

**International Conference Call**  
**Tegma Gestão Logística**  
**1st Quarter 2023 Earnings Results**  
**May 4, 2023**

**Operator**

Good afternoon and welcome, thank you for waiting. Please be welcome to Tegma Logística's 1Q23 results conference call.

We have with us today Nivaldo Tuba, Director President, and Ramón Pérez, Financial Director and IRO.

This meeting is being recorded and all participants are listening to the presentation. Following this, we'll start the questions and answer session, when instructions will be given as to how to proceed. If any of you need any assistance during the call, please ask for help from an operator typing \*0.

This event will be available for seven days after the closing of the event.

We'd like to invite now Mr. Nivaldo, CEO of Tegma, who will start the presentation. Mr. Nivaldo, please go ahead.

**Nivaldo Tuba – CEO**

Good afternoon, everyone. I am Nivaldo Tuba, CEO of Tegma, and in the name of the company I want to thank you all for the participation in one more teleconference of earnings report of our company. With me I have Ramón Pérez, our Financial Director and IR Director and Ian Nunes and Felipe Fogaça of the IR area.

Starting our presentation with slide number 2, as we usually say, we make a disclaimer about our perspectives.

Now we talk about the vehicle market in Brazil. As you can see in the first graph, domestic sales in 1Q23 were 16% above the same period last year. This performance is the fruit of acceleration of big sales and retail sales. After almost two years of falling, it's worth pointing out that 1Q22 was highly impacted by questions of supply chain, issues with the car builders, was the worst quarter since 2004. These are also the reasons why the production in 1Q23, shown in the graphic below in the left, grew 11%.

Finally, exports have presented once again growth, reflecting the good performance of sales in countries such as Argentina and Mexico, where even though there has been fall off in sales for Chile and Colombia.

Going to slide 4, we show a change which we realized in our methodology of the calculation of market share in the division of automotive logistics, trying to simplify this indicator. We can see on the graph below, which presents a comparative among the new and old methods of calculation, our market share has been very close to the for annual periods, independent of which criteria is used. The history of our market share was adjusted in a way to maintain its comparability. In our file of the historical series, which is available on the IR site, it is possible to see the memory of this calculation of both criteria in the quick analysis tab.

On slide 5 we present the principal indicators of the automotive logistics division. The number of vehicles transported in 1Q of the year was 18% above compared to on an annual basis, and the market share recovered to a level close to 25%, similar to the market share that we had in the recent quarters of last year, and close to the normalized share of Tegma. The recuperation of the market share reflects a good performance of the principal clients of the company. And finally, the average distance for travel was slightly superior in the annual comparison due to the growth of the average distance traveled and the participation in domestic travel.

Having said this and after these highlights, I'm going to pass it over to our Financial Director, Ramón Pérez, so that he can talk to you about our results, cashflow and other indicators. And after that, we'll be at your service for any questions and answers you might have.

### **Ramón Pérez – CFO and IRO**

Thank you, Nivaldo. Good afternoon, everyone. Going to slide 6, we can talk about the results of the division, the automotive logistics division, where we can see on the graph above that there was growth of 47% in net revenue of the division in 1Q23, explained principally by the increase of 18% in the quantity of vehicles transported in the period, an increase of 1.4% in the average distance traveled, and by the readjustments of rates in transport realized during 2022 and 2023.

We also pointed out the good performance of Fastline, our unit for logistics of used vehicles. We just presented an evolution of revenue, an excellent revenue evolution, and these logistics services have been benefited by the special moment for the sale of stocks of used cars by the industry.

Below that, we also see the growth of EBIT as well as EBITDA. In 1Q23 on an annual comparison, we accompanied by the increment of the respective margins of both items. This evolution is the fruit of the motives mentioned above and reflect the growth in revenue allied with our discipline in the control of expenses, offering consequently a better dilution of fixed costs and expenses.

