4Q21 RESULTS CONFERENCE CALL

Operator:

Good morning, and welcome to the earnings release of Movida to discuss the 4Q and the complete year of 2021. We have here with us today Renato Franklin, CEO, and Edmar Neto, CFO and IRO.

All participants are connected in listen-only mode, and later we are going to start the Q&A session, when further instructions will be provided. If you need any support during the conference call, please ask for help of an operator by pressing *0.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Movida management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. As such, investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Movida and could cause results materially different from those expressed in such forward-looking statements.

I would like now to turn the conference over to Mr. Renato Franklin. Please, start.

Renato Franklin:

Thank you very much. Good morning, everyone. Welcome to our conference call to present the earnings of 2021 and the 4Q21.

Once again, this year was marked by records in all our business lines. I would like to highlight our net income, 251% increase, totaling R$819 million for the year in 2021. We had grown throughout the year and improved the Company, reducing costs with discipline, focused on management and with execution, reaching R$277 million in the 4Q. Annualized, it goes over R$1 billion for the second time, getting to R$1.1 billion.

Operating results measured by EBITDA, our EBITDA showed 130% growth, R$2.1 billion in 2021. In the 4Q, R$777 million, or R$3 billion annualized. If we consider just the rental, R$1.5 billion came from Rent-a-Car. In the last quarter, R$600 million came from Rent-a-Car. So annualized, only Rent-a-Car, it is R$2.5 billion.

So what is my highlight? There has been a growth in the 4Q. Even the number, which is annualized, if we look at the operating fleet on the left, 127,000, 150,000 in the 4Q, but the fleet in the end of the period was 187,000, 37,000 cars more than the average fleet in the year half.

So we have already had a contracted amount, showing the operating results and the annualized results, and probably it will expand further, generating more cash for our Company.

In the slide, we can also see our commitment with generation of results. ROIC of 15%, 29% ROE. Those are records in this kind of production, 10 p.p. of spread.

So this is the message I would like to share with you. It is a transformation that Movida has experienced. It is a new level of a company. It is a new level of growth and profitability, and they are all supported by the structural reorganization of the Company, more maturity and compliance of our position, working with individuals right from the beginning, focusing on services to provide better experiences to our clients, related with new consumption habits that have been changed due to the pandemic. And this is why Movida had been growing enormously.

I would like to thank our team, which is passionate for what it does, getting adapted, making a difference during moments of difficulty, generating more value to all stakeholders, our investors, our staff, suppliers and the whole ecosystem where we work.

I would like to invite you all to go to the next slide, slide four, where we can speak about our fleet evolution. 68,000 cars. We had a growth in the year. It is organic growth, very strong growth.

We are the Company that has grown the most, much above the market average, 187,000 cars. And there are two points to highlight here. First, transformation in business lines in long term contracts, which is here under GTF. So private corporate fleet, 0 km for individuals, and our long term contracts for mixed economy companies and publicly held companies.

So completely different company level of scale. We can gain synergy, efficiency, and through three different avenues of growth, twice larger, but being able to grow 3x more. So private fleet and 0 km.

In dark orange, we can see the Rent-a-Car. Our DNA, serving individuals and new habits have determined the new demand. So we charge a fair price and we keep on expanding the Company. 27% growth. In the 4Q20, there was an expansion because people resumed traveling, so bringing strong growth in Rent-a-Car, in fleet and in revenues.

Let me make one more comment because I think some people just look at our DVA. So added value demonstration, R$2.6 billion is the result of 2021, 3x higher than 2020. So we can compare against our competitive peers, so you can see our strong trend of growth for the Company.

Let me now take you to slide five and go back to the topics that we have been addressing since the 3Q, listening to your concerns. And something that we have highlighted during Movida Day, the fundamental aspects and what we have been doing.

So first, pillar price transformation. Our efficiency in pricing, and what we have been applied means a highly average daily in Rent-a-Car getting to a R$119 in the 4Q21. Transformational. And I can tell you that the trend is exactly the same.

