

RESULTS PRESENTATION 3Q20

November/2020



DISCLAIMER FORWARD LOOKING STATEMENTS

This communication contains forward-looking statements based on the current expectations and beliefs of Tegma's management. The ongoing COVID-19 pandemic imposes significant risks and uncertainties on the statements, including those discussed below. Unless indicated, Tegma is providing this information as of the date of this communication and does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

No forward-looking statement can be guaranteed and actual results may differ materially from those we project

▶ *Status of COVID-19 at Tegma*

▶ *Finalist in the Electrolux Supplier of the Year*



▶ *Open Corps Award*



▶ *Site change for the São Paulo Warehousing operation*

▶ *Anticipation of dividend distribution and interest on capital (2020)*

▶ *New Enviromental, Responsibility and Governance section in IR website*

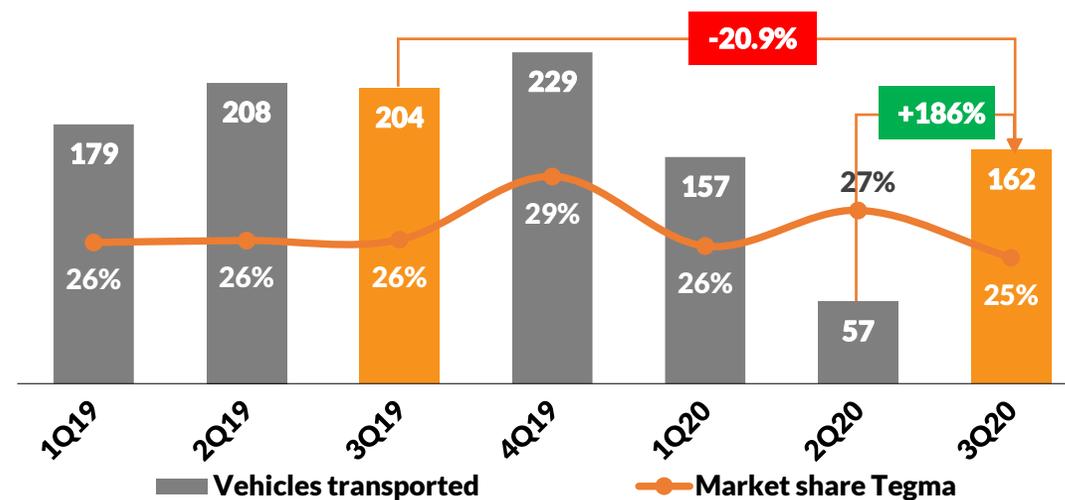
OPERATIONAL HIGHLIGHTS - AUTOMOTIVE LOGISTICS

MAIN INDICATORS

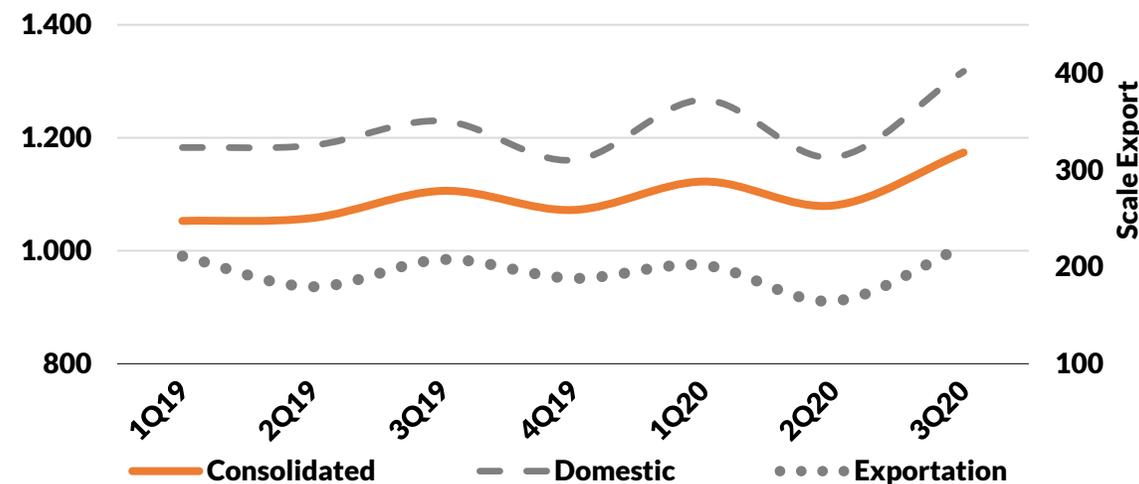
	3Q20	9M20	Chg % vs		
			2Q20	3Q19	9M19
Vehicles and light commercial vehicles sales	618.3	1,496.5	139.0%	-22.6%	-33.9%
Domestic	535.7	1,300.9	131.9%	-22.2%	-32.9%
Exportations	82.6	195.6	197.9%	-25.0%	-39.3%
Estimated wholesale sales	641.2	1,459.0	207.9%	-18.6%	-36.1%
(+) Production of vehicles and light commercial	572.8	1,258.4	339.5%	-23.0%	-41.5%
(+) Importation of vehicles and light commercial*	54.8	148.9	59.1%	-28.0%	-32.1%
(-) OEM's inventories change	(13.6)	(51.7)	N/A	N/A	N/A
Inventories (In OEM and dealers)	141.7	-	-10.1%	-59.4%	-
Domestic Sales	535.7	1,300.9	131.9%	-22.2%	-32.9%
Direct Sales	236.3	567.8	149.7%	-24.7%	-35.2%
Retail Sales	299.4	733.1	119.6%	-20.1%	-31.1%
Vehicles transported (thousand)	161.8	375.1	185.6%	-20.9%	-36.6%
Domestic	140.6	327.9	171.4%	-21.8%	-36.5%
Exportations	21.2	47.2	337.0%	-14.5%	-37.4%
Market share %	25.2%	25.7%	-2.0 p.p.	-0.7 p.p.	-0.2 p.p.
Average km per vehicle (km)	1,174.2	1,072.6	8.7%	6.2%	5.9%
Domestic	1,317.6	1,272.6	13.1%	7.1%	6.0%
Exportations	221.1	206.6	34.3%	6.5%	3.9%
Total km (million km)	189.9	427.0	210.5%	-16.0%	-32.8%
Domestic total km	185.3	417.3	206.9%	-16.2%	-32.7%
Exportations total km	4.7	9.8	486.9%	-8.9%	-34.9%

¹ and ² the breakdown between final sales and wholesale sales is necessary to capture the time difference that exists in the automotive industry. Final sales are those that occur between the dealerships and the final consumer or between the OEM and the exported country, the estimated wholesale sales represent the previous flow (what is produced, more than imported, less what was held in OEM inventories), these are the vehicles that actually need to be transported. * Using Wholesale sales as denominator.

