

1Q24 Earnings Conference

May 7th, 2024

Slide 1

Ian Nunes: Ian Nunes: Good afternoon, everybody.

This is Ian Nunes.

Welcome to the conference for the discussion of the results, referring, with reference to the first quarter of 2024. This conference is being recorded and the replay can be accessed on the site of Investor Relations of the company.

We also inform that all of the participants will be listening to the conference during the presentation and after that we will start the question and answer session when instructions will be given to you. To listen to the conference in English, we have made it in the chat, the link of the English version for you to accompany, but we'll also be projecting only the Portuguese version. I would like to now pass the word to Nivaldo, the CEO of Tegma, who will start the presentation. Nivaldo, please go ahead.

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Nivaldo Tuba: Good afternoon. I'm Nivaldo Tuba, CEO of Tegma. In the name of the entire company, I would like to thank you once again for your participation in our teleconference of results. Here we have Ramón Pérez, our Financial Director and IR director, along with Ian Nunes and Felipe Fogaça of the IR area. As is customary, we'll start our presentation on slide two, where you can see our disclaimer regarding our prospective declarations.

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Nivaldo Tuba: Starting on slide three, I will talk about the principal data of the market, of the new vehicle market in Brazil. As we can see in the first graph, domestic sales in the first quarter of 2024 were 11% higher than in the annual comparison. And according to this behavior is due to the improving economic conditions in the country, pointing out the dropping of unemployment and the increase in income, as well as the easing of financing conditions for vehicles. It's also valid to say that, highlight that the biggest internal competition provoked by the Chinese players in the category of electrified vehicles, electric vehicles. Talking about production, we also would like to present a reduction of 1% in the

first quarter of 2024, as you can see in the lower left-hand corner. This also happened due to the behavior of exports of vehicles in Brazil, which retracted 28% in the first quarter of 2024, as well as the increase of 40% in imports in imported vehicles in the period. The behavior of the performance of the exports shown at the side is tied to the sale of vehicles in the principal countries in Latin America, as well as the higher competition coming from the Chinese sellers in these markets.

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Nivaldo Tuba: On slide four, we present the principal indicator, operational indicators in the Division of Logistics, Automotive Logistics. The number of vehicles transported in the first quarter of 2024 was 140,000 units, 1.8% higher than the same period last year. This increase in the volume transported is a reflection of the growth of domestic sales as we explained in the previous slide. Our market share has been reduced slightly on the annual comparison, reaching 25% in the first quarter of 2024, which was impacted by the performance, below normal performance of a relevant client of our company. Even though it's not shown on the slide, it's worth mentioning that in the improvement of the market share in this comparison, in the first quarter of 2024 of 0.7% percentage points. Finally, the average distance traveled was 6.9% higher on annual comparison due to the increase in the participation of the average distance of domestic travel... transport. After these highlights, I'm going to pass it over to our financial director, Ramón Pérez, who will talk about our results, our cash flow, and our other indicators.

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Ramón Pérez: Thank you, Nivaldo. Good afternoon to everyone. Before going forward, I would like to inform you that starting in January of 2024, the company started to adopt the sharing of expenses on the basis of the effective utilization of shared services to get to comparable comparative basis of margins, EBITDA, and divisions, the company will bring the numbers from 2024 not including the sharing of expenses. Starting in 2025, this adjustment will no longer be necessary, So seeing that both years that are presented will have adopted the same criteria.

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Ramón Pérez: Looking at slide six, we're going to talk about the results in the Automotive Logistics Division. We can see on the graph above that there was a growth of 17% in net revenue of the division in the first quarter of 24, which explained principally by an increase of 1.8% in the number of vehicles transported and 6.9% in the average distance traveled beyond the readjustments of the tariff trend, readjustments in the transportation sector in 2023 and 2024. Below, we see the evolution of the EBITDA in the first quarter of 2024 in the annual comparison, as well as our margins. The reduction of EBITDA margin from 14.3% to 13.6% in the first quarter of 24, which does not consider the sharing of expenses, happen due to the increase of administrative expenses, especially expenses with consultancies and legal fees with disregard to the gross margin growth in the same period.