On slide 7 we've set the results of our integrated logistics. We have almost reached the stability in net revenue in divisions since 1Q23 on the annual comparison, and it comes from the fall off in the quantity transported and stored for the chemical operation. It's also important to mention that the revenue from

the chemical operation in 1Q22 was positively impacted by the tiding up of two extra ships. On the other hand, the operation of domestic electronics has recovered due to the recomposition of the prices realized for that division.

In the graphs below we see both the EBIT margin as well as the EBITDA margin have both retracted in 1Q23 on the annual comparison. These oscillations are the reflection principally of the discrepancy of the revenue storage of the chemical operations originated by the tiding up of these two extra ships in 1Q22, even though there's been an improvement in the margins of the electronics division.

On slide 8, looking at the consolidated results, the net revenue was 336 million in 1Q23, increase of 39% on an annual basis, expecting growth of the of the automotive logistics in the period. Below we see both the EBIT and EBITDA presented a strong expansion in the annual comparison, fruit of the growth of revenue of the automotive logistics division, bringing better dilution of fixed costs. Beyond that, also our discipline in the control of costs and expenses in both operations.

Finally, net profit for 1Q23 was 34.7 million BRL, 87% above the annual comparison. This expensive growth comes from the positive operations performance of the automotive logistics division, the resilient results of the integrated logistics, the growth and expansion of the margins and the joint venture with GDL and the positive financial results come again from the generation of cash and the capital structure, which is deleveraged, a deleveraged capital structure.

Going forward, on slide number 9 we show on the graph on the left that the cash cycle in March of 2023 was 44 days, at a level similar to that of the last two quarters, considerably below that of March 22 due to the regularization of the commercial questions, which impacted negatively this period in the previous year.

In relation to the CapEx of the company it was 5.5 million in 1Q23, representing 1.6% of net revenue with no investment, no individual investment which is to highlight.

And finally on the right, we see the cash flow, the free cash flow of the company which was 59 million in 1Q23, the fruit of positive operational performance, and also even though it's below the free cashflow of 1Q22, which was positively impacted by the regularization of late receivables.

On slide 10 we show the details of our capital structure. In the first graph we observe the actual cash position of 242 million BRL, which is well above the payments of the net debt in the next few years.

On the graph next to that, the cost of the debt was elevated in comparison to December of 22, totalizing as CDI + 2.7% in March of 23. This increase (incomprehensible 11:10) after the payment of 10 million BRL with an export credit bill setting cost below the average cost of debt of the company. In the table below we can see that our net cash position in March of 23 reached 152 million BRL, well above the position of December of 22 due to the generation of cash by the company in that period.

And finally on the right-hand side our rating was reaffirmed by Fitch in April this year as being A Local, stable perspective, even in a scenario of great uncertainty and in an (unintelligible – 11:51) market and the credit crisis that has affected some sectors of the market as a whole.

Looking at the next slide (inaudible 12:02) the evolution of our return on capital and our net capital, the ROIC of 1Q23, in black, was 27.4%, 2.1% points above 4Q22, fruit of the evolution of our positive results. Same is true for the ROE, on the orange line, which expansion during 1Q23 is also due to the good results of the joint venture with GDL, which has improved our financial results.

Below that we observe the evolution of the EVA in 1Q23 maintained the tendency of recovery observed since the middle of 22. This evolution is a reflection of the generation of value by the company above the cost of capital and the fruit of its operational performance on both divisions, and the resilience of our logistics margins in the automotive logistics division and the positive results of Fastline.

On the right we show the history of dividends and interest on capital paid by the company. On the black line we indicate the payout of these distributions. In 2022 was 60% of the adjusted net profit or 70% of the net profit, without considering legal reserves and fiscal incentives. On the orange line, the dividend yield corresponded to 8.2% per year.

Finally, on the last slide we show the performance of our stock in comparison with the Bovespa index. Tegma shares, as we can observe in the first graph, presented a performance equal to the stock market in 23 in spite of the uncertainties in the automotive sector. As we look at the graph below, the shares of Tegma are being sold at multiples below average, as happens with the most, the largest part of listed companies in Brazil, influenced by the macroeconomic scenario.

With that, we thank you all for your attention and we open for any questions and answers which you might have.

