2021. In December 31, 2021 this issue had not yet been resolved. The balance receivable accumulated to 57 million BRL in the balance payable to 20 million BRL.

In the beginning of March 2022 the company received from the counterparty the amount of 21.7 million BRL, which corresponds to 58% of the net balance receivable in December 31, 2021. As a result we continue to discuss the matter so that we can settle the remaining balance as soon as possible.

Moving to slide number 4 let us talk about ESG. The ESG theme has gained even more relevance within the company, as we have tried to communicate throughout the year. This quarter we had three important initiatives: the effective purchase of free energy from renewable sources for four important Tegma bases, thus reducing the consumption of potentially polluting energy.

A second initiative was the launch of our diversity and inclusion program called Nossa Gente or Our People, which will be the benchmark of our commitments to an even more inclusive and diverse environment; and the third initiative is the support for the ecological restoration of an important native area in the Serra da Mantiqueira region, in partnership of our client Toyota.

With this I will give the floor to our chief financial officer Ramón Pérez, so that he can elaborate on the indicators for the quarter and the full year.

Mr. Ramón Pérez - CFO and IRO

Thank you Marcos. Good afternoon to one and all and thank you for joining us. On slide 5 we see at the top the performance of vehicle sales in Brazil, domestic sales. The year of 2021 was greatly impacted by the effects of the breakdown of production chains in logistics worldwide. This impacted sales in Brazil that were up only 1% over 2020.

It is worth noting though that this performance was better than the performance of many countries with relevant economies, such as Germany and South Korea, and very close to that of markets such as the United States and China.

On the right, we can see that despite the great evolution quarter-on-quarter in the year-on-year comparison the quarter still posted a substantial drop due to car supply problems due to vehicle price increases, and also due to unfavorable macroeconomic factors, such as high inflation and reduced disposable income in Brazil.

Please remember that all comparisons of 2021 versus 2020 that we will make in this presentation regarding the automotive market need to take into account the fact that 2Q 20 was significantly impacted by the offset of the pandemic. As such we will focus more on the explanations for the quarter, 4Q.

The drop in both production and exports in 4Q 21 in the annual comparison is a reflection of the production difficulties faced by automakers in the period. Although less pronounced than in 3Q 21, these difficulties still cause severe restrictions.

On slide 6 please, we can see the operating indicators of the automotive logistics division. In the chart above we can see a drop in our market share in 2021 versus 2020 and 2019. We remind you that this performance was a consequence of both the impact on production suffered by one of our main clients and the change in the sales mix in Brazil, which favored less representative clients for us, and also hurt an important client of Tegma.

Improvement in market share in 4Q 21 of 23.4% as we show on the right compared to the year of 2021, reflects the return of this important client the top sales of two of its models at the end of the year; and in turn average distance traveled in the chart below was quite compromised in 2021 on account of the closing of Ford's operations in Brazil. Ford had longer trips from the Northeast of the country.

Moving on to slide 7, in the top chart we can see a small increase in net revenue of the automotive logistics division in 2021 versus 2020, despite the reduction in the number of vehicles transported and average distance traveled. The factors that contributed to this small growth were the recovery albeit slight of other logistics services; the growth of the logistics operation of used vehicles, although still not very representative in the company's sales, it does have a great potential; and also tariff adjustments which reflected the sector's inflation in the period. The same explanation applies to the stability of revenues in 4Q 21 compared with 4Q 20.

Moving on to the charts below, despite all efforts to increase productivity and control costs, the drop in volumes and reduced average distance traveled directly impacted the dilution of fixed costs of the division, leading to lower margins for this operation in 4Q 21 compared with 4Q 20.

Nevertheless, the division's 15.4% EBITDA margin in the chart on the right was impacted by provisions for legal claims, additional ones and at a higher level, in addition to reduced volumes and lower dilution of fixed costs as a consequence. The evolution of margins in 20 21 over 2020 was quite positive - although we cannot forget what we already mentioned, in other words the fact that 2Q 20 was heavily impacted by a widespread reduction in operation or shutdown of plants.

