

2Q25 Results Conference Transcription

Ian: Good afternoon to all. This is Ian Nunez speaking, I am your manager of Tegma. We will now begin our conference call to discuss the earnings concerning the second quarter of 2025.

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 which 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 because we will be showing only the version in Portuguese here on Zoom.

I'd like to give the floor now to Nivaldo Tuba, CEO of Tegma, who will begin the presentation. Nivaldo, you may proceed.

Nivaldo: Good afternoon, this is Nivaldo Tuba speaking, CEO of Tegma, and on behalf of the entire company, I thank you once again for participating in our earnings conference call.

With me here are Ramon Pérez, our CFO and IRO, as well as Ian Nunez, our Investor Relations Executive Manager. As usual, we start our presentation on slide two, where you can find our disclaimer regarding our forward-looking statements. Moving on to slide three, we present the highlights of the quarter.

First, we would like to highlight the distribution of dividends and interest on equity approved at yesterday's Board of Directors meeting. It was decided that the payment for the first half of 2025 will be 89 million BRLs to be paid on August the 19th. Corresponding to 80% of net income for the period, or approximately 8.3% dividend yield over the last 12 months.

Moving on to our second highlight, we have our integrated report that was published for the third consecutive year, demonstrating Tegma's commitment to transparency in ESG practices. The third highlight concerns the acquisition of Buskar.Me, as published in a notice to the market on June the 25th. This company is a logistics platform specialized in the removal, transportation, custody, and warehousing of pre-owned vehicles.

The deal was carried out through our subsidiary, FastLine, which is acquiring a 70% stake of Buskar.Me for 15.1 million BRLs. We expect to reap significant commercial synergies between the two companies in this logistics sector related to pre-owned vehicles. Please note that the deal is still pending closing with a maximum contract deadline set at the end of October of this year.

Lastly, we highlight the customs clearance of a 200,000 square meter plot of land belonging to GDL, which corresponds to an increase of approximately 20% in the size of its bonded area. This expansion represents a strategic step towards strengthening Espírito Santo's logistics infrastructure, particularly for vehicle imports and heavy cargo handling, in line with a growing trend in imports of heavy machinery and electric vehicles. On slide four, we will address the key data for the market of new vehicles in Brazil.

As we can see in the top chart, domestic sales in the second quarter of 2025 were 3% higher year on year. This performance is a result of continuing conditions that favor vehicle purchases in the country, such as low unemployment, higher income, new launches and promotional campaigns. However, there has been a slowdown in growth compared to the first quarter, basically on account of higher interest rates.

Below on the left, we show that production grew 8% in the second quarter of 2025. This increase is linked to domestic sales performance, but above all to Brazilian exports, which grew 78% as a result in turn of higher demand from Argentina. Now moving to slide five, we present the main operating indicators for the automotive logistics division.

For a number of vehicles transported in the second quarter of 2025 was 171,000 units up 2.1% in the yearly comparison. This increase reflects the growth in export sales, as I explained in the previous slide. Our market share declined by 2.2 percentage points year on year, reaching 22.6% in the second quarter of 2025.

This year on year decline in market share was due to the below average performance of the automakers to which Tegma has significant (inaudible). Finally, the average distance traveled in the second quarter of 2025 was 0.6% lower year on year due to the increase in the number of export trips, which have shorter average distance compared to domestic trips. After these initial highlights, I will now hand over to our Chief Financial Officer, Ramon Pérez, who will talk about our results, cash flow and other indicators.

Ramón: Good afternoon, everyone. Moving on to slide six, let's talk about the results of the automotive logistics division. We can see in the top chart that there was a 16% growth in the division's net revenue in Q225.

This occurred due to the operational performance already explained, due to the adjustment of tariffs, the increase in revenues from warehousing services and transfers of vehicles between yards and manufacturing facilities, as well as due to the positive performance of FastLine, our pre-owned vehicle logistics unit. The bottom chart shows that EBITDA in the second quarter was approximately 86 million BRLs with EBITDA margin of 17.4%, similar to that of Q224. EBITDA margin stability mainly reflects the stability of the operating indicators mentioned previously, such as number of vehicles transported and average distance traveled.

On slide seven, we show the results of the integrated logistics division. We can see that the division's net revenue in the second quarter decreased by 2% in the yearly comparison, as explained in our earnings release. The inbound transportation contract for soda ash and sodium sulfate for one of the segment's main customers was not renewed, thus impacting revenue for the quarter.

This reduction occurred despite new contracts signed, which added 4.3 million BRLs in revenue this quarter. Q2 EBITDA totaled 8.4 million BRLs, resulting in an EBITDA margin of 18.7%, down from 23.1% year-on-year, as shown in the bottom chart. The result is explained by the following factors, the decline in gross margin with lower dilution of fixed costs, an increase in corporate expenses, and a credit that reduced expenses in Q224.

Moving on to slide eight, we show GDL's financial highlights. We can see in the top bar chart that net revenue for the second quarter of 2025, grew 11% year-on-year, totaling 79 million BRLs. This growth is the result of increased demand for bonded warehousing services and distribution center services for the segment of automotive parts and heavy machinery.