Generally, similarly to December, seasonal is different in the 1Q, of course. 1Q is strong, and then it comes to the end of Carnival. Carnival in February, very similar to the yearend and New Year's celebration, but we want to really keep on dealing with that, dealing with the price increases of cars and the interest rates, making sure that the investments we are making make sense.

We can see the average ticket of R$1,500, but new contracts are being negotiated at over R$2,300, so really increasing the profitability on invested capital, ensuring a generation of value on average for 30-month contracts.

So we can keep on making investments, our business plan makes sense, even though by more added value cars, there is a demand for these cars, and we also have accounted for the increase in interest rate.

Second pillar, providing vehicles. We have managed to acquire more cars, and then we wondered, is that the right strategy? Oh, yes, we have made the right strategy. We can see cars purchased during 2021 already have had an increase in their price, 16% increase if we consider the current price list of cars. So they kept on increasing the prices, there is an inflation over brand new cars, and used cars have also followed the same kind of valuation, with purchase of 91,000 new cars, and we have contracts with nine new brands, some also premium brands.

So our business plan for 2022 in terms of provision of cars is fully contracted and agreed, and it has been really met by the car makers, even delivering some of them before what we had expected.

So new prices, is there a demand for new prices? Oh yes. Demand trends. So the new habits are really driving the individuals. People are working from home, they can sometimes travel on Thursday and come back on Monday. There is a change in culture. People are no longer willing to have a car, own a car, especially younger generations, and some more experienced older generations have also been following. Sometimes they have just one car, they own just one car at home and rent a large car when they are traveling, migrating from purchasing a brand new car to renting a brand new car.

So we have seen this trend expanding in Brazil. There are 2 million cars sold every year in the Rent-a-Car market, so there is a potential growth that we can anticipate, something that really makes us very confident in our mid and long term business strategy.

We have a different position, and today we have the largest fleet of electrical cars in the market. Similarly, when we launched the Audi brand, they said, “is it going to change completely? 600 electrical cars, will it change the market?”. Of course not, but that will attract clients out of curiosity. They want to rent an electrical car, and we are known as to being the *avant garde* and really transforming the market.

So we have been growing 17% in our daily volumes, expanding the stores. So if you have more channels, you can bring more clients in, and then we can always charge the fair car.

Fourth pillar, how are we going to send the cars if you have paid more? Here we have a structural advantage of Movida. We have the newest fleet in the market, widely diversified, and we can see that through our purchased.

In addition, something is really different. We take the moment of the economy that really provided us opening our stores where it used to be car dealers. So the experience of Movida in used cars is just so comfortable, and it is a different kind of journey, really.

We have been selling a lot of used cars and we are delivering products of excellent quality to our clients. So we sell clients with confidence. It is a highly fragmented market, and we have a very comfortable position.

The average ticket is R$65,000, but it will keep on growing, and we are best positioned to offer that. Our stores and our websites are prepared to that. We have an e-commerce that can get to cities where we are not represented by stores.

So these are the four pillars, and if you want, we can go into further details. Now let us see slide six. Considering the strategy, what are the results so far? So growth, have we have been growing? Yes, 76% growth of revenue comparing the quarter over quarter, 31% yearend, annualized R$7 billion.

So if the fleet was 27% longer than the average on the 4Q, we can show a significant growth and a potential of delivering more revenue in 2022 and really improve all business lines. Rent-a-Car, fleet management, and also in used cars, because we sold fewer cars to meet the needs of our Rent-a-Car clients, but now, as we have purchased more cars, we can sell more of the used cars.

EBITDA, we can see a significant growth 4Q over 4Q. In addition to the largest fleet, you can see here a decrease and a number of different initiatives and efficiency. We can see increasing EBITDA throughout the year. The Company will keep on growing, maintaining its conservative leverage below 3x.

