

International Conference Call

Tegma

2Q23 Earnings Results

August 4, 2023

Operator

Good afternoon and thank you for waiting. Welcome to the teleconference of Tegma Logistics for the discussion of results in the Second Quarter of 2023.

We have with us today:

- Nivaldo Tuba, CEO of Tegma
- Ian Nunes, Manager of Investor Relations

We mention that this is being recorded and all the participants will only be hearing the teleconference during the presentation of the Company. After that, we will start the question-and-answer session when more information will be supplied. And if you need any help during the call, please ask for help to one of the operators typing *0. The replay of the event will be available right after the closing of the event for a period of seven days.

Therefore, we would like to start pass, over the microphone to Nivaldo, President of Tegma, who will start the presentation. Senhor Nivaldo, please continue.

Nivaldo Tuba - CEO

Good afternoon to everyone. I am Nivaldo Tuba, CEO of Tegma. In the name of all the entire Company I would like to thank you for your participation in one more teleconference of results of earnings.

I would inform you that exceptionally in the event today you will not have the participation of our Financial Director and Relations with Investors, Ramón Pérez. This absence was programmed due to his participation in a course in advanced management in the INSEAD overseas. With that our Manager of Relations, Ian Nunes, will handle part of the presentation today.

We also have the support of Felipe Fogaça, a member of our Investor Relations team. As is customary, we will start our presentation on slide 2, where the participants can see the disclaimer with respect to our prospective declarations.

In the slide 3 we will talk about the highlights of 3Q. The first part we mention about the approval of the payment of dividends and interest on capital referent to 1H23. We will distribute 37.6 million BRL equivalent of 0.57 BRL per share. This will correspond to 50% of the net profit of 1H23 and 59% of the adjusted net profit.

For the constitution of the reserves for fiscal incentives, these will be paid on the 17th of August benefiting those stockholders who have a stockholder position as of Tuesday the 8th of August. It will depend on...It will correspond to a dividend yield of 2.6%.

Following that, we will bring the considerations of the administration of Tagma with respect to the program of incentives of the government for the purchase of vehicles. It started on the 7th of June and continued for one month until the 7th of July. The discounts on popular cars were from 2 to 8 thousand BRL varying according to criteria of sustainability, economic sustainability, environmental sustainability and the nationality of production. The Management of the Company identifies negative and positive points in this program, which we discussed in the earnings release of this quarter.

On the negative points we point out that the announcement of the program was early. It was made on the 16th of May, which impacted negatively sales within the second half of May and the beginning of June. Down to straight sales, especially to rentals companies, which were waiting to see if they would be included on the period of the exclusivity of discounts for individuals.

Finally, the stock, the Company stocks. Due to the disconnection between the programmed production and sales, the production grew greatly in May and June. We understand that this principal factor generated production halts in the following months and not the question of structural demand.

As we said previously, there are also positive points which are worth mentioning. There is the discount on some companies beyond amounts offered by the government for several models, in fact, for models which are not even eligible in the program. With that we were able to observe a change in the mix of sales in the month of June, which privileged low-priced cars in detriment to the more valuable car, higher-priced cars.

An important effect was that there was maintenance in the reduction of prices and discounts for certain models, something that happened even after the end of the program in the month of July.

As the third highlight we spoke about the cyber-attack, which hit the Company and its controlled companies, suffered in May of this year. We answered quickly to reestablish our activities being the guarantee of the maintenance of our services and our controlled companies' without any impact on our results.

And the 4th highlight, as we mentioned in the results, earning results call, we are very happy to communicate that we conquered for the third time the certificate of Great Place to Work, GPTW, which motivates us to continue with our initiatives aimed at creating a professional environment more and more diverse, collaborative and innovative.

The fifth and last topic talks about the first integrated report of Tagma, which was presented on the 14th of July this year. This release is a mark of transparency and integrity with respect to initiatives developed by the Company

in their environmental, social and governmental area, governance area, as well as the future goals established by the Company. The integrated report is available in the digital media of the Company as its site, its digital site, the RI site, our sites in LinkedIn, Instagram and Facebook.

Now going to slide 4, we are going to talk about the principal data of the vehicles market in Brazil. As you can see in the first graph, domestic sales in 2Q23 were 4% above those compared on an annual basis. This is a reflection of the better availability of components such as semiconductors and also following the discrete tendency for the improvement of the auto market in Brazil, which could be noted.