VEHICLES TRANSPORTED & MARKET SHARE



AVERAGE KM PER VEHICLE TRANSPORTED

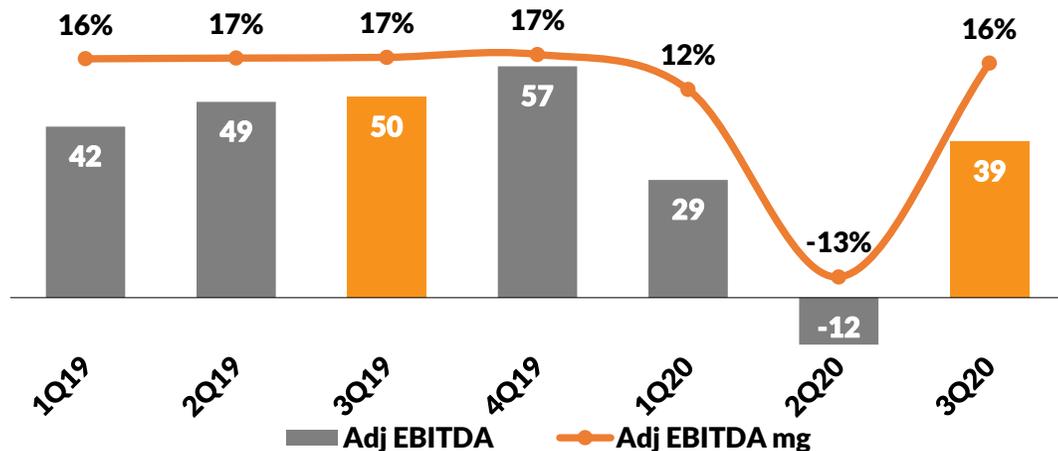


RESULTS – AUTOMOTIVE LOGISTICS

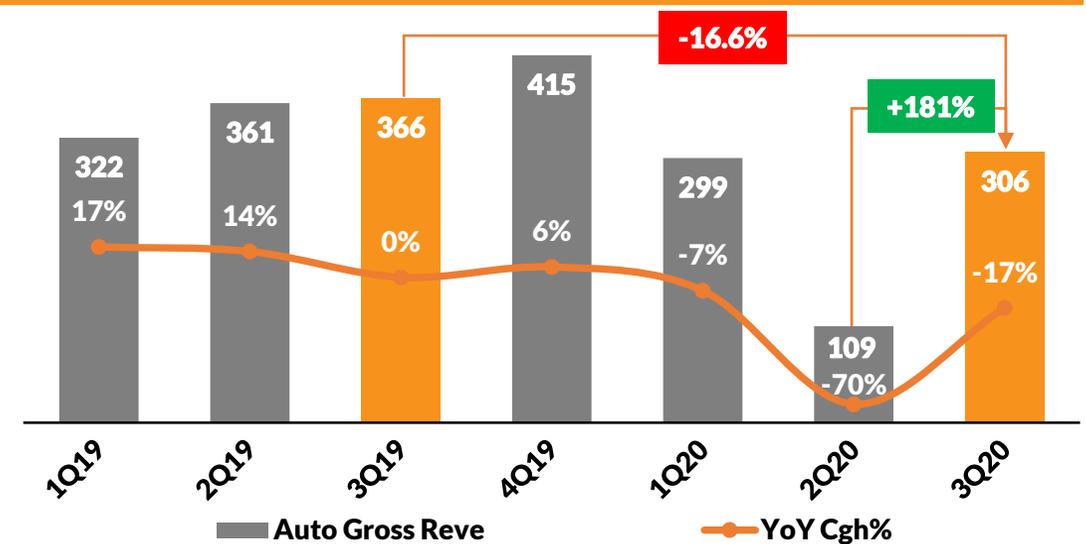
INCOME STATEMENT

Automotive logistics division	3Q20	9M20	Chg % vs		
			2Q20	3Q19	9M19
Gross revenue	305.5	712.8	181.2%	-16.6%	-32.0%
Taxes and deductions	(60.0)	(139.7)	176.1%	-9.9%	-28.8%
Net revenue	245.5	573.1	182.5%	-18.1%	-32.8%
Cost of services	(192.1)	(468.6)	123.6%	-19.5%	-30.1%
Gross profit	53.4	104.5	5,440.6%	-12.9%	-42.8%
Gross margin%	21.7%	18.2%	20.6 p.p.	1.3 p.p.	-3.2 p.p.
Expenses	(22.0)	(74.3)	7.7%		334.3%
Operating income	31.4	30.2	-	-65.3%	-81.8%
(-) Depreciation and amortization	(7.4)	(22.9)	-5.1%	-8.8%	-5.1%
EBITDA	38.8	53.1	-	-60.7%	-72.0%
(+) Non-recurring	-	3.3	-	-	-
Adjusted EBITDA	38.8	56.4	-	-22.2%	-60.0%
Adjusted EBITDA Margin %	15.8%	9.8%	29.2 p.p.	-0.8 p.p.	-6.7 p.p.

