

International Conference Call

TEGMA Gestão Logística S.A.

4Q22 Earnings Results

March 10, 2023

Operator

Good afternoon and thank you for waiting. Welcome to the teleconference of Tegma Logistics S.A. for the discussion of the results of 4Q 22. We have with us today:

- Mr. Nivaldo Tuba - Director and President
- Ramón Pérez - Financial Director and Investor Relations

We inform that this event is being recorded and all the participants will only be listening to the teleconference during the presentation of the Company. After that we will start the question-and-answer session, when more instructions will be supplied. And if you need anything in the conference please tell us, ask for the help of an operator dialing *0.

This event will be available after it is closing for a period of seven days. In that case we would like to pass the word over to Nivaldo, Director President of Tegma, who will start the presentation. Sr. Nivaldo, please go ahead.

Nivaldo Tuba - CEO

Good afternoon to everyone. I am Nivaldo Tuba, CEO of Tegma. In name of the company I would like to thank you all for your participation in one more teleconference of results. Today we have Richard 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 usual we start with the disclaimer regarding our declarations and perspectives.

Going to slide number 3 with the highlights of 4Q. The first highlight is with respect to the payment of additional dividends, complementary dividends with reference to the results of 2022. The administration has proposed for the deliberation in the AGO to be done on 12 April the payment of 39 million in returns, 0.60 BRL/share. In this way, Tegma will distribute 60% of its net profit, adjusted net profit in the

period, and will have had a dividend yield of 8% for the year. The payment will be done on 24 April at the cutout date will be on 12 April.

The following point is an event, nonrecurring event in our results related to our controlled company Catlog. In this quarter we recognized a tax credit referring to the exclusion of ICMS from the base of calculation of the PIS COFINS tax, which impacted our EBITDA in 5.5 million BRL and our financial result in 6.2 million BRL and our net profit in 8.2 million BRL.

In the third highlight we show the important conquest. We will be together with our joint venture GDL located in Vitória in the Espírito Santo State, one of the logistics operators of BYD, the Chinese brand who is handling electrification of vehicles in Brazil and the world. The car company who has an aggressive growth plan and we hope to help, Tegma hopes to help with the growth of another brand of cars in Brazil.

And finally we would like to mention a highlight from our IR area. We provided our valuation guide, and we did it this time in Excel to make the process of planning easier for our analysts. This is an initiative together with several others in our historical series, which has always been quite praised by our analysts. It is a motive of praise and pride to all of us to have been working in one company, one of the most complete to in the market.

Going to slide number 4 we have achieved the analogy of our recent trajectory symbolizing our continuous, gradual and healthy growth, granting our (incomprehensible 4:20) through the operations already established and the new business, which is growing and flowering. The logistics leaf of new vehicles is in a moment of recovery in its principal market, even though the economic uncertainties reduced the visibility of the near future. Even so, the division presented resilience in margins and growth in return, together with their business structure.

In the case of integrated logistics we had a year with distinct results depending on the markets in which we operate; even so overall the results for positive for the fourth year consecutively.

The third leaf refers to GDL, our joint venture in the logistics operations, which has presented a very positive behavior, production and more than doubled its sales revenue with an annual growth of 20%, strong with growing margins and expressive returns in an important diversity of clients.

In relation to the smaller leaves we start talking about Fastline, our subsidiary responsible for logistics of used vehicles, which presented a performance which is

also very solid for the second consecutive year, providing solutions for the growing market and extremely needy quality services.

And the fifth leaf we look our start up TegUp. After several cycles of growth we had experience to find innovative solutions, which resulted in competitive advantages and the opening up new markets, new areas of business. We should mention that TegUp is being responsible for the last leaf, Rabbot. This company, which does the management of fleets through algorithms, had another year of expansion, of business expansion, which has reflected in its revenue, which doubled for one more year and with these new functions operated a great deal of growth in our base of users.

