2Q26 Results Conference Call Transcript

Ian Nunes: Good afternoon to all. I am Ian Nunes, IR manager of Tegma. Welcome to the conference call to discuss the earnings of our second quarter of 2026. This conference call is being recorded and the replay may be accessed on the company's website. We inform that all participants will be in listen-only mode during the presentation. After the presentation, we will have the Q&A session, when further instructions to participate will be provided. For those listening in English, we have in the chat the link to the presentation in English. Please note that we will be showing only the version in Portuguese during the call. I'd like to now give the floor to Nivaldo, CEO, who will begin the presentation. Nivaldo, you may proceed.

Slide 1 Nivaldo Tuba: Good afternoon everyone. Ladies and gentlemen, I am Nivaldo Tuba speaking here, CEO of TGMA and on behalf of the entire company, I thank you once again for participating in our earnings conference call. With me here are Ramón Perez, our CFO and IRO and Ian Nunes, our IR executive manager.

Slide 2 As usual, we start a presentation on slide two where you can find our disclaimer regarding forward-looking statements.

Slide 3 On the next slide, slide three, we discuss the highlights of the quarter. The first being the approval of a payout of 62% of the company's net income for the first half of 26 as dividends and interest on equity. This distribution corresponds to 1.14 BL per share and a 3.8% dividend yield. The record date will be August 6 and the payment date August 18. The second highlight is an initiative from the integrated logistics division. The division began providing a new service, a new container management service for BYD between the port of Salvador and the customers plant in the city of Camaçari city. This new service adds to the others we already provide through our vehicle logistics division and reflects a broader move to position TGMA as a full service provider in the eyes of its customers. The third highlight concerns investments approved by the board of directors to be made in yards totaling 30 million. These investments include the purchase of a yard and improvements to others in the city of Camaçari near the BYD factory as well as improvements to land near the Paci factory which is the automotive hub of Sierra in the city of Horizonte. These investments reflect the increased demand from customers for yard management and warehousing services and reinforce Tegma's position as a full-service logistics operator. The fourth highlight is a source of a lot of pride for Tegma. Perhaps the numbers do not adequately reflect the complexity of these two ship unloading operations involving 12,000 BYD vehicles that recently arrived at the port of Itani in the state of Santa Catarina. The efficient mobilization of personnel trucks and yards is reflected in the success of these operations which managed to unload the cargo from two ships carrying 7,000 and 5,000 vehicles within 70 to 80 hours and transport them to a tech mayor in Arai also in the state of Santa Katarina. I would like to congratulate all teams involved. Moving on to slide four, let's look at the main indicators for the automotive market in the second Q 2026 such as domestic sales which posted robust growth of 24% as shown in the top graph. This performance is the result of promotional conditions offered by automakers and dealerships and the result of increased auto loans and continued low unemployment rate as well as rising consumer confidence.

Slide 4 Other factors driving this performance have been the electrification of the fleet and the performance of sustainable cars as well as the government's tax exemption program for less polluting vehicles. This sales level, I should say, is the highest since 2014. On the bottom left, we see local production, which grew by 13%, reaching nearly 700,000 units. This figure mainly reflects growth in vehicle registrations. We also see the 23% drop in exports to the right, which reflects lower purchase from Argentina and Uruguay as well as increased competition from Chinese automakers in those regions. On slide five, talking about the operating indicators for the automotive logistics division, we highlight that the number of vehicles transported both domestically and exported increased by 21% in the quarter reflecting a market share of 23.8%. Up 1.3 percentage point in the year-over-year comparison, this performance is the result of above market growth from Tegma's key customers.

Slide 5 Average distance traveled increased by 8%. This was driven by longer domestic trips and their growing share of total trips. Very well. Following these initial highlights, I'd like to turn the floor over to our chief financial officer, Ramón Perez, who will discuss our results, cash flow and other key indicators. Ramón, please.

Slide 6 Ramón Perez: Good afternoon everyone. As can be seen in the top chart, the net revenue of the automotive operation in Q226 was 693 million. In other words, a 40% increase year-over-year on the back of a 21% increase in number of vehicles transported and an 8% increase in the average distance traveled as well as tariff adjustments during the period. At the bottom chart, the division's adjusted EBITDA margin in Q2 was 19% up 1.6 percentage point year over-year. This result reflects revenue growth combined with stable expenses during the quarter despite the change in ICMS credits which had an impact of 0.8 percentage point in the year-over-year comparison.

It is worth noting that the division's expenses for the quarter were impacted by an indemnity involving the former subsidiary direct express in the amount of 7.2 million bureaus.

Slide 7 The integrated logistics division posted net revenue of 47 million up 6% mainly by the new container logistics service for the automotive industry launched in this quarter. As shown in the bottom graph, EBITDA margin reduced by four percentage points in the year-over-year comparison. A reflection of the following factors: Loss of a transport contract in Q325; the change in the method used to calculate ICMS tax credits and the lag in passing on diesel price increases from suppliers to clients.