Moving on to slide 8 we show the financial highlights of the integrated logistics division. Looking back a bit on the last two years, it is worth noting that the year of 2024 for this division was exceptionally positive due to higher volumes from all operations, on the back of pandemic side effects in the respective markets of operation.

In the top chart we can see that the 16% drop in net revenue in 2021 was mainly a consequence of the loss of one anchor client in the warehousing operation, despite an almost 2% growth in the industrial logistics operation. The 18% YoY drop in 4Q 21 on the other hand, stems from the loss of this client as well as two atypical events: the first event refers to the delay of two ships that were scheduled to dock in December, but they docked only in January of 2022 and this reduced volumes handled at the end of the year by the chemicals operation; the second event concerns the household appliances operation, which also experienced a decline in volumes resulting from the end-of-year stoppage of the factories that we serve, due to collective vacation and lack of parts.

In the bottom-left chart we can see EBIT margin growing both in 2021 and in 4Q 21. This performance in 2021 reflects the sale of equity interest and the recognition of tax credits. In the graph on the right where we see adjusted EBITDA margins, we can see a margin reduction in FY 21 versus 2020, explained by two factors: part of this reduction is due to an accounting effect of IFRS 16, because IFRS 16 does not allow EBITDA to capture the reduction of rental costs, the reduction of rental costs in the year of 2021; the other part of the drop is due to the less profitable mix of services in chemical logistics business. The variation of the adjusted EBITDA margin of 4Q 21 year-on-year was impacted by these same reasons: loss and lower revenue in the quarter, which leads to lower dilution of fixed costs.

Now moving on to slide 9 we see Tegma's consolidated results. As already explained, 2021 was a challenging year for automotive logistics, which had to adapt to several production stoppages due to lack of parts, a shortage of parts. Revenue stability in 2021 versus 2020 in the top chart is mainly a reflection of these problems and the loss of one anchor client in integrated logistics, as explained. The near stability of revenue in 4Q 21 versus 4Q 20 on the side is largely due to the same reasons explained in the year variability, and to one-off issues that negatively impacted the results of the integrated logistics division.

In the bottom-left chart we can see that 2021 EBIT was higher than that of 2020 due to positive nonrecurring events, which added together amounted to 14 million BRL in 2021.

In the middle graph we can see that adjusted EBITDA in 2021 was very similar to that of 2020. The drop in adjusted EBITDA in 4Q 21 resulted from the reduction in revenue and lower dilution of fixed costs in both divisions.

Net income totaled 108 million BRL in 2021, as seen in the graph on the bottom right. That stems from nonrecurring events, which altogether responded to 26.8, almost 27 million BRL, explaining a good part of the growth over 2020. However, this net income would still result in a net margin of 8% even in an adverse scenario for the country and especially for the automotive industry. 4Q 21 net income in turn was positively impacted by 4.4 million BRL due to events considered as nonoperational. If we excluded these, net income would be almost 27 million BRL, which would correspond to a net margin of 8.8%.

Please go to slide 10. On the left we present Capex for 2021, which totaled around 30 million BRL, with the most relevant investments being the acquisition of packaging for the integrated logistics of household appliances and trucks for vehicle logistics, according to the ongoing plan to renew the company's own fleet. In 4Q 21 Capex was 6 million, and there is this no single project to be highlighted here.

In the middle chart we show the company's cash-to-cash cycle, which was 54 days in 4Q 21, much higher than normal levels. This increase stems from the withholding of receivables already mentioned in the beginning of the presentation. Until yesterday that, those receivables had already been partially paid by the counterparty. Additionally, in December 2021 we also had a nonrecurring delay from a client due to a change in their systems; but this was totally regularized in January. Net of these two events our cash-to-cash cycle would be at the same level as in 3Q 21.

On the right we show the company's free cash flow that was negative by 8 million in 2021, much lower than in 2020. This reduction is due to the fact that in 2020 we made great use of tax credits, and there was a large release of working capital in the automotive operation. As for the full year 2021 there were the aforementioned withholdings that we explained, withholdings of receivables and the delay that we mentioned. All that totaled 37 million BRL on December 31, 2021, net of what we also owe in addition to the increase in investments compared to 2020.