EBIT, significant improvement, 13 p.p. And here we are addressing, and being conservative in terms of depreciation. Even with a conservative depreciation, EBIT presents significant gain and it runs in a different level.

And also, in terms of net income, we can see significant expansion, R$267 million, 2x higher than the 4Q21 and a completely different level over R$1 billion annualized, R$1.1 billion, completely different level for our Company, even considering the increase in interest rate. So the expansion of EBITDA and operational efficiency offset exactly our different interest rates.

Let me now hand it over to Edmar, who is going to go into the different business.

Edmar Neto:

Thank you, Renato. Good afternoon, everyone. I am here on slide seven, but before I talk about the results of each of the business lines, I would like to shed some light on the credit of PIS/COFINS, which was accounted for in December, so only one single month, which has had a positive impact on the earnings of the Company of R$18 million, R$14 RAC and R$4 million in GTF. And as of January 2022, it will be recurring. This does not include CS Frotas whose studies are being carried out.

Now let us talk about RAC, Rent-a-Car. There has been a significant improvement in all different lines. Rent-a-Car, when we can see there the revenue of the 4Q, there was over 50% increase, and also year to date, getting to R$1.7 billion, plus annualized, showing that it is a company that has over R$2 billion from the Rent-a-Car.

The highlight is the level of 60% EBITDA margin for Rent-a-Car. Renato will tell you further about that significant improvement since our IPO. We started with 35%. We said we could go to 45%. We said we could go to 50%. And now we are setting a new goal, which is 55%, at least in a period of high seasonality. That annualized amount can get to a 7 percentage margin advantage. So 51% of EBITDA margin of Rent-a-Car in the year, R$876 million, almost doubling the level year over year.

Now, speaking of GTF, that is a transformation. 164% growth in the year, so we have R$1 billion GTF, which is our commitment. When we really look back retrospectively in 2018 and 2019, we wanted to grow faster. So we are delivering that, and the annualized result is R$1.5 billion in net revenue.

EBITDA, I would like to make a different highlight, also delivering record margins, 70%, PIS/COFINS helps in 3 p.p., it was just December, but when you see, we can deliver margins, which are at least better than what we have been delivering so far. Year over year, it is over 60% of margin. In 2021, EBITDA doubled, so R$343 million to R$682 million in GTF, but the run rate once again is a run rate of over R$1 billion, confirming what Renato has just said about the transformation that we have been observing.

To speak about the used car sales, there has been a significant growth. It has grown approximately 7% in revenues because the volume went down. And when you look in the quarter, even though we have sold less, there were over R$800 million, 65% growth compared to the previous year.

In terms of EBITDA, growth of 217% in the quarter and 483% in the year, 525 in 2021. We are going to build up on it, but that is a temporary benefit. But right from the beginning, we have been observing that we can use this temporary benefit to invest in what is the key activity of our activity, which Rent-a-Car. And we are going to improve service provision, and improving our fleet.

With that led me invite you to go into the next slide. Here we bring lens on our Rent-a-Car results, which is exactly the point that we want to reinforce. Our activity of rentals continues to expand strongly, and now at a new level of markets. And here we bring the chart that shows the evolution as of the 1Q19, when we delivered R$257 million in the Rent-a-Car business with a margin of 56%.

We went through the pandemic and we were affected, as you now, in the 2Q, and then with a strong recovery, especially now in 2021, and we have reached almost R$600 million EBITDA only in the Rent-a-Car business. That is not including the used car sales whatsoever. So it just grows up to 132%.

And it is important to talk about the performance of GTF with EBITDA growing more than 3x in the period, once again showing that we are being very assertive in our strategy.

In the bottom part of this slide, we have a bar that brings us to the EBITDA by car, just in the Rent-a-Car business. Again, very strong numbers. This is what we need with the new price levels of assets, with growth of more than 47%, showing that our performance at the unit level is also improving at a very significant manner.

We also bring you the used to cars on page nine. On the left, you see the evolution of margin. You see margins starting with almost 12% in 4Q20, getting to the end of the year with 22% at 4Q21, although we did have a bit of a variation in volumes.