ADJUSTED EBITDA*



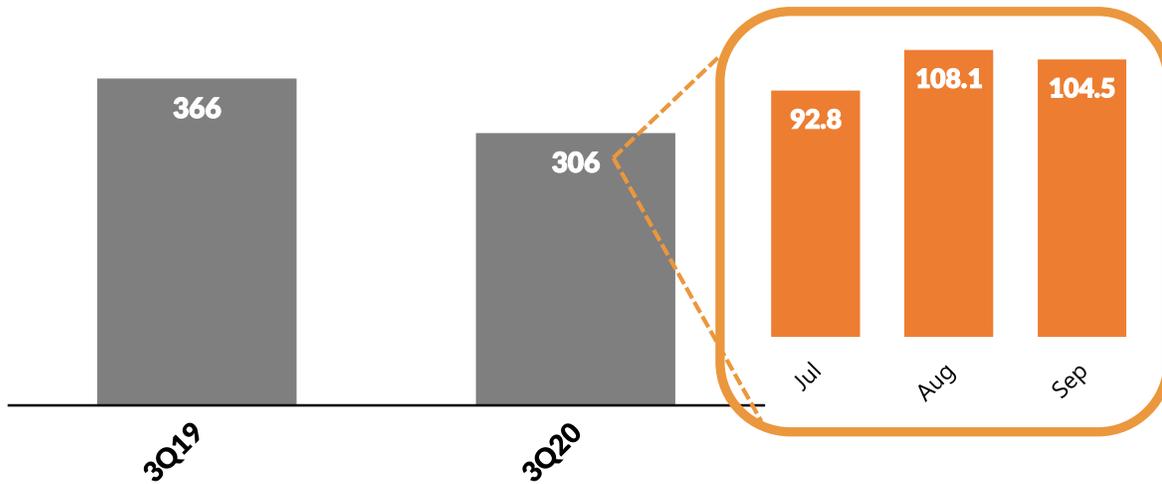
GROSS REVENUE



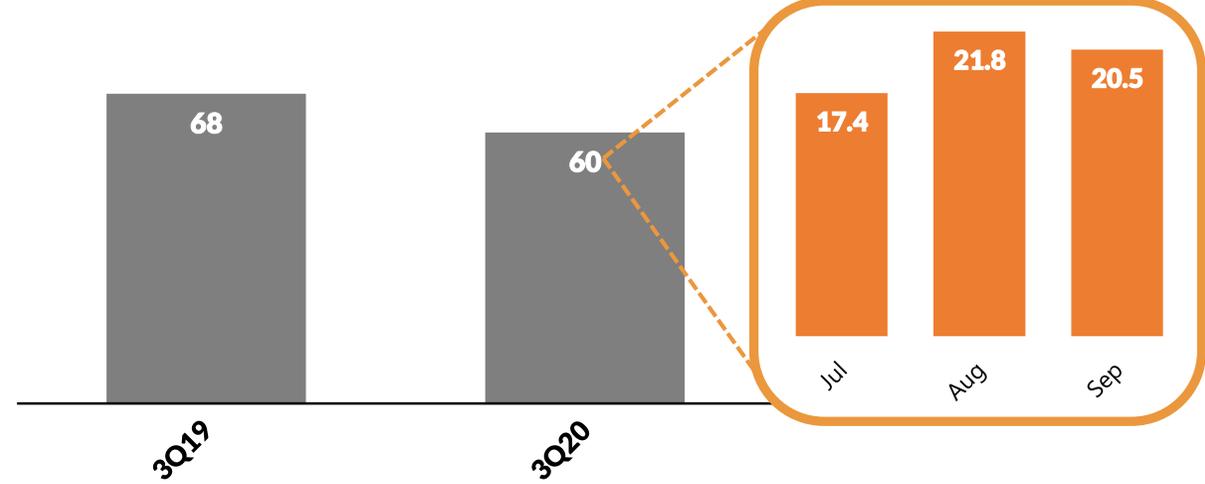
- Despite the strong recovery in the quarterly comparison (+181.2%), division's gross revenue decreased 16.6% in 3Q20 in yearly comparison, due to the 20.9% decrease in vehicles transported.
- Despite the drop in revenues in yearly comparison, 3Q20 automotive logistics division's gross margin was 21.7% [18.2% in 9M20], a 1.3 p.p gain of vs 3Q19 [-3.2 p.p in 9M20 vs 2019]. The margin recovery in quarterly basis is the result of cost reductions made in 2Q20 and of the control of the same in the 3Q20.
- Also in the division's adjusted EBITDA margin, we note once again the huge recovery in the quarterly comparison. In the quarter it was positive by 15.8%, a decrease of 0.8 p.p [-6.7 p.p in 9M20] in the annual comparison, mainly due to the abrupt decline in revenue.

RESULTS – AUTOMOTIVE LOGISTICS (MONTH)

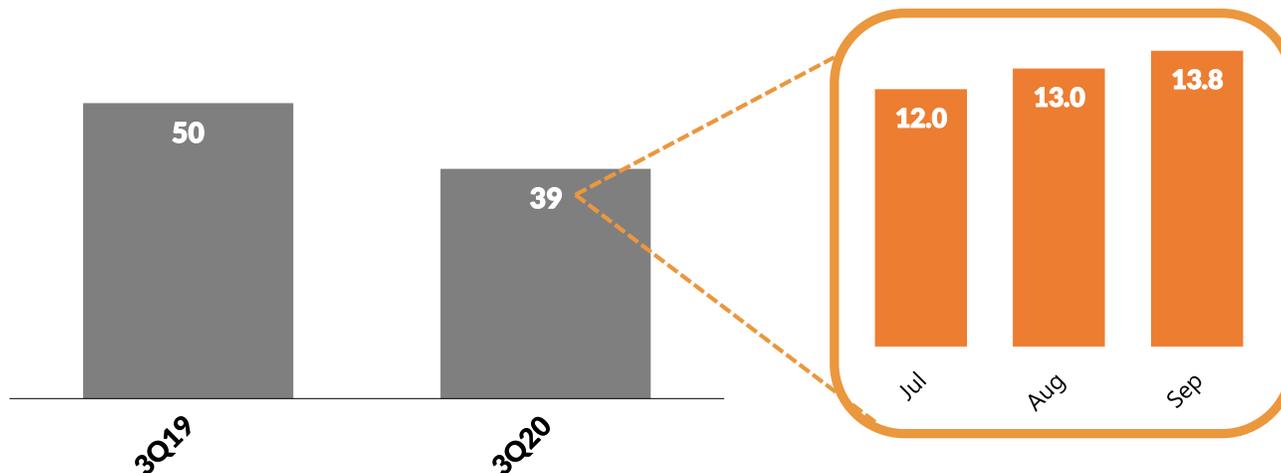
GROSS REVENUE



GROSS PROFIT



ADJUSTED EBITDA*

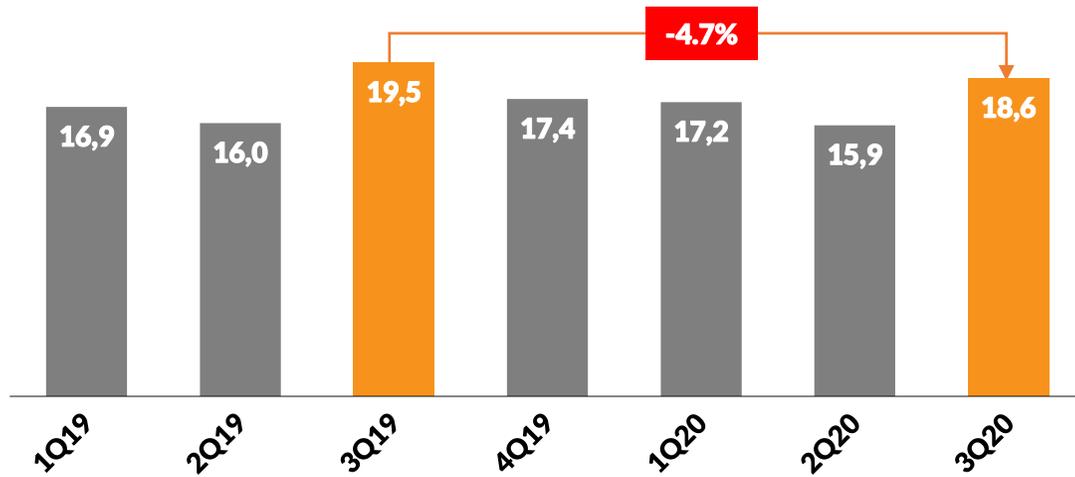


- As can be seen in the charts, the stability in revenues in the two months along the quarter occurs despite the continuous monthly growth in volumes, as explained by the volatility of the travels average distance, which was very high in August and below average in September.
- In this quarter, despite the savings reduction generated by MP 936, which allowed the reduction of working hours and layoffs, gross profit remained positive throughout the quarter, following the variations in revenue mentioned above.
- Division's EBITDA had a positive trend throughout the quarter due to the dynamics of expenses that were under control, except for the legal contingencies expenses increase.