As we also mentioned previously in the highlights in 2Q23, the federal government implemented the program of discount for new cars up until 120,000 BRL. This measure was very well accepted by consumers and by the industry. However, it is difficult to quantify the effect of the program on the vehicle sales in the quarter.

Production on the other hand, grew by 3% in 2Q23 in comparison on an annual basis, as we show in the graph below on the left. This growth is explained by the same motives of the evolution of domestic sales in the period, and it is impacted also negatively by the fall in exports, which fell off 16% in 2Q23.

Looking at slide 5, we have the principal operational indicators of the Logistics, Automotive Logistics division. The quantity of vehicles transported in 2Q23 was 157,000 units, 14% above on an annual comparison and our market share has recovered and reached the level of 26%.

The recovery of this market share reflects the behavior of the principal clients of Tegma during this period, the performance of these clients. And finally the distance of the trips was slightly lower than on a companion basis, mainly due to the maintenance of a recent tendency of the increase in the participation of domestic sales in the South and Southeast regions, where the biggest producers are located. The participation in these regions also represents 71% of all the licensing in the country.

After this I am going to pass it over to our Manager of Industrial Relations, Ian Nunes, who will talk about our results, our cash flow and other indicators. After that, we will open up for questions and answers. Thank you very much for your attention and have a good afternoon.

Ian Nunes - IR Manager

Thank you, Nivaldo. Good afternoon to everyone. I would like to go to slide 6. We will talk about the results of our automotive logistics in the period. As you can see in the graph on the upper side 24% of our net revenue comes from the 2Q23, which can be explained principally for the increase of 14% in the quantity of vehicles transported in that quarter. Beyond this performance, there was also readjustments in price as transport prices realized during 2022 and 2023.

We would also like to highlight the good development, good performance of Fastline, our unit of logistics for used vehicles. This continues to present a very positive evolution of revenue as well as the logistics services of the division, which were benefited by the increase in industry stocks.

Below we can see the evolution of the EBIT and EBITDA in the 2Q23 in the annual comparison accompanying the respective margins. A slight reduction in the margin EBITDA for 2Q23 comes with discounts, discounts to clients related to the disconnection of the pass-through of the price of fuel during previous periods. Beyond that, there was also a realignment of the prices in the division to levels in line with current fuel prices.

On slide 7, we present the results of the integrated logistics division. We can see that the net revenue in the division in the 2Q23 was reduced by 7% on the annual comparison. This reduction happened in the operation of chemicals, due to the instability in the operational flows generated by the renewal of the fleet of siloed trucks, tank trucks. This renewal happened in the quantity transported of chemical products.

On the other hand, the operation of electro domestic... electrical products had a slight recovery in revenue, reflecting principally the recomposition of the prices which are practiced in that division.

In the graph below we see that both the EBIT and the EBITDA margin presented growth in the 2Q23 in comparison to the annual, which was influenced by the results of the operation of electrical products in the period and the disciplinary control of costs and expenses in the operation chemicals. In spite of the fall in revenue, the margins had maintained close to the average levels, historical levels of the division.

On slide 8 we will talk about the consolidated results of Tegma. The net revenue was 367 million in the 2Q23, growth of 20% in an annual comparison reflecting the growth of the automotive logistics division in the period.

Both the EBIT and EBITDA presented expansion on an annual comparison, a reflection of the growth of the revenue of the division of automotive logistics, bringing a better dilution of fixed costs because of the discipline in control costs and expenses in both operations.

The stability of the margins in the quarter, in spite of the growth of the automotive division, comes from the commercial discounts previously mentioned and the realignment of prices in the transport on the same division.

And finally, the net revenue of 2Q was 39.9 million, 30% above on an annual comparison, an expansion of 0.9% of the net margins. This evolution is the fruit of the growth of the results of the operational division of the automotive logistics division and the financial results even more positive account for the generation of cash and the structure of capital which is deleveraged.

It is also worth mentioning that the financial results of the 2Q23 were positively impacted by the recognition of 2.4 million of revenue, in financial revenue resulting from the monetary correction of tax credits recognized in recent years.

In the slide 9, we see on the graph on the left the cash flow cycle was 41 days, which corresponds to 3 days less than in the cash cycle in the previous period and greatly below that of June of 22.

In relation to CapEx of the Company, the total investment of 5.2 for 2Q23 was 5.2 million, 1.4% of our net revenue, with no investment which is individually highlighted.