What is important to mention here is that along 2022 and 2023, basically, the road is going to be the opposite. There will be a decrease in margins, they will decrease, but we do not know how much.

It is important to show you the following, and this is what we bring to you on this table on the right. Here we have a sensitivity analysis based on the sensitivity of margin, because margin EBITDA is based on gross margin, but also the amount of cars sold. Remember that we sold 45,000 cars in 2020, which is less than expected, but we did not have cars to do what we wanted.

So the volume of cars will go up, and if the margin is kept for a longer time, we can have up to R$1billion in EBITDA, which shows in the first column. However, we believe that margins will be a bit pressured. They are going to decrease a long time, and then we are going to go to another level.

Certainly, it is not going to be what we had in the past. We are going to continue to have a very high level of margins and EBITDA contribution for the period that I am talking about, that is the years of 2022 and 2023. Remember that here we are not making a difference in prices for cars. As prices increases with the sales and new acquisitions, we are going to have an even additional contribution.

And still talking about assets, we go to page ten, which is basically the same calculation, the same rationale that we brought to you last quarter. So here we have R$11.6 billion in assets, which compares to R$5.5 billion of a year before. But when you think of how much this is worth in the market, then you have an “embedded margin” of 27% to 28% that would increase the price of our assets to close to R$15 billion, a real transformation. We doubled the asset base of the Company in one year.

So undoubtedly, this is a structural change, with bet on that. Renato mentioned our purchase strategy. The prices are not going back, the mix is not going back. This is just a new reality, and it will help us to cope with the higher interest rate, and also with fees that we have advancing a lot, as rates that Renato mentioned before.

It is also important to mention the breakdown of these assets. Out of 180,000 cars that we have, 91,000 were already purchased in 2021, and they have an average appreciation of 16%.

Now we have 90,000 cars that were bought before 2021, which had a depreciation of 40%, which is the depreciation that we had in the last two years. So we have a result to see, but it is also a safety cushion for us to cope with the next months and years.

And before turning the call back to Renato, I would like to go to slide 11 to talk about our debt payment schedule and cash position. We closed the year with approximately R$5.5 billion in cash, which is sufficient to cover our debts for the next four years. We have an average amortization profile for over eight years when we talk about our net debt, and the commitments that we have in 2022, 2023 and 2024, they are proportional to our new

EBITDA. Renato already mentioned that we are already at R$3 billion EBITDA, so again, a completely different level.

In addition, we did everything with leverage under control, leverage practicably stable throughout the year, although we did have a transformation on the Company's asset base.

And finally, I would like to mention that the Company at the end of the year started to be followed by the three rating agencies, which is an important aspect for our governance. We have upgrades along the year, and now we are a company that is BB- globally, we have that overseas, and AA+ locally, with a very positive outlook for what is to come.

So thank you very much. I am going to be here for the Q&A session, and I turn it back to Renato.

Renato Franklin:

Thanks, Edmar. Please, I would like you to go to slide 12 just to start thinking about something that we brought in our IPO, but I am updating. It has been five years as a public company now. A Company that has a track record and evolution quarter after quarter in the past five years with operational evolution and maturity.

And what is more important here is that we exceeded all our targets for the IPO business plan. Even in the more optimistic scenario, we are not even close to the numbers that we have here. And we not considering the crisis the country went through, let alone the pandemic.

And the highlight is that, in crisis, it is when our team makes the most difference. Our culture, our way of working makes a huge difference. And I am going to go through those indicators just to show you, total fleet, we had 64,000 cars in 2016, that is the number we used for the business plan in the IPO, we closed with 87,000 cars, that is 50% above the business plan in the IPO. Just for you to see that the discount that Movida has today has sense to me.

