

International Conference Call

TEGMA Gestão Logística S.A.

3Q 22 Earnings Results

November 4, 2022

Operator

Good day everyone and thank you for waiting. Welcome to Tegma Gestão Logística S.A. conference call to review 2Q 22 Earnings Results. Today we have:

- Mr. Nivaldo Tuba, CEO
- Mr. Ramón Pérez, CFO and IRO.

We would like to inform you that this event is being recorded and that all participants will be in listen-only mode during the company's presentation. After Tegma's remarks are over there will be a Q&A session, when further instructions to participate will be provided. Should you need assistance during this conference call please dial star zero (*0) to reach the operator. The replay of this event will be available right after the end of the call for a period of seven days.

Now I will turn the conference call over to Mr. Nivaldo Tuba, Tegma's CEO, to start the presentation. Mr. Tuba, you may begin.

Mr. Nivaldo Tuba – CEO

Good afternoon. Here is Nivaldo Tuba, CEO of Tegma. On behalf of the entire company I would thank you once again for participating in another earnings conference call. With me here I have Ramón Pérez, our CFO and IRO, as well as Ian Nunes and Felipe Silva from the IR team. Starting our presentation with slide 2, as usual, we make the disclaimer regarding our forward-looking statements.

Moving on to slide 3, I would like to talk about 3Q highlights. The first highlight is the early payment of interim dividends referring to the results of 3Q 22. The Management approved the distribution of 27 million BRL in dividends, corresponding to 0.41 BRL/share, 58% of the adjusted net income for the period, and 2% of dividend yield. Payment will be made on November 21 and the cutoff date will be November 8.

The second bullet item deals with an important reaction of the automotive market, as detailed in our earnings release, and it is possible to note that the historic series of vehicle sales on a 12-month basis has been in decline since the middle of last year. In July 2022 it was possible to observe that this trend reversed and started to grow again, which can be attributed to the recent improvement in the supply conditions of parts and components in the industry.

The third point concerns the demonstrations that have been taking place on the highways of Several Brazilian States since of the elections on October 30. As a result of these protests some of Tegma's trips have been held up, and others that would have taken place on roads, on roads that had some problems, had not been made, and some customers have reported supply problems. During the week we noticed that several routes, however, were more cleared, so some trips were resumed again and customers reported supply normalization.

The fourth highlight deals with another important award that Tegma received in 2022: the 100 Open Startups awarded us for the fourth consecutive year in the transport and logistics segment, as one of the companies most engaged in open innovation in the country. This award is the result of the active work of our startup accelerator, tegUp, which is always seeking opportunities to foster innovation in logistics.

In the fifth topic on this slide we would like to highlight that for the third consecutive year we conducted Tegma's Greenhouse Gas Inventory, and that it is on the public records of the GHG Protocol. This initiative reinforces our intention to always seek ways to reduce the impact of our operations on climate change.

Lastly on this slide, we are pleased to announce two initiatives from our IR department, which reflect our constant search to get closer to the market. Recently we launched a podcast called Teginvest. It talks about topics which are not so often addressed in the recurring conversations over investors with the company. As a reminder to foreign investors, these forecasts are in Portuguese. We hope that all of you, ladies and gentlemen, will take advantage of this content to further expand your knowledge about Tegma.

We also have opened a WhatsApp channel on our IR website to facilitate analysts contact with our company to clarify doubts. We hope we will work as a bridge for an even closer contact with those interested in the company.

On slide 4 we see the key figures for the automotive market in Brazil. As you can see, domestic sales in 3Q 22 were 17% higher than those of the same period in 2021. This performance reflects the improved supply of parts and semiconductors

to automakers, in addition to the fact that 3Q 21 was the worst quarter of the recent crisis.

Vehicle production in turn was 34% higher in 3Q 22 YoY, also due to a weaker comparative base and improvement of the situation in 2022.

Another point, exports had a 55% higher performance, for the same reasons of a weaker comparative base and for having been prioritized by automakers in 2022.

On slide 5 we show the main operating indicators of the automotive logistics division of Tegma. The number of vehicles transported in 3Q 22 was 46% higher YoY, and the market share returned to a level of 25%. The recovery in market share reflects the fact that 3Q 22 was the first quarter since the beginning of the year in which no major customer suffered production stoppages. The average distance traveled was slightly lower YoY, on the back of the increased share of exports trips via the port.