On slide number 5 we present our principal initiatives in the environmental, social and governance realized in 2022. Talking about the environmental area, in October 22 we published together with GHG Protocol our inventory of gas, of greenhouse gases in 2021. With this publication we have a history of three years publishing this report.

In 2022 we also structured the area of ESG with the hiring of a specialist, who will dedicate to this theme and pave the way for us to be able to report, to report still this year in 2023.

Also in the us social aspect we received the seals of Great Place to Work and FIA-FEEX with the base in the evaluation of our working environment. Still in the social aspect we realized our population census, part of the process which wants to make the company more representative in relation to our society.

Finally, in what touches the initiatives of governance, in May 22 Tegma signed together with the Ethos Institute of responsible companies the business pact against, for integrity and against corruption.

Slide 6 we see the principal data from the vehicle market in Brazil. As you can see, domestic sales in 2022 were practically stable in comparison with 2021. This performance is a fruit of a series of factors which covered the difficulty of production due to the lack of components in 1H of the year, as well as the adverse situations of national retailing was felt the tightening, of the monetary tightening in 2H of the year.

Below that, in spite of that we grew 11% in 3Q compared to the year with a comparison of the better dynamics of national production and the performance of direct sales, which expanded greatly in 2H of the year. In 2022 the sale, of domestic sales basically due to the strong exposure, expansion of exports as we saw the exports in 2022 due to the agreements, commercial agreement signed by

Brazil, the exchange rate advantages and the commercial strategy of the car companies.

On slide 7 we see the principal indicators, operational indicators of the logistics, automotive logistics division. The number of vehicles transported in 22 was 11% higher when compared to the year, and the market share started to grow at a normalized rate close to 25%. The recovery of our market share reflects the fact that in 2H 22 we did not suffer any production stops which impacted more intensely the important clients of Tegma since 2021. In 4Q 22 the growth in the volume and recovery of the market, of our market share, also reflected the good performance of our principal plans of the company.

The average distance of our trips was lower in comparison to the annual numbers due to the participation of exports in our trips and the mix of trips closer to the South, Southeast.

Among, after these highlights I would like to pass over to Ramón Pérez so he can talk about our results, our cash flow and the other indicators, and after that we will open up for questions and answers. Ramón.

Ramón Pérez - CFO and IRO

Thank you, good night, good afternoon to everyone. Going to slide 8 we mention the results on the division of automotive logistics. We can see on the graph above that there was growth of 39% in net revenue in this division in 2022, growth which is explained basically due to the increase in the quantity of vehicles transported in the period with the improvement of the market share of Tegma, as well as the readjusts, the price readjustments in the transportation due to the increase in the price of diesel in 2022.

Additionally, we have to highlight that the good performance of the vehicles, logistics of used cars and logistics services, which were benefited by the recovery in the stocks of the car companies and with the increase of sales to rental car companies. The same tendency this year is repeated in the revenue of the quarter, which were by 37% on a comparison, annual comparison.

Below we see an increase on both EBIT as well as EBITDA, as well as their respective margins. This performance is due to the reasons already mentioned previously, which positively affected our revenue beyond efficient control of expenses helping us to have a better dilution of fixed costs and expenses.

On slide 9 we show the results of the integrated logistics. We saw growth in net revenue in the division in 2022, both in the annual comparison as well as in the quarterly comparison, and what occurs into the increase in the volume of chemical products transported and stored. This growth has given us due to the fact that, in spite the fact that the operation in electro domestic and electronic products has enfrented due to the difficulties of retailing in Brazil and the lack of availability of parts and components.

On the graph below we can see that for the third year the division has presented a margin, EBIT margin of approximately 22%. When we observe the margins EBITDA of the division we can see, take into consideration that the year of 2020 was an atypical year, very positive for integrated logistics. That increase of the margin in 2022 compared to 21, this reflects the growth of the operation in chemicals and the better dilution of fixed costs. In spite of the worst performance of logistics aimed at the sector of electro electronics the EBITDA margin for 4Q 22 was within the expectation of the division.