Slide 8 With regard to GDL net, revenue dropped 13%. Reflecting greater use of customs clearance for vehicles while still on the water, a higher volume of vehicles arriving via ro ro vessels rather than being stored on wrecks.

The use of DUIMP and this is the federal revenue services electronic import declaration which reduces the need for warehousing in secondary zones. And lastly, unfavorable exchange rate variation affecting bonded warehousing revenue. Regarding margins, in addition to lower cost dilution due to the drop in revenue, the decline is explained by higher operating costs such as yard rental costs on a year-over-year comparison. These areas will be decommissioned as the vehicle inventory declines.

Slide 9 Now, talking about TGMA's consolidated results, we recorded net revenue of 740 million up 37% explained by the performance of the automotive logistics division and improvement of its operating indicators but also due to new contracts for integrative logistics. Adjusted EBITDA which disregards the impact of the nonrecurring indemnity grew 46% in Q2 with adjusted EPA margin improving during the period driven by substantial revenue growth and stable expenses.

Net income in Q2 on the bottom right grew 24%. But the margin contracted by 1.2 percentage point due to lower equity income as well as higher financial expenses.

Slide 10 Moving on to slide 10. The chart on the left shows the company's cash to cash cycle at the end of the second quarter which was 39 days within the usual range of recent quarters. Capex for the quarter was 15 million bure and this was linked to the purchase of a plot of land in Camaçari for 4 million, the acquisition of the company-owned fleet for used vehicle logistics totaling 1.7 million and improvements to yards in Camaçari and Cariacica totaling 2.1 million burels. The company's free cash flow was 1 million negative, a decline compared to Q225 by virtue of high working capital consumption given the significant growth in automotive logistics revenue.

Slide 11 On slide 11, we present a detailed view of Tegma's capital structure. In the chart on the left, we can see that the company's cash now stands at 197 million, which exceeds gross debt repayments for the coming years, resulting in a net cash of 56 million. The company's gross debt stands at 141 million at an average cost of CDI plus 94% a reduction compared to the cost in March 26 due to financing secured through the BNDS Renova Frota program with the acquisition of our own fleet at a very competitive cost of CDI minus 2.2%.

Slide 12 As for profitability indicators due to all of the factors mentioned before, both ROIC and ROE as well as EVA all rebounded this quarter after three consecutive quarters of decline. On the right we show the history of dividends and interest on equity paid. Uh this half year only yesterday we approved the payment of 75 million bure in dividends and interest on equity to be paid on August 18 with a record date of August 6. On the next slide, as shown in the top chart, we see our share performance compared to the IBOV index and compared to the small caps index taking last year's closing price as base zero. As we can see, despite our operational performance and the financial results achieved so far, TGMA continues to trade at multiples slightly below their historical average. With that, I would like to thank everyone once again for your participation and interest in our company. And I'd like to start now the Q&A session.

Q&A

Ian Nunes: Thank you, Ramon. We will now start the Q&A session for investors and analysts. If you would like to ask a question, please press the raise hand button. If your question has been answered, you can leave the queue by clicking lower hand. If you would like to ask a question in writing, please type your question into the Q&A field at the bottom of the screen. First question from Gabriel. You can unmute Gabriel's mic, please.

Gabriel Rezende: Hello. Thank you, Yan. Good afternoon, Nivaldo and Ramon. Thank you for taking my question. I would like to tap into the margin dynamic given that we've seen strong industry volume and I mean lightweight vehicles and I believe we should continue to see this at a healthy level in the coming months. So I'd like to understand what explained this positive margin surprise in K2. I mean we could see that the company had some challenges in terms of EBITDA margin and profitability and there were a number of factors involved the company have ramping up perhaps the marginal volume of the company impacting some of the operations. We were expecting a lower margin for this quarter and we had this positive surprise close to 18% in the automotive segment so there were challenges in previous quarters and how should we expect the margin for the coming quarters and is there any price pass through that happened in Q2 which was not totally considered in Q2 and perhaps we will see the full effect of that only in Q3. Thank you very much.

Ramón Perez: Hi Gabrielle, this is Raman speaking. Thank you very much for the question. In fact in the previous quarters as we tried to explain into detail both verbally and in our earnings releases and reports there were some effects related to the operation which impacted our margin. We spoke about the factor of transport on barges. We spoke about issues related to relocation of teams. But as you said it yourself when the operations are ramping up or there is some friction or there is some impact that can hinder the margin. This didn't go away, not totally at least; the operation is still very much heated and again there are some operations which are I should repeat the term still ramping up so we can still see some positive impact coming out of that. Anyway, in addition to volume and we tried to highlight this in the report, we had a positive effect of the longer distance traveled. You see these are the two drivers for our revenue. Actually in Q2 we had a tailwind. We had a volume, longer distance traveled, reduction of those operational impacts that were having an impact on us. As for your question regarding room for this to grow even more, it's kind of hard to affirm that. What I can say is that we're always working to stabilize these operational effects that can hurt our margin. Always aiming at operational leverage and always aiming to improve our margins. A margin improvement can still come but we cannot commit to that. We cannot make any promises in that regard. But the fact is that in this quarter we were able to cancel some issues that were temporary. They can happen again but they were temporary. And the impact that we discussed in prior occasions related to the new methodology to calculate ICMS tax credits because this is something that has come to stay.