The negative free cash flow of 63 million BRL in 4Q 21 was due to the 10 million BRL increase versus September 2021 in the net balance receivable from that commercial dispute, as well as the delay already solved of 20 million from one specific client, again because of that issue that they had an exchange in systems; and also the consumption of working capital also resulted the 40% sales increase in the automotive logistics division versus 3Q 21.

Moving on to slide 11 we can see in the top-left chart that our debt remains consistent with our current cash position, and this cash position will be significantly higher after the regularization of the issues involving our receivables. In addition, the debt amortization schedule is consistent with our cash generation expectations, considering that in 2022 a large part will mature in the middle of the year.

The table below shows that our net cash position of 18 million is lower than at the end of last year, and this is mainly due to these nonrecurring events in our cash-to-cash cycle.

The cost of our debt in December 2021 as shown in the table on the top right remains the same as in September 21, and slightly lower than in December 2020.

Below we show our rating, which has not changed since April 2021 - and our rating is A.

Moving to the last slide, in the top chart we show the evolution of our return on invested capital and our return on equity. We highlight that the ROIC of 18.4% in 4Q 21 was down 2% p.p. QoQ, on account of the difficulties the automotive industry has been facing with the storage of parts and components. Higher stability at the end of 2021 at around 16% reflects the company's operational resilience, and also positive nonrecurring events in 2H 21.

In the bottom left we show our track record of dividends and interest on equity paid by the company. As shown in the quarterly highlights, the proposal was to distribute dividends and complementary interest on capital in the amount of 23 million BRL.

On the right we present information about our shares. First in the top chart of multiples, price-earnings in gray is at its lowest level in recent quarters, while enterprise value/EBITDA multiple, which was 5.4x in 4Q 21, remained in line with the previous quarter. These multiples reflect the uncertainties related to the automotive market and also related to the macroeconomic outlook.

To conclude, down below we see the performance of our stock compared to the IBOVESPA Index. We believe that due to the great uncertainties related to the automotive market and the market as a whole, Tegma's shares have underperformed vis-à-vis the IBOVESPA Index.

With that I thank you all for your attention and open the questions and open the Q&A session.

Q&A Session

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please dial *1 on your touchtone phone now. If at any time you would like to remove your question from the queue dial *2.

Mr. Medeiros will read the questions coming from the webcast. Please hold as we collect questions.

Our first question comes from Gabriel Rezende with Itaú BBA.

Mr. Gabriel Rezende - Itaú BBA

Hello, thank you for taking my questions, congrats on the results. I have two questions, the first about market share. I would like to say, I would like to see if the 23% in 4Q could be the right level for you, or is there room for improvement considering that now one of the main clients that you serve is back?

And if you could give us some data on the Fastline that seems to be a very resilient business, particularly considering that you serve rental companies. Could you share the long-term expectations for this project, growth expectations? What can we expect in the future?

Mr. Ramón Pérez - CFO and IRO

Hello, this is Ramón speaking, thank you for the question. I will answer the first part about market share. Indeed one of our main clients in terms of market share, General Motors, performed very well, very positively in 4Q 21 and those stoppages along the year impacted us a lot; but in the end of the year GM became the leader in the sector. They practically returned to the pre-pandemic market share.

So considering that event alone the growth of our market share would be greater than what we actually presented. However, we have to remember another event: Ford ended their operations in Brazil in the beginning of 2021, and the market expected that given the similarity in the mix of the two automakers that GM would absorb that demand, or that they would absorb at least proportionately their market share in the market - and it did not happen.

Actually another automaker, where we have less share, acquired part of the Ford market share. It was Fiat, and Fiat for us has a lower share of our market share - although we do have operations with them.

So when you put together those two events: the fact that Fiat's market share increased by absorbing part of the demand from Ford, I would like to highlight that Fiat despite that already had a good market share with their mix of products, and that was the main reason to kind of dampening the growth of our market share considering our main client.