Going to slide 10 we talk about the results, the consolidated results. We see that the net revenue of 1.4 billion BRL in 2022 and 409 million in 4Q 22, growth of 36% and 34% in the annual comparison, in the annual comparison YoY respectively, as we mentioned previously when we spoke about the operation of divisions.

Below, we see that both the EBIT as well as the EBITDA. Adjusted EBITDA presented an expansion, considerable expansion in comparison, on a YoY comparison. Once again, the better dilution of costs allied with the growth in revenue brought or gave us these results.

Finally, the net profit in 2022 was 160 million BRL, 48% higher on the annual comparison. This negative, this positive result is anchored in the solid performance, operational performance of both divisions and the joint venture with GDL, beyond a reduction of expenses, of financial expenses, net financial expenses of the company fruit of its generation of cash and its structure, its deleveraged capital structure.

In spite of this, we should mention that when we observe the net profit of 4Q 22, which was of 57 million BRL, this was positively affected by the tax credit of the controlled company Catlog this quarter in the amount of 8.2 million BRL. Even if we exclude that effect, the nonrecurring effects of 4Q 22 and 4Q 21, we have a net margin of 11.9% for 22, 1 p.p. higher than that of 2021.

Looking forward, on the next slide, on slide 11 we see that the CapEx of the company increased for the third consecutive year reaching 45 million BRL in 2022. This is the result of initiatives such as the renewal both of our fleet of trucks,

tractors, truck tractors as well as the part of packaging for electro electronics. An important part of the CapEx in 4Q 22 of 20 million BRL is result of the purchase of 20 tractor-trailers, part of which of the same plan mentioned previously.

The cash cycle in 2022, in December 22 was 42 days stable when compared to the quarter and significantly lower than that of December 21, due to the regularization of commercial questions that impacted negatively in that period. As far as the cash flow on the side, the regularization of this question, commercial issues contributed positively to cash generation in 2022, together with the good performance of the results taking advantage of the tax credit already constituted in the previous years in the amount of 29 million BRL. In 4Q 22, in turn, beyond a good performance, operational performance, we had 14 million BRL the same credits, same tax credits.

In slide 12 we see the details of our capital structure. In the first graph we see that the current cash at hand of 190 million is greatly superior to the payment of our short-term debts in the next few years, the gross debt in the next few years.

In the graph on the side the cost of debt has been reduced in comparison to September of 2022, the CDI + 1.97% in December of 2022. This reduction comes from the hiring, the contracting of 32.5 million BRL of financing through the BNDES in a FINAME operation for the acquisition of these truck trailers, truck tractors at a rate of CDI + 1.5 with, due in December of 2032.

In the table below we can see that our position of net cash in December 22 was 89 million BRL as a result of the generation of cash by the company.

Finally, on the right our rating, which was attributed by Fitch in April of 22, is A Local with perspective stable.

Going to slide 13 we see first of all the evolution of our returns, both return on capital invested as well as on net equity. We point out a ROIC of 25.3%, our ROIC in 4Q 22 in gray; and 3.5% superior to that of 3Q 22 due to the evolution, positive evolution of the results of our operations. The same happens with the ROE on the orange line. In this case looking at the positive impact of the good results of the joint venture with GDL and of the improvements in the results, of our financial results.

Below we show a new format for the presentation of the value, economic value, aggregated economic value or EVA. The graph presents the range of EVA considering the interval of the cost of capital attributed by the analysts, sell-side analysts for Tegma in recent years. The detailing of the calculation of this indicator is available in our file historic series on the tab indicators, and can be accessed in

our site of IR. We can see the evolution of the EVA in 4Q 22 maintained a tendency of recovery since the middle of 2022, reaching levels close to those at the end of 2019. This evolution demonstrates the generation of value by the company superior to the cost of capital, fruits of the operational performance of both of our divisions, the resilience of our margins of automotive logistics and the results, positive results of Fastline.