With these highlights I now turn the floor over to our CFO, Ramón Pérez, so that he can talk about our results, cash flow and other indicators, and then we will open the floor for questions. Thank you very much for your attention.

Mr. Ramón Pérez - CFO and IRO

Thank you, Nivaldo. Well, good day everyone. Moving on to slide 6, please, here we see the results of the automotive logistics division. We can see in the top chart that there was a 92% increase in net revenue of this division versus the same period of 21. This result reflects mainly the 48% increase in number of vehicles transported, as well as transport tariff adjustments made throughout 2021 and 2022.

It is worth highlighting the growth in revenue from the used vehicle logistics operation, which has seen a significant increase in number of vehicles transported, and which has generated interesting commercial opportunities. Also to be highlighted is the return of demand for Tegma's logistics services, such as yard management and the preparation and inspection of vehicles to be delivered to car-rental companies.

Below we see that 3Q 22 EBIT margin had a significant recovery compared to 3Q 21. This is mainly due to improvement in the automotive market in Tegma's market share, which let to growth in the division's volumes and revenue.

In the middle-bottom of the slide we see Tagma's EBITDA in 3Q 22, which was adjusted by the constitution of a provision for legal contingencies related to the sale of our former subsidiary Direct Express in the amount of 6.6 million BRL. The growth in both, EBITDA and EBITDA margin in the YoY comparison is also due to the significant improvement in number of vehicles transported, combined with control of costs and expenses.

On slide 7 we have the results of our integrated logistics division. We see growth of net revenue of this division in the YoY comparison, stemming from the increase in volume of chemicals transported and stored. This growth occurred despite the challenges that the operation of electronics and home appliances has faced, due to the difficulties of the Brazilian retail market and the unavailability of parts and components.

In the chart below we see recovery in the EBIT margin in 3Q 22 compared to 3Q 21. This is due mainly to higher volumes and higher revenues from the chemicals operation. The reduction in EBIT margin in 9M 22 in the YoY comparison, in turn results from the recording of a tax credit of 12.9 million BRL that was recognized in 9M 21. If disregarded we would have an EBIT margin expansion in 2022.

In the middle of the slide we see the evolution of the adjusted EBITDA margin, that in the annual comparison is influenced by the same reason explaining the expansion of the EBIT margin. In 9M 22 the margin gain reflects the good performance of the chemicals' operation.

Now moving on to slide 8 please. Here we talk about the consolidated results of Tagma. We can see that net revenue in 3Q 22 of 416 million BRL was 80% higher YoY. This increase comes mainly from the growth in number of vehicles transported, from growth in the chemicals' operation in integrated logistics, and also from tariff adjustments made in both divisions. As previously mentioned, we also highlight the good performance of Fastline, our logistics operation for used vehicles, and the growth of logistics services in the automotive division.

Below, in 3Q 22 both the EBIT of 69 million BRL and the adjusted EBITDA of 88 million BRL posted a great increase in the YoY comparison. Improvement in margins results from the better cost dilution of both divisions, which recorded an increase in revenue, and good control of costs and expenses.

Lastly on this slide I would like to highlight the net income for 3Q 22 which was 53 million BRL, increased 56% in the annual comparison. The net margin of 12.9% in 3Q was 1.9 p.p. lower than in 3Q 21. This retraction would actually become a 4.7 p.p. growth if we disregard the provision for legal contingencies in this quarter, and the recognition of the credit in income tax in 3Q 21, both events that were

previously mentioned. This result reflects the performance of the automotive logistics operations, as well as the company's wise decision to diversify, as shown by the positive results of the integrated logistics division and of the GDL JV. Added to this is the company's deleveraged capital structure at a time of high interest rates, which provided a sharp reduction in the company's net financial expenses.

Moving on, in slide 9 we show that the company's CapEx totaled 8 million BRL in 3Q 22, representing 1.9% of our net revenue. The most relevant investment in the period was the acquisition of 6 trucks in the total amount of 2.7 million BRL for the automotive logistics operation, as part of the plan to renew the company's own fleet. In addition, we made investments in maintenance of our operations and investments in IT.

Our cash-to-cash cycle in September of 2022 was 42 days, and this is a significant drop QoQ due to the regularization of a commercial issue that had been dragging, dragging on since April 2021.