In the two graphs below, we show on the left stability of the joint venture's net income, which was 19 million in the second quarter, with a drop in margins compared to Q224. Despite the expansion in revenue, this decline is due to rent adjustments for the main areas used by GDL in September 2024, as explained in the previous earnings call. Moving on to slide nine, we present the company's consolidated results.

Net revenue in Q225 was 541 million BRLs, up 14% year-on-year. This revenue increase is in line with that reported by the Automotive Logistics Division. Below, we see that in Q2, EBITDA margin declined from 18% to 17.5% year-on-year due to reduced gross margins and EBITDA of the Integrated Logistics Division and a 28% increase in corporate expenses influenced by M&A expenses, increased ERP software amortization, and a headcount adjustment in the Administrative Department.

Lastly, net income for the second quarter 2025, was 67 million, up 6% year-on-year with a 1% point reduction in net margin to 12.4%. This reduction can be explained by the following factors, the drop in operating margins, the slight reduction in equity income, reduction in positive financial results, and a slight increase in the income tax rate during the period. On slide 10, the graph on the left shows the company's cash-to-cash cycle at the end of Q2, which was 38 days, lower than the level of the past quarter, but within the normal range for the last 12 months. CAPEX in the second quarter totaled 11 million BRLs or 2.1% of net revenue.

Among the most significant investments, we highlight yard improvements in the amount of 3.5 million BRLs and the acquisition of car-carry trailers for our own fleet costing 2.5 million. Lastly, on the right, we show the company's free cash flow, which in the second quarter was positive 41 million BRLs. This cash generation is due to the

company's positive operating results coupled with working capital under control and CAPEX within normal range.

On slide 11, we present details of our capital structure. In the chart on the left, we can see the current cash of 347 million BRLs, which is significantly higher than the gross debt amortizations for the following years. There were no significant changes in relation to the last quarter in terms of the company's indebtedness.

In the table below, we see that our net cash position in June 2025 was 236 million BRLs. Lastly, on the top right, we present the history of our cost of debt, which currently remains at CDI plus 1.6%. Below is information on our rating, which was reaffirmed by Fitch in April 2025 as (inaudible) with a stable outlook. Moving on to slide 12, we show the company's profitability indicators.

Return on invested capital for the second quarter 25 in gray was 39.7%, practically flat, practically flat quarter on quarter, given the results that increased in the same proportion as the investments. In the case of return on equity, the orange line, ROE was 29.7%, slightly below that of Q125. In the graph in the bottom left, we see that EVA showed growth for reasons similar to those explaining ROIC.

On the right, we show the history of dividends and interest on equity paid by the company. This chart already includes the proceeds mentioned at the beginning of the call approved yesterday and referring to the payment of 89 million BRLs considering interest on equity and dividends, referring to the advance payment of the results for the first half of 2025, with payments scheduled for August 19. The dividend yield for distributions over the last 12 months was 8.3%. In the last slide, as shown in the top chart, we see our share performance, the orange line, compared to the Ibovespa index in black and compared with the small CAPS Index in red. Taking last year's closing price as a base, Tegma's shares outperformed the Ibovespa index and performed similarly to the small CAPS Index.

Finally, in the chart below, we present a history of the multiples at which Tegma's shares have been trading. Despite robust indicators and results, these continue to trade at multiples below their historical average.

Well, with that, I would like to thank everyone once again for your participation and interest in the company, and I now give the floor back to our CEO, Nivaldo.

Nivaldo: Thank you, Ramón, on slide 14. I would like to invite you to watch an initiative called *Stories of Our People*.

This was an initiative that I consider fundamental to reinforcing the role that people have played in the growth and maturity that Tegma has achieved over the last 56 years. The videos present inspiring stories of employees who have worked at Tegma for decades. To watch the full content, you just have to scan the QR code on the screen and access our YouTube channel.

Well, with that, I thank you all for your attention, and I now open the floor for questions.

Ian: Thank you, Nivaldo. 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.

We have a question by Gabriel Rezende with Itaú BBM.

Gabriel: Thank you Ian. Good afternoon, Nivaldo, Ramón, congrats on another good result. If you could comment on the dynamic of cuts related to IPIs sustaining an industry volume, I would like to hear how you're seeing this measure and what has been the reaction of the automakers. Should we expect an acceleration of the industry in the short term? I know that this measure historically creates more volatility. In 2023, that's what happened. But now the measure is more long lasting, a year and a half. So I'd like to understand what the company's thinking in the short term, given this IPI cut, probably leading to an increased volume. Thank you.

Nivaldo: Thank you, Gabriel. Well, we are talking about what we call green IPI. This is how particularly the entry-level models of vehicles that tend to sell more, which is positive for Tegma. In the past July, it was possible to notice an increase of these sales, but it's still too early to say that this will give us the expected result of the program. These discounts tend to have a positive impact on sales, not just because the prices are lower and more affordable, but because there is a lot of marketing action.