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Ramón Pérez: On slide seven, we show the results of the integrated logistics division. We can see that the net revenue of the division in the first quarter of 24 increased by 7% due to the growth in the operation of the chemical operation. Due principally to a new contract of transportation of bicarbonate which was as we explained in third quarter of 23, the operation of electric electronics (home appliances) has also contributed to the stability of our revenue. We'd like to also mention that in this quarter the operation in the chemical area, conquered a new contract, transporting bicarbonate in two areas of Sao Paulo, as well as storing the bicarbonate in the Santos port. This is a 12-month contract and has a potential of adding 8% to the revenue of the chemical operation, considering the revenue base of 2023. In the lower graph, we can see that the EBITDA margin represented retraction of 28.5% to 26.2% in the first quarter of 24, not including the sharing of expenses. This retraction is explained principally by the fall in revenue coming from the storage operation and due to the discontinuation of the operation for one relevant client in that activity. I would like to pass it back over to Nivaldo. He's going to comment about our joint venture GDL.

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Nivaldo Tuba: Thank you, Ramon. On slide eight we show the financial highlights of GDL. We can see in the first graph that the net revenue in the first quarter of 2024 grew by 41% compared on an annual basis reaching 52 million reais. This relevant growth is the fruit principally of an increase of 40% in the sale of vehicles imported by Brazil in the first quarter of 24, which reflects in a larger quantity of vehicles, which are stored and nationalized and

distributed by GDL. A large part of this performance is due to the aggressive strategy of the Chinese entrants. On the lower graph, we see on the left, the evolution of the net revenue of the joint venture, which reached 13 million reais, an increase of 3.7 percentage points in our net margin. This performance is a reflection of the expansion of our revenue, aligned with the operational efficiency and costs and expenses of the company. I'm going to pass it back over to Ramón. He's going to go forward with the presentation of our consolidated results.

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Ramón Pérez: Thank you, Nivaldo. Looking at slide nine, we present the consolidated results. The net revenue of the first quarter of 2024 was of 389 million reais, a growth of 16% on the annual comparison, reflecting a growth in both the divisions in the period. Below, we can see that in the first quarter of 2024, the EBITDA margin withdrew by 1%, reflecting an increase in our administrative expenses, specifically expenses with consultancies and lawyer's fees, legal fees, as well as the lowering of margins in the logistics, in the integrated logistic operation as mentioned previously. This withdrawal in our margins occurred in spite of the growth of the gross margins in the automotive division. We should remember that the consolidated expenses are not affected by the sharing of costs. Finally, the net profit of the first quarter was 38 million reais, 8% above the annual comparison, a reduction of 0.7% in the net margin. This fall off in net margin is a result of the worsening of the consolidated EBITDA margin, an increase in expenses, and the beginning of the taxation of the presumed ICMS as mentioned in our earnings release.

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Ramón Pérez: Looking now at slide ten, we present on the graph on the left, the cash cycle in March of 24, which was 42 days, one day less than the cash cycle in December of 23. Regarding the CAPEX of the company, the total number of investments of the first quarter of 24 was 16 million reais or 4.1% of net revenue. Within the investments of more, [sic] the more relevant in the quarter, we had the acquisition of tractors, truck tractors for the operation of logistics of vehicles as part of the renewal of our own fleet, which totaled 5.9 million reais. The acquisition of silos for the operation of the chemical storage operation, which cost 3.4 million, and investment of 2.8 million reais, which is part of the project of implementation of the new ERP of the company. Finally, on the right, we show the cash flow, the free cash flow of the company, which in the first quarter of 24 was 61 million reais. This

generation of cash is principally a consequence of the operational result, the positive operational results allied with the liberation of working capital due to the reduction of the amount of accounts receivable in the quarter.