## **Q&A Session**

### **Operator**

Ladies and gentlemen, we now start our questions and answer session. To make a question please type \*1, to remove your question from the list type \*2. Nivaldo will read the questions made during the webcast.

Reminding you that to make a question please type \*1, and to remove your question from the line just type \*2. Please wait while we collect the questions.

The question is from Victor from Vince, Company Vince.

**Victor - Vince**

Good afternoon. Can you hear me? Are you hearing my question?

**XXX - Tegma**

Yes, go ahead, Victor. Can you hear us, Victor? Go ahead, Victor.

**Operator**

Victor has been disconnected. Please remember that to make a question type \*1, and to remove your question from the line, \*2. Thank you.

Please wait while we collect any new questions. We will now start the question done during the webcast.

**Ian Nunes – IR Manager**

Good afternoon, this is Ian, IR from Tegma and I'm going to start with **Lucas Daniel's question**, who's (unintelligible – 16:52): Thank you. Congratulations on your results. Can you please comment on the operation of logistics of vehicle logistics, used vehicles, seminew?"

I'll pass it over to Nivaldo.

**Nivaldo Tuba – CEO**

Good afternoon, Lucas. Thank you for the question. Yes, we're going to talk about Fastline. This market of used vehicles, seminew vehicles works, this logistics works in Brazil in an informal way. The adoption of Tegma as a possible operator will bring technology and a great deal of more... get much more legitimacy to this subject.

It's worth pointing out that the market of used cars in Brazil is approximately six times larger than the new vehicle market in sales. Especially Tegma can utilize all of its expertise and technology and all the infrastructure that it has through the operation of new vehicles and apply it to used vehicles. This conjunction of factors has been bringing a favorable involvement to the development for us. Therefore we've had a growth in revenue and in earnings.

**Ian Nunes – IR Manager**

Thank you, Nivaldo. Next question comes from **Artur (unintelligible – 0:18:21)**: Your CapEx for 23 will be lower that of the recent years or was this semester... was this quarter an outlier?

**Ramón Pérez – CFO and IRO**

Good afternoon. No, there's no reason to believe that we have an outlier below other years. We have a proposal from the administration with company management which has been approved in which we mentioned BRL 51 million as a goal for CapEx. In 1Q we normally comment that we have a lowering of this value which accelerates during the year. So there's no reason to believe that the amount would be lower than that which we had indicated for our team here.

**Ian Nunes – IR Manager**

Next question **Felipe Viana from 3R**: Thank you. Congratulations on your results. Can you give us a little more detail about the development, about the performance of GDL? And how goes this growth rhythm?

**Nivaldo Tuba - CEO**

Well, good afternoon. GDL has been maintaining in 1Q the same speed, the same velocity of growth from the last year, the end of last year. We could note the maintenance of their clients, the maintenance of the domestic logistics, and in fact increase in automotive logistics, whether it is GDL has an occupation of patios and vehicles which is well above that which it had last year. So, with that we can explain part of the good results which we have earned in 1Q.

**Ian Nunes – IR Manager**

We can evolve to the next question, **Victor from Prumo**: Good afternoon, Victor and Tegma. Analyzing the expenses and administrative expenses, the quarterly average is 20 million per quarter, and the expenses in 1Q23 was 22 million. How do you explain the nominal stability or the real fall off in the real expenses in this period? And can you also speak about the demand? We see in 1Q there was an effect, a pent-up demand effect based on a lower base of comparison, but going forward, how do you see your daily sales in April?

The first question for Ramon and the second question is for Nivaldo.

**Ramón Pérez – CFO and IRO**

OK, in relation to the first part it's difficult to say indicator factor preponderant in relation to so many, because we're able to maintain our expenses and our expenses are under control, but I can also affirm that we are obsessive in relation to this control of expenses. We have performance goals connected with these controls, and approximately three or four years ago we implemented a specific system for matrix budgeting which helps us to control our expenses and also to disseminate the best practices in the company. Very interesting, we have monthly meetings, involve the entire company, not only the area of the controllership, but the entire company. This I think is one of the secrets of reaching these controls our expenses, our expense control.