Regarding the future well, it is kind of difficult to say. You can see my explanations, they are based on the performance of the automakers, so the future for Tegma will also depend on the performance, the capacity and the mix of products of these automakers, and if they are able to meet the demands of the market. So it is kind of difficult to say whether the market share will represent a stable level of market share or not. I think this is what I can say regarding market share. Your second question was about Fastline and I think Marcos is going to mention that.

Mr. Marcos Medeiros – CEO

This is Marcos. What you said is right. Fastline was created, it started serving a customer here and there, it was not really a full business; but we realized that it could become a new business and with a very similar characteristic of Tegma in terms of the need to gain scale, and this is why in our strategic planning we started designing the attributes and competences that Fastline should have.

Last year we made investments in technology, because that kind of business does not work with all technology, it is not gain scale and it cannot really ensure the margins that we always seek in this kind of business. It does have a good synergy with Tegma's operations in terms of management, in terms of some common clients; but among the clients I would highlight the rental companies, and this volume will grow organically very much, in keeping with the growth in renewal of the fleets of the rental companies. We note that some of them have placed some orders especially in the end of last year - but there is still a huge gap. Their fleet is becoming old, they start having higher maintenance costs and that kind of problem. They can handle a part of that; but after a certain point it starts impacting their business.

So Fastline is going to help the rental companies mobilizing and demobilizing fleets. An interesting thing that evolved a lot, Gabriel, compared to 2020, was that we added new services to Fastline. So we created not only transportation; but we created ancillary, accessory services; in other words yards, small repairs in the vehicles and with that we were able to broaden the client base not only for the rental companies but for large fleet owners, and even individuals.

We were able to take advantage of the fact that with the pandemic they started giving collective vacation; but depending on the seasonality there was a lot of demobilization of fleets, and we took advantage of that to provide services to our clients. Last year we did about 20,000 vehicles and we have a good outlook for 2022 - but again, as Ramón mentioned it will all depend on our clients returning to business.

Mr. Gabriel Rezende - Itaú BBA

Thank you.

Operator

Our next question comes from Pedro Pimenta with Eleven Financial. Pedro, you can ask the question now, your mic is enabled.

Mr. Pedro Pimenta – Eleven Financial

Hello, can you hear me now?

Mr. Marcos Medeiros – CEO

Yes Pedro we can hear you.

Mr. Pedro Pimenta – Eleven Financial

Well congratulations on the results. I would like to have a little bit more about market share as Gabriel asked. Specifically with the closing of operations of Ford and Fiat capturing that market, how do you see the possibility of negotiating with Fiat? Is there any room for you to capture part of that market and perhaps recover that market share that you had?

And the second question, comparing 2020 with 2021 we see an increase in the line of allowance for doubtful loans. You mentioned that there is a client that knows owes

50 million, a little more. Is this what is impacting that line item? And what is the financial situation of these main clients that have been impacting that line item in your balance sheet?

Mr. Ramón Pérez - CFO and IRO

Hi Pedro, this is Ramón speaking. Going back to market share we have contracts with our clients, with the automakers. These are mid-to-long-term contracts which have been renewed for many years now, and there is not great mobility or variability in these contracts in the market in terms of acquiring new lines with a client, just like you mentioned.

So again I stress the expectation that the resumption in our market share, which historically was between 25 and 26% with a little bit of variation, that is a lot more linked to the performance of the automakers with which we have a higher market share than our market share, and this market share with these automakers is a lot stable, a lot more stable than our market share in the market as a whole, so that is why there is this fluctuation.

So that is where the market share will come. You see, these variations do not happen in the short term; you might have an automaker coming to Brazil, they are going to sign long-term contracts with a carrier; but that variation does not happen in the short term. It is not through this that we are going to mitigate these variations.

Another aspect that influences this is regional growth. The region to which we deliver more cars, if it grows detached from the others of course there will be an increase or a decrease in our market share accordingly.