The company's free cash flow in 3Q 22 was a positive 41 million BRL. This cash generation is justified mainly by the operational improvement of both divisions. Other factors that contributed positively to Tegma's free cash flow in 3Q were the settlement of the aforementioned pending commercial issue, which contributed with 13.5 million BRL; and the use of a tax credit in the amount of 12 million BRL.

On slide 10 we see details of our capital structure, which has changed little compared with our June 2022 position. In the first graph we can see that the current cash of 137 million BRL is much greater than the amortizations of the gross debt for the next two years, and that in 2022 there is no debt amortization to be performed. On the right of the slide we see that the cost of debt remained at CDI+ 2.2% in September 2022.

In the table below on the left we can see that our net cash position in September 22 was 71 million BRL, thus reflecting the company's deleveraged structure.

Lastly, on the right our rating assigned by Fitch in April 22 was 'A Local', with stable outlook.

Moving on to the last slide, here we first show the evolution of our return on capital invested - ROIC and our return on equity - ROE. We highlight the ROIC of 21.8% in 3Q 22 in gray, 5.2 p.p. higher QoQ due to the good performance of both divisions of the company, with a great control of expenses, as well as working capital and investments.

The recovery in ROE, in orange, is influenced by operating improvement with the good performance of the GDL JV in the period, as well as by the improved financial result.

Down below we show the history of dividends and interest on equity paid by the company. In the gray line we present dividend payout, which in 9M 22 was 59% of the company's adjusted net income; and in the orange line dividend yield LTM, which corresponded to 7.2%. As shown in the quarterly highlight, the decision was made to distribute 58% of the adjusted net income of 3Q 22.

On the bottom right we see our share's performance compared to the IBOVESPA Index. Due to the recent improvements of expectations for the automotive market and the good results reported more recently, Tegma's shares have been performing better when compared with the IBOVESPA Index. Consequently, the multiples, as we can see below, have recovered. They have recovered to a level closer to our historical average.

With that I thank you all for your attention and I would like to open the question-and-answer session.

Q&A Session

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. If you have questions please dial *1 on your touchtone phone now. If you would like to remove your question from the queue please dial *2. Mr. Tuba will be reading the questions coming from the webcast.

Our first question comes from Luiz Capistrano with Itaú BBA.

Mr. Luiz Capistrano - Itaú BBA

Good morning and congratulations for the results. I would like to understand from you the expectation for the automotive industry in the coming months. I just want to understand what we should expect for the dynamics of 4Q, particularly trying to understand your particularities in this dynamic.

In other words, this market share is 25%. We would expect it to return, and we understand that the level before was suboptimal and that they were expected to increase again; but do you expect any volatility in the market share in the next quarters, given that 3Q did not have a lot of problems? In 4Q does the trend remain? Can we expect stability in market share, volumes and margins? I would be grateful if you could elaborate.

Mr. Ramón Pérez - CFO and IRO

Luiz, thank you for the question, this is Ramón speaking. There is a lot of information in your question, so I will try to answer and then Nivaldo can add anything that he would like to add.

So first speaking about the market in 4Q. It is very hard for us to be precise regarding the behavior of the market, but I can tell you that October, in the month of October, in terms of registration of license plates we saw a slight reduction of around 2% in the daily average compared to September. October had two business days or less, and of course that impacts a little.

But the positive side is that we have consistently seen a reduction in our customers', our major customers' operations stoppages, fewer stoppages. Some automakers have been choosing to reduce their shift instead of having a complete stoppage. Indeed, in the previous quarter we saw that the automakers were little more confident in the receives of semiconductors, and then they chose to continue to manufacture unfinished vehicles, so that when they got the parts they would not have to stop and resume operation, so that when they finally receive the parts they would simply complete the vehicles that were semi-finished. So our expectation for 4Q is kind of what is happening in October.

You also asked about margins, right? As regards the margins, we saw a very positive improvement in margins in this quarter, 3Q, and this is explained by a number of factors: of course, number one is volume, stronger volume. We were able to deal with this volume without needing to increase the costs and our expenses.

There was also a slight recovery of average distance traveled; and there is another aspect which contributes to this improvement, which is the recovery of some additional logistics services that also generate more revenue such as yard management, predelivery inspection of vehicles and transfer of vehicles, in addition to increase in our logistics services of used vehicles.