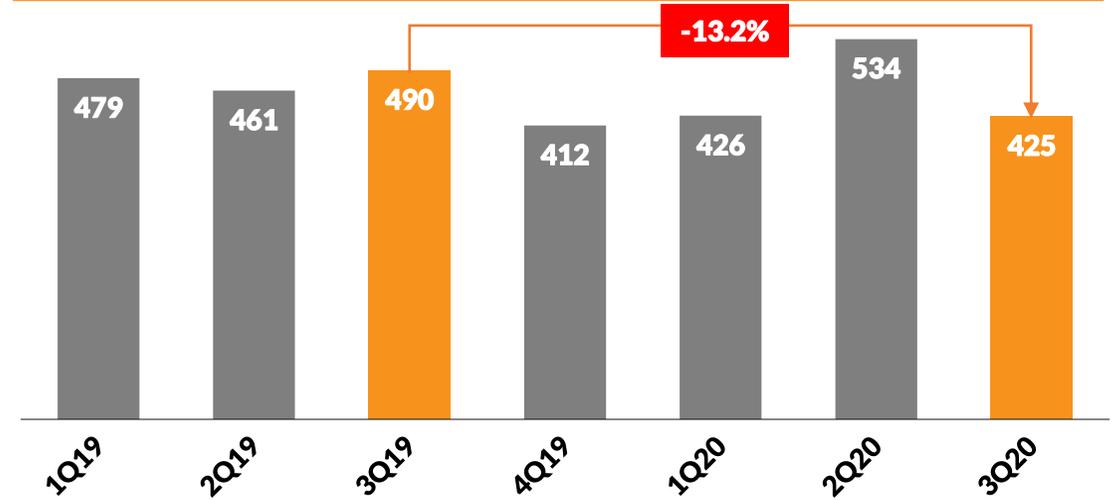
* It is important to note that EBITDA after IFRS-16 does not include the rental costs of the operation

OPERATION HIGHLIGHTS – INTEGRATED LOGISTICS

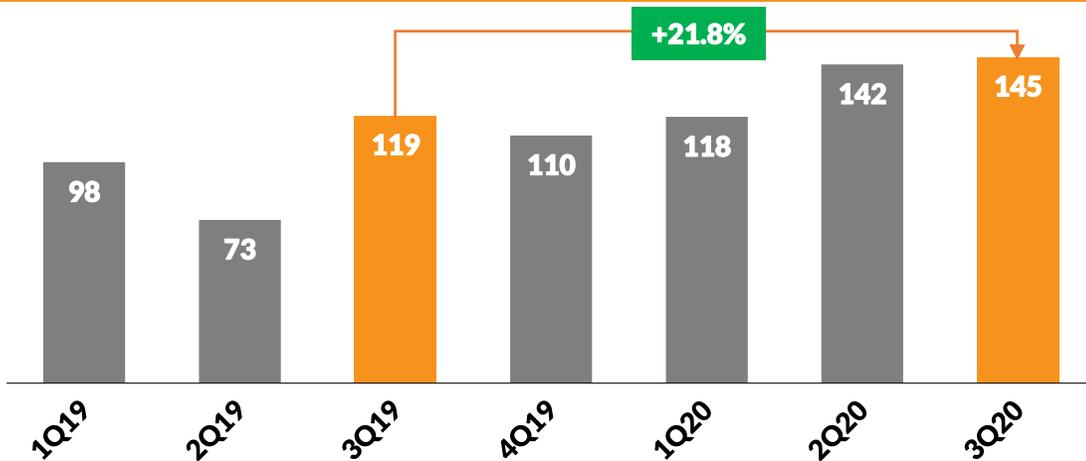
CONSOLIDATED # OF TRAVELS BY THE INTEGRATED LOGISTICS



TONS TRANSPORTED BY THE CHEMICAL OPERATION



AVERAGE TONS STORED BY CHEMICAL OPERATION



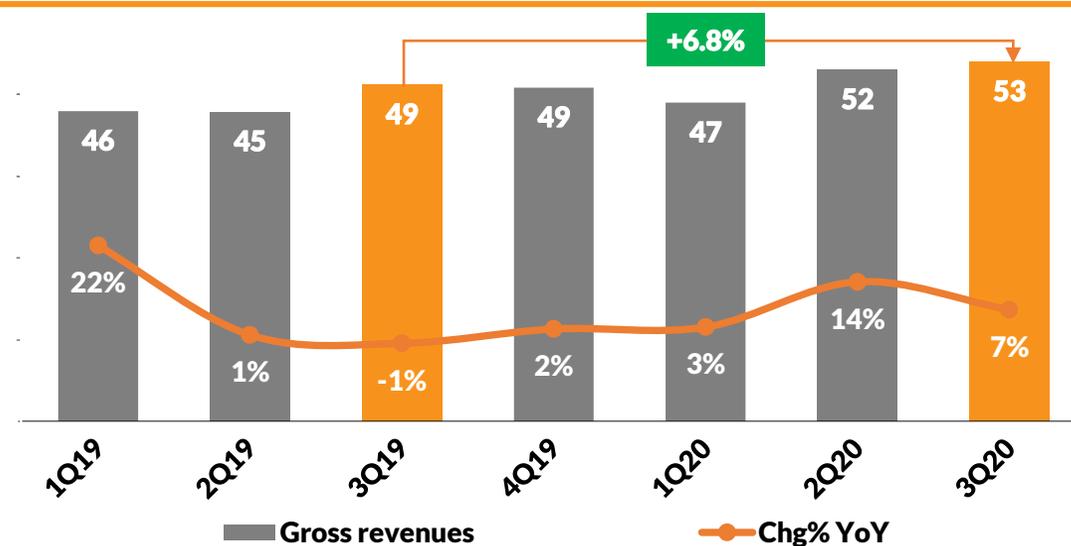
- Even with the impact on the economy caused by the COVID19 pandemic, the integrated logistics division performed resiliently, with a volume similar to that reported in the pre-pandemic period.
- The **quantity of travels** made by Tegma was **4.7%** lower [**-1.4%** in 9M20] in the annual comparison, due to the increase in the products inventory used in the chemical operation during the 2Q20 due to the pandemic. Despite this, we registered a record number of travels in the home appliance operation.
- Due to the same reason mentioned above, the amount of **tons transported** by the chemical operation fell **13.2%** in 3Q20 [**-3.1%** in 9M20] in the annual comparison.
- The **average tons stored** by the chemical division increased **21.8%** in 3Q20 [**39.7%** in 9M20] in the annual comparison due to the fear of the global supply chain interruption.