And your question was about provision for doubtful debts. We did not have any significant variability regarding provisions for doubtful debts - PDD. All of these delays are particularly linked to that operation of subcontracting, which reached a significant amount in the end of the year. I would like to underscore that this is not due to a credit risk. No provision for doubtful debt was necessary or needed to be made because of these delays, also because we have a supplement of a good part of what was past due, and particularly of what was past due for longer. More than 60% of the amount receivable past due has been settled.

We actually are in a privileged position regarding that, because our portfolio of clients has a very high credit quality, both in automotive logistics and in integrated logistics, both. So this was a small amount about, I think 1 million, and compared to our revenues around 1 billion BRL that is not very significant. This was a one-time-off delay, okay? And thank you for the question.

Mr. Pedro Pimenta – Eleven Financial

Thank you for the answer.

Operator

The next question from Victor Demier with Vinci Partners.

Mr. Victor Demier – Vinci Partners

Hello Ramón and Marcos, thank you for taking my question. I have two points to raise here, first regarding your expectation of Capex in 2022, if you can give us some color on that regarding the financial level of the Capex and the qualitative level of the Capex. Where are you considering investing the Capex?

And my second question has to do with these receivables. I just want to get an understanding and ask you about the negotiation which strands more recently, because I understand that a relevant part of that has been paid two weeks ago; but there is still an outstanding balance, and I would like to ask specifically about January and February of this year, because the information we got at least in the release refers to the yearend of 2021. So if you could give us some color regarding the negotiations for January and February that would be very useful for us, thank you.

Mr. Marcos Medeiros – CEO

Hi Victor, this is Marcos speaking regarding Capex. We plan an investment recovery given the restrictions that we had in the last two years in cash preservation, so around 45 million, and this has been disclosed in the proposal from the management. And we have the gradual resumption of our own fleet, we recently acquired 16, we are going to buy more 16; so there is a lot of equipment that we should by, around 16 pieces of equipment/year.

Also we have an increment of investments in technology, and like I said not only in the Fastline, but also for the automotive division; and particularly for integrated logistics we need to generate new solutions, new technology solutions. So this is very necessary, so we are going to invest heavily in technology. To give you an idea, for technology alone we are considering around 10, 12 million. In the roadmap alone - and this is to drive Tegma's digital transformation - we are talking about 5 million. So 8 and about 5 million for IT alone - and then we have to improve the website, other projects, purchasing, the purchase of packaging for another client.

So that is kind of it, Victor, full steam ahead and recovering a little bit of investments that we did not make in the last two years because we were preserving the company's cash - but now will resume that, the investments particularly in technology that will take the company to a whole new level. I now turn the floor to Ramón to answer the other question.

Mr. Ramón Pérez - CFO and IRO

Hi Victor. So we are talking about the delays in payment, and there is also another question by Marcelo Audi on the same topic. So I will answer both together regarding the outstanding receivables, and whether this outstanding balance will be resolved in 2Q and if the progress of negotiations would be an encouragement.

Here is what I can tell you: in terms of being an encouragement yes, this is encouraging because I also mentioned that there was payment of the outstanding balance. In addition to the settlement that was made a few days ago we started the payment of the payment to be still paid, so the amount of outstanding balance is not increasing. So we had approximately 21 million; it is actually more than, that because there was a time when we had to end the calculation to disclose information to you. So what I mean is that payments are being made daily, in addition to the current maturities. Everything is being paid, the current payments and the payments in new years.

So yes, I believe about - to answer directly to your question - if we believe that by the end of 2Q this outstanding balance can be solved, yes, it can be solved; and what has been happening so far is quite encouraging, particularly because the current payments are happening, in other words the outstanding balance is not increasing; rather it is decreasing.

Mr. Victor Demier - Vinci Partners

Super clear, thank you very much for your time.

Operator

Ladies and gentlemen as a reminder, if you want to ask a question please dial *1.

Mr. Ramón Pérez - CFO and IRO

There is a question by Rafael - this is Marcos speaking: how do you see the demand of the automotive sector for 2022?

And the second question is: do you see any difficulties investing due to clients' increase in fuel costs?