You might be wondering - we also wonder - about these margins, whether they will be maintained, and they depend on some factors that we do not necessarily have full control over, such as the mix between domestic market and external market, the mix of routes with different profitabilities. So in a nutshell we cannot guarantee that the margins will be maintained at the current levels.

You also asked about 2023, right? Nivaldo will answer.

Mr. Nivaldo Tuba - CEO

Hello Luiz, this is Nivaldo Tuba, thank you for your question. Regarding 2023, we are finishing our forecasting and budget for 2023 and getting information from ANFAVEA and automakers. I think the automakers tend to be conservative, and ANFAVEA tends to post slightly optimistic numbers. They understand that there should be growth of at least 5% in 2023. These 5% would be based on normalization compared to 1Q 22, which was very much hurt by the lack of supply of semiconductors.

However, there are other sources betting on the 10% growth. Our position is very similar to what ANFAVEA is saying, which kind of matches what the automakers are saying. But regardless of the percentage of growth, there is consensus that 2023 should be a little better than 2022, with an expectation of reduced unemployment rates, reduction of interest rates particularly in 2H of the year, and there is an expectation of a small GDP increase.

There are some one-time-off facts with the automakers in terms of their sales expectations: Montana by GM that will be launched will compete with Strada; on the other hand, Volkswagen will stop manufacturing Gol and Voyage and they will start producing Polo Track; and Fiat in the recent two years launched Fastback, which seems to be a great sales success. So, Luiz, that is all we can tell and all we can say for now regarding 2023.

Mr. Luiz Capistrano - Itaú BBA

Perfect, thank you very much, it was very clear.

Operator

We will continue with the questions posed in the webcast.

Mr. Ian Nunes - IR Manager

Well, I am Ian, IR from Tegma, and I will be reading the questions that we get on the webcast.

The first will be addressed to Nivaldo by **Felipe Viana, 3R**: Congratulations on the result. It was possible to see that you regained market share, normalized market share. How can you explain that?

Mr. Nivaldo Tuba - CEO

Felipe hello, thank you for the question. Regarding market share, in this quarter it was possible to see a strong growth in GM's volume. We also had a good performance of Volkswagen, and particularly Tegma's greater market share in the volume of other automakers. How to explain that? Well, because there was a better sales distribution, more favorable in the regions where we operate the most. All of these factors contributed to increase our market share, that returned to a more normal level.

Looking forward – and perhaps you are wondering - it is kind of hard to say what is going to happen, because the semiconductor crisis has not been totally over, manufacturing stoppages cannot be disregarded; and the mix of routes, which was quite favorable for us in 3Q, is a variable that we cannot control for the coming quarter.

Mr. Ian Nunes - IR Manager

Felipe, if you have any further question we remain available. Now I will move to the question by **Gui from Tarpon**: Congratulations on the excellent results of 3Q. What about the performance of the chemicals operation and household appliances? The question is addressed to Nivaldo.

Mr. Nivaldo Tuba - CEO

Guilherme, thank you for the question. Well, the chemicals operation has been performing really well, very positively, particularly due to the increase in our transport operations and practically full storage of the products that we handle. On

the other hand, the logistics of electronics and home appliances is suffering a lot, particularly depending on the macroeconomic condition of high interest rates, income and drops still a little bit impaired, indebtedness of the families and restricted loans.

Regarding 3Q we can see that our chemicals department is on budget, and our home appliances, the white line areas we call it, is facing some difficulty.

Mr. Ian Nunes - IR Manager

Thank you Nivaldo. Next question by **Lucas**: Considering the low leverage and a healthy cash position, does Tegma consider the possibility of increasing dividend payout? Ramón, this one is for you.

Mr. Ramón Pérez - CFO and IRO

Thank you for the question. This is not our first option. As we have been saying in previous calls, we are pursuing a strategy to diversify, to increase our diversification of services. We have been making this very clear, it is important to have a differentiated portfolio.

We are privileging the profitability of operations which are not linked to the automotive sector, they have been showing to be very positive. During the pandemic we had evidence of the importance of diversifying, and so we have in mind a program of inorganic growth, and our first option is to use the financial leverage that we have to promote the inorganic growth the company is pursuing. Having said that no alternatives are completely disregarded, so this is not just our first option.

Mr. Ian Nunes - IR Manager

Thank you Ramón. There is another question by **Artur**: And the delayed receivables? Have they been normalized? Can we still expect a positive impact on cash flow?