RESULTS – INTEGRATED LOGISTICS

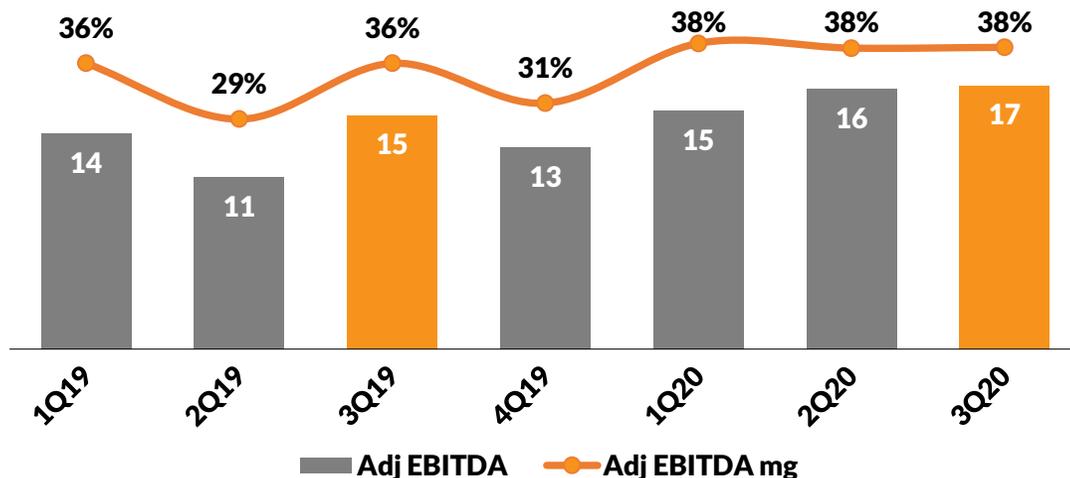
INCOME STATEMENT

Integrated logistics division	3Q20	9M20	Chg % vs		
			2Q20	3Q19	9M19
Gross revenue	52.8	151.3	2.3%	6.8%	7.7%
Warehouse	9.3	29.8	-21.2%	6.4%	15.0%
Industrial logistics	43.5	121.4	9.2%	6.9%	6.0%
Net revenue	43.7	126.0	1.1%	6.8%	8.4%
Cost of services	(32.4)	(95.5)	-1.0%	-1.6%	-2.4%
Gross profit	11.3	30.5	7.6%	41.6%	66.0%
Gross margin %	25.9%	24.2%	1.6 p.p.	6.4 p.p.	8.4 p.p.
Expenses	(0.6)	(1.0)	135.9%	-	-
Operating income	10.7	29.5	4.4%	12.4%	41.4%
(-) Depreciation and amortization	(5.8)	(18.3)	-4.0%	-13.7%	-7.3%
EBITDA	16.5	47.8	1.3%	1.6%	17.7%
(+) Non-recurring	-	-	-	-	-
Adjusted EBITDA	16.5	47.8	1.3%	12.7%	22.6%
Adjusted EBITDA Margin %	37.8%	37.9%	0.1 p.p.	2.0 p.p.	4.4 p.p.

GROSS REVENUE



ADJUSTED EBITDA*



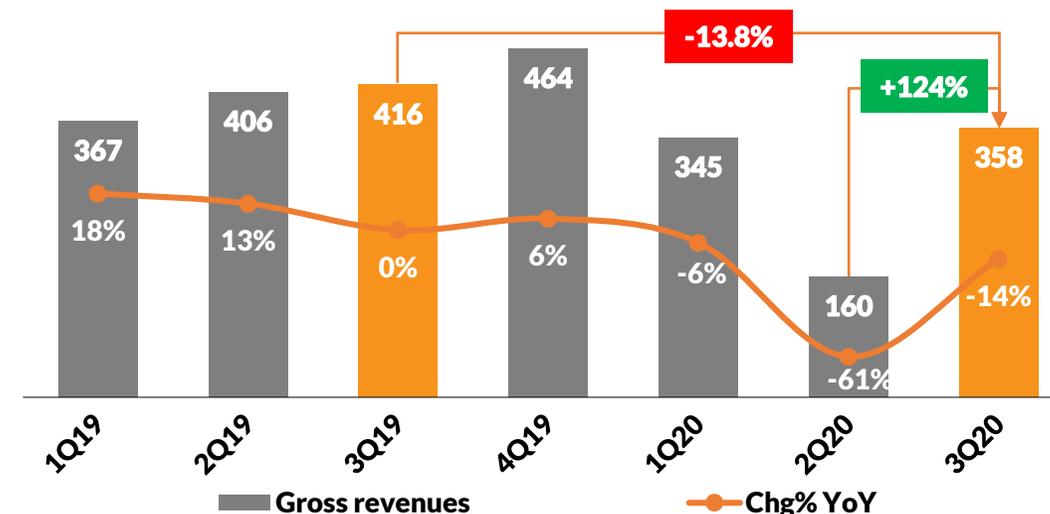
- Gross revenue from the warehousing operation grew **6.4%** [15.0% in 9M20] in annual comparison. Revenue of industrial logistics operation in 3Q20 grew **6.9%** [6.0% in 9M20] in the annual comparison mainly due to the dynamics of chemical and home appliance operations explained on the previous slide.
- The division's **gross margin** in 3Q20 was 25.9% [24.2% in 9M20], **+6.4 p.p** [+8.4 p.p in 9M20] higher in the annual comparison due to the growth in revenue from industrial logistics operation and from warehousing, allowing a better dilution of fixed costs and also for improving the business profile in industrial logistics.
- The division's **EBITDA margin** in 3Q20 was 37.8% [37.9% in 9M20], **+2.0 p.p** [+4.4 p.p in 9M20] in annual comparison mainly due to the same reasons for the gross margin gains. This is the division's highest nominal EBITDA level since it began in 2007.

RESULTS - CONSOLIDATED

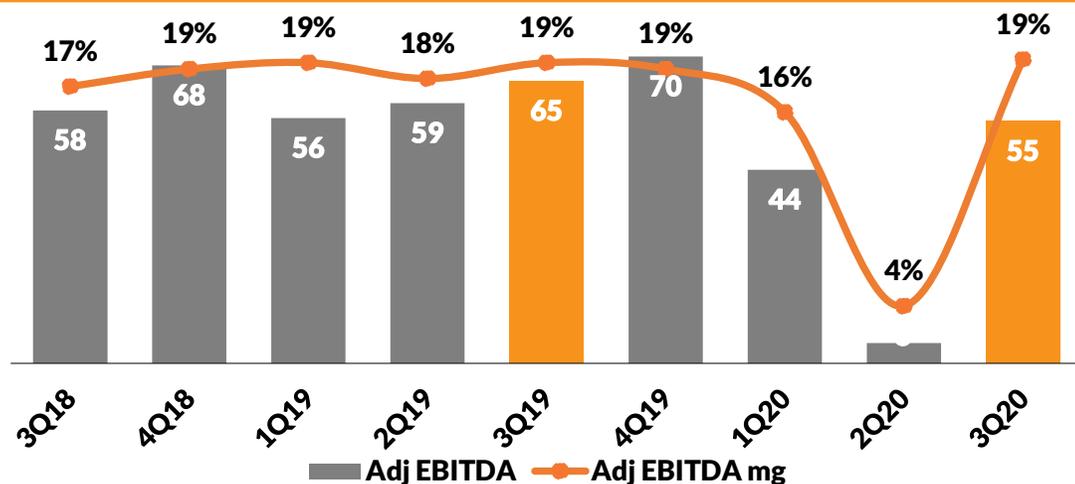
INCOME STATEMENT

Consolidated	3Q20	9M20	Chg % vs		
			2Q20	3Q19	9M19
Gross revenue	358.3	864.0	123.6%	-13.8%	-27.4%
Automotive Logistics	305.5	712.8	181.2%	-16.6%	-32.0%
Integrated Logistics	52.8	151.3	2.3%	6.8%	7.7%
Net revenue	289.2	699.1	122.2%	-15.1%	-27.9%
Cost of services	(224.5)	(564.0)	89.2%	-17.3%	-26.5%
Gross profit	64.7	135.0	463.5%	-6.6%	-32.9%
Gross margin %	22.4%	19.3%	13.6 p.p.	2.0 p.p.	-1.4 p.p.
Expenses	(22.6)	(75.4)	9.3%	-	414.9%
Operating income	42.1	59.7	-	-57.9%	-68.0%
(-) Depreciation and amortization	(13.2)	(41.2)	-4.7%	-11.0%	-6.1%
EBITDA	55.3	100.9	1,088.7%	-51.9%	-56.2%
(+) Non-recurring		3.3	-	-	-
Adjusted EBITDA	55.3	104.2	1,088.7%	-14.3%	-42.1%
Adjusted EBITDA Margin %	19.1%	14.9%	15.6 p.p.	0.2 p.p.	-3.7 p.p.