On the right-hand side we show the history of dividends and interest on capital paid by the company. On the gray line we indicate the payout for the distributions, which in 2022 was 60% of net profit, adjusted net profit; and on the orange line the dividend yield, which corresponds to 8.2% for the year.

Finally, on the last slide we see the performance of the company, of our stock in comparison to the Ibovespa Index. We believe that due to the macroeconomic scenario, which has been hit by high interest rates, late payments and consequent impact on the automotive market, Tegma's stock has been negatively affected in 2023 and 2022; consequently, the multiples below have been reduced to a level more discounted compared to the historical level.

With this I would like to thank you all for your attention and open up for the session of questions and answers.

Q&A Session

Operator

Ladies and gentlemen, we will now start the question-and-answer session, so if you would like a question please digit *1, and to remove your question from the line type *2.

Sr. Nivaldo will read the questions made via webcast. Thank you and please wait while we retrieve more questions. Again, to make a question type *1, if you have a question please type *1.

Ian Nunes - IR Manager

Good afternoon to everyone. This is Ian, IR manager from Tegma and I am going to read the questions from the webcast. We have several questions so far, from

Guilherme about the results: the market share of the automotive division will be maintained at an almost normalized level; what is the perspective going forward?

Nivaldo Tuba - CEO

Guilherme, good afternoon, thank you for the question. We can say that the perspectives are positive for the rest of the year. We can point out that our three biggest clients closed 22 in the Top Four in the ranking, and among them I can mention GM, which presented a good portfolio of models and among them three models which are recurringly among the top five in sales. We also have a new launch from GM, the Montana pick-up, which will occupy a market share which has a lot of, strong bets in the success of the sale of this product.

Other companies which were mentioned, Volkswagen due to managing reorganization substituting the Gol for the Polo; and Toyota which has been performing very positively.

On the other hand, not all, not everything is flowers. GM stopped for a month now in February and the possibility of another 20 days of holidays between the end of March and beginning of April. This might bring problems for us, beyond the fact that there is a possibility of firing of employees according to mentions that have already been published and according to the cutting of worldwide of employees by this company.

Ian Nunes - IR Manager

Nivaldo, anything else? The second question is from Victor: Good afternoon Nivaldo and Ramón and Ian and Felipe, congratulations for your results. I would like to understand how do you evaluate the automotive industry in these first two months of 2023? And if you could also give us comments on the needs of automotive logistics and still if you could share with us your expectations of volume, thank you very much.

Nivaldo Tuba - CEO

Vitor, thank you for the question. I am going to tell you a little about what happened in these first two months. When a new company of automotive logistics is making an idea, I can talk a little bit about it because it is now public knowledge, and I will give you a little bit of what we expect in the way of volume.

In the question on the first two months it was better in 23 than in 22 in terms of sales; however, we are still noting a crisis in semiconductors. For example, Volkswagen stopped in February, General Motors in Gravataí was stopped for a long time in the month of February as well, due to the lack of semiconductors.

So the evaluation, temporary evaluation even though the month of January has been a good month, February was hit by being a short month due to Carnival and the factory closings. So this evaluation is pretty much, not very accurate. These two months in terms of adjustments of the factories' production lines, we have new products coming in into the market which will give us a better picture, a more favorable picture of what we expect for the year. But as much as the macro scenario is challenging, the companies are, they have been investing in developing, and in this first bimester we had several attitudes in terms of financial, marketing such as discounts, bonuses, offerings, and vehicle offerings. This is to try and improve our sales.

In the case of BYD today, it is a great client of Tegma in the automotive area. We do part of their transportation to an agreement, a public agreement that was launched, we were some of the... Although our controlled company in Espírito Santo where the vehicles come in and where the front-end loaders, pharmaceutical products. We have in the portfolio BYD not only the automotive industry, but also a series of other products. We can mention BYD, which in general is the biggest manufacturer, a big manufacturer in China and it is coming to Brazil bringing electric vehicles with a great deal, in a strong way.