Occupancy rate, 72%. Everybody said we were crazy because the operational limit at the time was 68%. We are above 80%. EBITDA margin, when we talked about EBITDA margin, everybody was considering the used cars, we talked about 21% consolidated members. We are at 39% EBITDA margin consolidated numbers. In the 3Q, we had the highest consolidated EBITDA margin in the market, reflecting everything that we said since the beginning of the IPO: a company with the lowest cost per car, highest revenue per car, a structure that delivers the most value to shareholders.

This is our commitment, and this is what we were building, and it is a transformation that you see in our numbers. Net income, the target was R$32 million, we delivered R$819 million, plus 60%. More efficiency, even more than what we had expected. And the Company is more stable. GTF is very strong, 50% of the Company, and transformation of our balance sheet.

In terms of the purchase gap, 2022 is very important because we closed practically all the purchase gaps based on what I have seen in terms of motorcycle and car prices, and the capital cost gap in which rates are evolving is missing.

So a huge transformation, a team that is quick to adjust routes, and that is very strong in execution. I am very honored to work with them all.

On the next slide, 13, we are going to talk about a topic that is so important to us. This is the qualitative part of our results. Evolution of credit ratings appear as Edmar mentioned, but we also have the evolution of ESG ratings with important footprints that show that we are on the right path, with responsibility.

On the right, we have innovation, our focus on individuals. I had the opportunity of visiting stores throughout Brazil, last week I was in the North, Midwest Brazil, and I hear from employees and customers that we once again transformed the consumer journey. We did that in the past with the apps, then with the web check-in, and the last transformation was the opening of contracts with the tablet. No paper, everything digital.

Innovation recognized by clients. I heard more than one customer saying, “it is nice that Movida is always the first and it is always best. It is only when the other is much cheaper that I cannot resist”, and I said, “but don’t you regret?” and they said, “oh yes, it is not worth it”.

We have the best price. It is a fair price for a good service with the newest car in the market. So once again, Movida keeping the commitment of delivering more value out there to customers.

And along this line, I go to slide 14, which is our last slide. This is the most important slide for us to go through. What do I want to tell you here? We have all strategic pillars that enable us to deliver the results.

The first is really to conquer, to bring the customer to us. We have been evolving a lot working with all business lines. Then, the expansion of stores. We have opened new stores preparing for 2022, and in 2022 we are going to open new stores for 2023. We built in advance structures for the coming years. So we are talking about 100 new stores, 80 of Rent-a-Car, 20 of used cars, not everything this year, but lots of them this year.

And working with new, smaller cities that really see the value of what we are doing, always focusing on generation of value. And we have a specific partnership with OEMs, the numbers show that, improving the predictability of revenues, we talked about that.

And remember, we have three avenues of growth: we have GTF, also GTF for the private segment and CS Frotas. And an increase in profitability, EBITDA margin consolidated of 31% for 4Q21 and 45% in 2021. And we are going to have more dilution of costs and expenses because of our new scale.

We have a very strict model, that for us is really to be always seeking to reduce costs. And that is how we are going to cut it. This is our way of being, our culture, which will help us to generate more value than our peers in the market.

And the transformational process. The trend continues. I want to reinforce that, and our capital structure is already at a whole other level, with a very strong balance sheet, with ratings covered by the three agencies as Edmar mentioned, and our target is to close the gap in the cost of capital in midterm.

This is a work to be done, continue evolving the Company. We are very happy with what we achieved so far, which gives us the base to enjoy an even better cycle for the future, and that without the pandemic, with our people very much engaged. I do not know of any other team that is as engaged as Movida's teams. It is a privilege to work with them and with your trust.

Thank you very much. We are very happy with what is to come. Happy with what we did in the past, but very excited about the future. That 1%, it was a huge transformation, and 2% is just double, but still a lot to be done.

Thank you very much, and we are going to open for the Q&A session.

Lucas Barbosa, Santander:

Good morning. Congratulations on your results, and thanks for taking my question. I would like to check two points about the car depreciation. First, I would like you to tell me what is the depreciation rate of your oldest cars in your fleet?