GROSS REVENUE



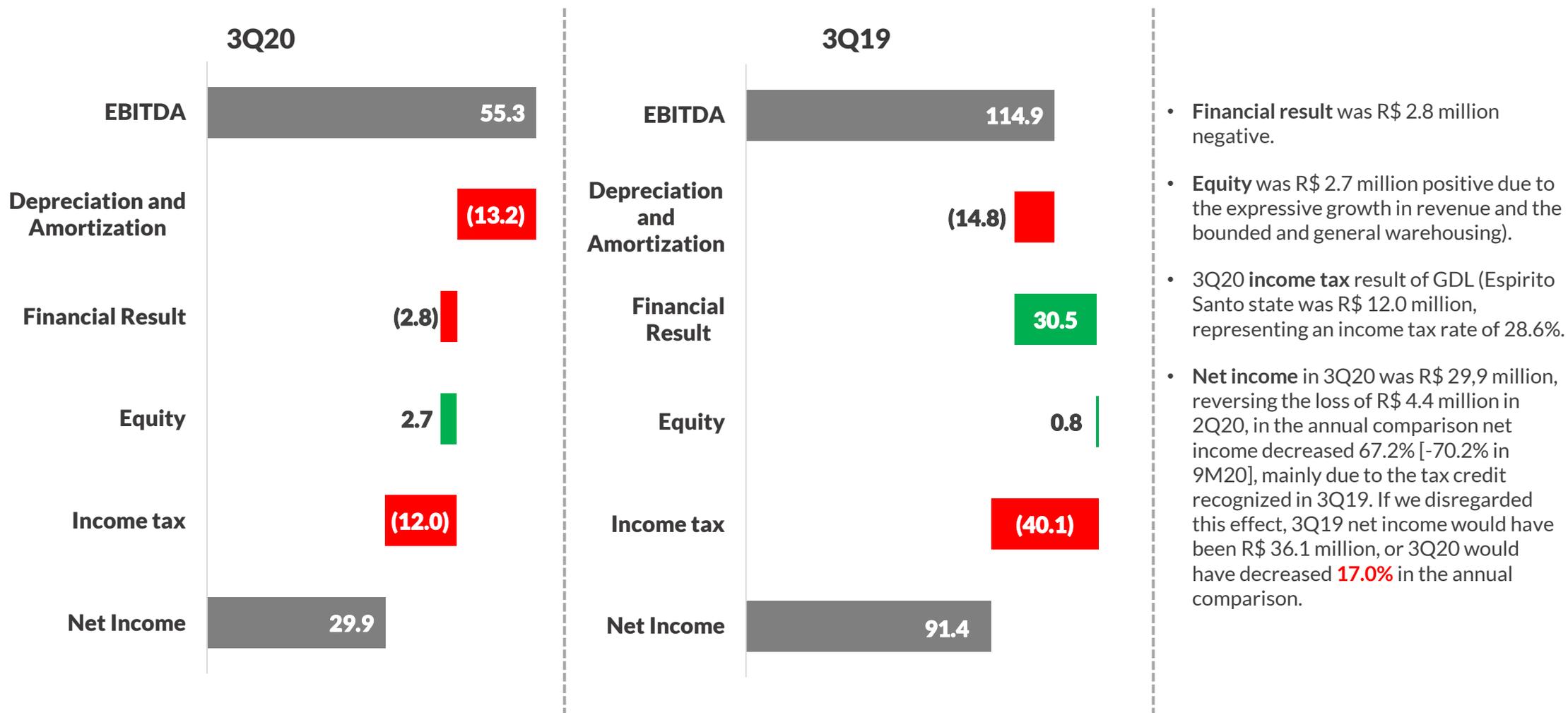
ADJUSTED EBITDA*



- The consolidated gross revenue, as mentioned on slide 5, was negatively impacted by the decrease in the number of vehicles transported by automotive logistics division and positively by the good performance of the integrated logistics division.
- 3Q20's consolidated gross margin was 22.4% [19.3% in 9M20], an increase of 2.0 p.p. [-1.4 p.p. in 9M20] vs. previous year, due to cost cutting in the automotive logistics division in 2Q20 and the recovery of volumes in 3Q20.
- 3Q20's expenses were R\$ 22.6 million (10.0% lower in the annual comparison, disregarding the R\$ 56.5 million tax credit positive impact in 3Q19) mainly reflecting the cost and corporative expense cutting measures during the second quarter of the year.
- In 3Q20, adjusted EBITDA margin was positive by 19.1%, [14.9% in 9M20], similar to that recorded in 3Q19, due to the resumption of revenue from the automotive logistics division in the post pandemic with the reduction in costs and expenses operations in the second quarter and the positive result of the integrated logistics division.

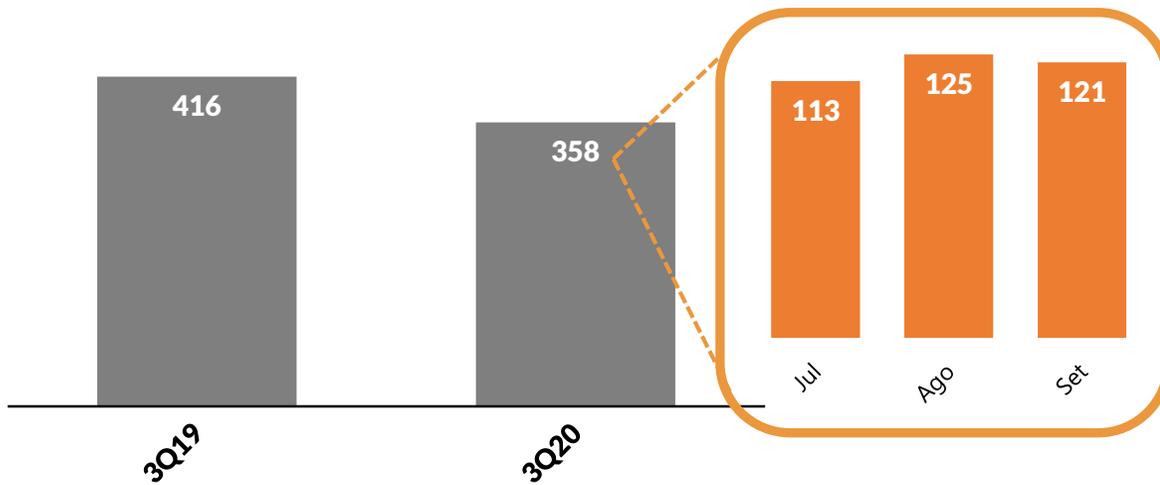
* It is important to note that EBITDA after IFRS-16 does not include the rental costs of the operation