Ian Nunes: Thank you, Ramon. Gabriel, any other questions?

Gabriel Rezende: No. Actually, it's quite clear what you mentioned about the operational side. I just want to confirm the pass through of tariffs. Perhaps there was a pass through in Q2. So, should we see this positive impact expanding or the full impact of this tariff pass through in Q3?

Ramón Perez: Absolutely. Some adjustments take place earlier but the main ones, the main adjustments of tariffs for the main customers will happen in April May. So you are correct, the full impact will be seen as of now.

Ian Nunes: Excellent. Thank you very much Nivaldo, Ramon, Yan. Again if you want to ask a question in audio or using the chat, we are here for you. Here's a question in writing by Mr. Fernando Gedo. Good afternoon. Can you speak a little more about contracts with the automakers in the coming quarters? Any negotiation at an advanced stage? Naldo, can you answer that?

Nivaldo Tuba: Gabriel, thank you very much for your question. You see, this is all very dynamic particularly when we speak about the new Chinese entrance and the market. New automakers are coming to the market and we are paying attention. We are always participating in the bidding processes in an attempt to offer transportation services but also yard warehousing services and so on and so forth. Of course, this always is negotiated under confidentiality. So unfortunately I cannot give you any names. All I can say is that we're always paying attention to everything that is happening in the market.

Ian Nunes: We have another two questions. A question from Nelson Chaveis. Is there any possibility the company will go back to the debentures market?

Ramón Perez: Hello Nelson, thank you for the question. Well, what I can say about this is like to remind you that the company is a very deleveraged company. We have surplus cash. We actually consider this a competitive edge on our end because it means we have a lot of flexibility. Yes, we do have room to take advantage of this situation either for investments in current operations or for organic growth. Actually we have invested some capex, we have announced this after the good news after the revenue growth and new markets and also we can use a capex for inorganic moves. As for the instrument that we will use for that, the type of debt we will use for that it is very hard to say. It really depends on the amount of a possible funding we need to achieve a certain critical size for us to access the debentures market. But this is not out of the equation. It will really depend on our needs. More recently, we have used other types of instruments which are perhaps simpler and faster to operationalize and with a lower cost for structuring. But this is not out of the equation. It's not out of our radar. We've been in that market in the past, it's been a while. But that's all I can say for now to answer your question.

Ian Nunes: Thank you very much for the question. We have another question from Fabio Alfredo. Can you explain whether the increase in average kilometers is simply due to BYD's greater share of the mix or is there any other factor at play?

Nivaldo Tuba: You are correct. BYD does have an important share to increase the distance traveled particularly for the vehicles loaded in Cariacica. Uh less relevance for the ones loading in Camaçari. There are routes that run from Rio Grande do Sul to Pernambuco and we do cover those routes. This also drives an increase in average distance traveled. So it is a mix and you're right when you mention BYD. Since you mentioned BYD, we have to highlight vehicles loaded in Cariacica.

Ian Nunes: As we have no more questions, I'll turn the floor back to Naldo for his final statements.

Nivaldo Tuba: Very well. Again, thank you very much for your participation, for your interest in our company. I would like to highlight that we posted very good numbers at TAGMA, very interesting volumes transported. We are always paying attention to the evolution of the automotive market. If we look at the second quarter of 26 compared to Q225, vehicle registrations grew 24%. In Q1 26, vehicle registrations grew 20% compared to Q125 and I would like to highlight in this scenario of evolution the effective improvement of our integrated logistics division not just with the well-known operations to you which is caring solids, packaging, logistics in general but also through new businesses related to the integrated logistics of the automotive industry and we highlight here our effective participation in the logistics of the BYD factory transporting containers, some raw materials and of course enjoying results that we didn't have in previous years. So we're bringing to surface integrated logistics as another way to balance the earnings and the revenue of the company. I would like to end, well I don't want to give you a spoiler, but I'd like to say how ANFAVEA is seeing the second half of 2026 because the first half was very disruptive given all of the expectations we had and ANFAVEA is expecting a 13% sales increase for 2026. And this reflects a growth of approximately 7% in the second half of 2026 compared to 2025. So we're waiting and we are prepared for growth for the continuity of this growth in vehicle logistics but perhaps at a lower pace. We were expecting this in Q2 and it was in the end it happened differently but in a positive way. So this is what we had for today. Thank you very much for your attention and let's keep going. Let's keep working. Thank you very much.