And second, how much you are thinking you are going to have in terms of price increases for the future to calculate depreciation? Do you think that the depreciation is going to be most stable? What are your thoughts on that? Thank you very much.

Edmar Neto:

Basically, as I have mentioned on the slide talking about that, we expect to have an increase in unit demand and an increase in the amounts altogether, which really helps us in the dilution of SG&A, which is an important factor in terms of depreciation.

Therefore, we are adopting depreciation levels close to what we had before the pandemic for all the costs within the Company. Consolidated figures are close to 6% when we talk about Rent-a-Car plus GTF, and it would be a bit more than 5% to the Rent-a-Car and about 8% at the GTF segment. Once again, each new car that comes in is depreciated from zero moment based on these rates.

As for increasing prices, we believe that prices will start to converge to the behavior that we had before the pandemic, that is close to the country's inflation rate. 4%, 5%, to 6%. So our belief is that the mix between new prices and new content has already happened, in terms of adjustments.

Lucas Barbosa:

Thank you very much, Edmar.

Guilherme Mendes, JPMorgan:

Good morning. Thank you for taking my question. I have two quick questions. The first about the increase of the daily rates that you had on Rent-a-Car. What is the composition? What is mix, what is interest rate and what is effectively demand?

And secondly, in terms of purchasing cars, thinking about the merger of Localiza and Unidas, what do you expect in the market, and the position of Movida for purchase of cars, not only in 2022, but also in upcoming years? Thank you.

Renato Franklin:

Thank you, Guilherme. Let us first go into Rent-a-Car. There are some parts of mix effect, also group mix, which increases the daily rate, and you can see that on the average amount of purchased cars, which is going up. And then prices, to really deal with interest rate.

We use the future cover interest rate putting the prices up. There is no great difference in terms of mix, whether it is monthly basis or on an annual basis. Of course, January and December, the average rate is higher because of seasonality. And then, as of February, it tends to go down, so that is expected throughout the year.

But structurally, we have been just using the reference of a car, the price of a car, the same sales channel. The price has been going up because of the increasing interest rate.

We have been growing significantly in our direct channel through the website, so the net price is better because we are reducing commission rates, so that means higher EBITDA margin. And we have been growing a lot in individuals. Individuals tend to pay higher prices. As such, we can have the highest daily rate in the industry.

This is a summary of the factors that impact the Rent-a-Car rates, and we expect them to be positive throughout the year.

In terms of purchase of cars, we do have some advantages. One is a long term strategy with carmakers. We have interactions with each executives in the carmakers. We have an executive team dealing with them. And structurally, nobody wants to depend just on one player. So the merge is happening, and it is helping us because, we buy a lot, buying the whole Simpar ecosystem, and it puts us in a preferred position, even in those which are larger than us in terms of purchase capacity.

But if there is a merger, all of them say that Movida will have to have an increased volume. So we have had higher volumes preparing for the business, and their idea is to have a well-balanced environment. So that it would be good. Rather than buying 30% or 40% of the share, it could mean maybe 50% share of the procurement. So that would be the main key accounts.

So I think the merger between the companies tends to be positive to us.

Guilherme Mendes:

Great, Renato; Thank you. Have a great day.

Regis Cardoso, Credit Suisse:

Thank you, Renato and Edmar, for taking my questions. A follow-up about depreciation. The increase in consolidated depreciation as we see it, can it be only due to depreciation of new cars? Or is there any effect on cars which were already partially depreciated marked below the market value?

And in terms of depreciation of new cars, could you please tell us more about the discount at purchase in a market where there is a shortage of new cars? Rent-a-Cars have probably worse conditions than what they used to have in the past. So if there is no price increase, maybe you would have to have a higher depreciation rate in percentage points. So let me hear from you so that I can understand the moving parts of the depreciation.