Finally, on the right we see the cash flow, the free cash flow of the Company: 33 million BRL positive in 2Q23. This generation of cash is a result of the operational behavior, positive behavior performance aligned with a cash cycle that is improved and the compensation of 5.1 million in tax credits, which contributed positively to the cash operational cash flow.

On slide 10, we present details of the structure, capital structure of the Company. In the first graph we see the current cash situation, which is 237 million BRL, really superior to the amortization of the debt in the coming years.

It is worth mentioning that on the 17th of July we did the liquidation of a loan of 40 million BRL of principal and 3.1 million in interest rate, aligned with our program of amortization shown in the first graph. In the graph on the side also the debt has maintained that CDI + 2.07% in June of 2023.

Below, we can see that our cash position in June 23 was 146 million BRL, below the position in March of 23. This reduction occurred even though we generated a great deal of cash at the time due to the payment of dividends and interest on capital referent to the year of 2022, which totalized a total of 39.6 million.

Finally, on the right, our rating, which was reaffirmed by Fitch in April this year has maintained at A Local with stable perspectives.

In slide 11, we can see the evolution of our return on invested capital and also our net our net capital. In the gray line of 29.2, 1.8% points above 1Q like the evolution, positive evolution, the results of the Company. The same is true for the ROE, return on equity, the orange line, which expanded in 2Q23, also contemplating the goodness of the joint venture GDL and the improvement of the financial results in that period.

In the graph below, you can see that the evolution of the EVA in 2Q23 maintained the tendency of recovery up since the middle of 22. This evolution is a reflection of the good operational performance of both divisions, the resilience of the logistics, car logistics margins and the good results of Fastline, our operation of logistics for used vehicles.

On the right, we show the dividends and interest on capital paid by the Company. With the gray line we indicate the payout of the distribution, the

anticipation of profit for 1H23, corresponding to 50% of the net revenue or 59% of the net revenue considering the reserves for fiscal incentives. On the orange line the dividend yield for the last 12 months corresponds to 8.1%.

Finally, looking at the last slide we see the behavior of our stock compared to the Bovespa Index. As you can see, they showed a performance above that of the stock market in spite of the uncertainties of the automotive sector. This performance is the reflection of the operational resilience of the Company as we have shown in the graph below. And these shares of Tegma are shown in multiples above the average, as well as occurs with a good part of the listed companies in Brazil influencing the scenario, macroeconomic scenario still in recovery.

With that, I would like to thank you all for your attention and I will open for the session of questions and answers.

Q&A Session

Operator

We will now start the questions and answers period. To make a question please type *1 to remove your question from the list. Senhor Nivaldo will answer the questions. Please wait while we collect the questions, thank you.

First question comes from Luiz Capistrano, Itaú BBA. Please go ahead.

Luiz Capistrano – Itaú BBA

Hello, thank you. I have two questions, I would like to understand, we saw the impact of the government program, and if that is over with or if that will come back in same way before that program started, which is looking very poor. And we are finally seeing a fall of interest in relation of any type of reduction. I had problems with the audio here. I would like to hear a little bit from you about, perhaps the tendency in the coming months and understand how is the market overall in relation to these new variables.

The second question is in relation to a certain type of news. It is the entrance of the BYD with prices very low and all of the companies, car companies have lowered their prices due to that, if this has an impact on other types of vehicles, if this might change the (inaudible from 21:04 to 21:11)

Nivaldo Tuba - CEO

Hi Luiz, thank you for the questions. As far as the perspectives of the industry, the stocks are still maintaining themselves a little bit above in the factories, above the expected levels, in spite of the government program to accelerate

sales - but it did not really lower the stocks enough. On the other hand, we have several effects, such as the fall of interest rates, better conditions for financing and principally the biggest companies are still maintaining their discounts, which is leveraging the sales again.

So, we believe that the humor of the market is more positive than negative due to these sequences of months going forward. Towards the BYD, when it arrived and they have a strategy and a market which is very strong, very, very aggressive. They have their sales under way and we have participated directly in their process, whether through the receiving of parts, distribution through the GDL in Vitória, or the reception of vehicle through, via Tegma. Though they are making noise in the market, this will affect the internal market, it is very little that it will change. They do not have hybrid cars; these are electric vehicles; these are exclusively electric vehicles.

But they are making noise and they want to... If we look at the sales of Great Wall and BYD of July it was equivalent, a little bit above large traditional brands such as Porsche or BMW are selling here. So they are arriving and their perspective is that they will have a factory. So there is good perspectives for these, for these, both these companies.