Well Rafael, regarding the 2022 demand that is still hard to predict, particularly considering what is happening in a Russia and Ukraine. We still do not understand and our clients do not understand the actual impact of that, in addition to something that we can perceive: some difficulty in some logistics flows, some commodities with price increases - particularly fuel - and yes, that can impact the demand for 2022. ANFAVEA disclosed a growth of 8.4% reaching 2.150 million, something like that.

So we are very much in line with that expectation - but it is very hard to predict how things will unfold.

Many clients of ours announced new investments in Brazil; on the other hand some of them are still having some stoppages here and there, they are having shift reductions and shifts returning. So there is a lot of instability out there, it is kind of hard to predict the trend - but there are both positive and negative signs. We are in close contact with our clients to try to predict as accurately as possible.

You asked a question about the fuel costs. With today's news we already have an additional challenge. Last year we also had many fuel price adjustments, which directly impacts all of our operations; but in our business model and in our contracts we have a provision, which is like a trigger, we call it the trigger. When we reach a certain level of variation we can to negotiate with clients, so we do not just negotiate this just once a year; once a year we negotiate the whole package of the contract - but we have been negotiating fuel more frequently. Of course, that is not a simple negotiation; but we have a technical foundation to negotiate, and I would say that the results of the negotiations last year were satisfactory - and we hope it will be so looking forward, because when we discuss diesel price it is a scenario discussion, it is not anything related specifically to Tegma; clients understand what is happening, and of course our service providers are also on the same page - and thank you for the questions.

Mr. Ramón Pérez - CFO and IRO

This is Ramón. I will read the question from Adriano Seabra: considering the normalization of working capital, Tegma has about 100 million of cash surplus; should we expect any extraordinary dividend payout?

Indeed our cash surplus was 18 million and it is higher, we cannot disclose exactly the amount; but it is even higher because of these payments and the regularization of the receivables.

The proposal from the management is already public knowledge: we are proposing to complement the prepayments made last year, a payout of around 70% of net reserves or 60% of the whole net income, which is what we have been practicing in recent years.

An extraordinary dividend payout well, that would be linked to a more comprehensive strategy by the company. We have been mentioning in recent events - and we will continue to do so in the next conference calls - this is all linked to studies linked to the inorganic growth, M&A operations; but we do not have anything tangible to disclose, or else we would have disclosed that kind of information.

The strategy to have an extraordinary dividend payout would go against our inorganic growth strategy, so this is all I can say for now. Any extraordinary dividend payout would go against the strategy that we are pursuing right now of inorganic growth, which will require some financial leverage.

Mr. Marcos Medeiros – CEO

This is Marcos, I will read the question from Gustavo Romi: why domestic vehicle sales were so low?

And the second question: have clients given you any expectation of production resumption in the next months?

Okay Gustavo, that is speak a little about the first two months. It was indeed very much impacted, and in the ANFAVEA press conference they mentioned the main points impacting all that. One thing that was good news in December, you said that the automakers that are our clients were able to manufacture and sell a very good volume of vehicles, and automatically they moved some collective vacation to January. So January had the effect of collective vacation.

It was a month when COVID omicron arrived in Brazil and we had very aggressive numbers cases, which led to high absenteeism. ANFAVEA reported absenteeism of 6 to 7%, which really high. Normal absenteeism is around 2%, 2.5% tops; when we get 6, 7% absenteeism it is really impactful, and that impacted the automakers and many clients, because they lacked staff that generated some stoppages in the month of January. And also the shortage and lack of parts and semiconductors that was also an element that had a negative impact in the first two months. February we started seeing some reaction, but it was not sufficient to balance the first two months.

Some news that ANFAVEA gave that was a positive sign is that sales in March have posted an improvement: a daily average a little over 8000 new license plates registered. In the first two months we had 6239, in March already 8000 - so that is a sign of recovery and from what we have heard from our clients we believe that again, as I mentioned in my prior answer it will depend a lot on the impacts of the Russian/Ukrainian conflict. If we have peace I think that as of 2Q we will start a process of recovering the volume that was lost, thank you for the question.