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Ramón Pérez: On slide eleven, we present details about our capital structure. On the first graph, we have to look at the actual, the current cash on hand of 300 million reais is which is significantly higher than the amortizations of the gross debt for the coming years. In the first quarter of 2024 we contracted 5.9 million of a new credit line of the FINAME BNDES for the acquisition of those truck trailers... truck tractors as a renewal of part of our fleet for the logistic vehicle logistics operation and on graph on the right, we can see that the average cost of our debt is CDI plus 1.6% in March of 2024. On the graph below that, we can see that our position of net cash in March of 2024 was 193 million reais, an increase compared to December due to the free cash flow of that period. Finally, on the right, our rating was reaffirmed by Fitch in April this year as A local, with a stable perspective.

Slide 12

Looking at slide 12, we will show the indicators of profitability of the company. The return on capital invested in the first quarter of 24 in gray was 27.3%, practically stable compared to the previous quarter. Also, in the case of ROE, in orange, we showed stability in relation to the return that was calculated. On the graph below that we had an EVA in the first quarter of 2024, which was at a level that was close to the previous quarter, basically due to the operational results. 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, which in 2023 was 82%. On the orange line, the dividend yield corresponded to 7.6% for the year.

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Finally, on the last slide, we see the performance of our stock, of our shares, compared to the rest of the Ibovespa Index, taking as a base the 31st of December of 23. Our shares as is seen in the first graph showed a performance below that of the stock exchange index overall in February of 24. This performance was impacted negatively by macroeconomic questions, which affected principally small cap companies in spite of the operational resilience of the company and the tendency for recovery of the automotive market. However, as shown in the

graph below, the shares of Tegma, as well as happens with a good part of listed companies in Brazil, are being negotiated at multiples slightly below their historic average. With that, I'd like to thank you all for your attention, and we open for the session of questions and answers.

Q&A Session

Ian Nunes: Thank you, Ramón. We'll now start with the questions and answers for analysts and investors. If you'd like to make a question, please press the button "raise hand." If your question has been answered, please remove your question from the line by lowering your hands. If you'd like to make any written questions, please type your question in the Q&A field in the lower part of the screen. Our first question comes from Marcelo Arazi, BTG. Marcelo, I'm going to pass your question.

Marcelo Arazi: Hi, thank you for the opportunity to speak. I wanted to address two questions. First of all, if you could give us a little detail about the contract, which was discontinued with the integrated logistics that you mentioned in the report. And on the other side, I would like to see if you have seen any impact on your operations with regard to Rio Grande do Sul and because of the rain situation there. These two questions, thank you.

Nivaldo Tuba: Nivaldo speaking, thank you for the question. As far as the discontinuation of that contract, it was the Burger King client who decided to make a new bid in the market and change the logistics operator. And the second question, which is a very up-to-date question, is the question of the impact of the rain in Rio Grande do Sul and how that will affect our operations. Our first and principal concern is with our people. We have there approximately 300 employees, direct employees, distributed in 250 in Gravataí, where we have the operation with GM, and about 50 in the city of Guaíba, where we have an operation for the receipt of imported vehicles from Argentina. The unit in Gravataí, which has the biggest operational representativeness for us, did not suffer any major damage as the GM factory continues operating, except for a few sectors where the employees have had difficulty in traveling. However, the entire vehicle operations starting from that vehicle is still being done, continues to be done, because they get on BR-101, which is still free for transportation, undamaged. Guaíba is a little more difficult because the water really took over the area with the access to the city, and we believe that in the next few days that operations there should return to normal

with the receipt of vehicles from Argentina. However, these vehicles that are coming from Argentina, going to Guaíba, we are offering to the company there, to that importer there, our installations in Gravataí to be able to store vehicles in Gravataí, and from there they will be distributed. So, summarizing, our big volume from Gravataí, the situation is practically normal. Our small volume of receiving imported cargo from Argentina in the Guaíba units suffered difficulties. As far as our people, we have no problem, no major problem. All of them are housed, correctly housed, and we're giving all of the necessary support to help those families.

Marcelo Arazi: That was very clear. Thank you very much.