Another topic that I would like to address concerns to leverage. Your net debt was R$6.2 billion at end of quarter. If I am not mistaken, there was an increase in R$1 billion, and it also involved suppliers. It is probably related to procurement and receiving of cars in the end of the period, because there was a significant increase of your fleet in the end of the period, but not the average operational fleet. So I suppose you have received a number of new cars in the end of the period. With a higher debt and contingent payment to suppliers, what do you expect to see your leverage and net debt for 2022?

And finally, in terms of leverage, I would like to understand more about cost, because you have a somewhat expensive net, 150% of the CDI, some with foreign swap or foreign cash leverage. So how do you understand the cost of your current debt? Is there any room for further management? And what can be the cost of the capital, as your debt position is growing? Maybe you could increase equity, pay the debt and bring down the cost. That is what I want to hear from you.

Edmar Neto:

Regis, I am going to start, and then Renato will build up on the item of discount. About depreciation, you were absolutely right. We have no basis of cars, 50% of our cars were purchased before 2020, so the impact of increased depreciation is directly connected to the arrival of new cars at higher prices.

So a fleet purchased in 2020 at R$40,000, or close to it, but today the car we are purchasing costs about R$90,000. So if we are going to use the same rate, 5%, for example, the depreciation would have to go up from R$2,000 to R$2,500. So everyone is concerned, but this is a natural movement that it is going to happen with others after it impacts Movida, because we have taken the front position of renewing the fleet. Nobody has a younger fleet, 50% of the fleet newer than one year. We are the only ones who has it.

But now, let me talk about the solution. We have sold few cars in 2021, just 45,000. Any modeling that you try to do, you can see that in little time, I say two or three years, we will be selling 80,000, 90,000 cars. And this is really important for dilution and for bringing down SG&A.

You did not used to cover the industry when we had the IPO, we were talking about the SG&A below 7%, and people were very skeptical. And today, for two years, we have been running within this range. So when you put it in your blender, you see that we can run SG&A at 5% or even lower than that. So we are quite comfortable with our initiatives and actions.

Concerning leverage, there is an important point here, which is the gain we are going to have in the short term. We have delivered R$777 million EBITDA, which is the result of the 4Q. 1Q21, it was R$305 million EBITDA. So it is more than double of the EBITDA of the previous year, because we are at a different level, selling more cars, being much more active.

Our modeling and our internal calculations can really allow me to comfortably say we are running at a leverage at very close levels to what we have shown, and depending on what happens, we can maybe reduce growth and that would help us reduce leverage quite easily.

Now concerning the question about the account of all the suppliers, you are right, we have purchased new cars at higher prices. It almost doubled. Likewise, selling cars has also experienced an increase year over year. So even selling fewer cars, we go to R$800 million in revenues. So you can see that most of the increase in price had been offset by the sales of used cars.

I am not really discarding the idea, but all our forecasting shows that we can keep on growing at 25,000, 30,000 cars at very comfortable levels, using our current leverage rates.

Cost of debt. Our first mission was to change the profile of amortization to allow the Company to execute its strategy of growing faster than other players in a moment of complex market conditions, to say the least.

So you were right, some of our debts are quite heavy on us, but we are going to work on managing the liabilities for the upcoming months, and slowly we will adjust our structure considering the cost.

You had a number of questions. I hope I have answered all of them. And now I am going to hand it back to Renato, who is going to talk about the discount of carmakers.

Renato Franklin:

So, what is important to know here? First, all carmakers believe that what is going to grow more in terms of volume is direct sales. Nobody believes that they are going to sell more through retail. No, they know they depend on us. They also like the idea of the car subscription, and they think that can be done with them.

When we have the price adjusted, it is always better to be offered more discount, but more than having a higher discount, we like the symmetry of discounts, which was something important for us.

Some cars were paid at a similar price, some of them at higher price, but sometimes with 2.5 less discount than we wanted. But today, everything is very much aligned. There are two carmakers which have more discount than competitors, but all the others are exactly the same, according to the carmakers, and also through the invoices that we can see.

So there is a gap in procurement of cars. Maybe some different negotiations may be in place, but in December, there were some additional discounts in volumes to get some additional volume of cars.