Mr. Marcos Medeiros – CEO

We have another two questions related to Fastline, one by Marcelo Audi and the other by Felipe. I am going to read Marcelo's question regarding Fastline: what is the order of magnitude of revenue in the next three years?

And Felipe's question he asks to make a comment on the size of the market for Fastline, and an idea of the profitability for the automotive logistics business.

Alright Marcelo. Regarding an order of magnitude of revenues, if you consider 20,000 vehicles, regarding the revenue I cannot really tell you, this is not public information; but what I can tell you is that we handled 20,000 vehicles last year and we are expecting around 30, 40,000 vehicles for 2022.

And Felipe, when we talk about the size of the market the best reference we have for that is the rental companies, our clients are the rental companies. So when we expanded our portfolio, and that allowed us to serve other types of clients - including individuals - do you imagine a contract with an individual? It is impossible to predict the size of a market as that; but what we can tell you, what we can perceive is a substantial potential, and the automotive logistics business has a totally different profile.

Regarding profitability, Felipe, we cannot really communicate that because it is almost as a startup. We are focused on growing the business, gaining scale, more than in profitability; but we believe that as an asset light model it will give us the expected margin for this kind of business.

Mr. Ramón Pérez - CFO and IRO

This is Ramón speaking. There is another question by Gustavo Romi, which is: is it possible to find investment in integrated logistics assets above the return on the share of the company at this price level?

Well, I think that in this question the implicit hypothesis is that there would be a buyback of shares, this is a topic that has been discussed internally. Of course we keep doing the math about that. The first thing we have the perception that this would have a very limited impact. So before talking about profitability we could have a buyback of up to 10% of our free-floating share, so that would be the first comment.

Second point, I would go back to one topic which is our strategic development plan. It has as a pillar, as a North, diversification. It is very clear to us that the possibility of increasing our revenue in automotive logistics, because of the reasons that we mentioned when we were discussing market share, are linked to the ability of our clients to grow, because obviously that would impact our own revenue and our own market share; and it is also linked to the industry growth, and we can see a good potential. We are well-positioned to capture the growth of the automotive industry. The fleet is aging, there is a pent-up demand, so we are very well-positioned.

And to get to the core of your question, we see integrated logistics as a blue ocean where we can grow. I remember, I would like to remind you that Tegma, since its

IPO, since it went public in 2017, has been implementing a strategy that aims consolidation in the integrated logistics market.

Tegma wants to grow, and of course we seek to grow with very high returns. One of our goals is to maintain our return on investment. If you look at the EBITDA margins that we have in our integrated logistics operations, although a more recent track record has not shown any revenue increase, still the evolution has been very positive, we have been growing very positively.

So trying to summarize, not only do we believe that we can find a level of return that we seek, maintenance of our margins, we have growth potential that we do not have in automotive logistics, we are a little more reactive there despite initiatives as Fastline that do allow growth also in that division; but we see our blue ocean, we see our growth possibility in integrated logistics, and as you know we have to be very financially disciplined - and we will only grow with returns that are much higher than our capital investment.

Operator

We are ending today's question-and-answer session. I would like to invite Mr. Medeiros to proceed with his closing statements. Please go ahead sir.

Mr. Marcos Medeiros – CEO

Once again I would like to thank everyone for their participation, and I would like to stress that we are confident that the automotive industry will be able to overcome the apparent difficulties, the lack of parts and semiconductors, and that with the progress of the vaccination process and reduced cases of COVID 19 the market will return to being as strong and solid as before.

However, as we are all aware and monitoring, we are now facing a new challenge and work to understand and mitigate the effects of the current situation involving Russia and Ukraine, which we hope will be pacified as soon as possible.

We will maintain our strategy of growth and diversification as Ramón mentioned, and we will continue to invest in operating excellence and technology, reinforcing our mission even more to add value to our shareholders and clients. With that thank you very much and have a good rest of day.

Operator

This concludes Tegma's conference call for today. Thank you very much for your participation, have a good day and thank you for using Chorus Call.