Mr. Ramón Pérez - CFO and IRO

Thank you, very good question. Past due receivables have been normalized. There were past due, sometimes there are administrative delays. As you know we have a very differentiated credit condition to our customers, so yes, this has been regularized - but we do not expect any additional impact because the situation has been fully regularized.

Mr. Ian Nunes - IR Manager

Next question by **Artur** for Nivaldo: Could you give us more detail about the performance and expectation of GDL, and about the logistics operation of used vehicles? Nivaldo.

Mr. Nivaldo Tuba - CEO

GDL is our joint venture in the Espírito Santo State. We provide integrated logistics services and the results in 2022 were very positive, very, very positive. There was an increase on the volume of imported, cargo that was imported, stored and handled. We have also seen a diversification of customers serving all kinds of segments: beverages, solar panels, the pharmaceutical industry and so on and so forth.

We had a favorable exchange rate and control of the expenses and costs that have favored very adequate margins, and so GDL has had the ability to deliver positive margins, very much on budget, and it has been able to distribute robust dividends.

The other question has, the second question is regarding Fastline, our operation of used vehicles. Fastline has had a very positive performance in 2022, very significant growth in volumes and particularly a diversification of the customer base. I am pleased to say that it is exceeding our expectations by far. In 2Q we started transporting motorcycles for specialized companies that rent motorcycles, and this is a market niche that has been growing in a very interesting way, and that is it basically, thank you.

Mr. Ian Nunes - IR Manager

Next question by **Felipe Pinheiro**: Good afternoon. Recently there was news about a possible purchase of the Ford plant in Camaçari. Have you been contacted regarding that?

Mr. Nivaldo Tuba - CEO

Well, we are following BYD, relevant Chinese automaker, and I can say that through our subsidiary GDL in Espírito Santo we received vehicles that were used for prototypes, testing and approvals, and vehicles that were sent to the stores. And as regards transport, Tegma, our business area, through our management, Lucas, is paying a lot of attention. We are working, we are participating in the operational process and the bid together with our competitors.

Operator

We will have a question asked by Pedro Pimenta, verbal question.

Mr. Pedro Pimenta - Eleven Financial

Good afternoon. Can you hear me?

Mr. Ian Nunes - IR Manager

Yes we can.

Mr. Pedro Pimenta - Eleven Financial

Congratulations on the results. One follow-up question regarding the roadblocks. Collateral results, are they impacting your operations? Other companies had trucks participating in the roadblocks; can we expect any change in the market share that we saw in 3Q?

And the second question about incentives. With the change in the federal administration, if we go back to previous years we saw greater incentives to regions other than the Southeast. Can we expect any upside, as seen before?

Mr. Nivaldo Tuba - CEO

Pedro, thank you for the question. Regarding the roadblocks, obviously we just like all the other carriers, did suffer a little on Monday and on Tuesday. We tried to maintain our loaded feet in-house waiting for the roads to be freed, and those that were on the road, well, they ended up suffering a little. We had one day, one day and a half of operating interruption - but this is not going to have any impact on the market share.

I can tell you that this morning our radar has notified that all our fleets are on the road, they are free to go; not only the vehicle transporters, but also the white line trucks and the chemicals trucks, so we are back to normal.

You asked about incentives. I think that it is a little too early to say what the Lula Administration can bring in terms of incentives to the market. Still, Tegma is fully structured to supply any demand in the Brazilian territory that arises, and of course we are paying attention to take advantage of all incentives that can benefit our operations, and particularly bring cost benefits to our end-users, to our customers.

Mr. Pedro Pimenta - Eleven Financial

Perfect, thank you.

Operator

As a reminder, if you want to ask a question please dial *1. To remove your question from the queue please dial *2. Please hold as we collect more questions.

The question-and-answer session is coming to an end. I would like to turn the floor to Mr. Tuba to proceed with his closing statements. Please go ahead, sir.

Mr. Nivaldo Tuba - CEO

Well folks, thank you very much for joining us in this call. It is a Friday, end of shift, but we had a lot of colleagues, investors, market analysts joining us, and this is very important for us. It is gratifying to see that you value our earnings conference call.

On my own behalf, on behalf of Ramón, Ian and all of Tegma's employees and on behalf of the whole Tegma family thank you very much for your attention.

Operator

This concludes Tegma's conference call for today. Thank you very much for your participation, have a good rest of day and thank you for using Chorus Call.