### **Nivaldo Tuba – CEO**

Continuing on the answer and complementing what Ramon said, during April sales have been approximately 11% above when compared to April of last year. It's important to mention that April, due to the lower number of business days, the daily sales were 17% higher than the previous period. It was a positive performance and we can say equaling or reaching the level of that reached in the middle of 21. As far as clients, there was no significant changes in market share versus the market share of March, but there was a small absolute increase in volume.

### **Ian Nunes – IR Manager**

Next question, Orbe. Do you believe that there's space for some type of return on capital through extraordinary dividends for the stock repurchase?

### **Ramón Pérez – CFO and IRO**

We have to mention our current strategy which we have been following for some time of inorganic growth to answer this question. The principal utilization of our resources is focused on this inorganic growth, in which we have been working with a great deal of energy, but we have not given up on the idea of an eventual distribution of resources through the mechanisms which you mentioned. In case we do not have success in our initiative from the standpoint of this temporary initiative that we're looking at. Everything's on the table and there will be, these questions are constantly under consideration.

### **Ian Nunes – IR Manager**

We have a few more questions, the following is from **Marcelo from BTG**: Congratulations on the results and the question from my side, how is the competitive environment for the new entries in the market, especially the Chinese

companies? And how the stops of production in 1Q have affected you? Production, I'm going to pass over to Nivaldo.

### **Nivaldo Tuba – CEO**

Marcelo, as far as the Chinese competitors, we can talk about BYD and Great Wall Motors. BYD is already a reality in the Brazilian market. We received from GDL that their logistics, we receive vehicles through Victoria, which is run by GDL. There they are inspected and made available for sale in the market. So there's already a constant rhythm of receipt of these vehicles. Also, Tegma does this distribution for internal transportation. We have the entire chain of this brand.

As far as Great Wall, there is under way a process of bidding for the transportation needs of that company. These cars may also possibly come in through Victoria Port and will be handled by GDL. Speculation about factories exist in Salvador, Curitiba. We do not have any effective information, any final information about this information.

### **Ian Nunes – IR Manager**

Next question comes from **Luiz from Safra**: Good afternoon. Can you speak about the possibility of an M&A in the short term?

### **Ramón Pérez – CFO and IRO**

What can I say? As I mentioned previously, we mentioned in other meetings that we've been working on this a lot in this sense, and we have counted on the support of a specific consultancy on this question, we have several M&A signed with several potential targets. We have nothing concrete or finalized yet, nothing concrete to report as of yet. We're working on this, but there's nothing that can be announced.

All I can do is ratify the idea that this is our strategy to get the logistics, the logistics sector in which we can grow maintaining our margins, creating value for our stockholders. The profitability was enough profitability as we can prove in the company results of our integrated logistics. So we see this sector as a blue ocean for opportunities where we can utilize our expertise and our strategies for acquisitions, which are harmonious with the type of business that we do today. We can utilize the capacity to leverage resources so that we can consolidate this sector.

### **Ian Nunes IR Manager**



Thank you, Ramón. Next question we received from **Victor**. Victor fell and he sent it via chat: Can you please tell us how the principal clients... He must be referring to the sale of new vehicles. I'm going to pass it over to Nivaldo.

### **Nivaldo Tuba – CEO**

Thank you, Victor. Sales in April were 11% above what we had last year in the same time period, and due to the lower number of business days these sales were actually better and our market share was very similar to the market share of March.

And then the question of brands we can point out GM, Volkswagen, Toyota, three principal brands that we work with here, among our consumers.

### **Ian Nunes – IR Manager**

Thank you Nivaldo. One more question from **Gabriel from Santander**: Good afternoon everybody, congratulations on the results. Two questions from my side. About the methodology adopted that refers to the change in the methodology for calculation of market share, despite these modifications and this automotive market share, could you give us a little more color, as far as the motivation for this alteration? You believe that it's more faithful, more truthful? And what is finally your strategy in relation to market share?" Thank you. I'm gonna pass this over for Ramón to answer.