In the UOL in the item of cars the definition of investment of 3 billion BRL of BYD in Salvador in a factory, which will possibly take advantage of the infrastructure of the Ford factory which was located there. It also participated in two other, in investments in the process of building a Metro, surface Metro, surface transport in Salvador, so it is a part of the consortium - and electric Metro of course - and they are going to bring all the technology, all the wagons will come in through BYD.

In terms of volume as to answering your question, Tegma works with good indicators of the market, the existing markets, whether be at the factory or the inputs that we receive from the car companies and so, the symptoms of the market. We do not believe in a relevant growth of the industry, automotive industry in 23 in relation to 22. We are working with lots of adherence to the volumes which were already practiced last year, in 22.

BYD is starting, they have a planning, internal planning with the opening of dealerships, which theoretically they have a dozen dealers already, they are audacious in the country, several other models they plan to transport. So what we

can say is that in the next two or three years there will be accentuated growth with them.

Ian Nunes - IR Manager

We received a lot of questions about, there is a question about Leonardo from BTG. He asks us if we can, the expectation of margins.

Ramón Pérez - CFO and IRO

Okay, thank you for the question. It is a recurring question, but it is difficult for us to give any type of expectation in relation to that. What I propose, what I suggest is that taking into consideration first of all due to our low-level of leverage, of operational leverage, we have a resilience and a correlation, strong correlation in relation to these volumes. So we always suggest that the analysts pay attention to this in their projections.

In relation to the growth of revenue, Nivaldo made several comments in relation to that expectation, and we observe in the recent history there are very few points which are points outside of the curve in relation to this relationship which I mentioned. I will take advantage to mention that we have this strong resilience, this good image and we are always working in the reduction of costs and expenses, especially in the part of administrative expenses.

When we look at the last quarter we see at the years overall for 2022 and 2021 and excluding several extraordinary events, we are also looking at the maintenance of these costs, which showed a reduction in real terms, improving our margins, improving our margins. So this is my recommendation, it is that you, we cannot foresee exactly what the evolution of the market will.

Ian Nunes - IR Manager

Another question which we received from Luiza from Safra: good afternoon. Can you mention, comment on the perspectives, of what we think for 2023?

Nivaldo Tuba - CEO

Hi Luiza, thank you for the question. Luiza, Tegma has been studying some alternatives. What I can say is in the year of 2022 we evaluated a series of possibilities, some of them being we are continuing an analysis within and inherent, a business adherence of success which we already have, and when I say business I am referring to profitability, cash generation and commercial adherence, so these studies are ongoing.

Ian Nunes - IR Manager

Thank you, Nivaldo, and the last question is from Leonardo also from BTG. I think that part of the answer for Leonardo was already answered by Nivaldo, but I ask Ramón to complement as far as the perspectives for the allocation of capital, the company's allocation of capital.

Ramón Pérez - CFO and IRO

The perspective is that we will utilize our capacity of cash generation in this plan of growth, of organic growth which we are working on. We have, as all know, a low, a low-level of leverage, of financial leverage, to date we have net cash on hand. So we understand that this is an advantage that we have, a competitive advantage in this process. We can quickly raise resources to make any acquisitions that we may have in our inorganic growth plan.

As our plan, our strategy is to maintain the level of payout that we currently have - of course, always with a margin that our plans are to maintain this level of payout, even with our process of acquisitions that we hope to be able to initiate at some point going forward.

Operator

Again, to make a question please digit *0. Again, to make any question please type *1, to remove the question *1.

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

Nivaldo Tuba - CEO

Okay. We hope that we have given to you clearly and objectively our results for 4Q 22 and the accumulated for the whole year. These results are ratified, our positive adherence in relation to the budget we had presented, pointing out principally that was the fruit of a commercial construction seeing good revenue, and with a great deal of effort and controlling our operational costs and administrative costs. These measures were certain will be ratified in 2023 in a way that is even more efficient.

For a Friday afternoon, a rainy Friday afternoon thank you all for your attention, for joining us and I desire you all, I wish you all a very good weekend, thank you all very much.

Operator

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