NET INCOME

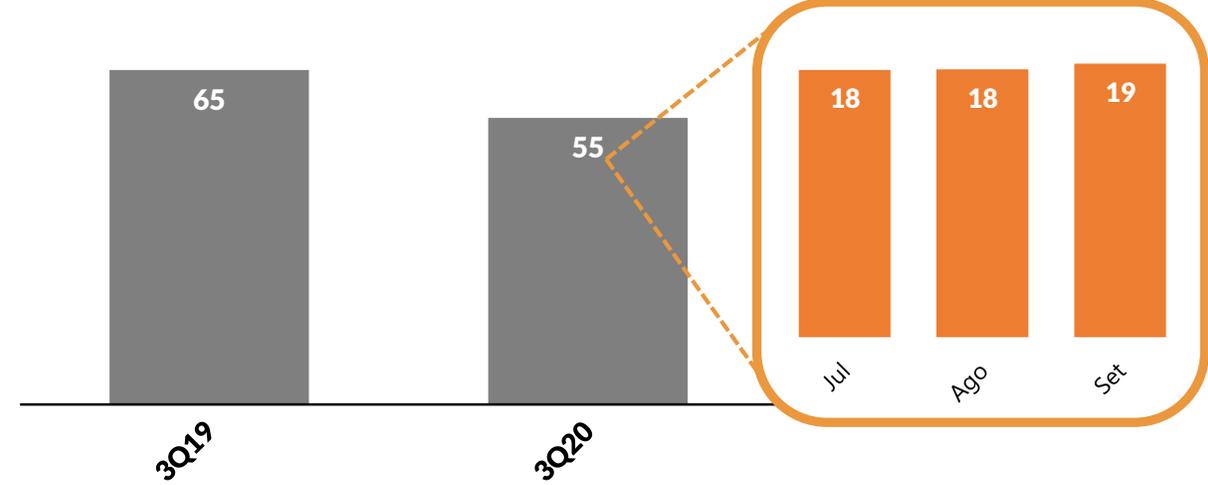


CONSOLIDATED RESULTS (MONTH)

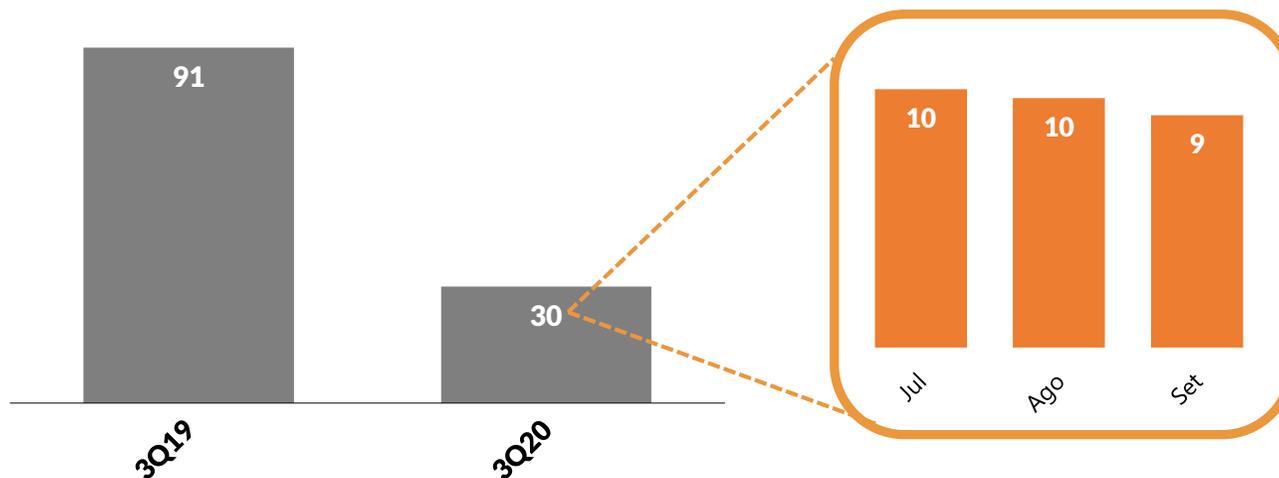
GROSS REVENUE



ADJUSTED EBITDA *



NET INCOME



- For the same reasons explained the monthly evolution of the automotive division, there was a stability in consolidated monthly gross revenue in 3Q20 as well, despite the continued growth in the number of vehicles transported. The revenue performance of the integrated logistics division has very little monthly variability.
- Consolidated EBITDA in 3Q20 was composed of months at the R\$ 18 million level, due to the stability of revenue and reflecting a result consistent with the costs and expenses.
- The company's net income in monthly performance decreased during the quarter due to slightly higher financial expenses and lower equity income over the quarter.

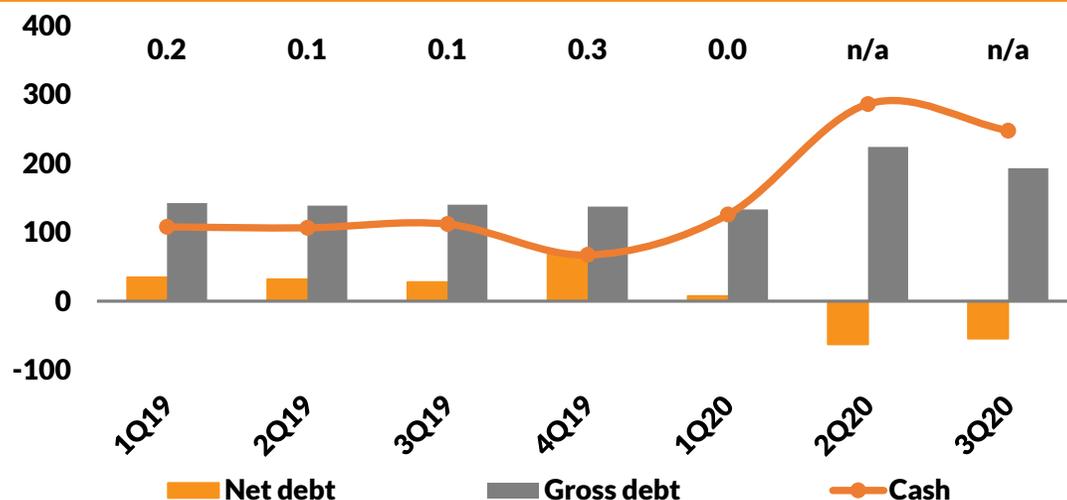
* It is important to note that EBITDA after IFRS-16 does not include the rental costs of the operation