Luiz Capistrano – Itaú BBA

Interesting. Thank you very much, thank you Nivaldo.

Nivaldo Tuba - CEO

No problem.

Ian Nunes - IR Manager

Good afternoon. This is Ian from Tegma, I am going to start with a few questions that we received through our podcast, through our broadcast. First one from **Thiago Duarte**: Good afternoon, congratulations on the results. In terms of market share, does that have to do with new clients or is it just more sales of current clients? And he also asked a second question: The gains in revenue of GDL, your joint venture of storage in Espírito Santo, have to do with BYD?

Nivaldo Tuba - CEO

Duarte, thank you for your questions. No, the gain of market share is not new clients. There was an increase in the number of sales and a bigger concentration in those brands, which are already traditional clients of ours. I can point out which is public, such as GM.

As far as BYD in the GDL effect, it is true. Yeah, BYD is an old client of ours, not just in the automotive area, but also in other areas as well and we received practically all of their imports, BYD, coming through Vitória's Port. They are nationalized in GDL and then are distributed through GDL.

All the concentration of cars that are being imported by BYD are also coming in through Vitória's Port and are being stored in GDL, so BYD has cooperated for the increase of revenue of GDL.

Ian Nunes - IR Manager

Our second question comes from **Lucas Xavier**: Congratulations on your results. I would like to know, after the end of the government program of incentives, the purchase of vehicles is seeing a fall in the transport of new vehicles, if you are seeing a fall in the new vehicle transportation. Nivaldo.

Nivaldo Tuba - CEO

Thank you, Xavier. No, we are not seeing that, we are not seeing that effect. The levels are being maintained even because the cars are being sold. There is a delay in that and it is also a relevant fact that many of the dealerships of all of our brands are still maintaining their level of discount. So these are factors which are maintaining the level of volume up until the current moment.

Ian Nunes - IR Manager

Ávila, Tarpon: Congratulations on your results. They were robust, and recovery of market share. What is your expectation for your market share going forward? And how do you see the level of sales in the vehicle market in 2H23? Let me answer this.

I think that as you all know our market share, we have no way to really control it. It is the conquest of new clients as we have done with BYD, and the evolution of our market share is a consequence of the evolution of the market share of our clients. But we have had a recovery in relation to 22, as Nivaldo mentioned, due to the recovery of the sales of GM. And going forward, it is very difficult for us to say what will happen; it depends exclusively on the performance of our clients.

As far as the volume of sales in the market, in the new vehicle market in 2H23 we have this, we are looking at the beginning of the interest rates, falling interest rates. And when we see the discounts of some vehicles, the price of some vehicles on the part of some dealerships and companies, all of this makes it difficult to foresee, but brings some positive impact. So we are confident that 2H will be even a little bit better than we expect. However, it is difficult to make any prediction in that sense.

Another question from **Victor Blazquez**: Good afternoon Nivaldo and Ramon. Congratulations on the result. Can you please tell us about the perspectives of the financing conditions for new cars, for retail sales of new vehicles, please?

Nivaldo Tuba - CEO

Thank you for the question. I think this is a question which is a problem for the entire economy, not just the automotive sector. It is even more critical due to a high level of non-payment of debt and to pick up, it is too difficult to recover these vehicles from clients. So these are restrictive points, but I think we can say that we are at an inflection point. The fall of the interest rate indicates this tendency.

The association of the financial companies and the car companies gave an interview which indicated that in 2HTY would be very positive and that the car companies in the short term plan to a revaluation of the interest rates for their financing plan.

And I think additionally there are several points which are not yet possible to calculate. For example, the guarantees, which has a lot of potential for the financing of vehicles starting as soon as it was approved, as soon as they are approved. The level of guarantees of the bank helping the banks to have their real estate as guarantees.

And the more relevant item for the sector, which was taking away the guarantees law, is the different legal projects which are in Congress that talks to the dejudicialization of the recovery of these vehicles. So if this is approved as it is, it has a tremendous potential, a positive potential for the automotive sector.

So answering your question, this is an inflection point and we believe that things will be improved going forward.

Ian Nunes - IR Manager

We have a question from **Marcelo from BTG**: Congratulations on the results. Can you please talk a little bit about Fastline? What are the differences on this operation, between this operation and new cars? And how do you see this performing in the long term, how do you see it performing?