When loans are more expensive, reducing taxes can be important to help foster the acquisition of brand new cars. And this will help sustain the good level of pace that we saw along the first half of the year. In our understanding, this measure is undoubtedly positive and it can bring good results in terms of sales, (inaudible) sales.

Ramón: This is Ramon speaking. I would just like to add an interesting aspect that we have been following. These discounts have had an effect in other models that do not necessarily fit green IPI, but there are steps of prices in the same automaker.

So this ends up having a positive impact leading to price reductions for other more expensive vehicles. I just wanted to highlight that there are other positive aspects, positively impacting other models of vehicles and that adds more optimism in the market.

Gabriel: Excellent, thank you very much, Nivaldo and Ramón.

Ian: Please wait as we collect more questions.

We received a question by Eduardo Pileggi. The increase in payout this quarter, does this indicate that M&A discussions have gone cold or they're not in the radar anymore, Ramón?

Ramón: Thank you for the question. Well, actually we always try to have efficient capital allocation for Tegma. At this moment, we continue with M&A operations in our radar, but at the same time, we see a need to generate return to our shareholders and we do that by the distribution and by the payout. It is important to say that this distribution does not interfere, nor does it limit the discussions that are underway and that can happen in the mid to long term.

So this is just an adjustment in capital allocation.

Ian: Thank you, Ramón. I think there is another question in the chat. There's a question by Cristian with Levante: *"Hello everyone, congrats on the results. Could you elaborate on how the company is seeing the effectiveness of the framework of guarantees? Additionally, is there any expectation of recovering market share?"* I will answer the first part and I will leave the second part to Ramón and Nivaldo.

The framework of guarantees, Cristian, we have observed, yes, that new contracts after the approval of the framework and after its regulation by CNG, well, that's coming. So the new contracts are already including the provisions and conditions to getting the vehicle back in case of delinquency. So this is good for financial institutions because it improves for them the conditions to get back those vehicles in case of delinquency.

So this would be one factor to reduce NPL costs for the financial institutions. So we can see that happening already. However, these provisions do not apply to the existing balance of existing contracts in the market.

So it's still a marginal effect. It depends on the regulation by some of the trams in the country, but in the long run, it does have the potential to improve the loan conditions. As regards an expectation of recovery in market share, Nivaldo?

Nivaldo: Well, there's no doubt that this can bring some benefits.

What can we say about market share? Our main customers maintain a good outlook in the short, mid and long run. The green IPI program, the framework of guarantees have both driven the market in addition to some relevant launches. There are Volkswagen, the renewal of Onix and Tracker and the new Chevrolet models, in addition to Yaris, Yaris Cross by Toyota to be launched in a matter of a few days.

So there is a positive horizon. And as part of this positive horizon, the framework of guarantees is one of the favorable variables.

Ian: Thank you, Nivaldo. We have more questions posted in the chat. One by Pedro Carvalho with Trigono Capital: *“Congratulations on the results with this loss of the contract in integrated logistics. What are the expectations for the division?”* Nivaldo, over to you.

Nivaldo: Hello, Pedro. Thank you for the question.

Well, despite the loss of this contract, we are paying attention to the opportunities that arise with possible new customers and new products, as we informed in our earnings release. We've had more than 4 million in revenues from new contracts, which reflects the focus of our commercial team to prospect and drive revenue for this division. So we are prioritizing new contracts that will definitely provide profitability aligned with what the company expects and higher than the profitability that we would have with that customer that we quote-unquote lost.

In addition, we remain paying attention to other opportunities of inorganic growth in the sector through potential M&A deals, as Ramón mentioned, and through new operations with existing customers.

Ian: Thank you, Nivaldo. Moving on, we got a question from Miguel Machado with Lifetime Asset: *“Could we expect a payout of around 80% in the coming quarters, or was this a one-time-off event?”* Ramón?

Ramón: Miguel, thank you for the question. Firstly, we don't provide guidance or a statement regarding maintaining a certain level of dividend payout, but I'd like to remind you that this is not a one-off thing. In the first half of 2024, we had a prepayment of 80%.

The payout for 2023 was 82% for the full year. So Tegma has a track record of paying high dividends. As you know, we have a policy for a minimum of 25% dividend payout, but in the last three years, we have distributed between 60% and 80%.

So naturally, if we don't find a better allocation for these proceeds, we will distribute them. And Tegma historically has an aggressive dividend payout policy, and we are committed to maintain an aggressive policy, but we don't provide guidance of a specific number. It will depend on capital allocation and on the moment that the company is living.

Ian: And we got one last question from Pedro, but we understand that this was kind of answered by Nivaldo in previous questions. So this is the time if you want to ask more questions. Well, this is the time to ask them before I turn the floor to Nivaldo for his final statements.

Well, there are no more questions. So Nivaldo, over to you.

Nivaldo: Very well. We consider that our earnings were positive in the end of the first half of 2025, coupled with around 80% dividend payout following our historical average. Rest assured that we will continue to work hard to deliver the second half as

good as or better than the first quarter, so that 2025 will be another winning year for Tagma. Okay?

Thank you very much for joining us and I wish you a great rest of the afternoon.