### **Ramón Pérez – CFO and IRO**

In relation to the motivation, as we mentioned we've utilized data that were in some ways estimates or where we didn't have real security about the inventory of the car companies, the position of the stocks of their inventory. We made this number just a little bit... It wasn't exactly 100% trustworthy, some uncertainty. So now we're utilizing a denominator of the number of licensing of new cars. It's more simple and then in our database we have adjusted in the past with the graph that we present here. It shows the variations are small. It's important to be able to compare the evolution of the indicators.

I think your question also you asked something about our strategy in relation to market share. Our market share it is, we don't have much to do about it. It's connected to, and it depends on the regions which we attend principally, where we have our lines established, and also the clients that we attend.

We attend almost the entire market, but some of them are well known by you all. They have a bigger participation than the average, so these clients are successful, and the sales of their models this affects our market share. On the other hand, if some of these clients are affected for example by the lack of components, or the shutdown the factories this will also affect our market share.

In the long term it has been around 25, 26% with several variations, but it doesn't have much oscillation in fact.

Another aspect that's important, we also mentioned in the previous question it has to do with our capacity to attend the new entries in the market. Therefore, I can ratify what was said in other opportunities that we have positioned ourselves very aggressively, participating in with the objective of taking part of this cargo which is now being set up for us.

### **Ian Nunes – IR Manager**

We have a question, one more question via telephone from Luiz Capistrano from Itaú BBA.

### **Luiz Capistrano – Itaú BBA**

Good afternoon everybody, thank you for taking my question. In relation to the market for new cars, I wanted to check with you about the retail, it is still very weak; have you had any discussions with the automotive manufacturers? If you can give a general overview of what is in more advanced steps. There's a lot to discuss, I wanted to see if you could give us an idea of what you think has the most chances of happening. Do you think that the government is really able to implement these things, these bits in the discussions?

And as far as the market of Fastline, if you could talk about the potential for that market, the view of growth, if there's a chance by the end of the year of seeing this really taking up as a new separate business sector, give us some more color about that segment. Thank you very much, thank you for the opportunity.

### **Nivaldo Tuba – CEO**

Luiz, this is Nivaldo speaking, let's go. 1Q despite all of these difficulties of sales that happened and the shutdown of some of the factories, the shutdowns were motivated to regulate stocks. In other words, even though they were productive, production, stock vehicles were still being transported from the patios to the sale to the distributors, so our movement continued to operate.

Question of subsidies and possible incentives beyond those that are being given by the automotive dealers - not through the government, but by the dealers themselves - are under discussion. The access that we have to Anfavea and other another company, other organs, is very nebulous, we don't know exactly what may come ahead.

The sales at retail have fallen off, but at the same time, direct sales have grown quite a bit. When I say direct sales I'm talking about sales aimed to the rental

company. There is a cultural change in Brazil, in which the adoption of rented vehicle is a type of transformation, increasing its volumes.

Fastline, as we mention, the used market has a huge potential for developing, six or seven times larger than the market of new cars. The possibilities of Tegma utilizing all of the expertise that it already has or the infrastructure that we have, all the system infrastructure we have will bring to this market a new logistic mode, so there's a whole field of development in the Fastline situation, OK, Luiz? Thank you.

### **Luis Capistrano – Itaú BBA**

Thank you, thank you for those answers.

### **Operator**

Just to remind you, to make a question please type \*1 and to remove your question from the line please digit \*2. Please wait while we collect any new questions.

We now close at this time the session of questions and answers. We would like to pass the microphone back to Nivaldo for his final comments. Sr. Nivaldo, please go ahead.

### **Nivaldo Tuba – CEO**

I wanted to give my special thanks to all of our employees, thank my employees who worked preparing these good results for 1Q, and also I want to thank all of you that have participated in this video call. We hope to see you again soon in the next quarter, thank you very much.

### **Operator**

The audio conference of Tegma is now closed. We thank you for your participation, please have a good afternoon and thank you for using Chorus Call.

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