Ian Nunes: I'm going to go to a question through the Q&A. If anybody else would like to make a spoken question, please raise your hand. I'm going to read the first question from Felipe Pinheiro from Polo. Good afternoon, people. I was, in the results, you talked about the expenses with consultancies and legal fees. Can you comment a little bit more about these expenses and what we should expect on those lines for the rest of the year? I'm going to pass that question to Ramón. I'm going to take advantage and read the second question from Renan as well, which is very similar: Good afternoon. The increase of administrative expenses in the quarter, can it be considered non-recurring or will it be close to this level in the coming periods? These two questions I'll pass over to Ramón.

Ramón Pérez: Good afternoon. Thank you for the questions. In relation to our expenses, the higher expenses, we did have two quarters, two consecutive quarters in the fourth quarter and this first quarter, with expenses of close to 30 million reais. This difference in relation to the previous level of the first quarter of 23, which was closer to 25 million, as we mentioned, it's tied to expenses with consultancies, principally consultancies, the majority is consultancies, and legal fees. These consultancies and legal fees are connected with the accompaniment of our legal processes related to the competitive questions, which the company, in fact, which the entire industry, in the fact that the vehicle transport industry suffers and from which we are a part of, and we've been communicating this over time. There has been exactly this concentration in these last two quarters. If we look at the variation of other lines of expenses in the first quarter, people's expenses didn't really vary at the same level. For example, our expenses with people grew by 7%. Beyond that, in this quarter specifically, we had several other small events which impacted this line, but were small, but also contributed to the

increase in those expenses. We had bigger provisions for judicial settlements, bigger expenses with consultancies, and several expenses tied to marketing strategies, participation in logistics events, all of this in comparison with the first quarter of 2023. In relation to the future, whether this will be recurring or not, what we can say is that we do not have at this time any expectation that these expenses will repeat consistently at these levels in the coming quarters. However, we have these cases underway, which are being accompanied by our lawyers, and eventually, we may have some type of click upwards, click in these expenses. However, we do not treat it as non-recurring. We have not placed it in our results as non-recurring, excluding these values, and we have no expectation that they will continue to repeat consistently over the next quarters.

Ian Nunes: Thank you, Ramón. The next question is from Tiago Duarte: Congratulations on your results. I've seen that your margins and integrated logistics have been reduced by the loss of one important client. I would like to understand the evolution of this gross margin, the IBITDA margin going forward, especially the IBITDA margin, which fell considerably. According to my numbers, it arrived at 9%, a little bit less than half of what it was last year. Is it possible to open, who was the client that was lost? I'm going to pass this over to Nivaldo.

Nivaldo Tuba: Thiago, thank you. As we mentioned, it was Burger King, the client that we lost, who did a new bidding process, and we lost, unfortunately. The question of the margins, you're correct. These margins are influenced by the loss of this client and by two other factors, Unilever with whom we have been readjust, negotiating a readjustment in our tariffs. So, we passed almost, two months, almost three months with our prices without readjustment. Readjustment, this new price is now in effect. And so, this did affect our margins and the volume of transportation that we do for Electrolux, the number of trips was reduced compared to the base that we had as the ideal. So, I can point out that in the month of April, this volume of transports, which had been going at 1,500 or 1,600 trips a month, arrived at the level of 2,000, so there has been a recovery. So, with this conjunction of the recovery of the volume of trips for Electrolux and the renegotiation of the contract of Unilever will improve our margins going forward. We received also a request for an audio question for... I'm going to open up for Pedro Pimenta. Pedro, go ahead.

Pedro Pimenta: [...] Nivaldo, Ramon, Ian, Felipe, congratulations on your results, thank you for this space. Continuing on this point, on the closing of this structure with Burger King, I

wanted to understand if there's any type of fine or penalty which you could see in the next coming months or not, and how does that process to rebuild your base without them? And the second question is, if you can also talk a little bit about how do you see [*sic*] the market, the vehicle market, looking at the question in the South also, it would be interesting to take a look at the second quarter. How does it look for the second quarter?