Nivaldo Tuba - CEO

Marcelo, thank you for your question. Fastline is the transportation of cars, of used cars. It operates nationwide. The biggest difference is that it can be operated with goosenecks in long trips, but for short trips and urban areas basically this operates on platforms or tow trucks. The client is a little bit different. The clients from Fastline are principally rental car companies, individuals, insurance companies and finance companies.

It is an operation which has historically been performing with a constant growth, reaching volumes always above the numbers which are budgeted, and gradually with a growing margin getting close to the margins that we have in the operation of new vehicles. It is an operation which has a horizon, a growing horizon. As an analogy, today Brazil has a move of sales 6x bigger of used cars than in new cars. So you have a scenario of growth going forward.

Ian Nunes - IR Manager

Thank you very much. Next question from **Pedro**: Nivaldo, Ian, Felipe congratulations. I want to understand what is, what you have seen in the incentives of the government in the operation of Fastline; and secondly the market share which has recovered its historical levels, is this due to growth? What is the normalized growth rate?

Nivaldo Tuba - CEO

Thank you, Pimenta. Fastline has been favored by this. Once there is more new cars being sold, then there is more sales of used cars as a consequence. As this transport of used cars consequently there was also a movement of fast, for Fastline. So we felt, yes. Additional positive movement in Fastline.

As far as market share recovering its historical level as we mentioned here, there was a growth which comes from larger sales by GM, which is a very, very relevant client for Tegma. As coming, as far as the normalized level it is difficult to say. For us, the bigger the better, but we are seeing that historically that the recovery after this pandemic of this level.

Ian Nunes - IR Manager

We will pass to the next question. We have already answered part of this. **Eduardo**: Good afternoon. Two questions from my side; can you comment on how to evaluate the sales of vehicles in July? And how do you see the strategy of BYD and what are the perspectives?

The second we have already answered, Nivaldo already answered. I am going to go for the answer of the month of July for him to answer.

Nivaldo Tuba - CEO

Eduardo, July was a surprise, the month of July. We were working with sales of 8 or 9000/day, and this level reached 10.000/day, so effectively there was a positive performance in July. Difficult to quantify that, how much of this was organic. We had a delay of approximately 15 days between the sale of a car and the vehicle being licensed.

Part of the performance of July is the leftovers from the government program in June. In July, there was also a stock due to the fiscal situation. The rental car companies also cooperated very positively in the month of July, since they were held back due to the delay in the release on the part of the government. So this wound-up concentrating sales for the rental car companies in the month of July.

The highlight of the Volkswagen brand, which got close to Fiat in market share, the Polo, which is a car which has its sale always in average levels took off their level of sale. Several resellers maintained their discounts or offered special discounts for this government program. And so these are measures which happened which wound up making it possible to have this growth in the month of July.

And finally, as I said, these two Chinese entrants, BYD and Great Wall, were very surprising, overcoming the sales of BMW and others.

Ian Nunes – IR Manager

Next question from **Rodrigo Schmidt**: Good afternoon. Can you please explain in more detail the question of the operational flow in relation to the float, the fleet operations?

Nivaldo Tuba - CEO

This is the following, Schmidt. One of our big clients, our principal client in this line, came from a change, a rule on the time of the metal tank trucks which bring their products, and that way we have had to change our fleet, which is a process which takes time.

It is not something that we have to purchase, manufacture these tank trucks and put them in operation. So we had to purchase these tank trucks with program deliveries, and so little by little we are getting our fleet up to this new client, for this new client. The tank trucks which are older will be utilized in other routes.

The question of, until we have the receipt, the effective receipt of all the tankers which have been purchased and are in production and part of them have already been received.

Operator

Ladies and gentlemen, remembering, to make a question all you have to do is type *1. Please wait. Ladies and gentlemen, please wait. Please stand by. Once again, if you have a question, please type *1 to make a question.

We now close this time of the period of questions and answers. I would like to pass the microphone back to Senhor Nivaldo for his final considerations. Nivaldo, please go ahead.

Nivaldo Tuba - CEO

Thank you very much for your participation. We hope we have made these reports in the satisfactory in 2Q. We are starting 3Q strong. We are maintaining and optimizing the report results reached in 1HTY. Once again, thank you very much and have a wonderful weekend.

Operator

The audio conference of Tegma is now finalized. We would like to thank you for the participation of everyone, have a good afternoon and thank you for using Chorus Call.