CASH & INDEBTEDNESS

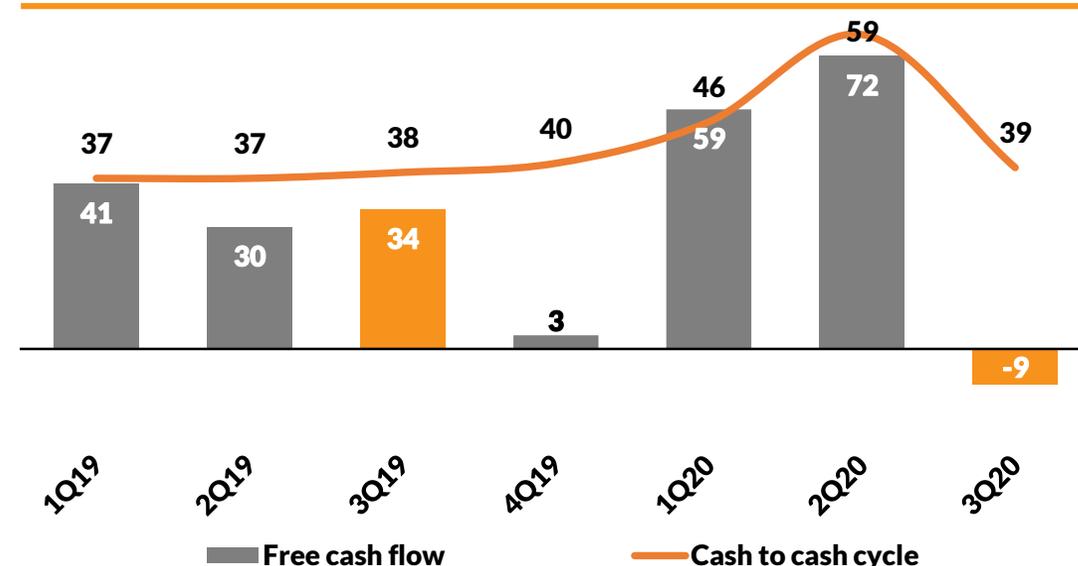
CASH FLOW

	3Q20	9M20	3Q19	9M19
A - Cash at beginning of period	286.5	106.8	67.3	83.5
1- Net cash generated by operating activities	3.5	45.6	160.1	152.7
2 - Capital expenditures "cash"	(4.7)	(3.5)	(14.8)	(27.6)
3 - Payment of leasing	(7.5)	(7.7)	(22.6)	(19.8)
Free cash flow (1 + 2 + 3)	(8.7)	34.4	122.8	105.3
4 - Net cash generated by investing activities	(0.9)	0.5	5.4	1.1
5 - Net cash from financing activities	(41.3)	(37.3)	29.7	(97.6)
(=) Cash at end of period (A + 1 + 4 + 5)	247.8	112.1	247.8	112.1

CASH & INDEBTEDNESS

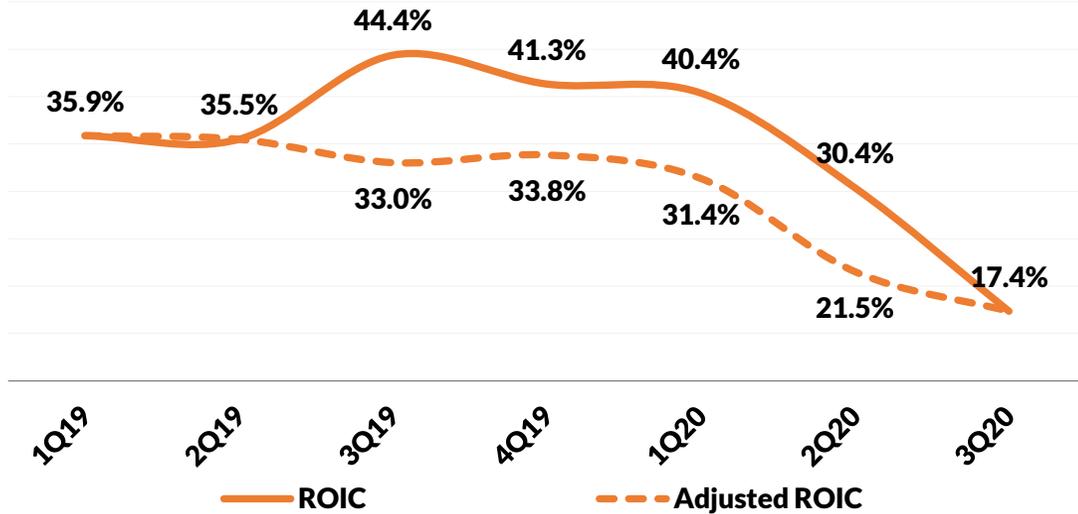


FREE CASH FLOW & CASH TO CASH CYCLE



- The Company's free cash flow in 3Q20 was R\$ 8.7 million negative, influenced by the working capital consumption due to the sharply revenue recovery in automotive logistics division in 3Q20 compared to 2Q20 and despite the good company's operating result in the quarter.
- The free cash flow in 3Q20 was positively impacted by the use of the PIS/COFINS tax credit in the amount of R\$ 9.6 million. This tax credit balance in September 2020 corresponds to R\$ 46.6 million.
- The Company's cash to cash cycle in 3Q20 returned to a level close to its recent historical level of 39 days due to the resumption of representativeness of the automotive logistics division in accounts receivable, which has a shorter receivables terms.
- The net cash on September 30, 2020 was R\$ 54.3 million vs the net cash of R\$ 62.5 million as of June 30, 2020.

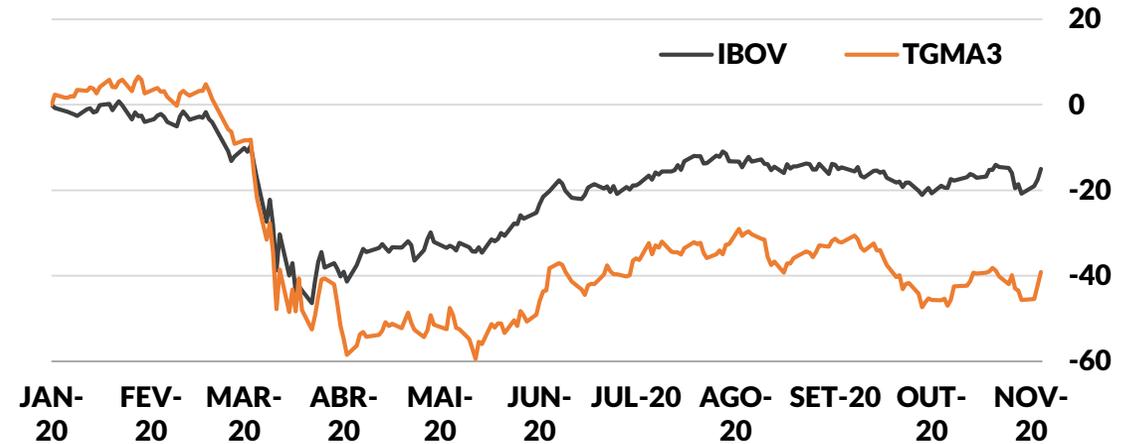
ROIC – Return on Invested Capital



MULTIPLES TGMA3



CAPITAL MARKETS



- ROIC in 3Q20 was 17.4%, a **4.1 p.p** drop vs 21.5% ROIC reported in 2Q20 (ex PIS COFINS tax credit). The drop in ROIC is mainly due to the negative impact of COVID-19 pandemic in automotive logistic division.
- Tegma's shares (TGMA3) has been underperforming IBOV Index due to the uncertainties related to vehicles sales recovery after the COVID-19 pandemic. The Company's market cap is around R\$ 1.5 billion (R\$ 23 per share).
- The 3Q20 multiples, considering only the 2021 results of sell side analysts who reviewed projections after a pandemic, were 15.9 EV/EBITDA and 8.4 P/E.

Q&A SECTION

Marcos Medeiros – CEO
Ramón Pérez – CFO & IRO

ri.tegma.com.br/en/

Follow Tegma in medias:

   /tegmagestaologica



Evaluate our
results
materials