Nivaldo Tuba: Pedro, the question of Burger King, in fact, there is no fine. We were communicated within the contract of terms. So, obviously, this created a certain space, unused capacity in our warehouse, and we're looking for the reuse of that space by other clients. In the automotive market, specifically of new cars, we had, in the first quarter up until April, facts which declared a growth above that which we expected. The market grew more than expected. There was an evolution, a very important evolution, especially with Volkswagen, with the Polo, the most sold car in the quarter, which had agreed to the relevance in the month of April. And we continue optimistic. We continue working with volumes, thinking about volumes just a little bit above those which we planned in our budget, based on the numbers informed by the regulatory agencies and the market. Of course, the question from this regarding the South, it will affect the market. We don't know exactly how much will be this effect or how much this will impact problems for Tegma. I can tell you what I said at the beginning. Our principal business unit there is Gravataí, which did not suffer. So, we continue operating normally there. We are having a small stop in Guaíba with a response for a much smaller part of the market than Gravataí does. Thank you.

Ian Nunes: I'll go to the next question here in the Q&A. From Juliana Damasceno, Citibank, Citi: What's the strategy for the company about the cash position? On your radar, is there any M&A in this quarter or in this first half of the year? I'm going to pass it over to Ramón.

Ramón Pérez: Thank you for the question, Juliana. In relation to the strategy about our cash position, I think that the distribution of dividends, which was recently done, illustrates our intention, our desire to continue implementing a policy of, an aggressive policy of distribution of cash if we don't have the utilization and the need for CAPEX, a better utilization of cash for our operations. And we have a policy, an indicative policy to share at least 50%... to have 50% payout. However, in fact, as we have mentioned in several, for several quarters now, the company is desirous of implementing a strategy of growth, inorganic growth. We have, yes, on the radar several possibilities, several targets for M&A.

And we have already shared this with the market, our desire to increase our portfolio, our business portfolio, in integrated logistics, improving the balance of our portfolio, the equilibrium between the automotive industry's results, where we are doing very well, thank you. We have a great deal of interest in maintaining that in that sector. We want to make that very clear. But we want to grow in integrated logistics. We want to use our expertise, which is use our capacity for leveraging. I want to make it clear also that there's nothing, there's nothing that is connected. There's nothing firmly, there's no signed agreements. There's nothing firm. Otherwise, we would have obviously communicated to the market, but it is part of our strategy to look for M&A operations to help our revenue to grow in our integrated logistics operation.

Ian Nunes: Thank you, Ramón. I'm going to read one last question, which we received from André Prates. Thank you. Can you give us a panorama of the performance of this automotive sector in the second quarter? I'm going to pass this over to Nivaldo.

Nivaldo Tuba: Well, Prates, thank you for the question. We're optimistic for the second quarter, and although we have a fact of a new variable in this scenario, which is the situation in the South, in Rio Grande do Sul, I can tell very certainly how April was, where we had a continuation of the tendency of increase in domestic sales, growth of 12% in the daily sales on a comparison basis. And it's very important to mention that of the five major car builders in Brazil, only Volkswagen did not lose market share in this period. On the contrary, they gained two percentage points. The other big players, Fiat, GM, Toyota, and Hyundai lost together more than six percentage points of participation. Coincidentally, the same percentage which the three new brands, BYD, Caoa Chery, and Great Wall. So, there's been musical chairs. With the exception of Volkswagen, the brands are being substituted there. We understand that this could be a tendency, a trend for the months of May and June, discounting this variable of the factor, the meteorological factor that happened in Rio Grande do Sul, and which can... could bring some difficulty to the sector.

Ian Nunes: Thank you, Nivaldo. I don't think we have any more questions here. If anybody has anything else, please raise your hand wants to write something in the chat. Otherwise, we'll go ahead and pass it over to Nivaldo to make his final comments.

Nivaldo Tuba: Well, once again, thank you very much for your participation. Thank you for your attention. Thank you for the questions. I would like to ratify our solidarity of Tegma together with the people of Rio Grande do Sul. It's a very difficult moment for the people there, independent of any operation having difficulties there, our major concern, our principal concern is with our people. And that's the message that our people are good, are in good shape. And as soon as possible, our operations will be returning to normal. Thank you very much.