Today, in the morning, I talked, “so, can I buy 500 more cars? Can I have some additional discount?”. It does make sense, and we have been able to interact with the carmakers because they know it is going to be different in the 2H22. Everyone is looking in the long term as working in partnership, and not a competing one against them.

So the discount over the through true price, the spread of retail, differently from the price that I pay, is what really matters. So if the difference goes down, I have to change the depreciation. If it is the same, I can use what I used to have before the pandemic.

The impact has been smaller to us, and it is something that we can address with a fair price. And it brings me to my third point. We price the rental based on what we can get in terms of retail, of advantage. We do not say, “let's go, 30% more cars and then we define the price”. It is not that. It is the other way around.

I set the price and then I determine how much I am going to grow, because it depends on the market. Will the market pay the price that is really fair and generates value? Fine if the market does not pay that, than I am going to grow less.

So that is very good for operators that have a high demand, indicating we will have good growth and good significant expansion. But for us at Movida, it has been positive. Closing the gap, it gives us a competitive advantage. And in terms of alliance, we are really well structured.

Regis Cardoso:

Great. Thank you very much, Edmar, for your very complete answer. Great results. Thank you.

Filipe Nielsen, Citibank:

Good morning. Thanks for taking my question. I have two questions. One, with regard to the competitive scenario, how do you see the entrance of foreign players and partnerships with foreign companies in the local market? And what are the factors that enable you to continue competing with the two larger national players rather than foreign players? I would love to have your view on that.

And my second question, this morning we saw that Cosan retracted the joint venture with Porto Seguro to expand the car market. Localiza is also forced to sell its cars to some player. So in your view, do you think there is any player that is relevant? Who do you think Localiza is going to sell the cars to so that the yield is even?

Renato Franklin:

Thanks, Filipe.. Our market, our business is very complex. It is services with the generation of assets, very capital intensive and with high use of technology. And if you look at the cases of foreign players coming to Brazil, they all failed, and some other mergers that also went through, because without scale, it is hard to work here, in addition to know-how of working with credit and frauds and prices and etc. So the business and the markets are very complex in Brazil.

So, I will give you two answers. One, I do not see anyone coming and disrupting the country. At the same time, I look at the markets and say, if the market has a potential of growth of 500,000 a year, and the three largest ones are going to grow by, I do not know, 100,000, how about the other 400,000? And how about the future when you will have 10 million? Are we are going to have just two or three players? I do not think so.

So I think that we are going to see new initiatives, but my people failing than succeeding and really becoming a true market player. The market has room for more players, but we do not know exactly how this is going to be structured.

If you get the case of Cosan, that is it, a large group that has access to credit, takes a look at the markets, sees that it is nice, wants to invest, but then it thinks it is too much money, it is so much complexity, it is too much risk. I do not know about their strategy, but it is a market that is hard to operate in.

And that is the reality that I see in the market. It is a tough market, with very strong entry barriers, but very strong in terms of growth, demand and returns. And therefore, I think that we will see lots of people trying.

All that said, I do not know who is going to buy a business that is just Rent-a-Car, so I really cannot tell about your other question. Thanks for your question, anyway.

Filipe Nielsen:

Thank you. And if I could understand just what you said with regards to the first question, do you see any possibility of alliance with foreign players to compete with the new consolidated company? In addition to organic of focus, do you have any idea of also partnering with the foreign companies?

Renato Franklin:

We always talk about partnerships and alliances. We have been discussing them for a long time, but nothing in the short term. Lots of ideas. OEMs, both the ones that are in the country are the ones that are abroad, understand that the ecosystem is going to be operated by some kind of alliance, and we are always talking to them. I think that will happen, but not anything for the short term.

Victor Mizusaki, Bradesco BBI:

Good afternoon, and congratulations on your results. I have two questions. The first, Edmar, could you please confirm when the CS Frotas report is going to be completed, and when we are going to see the benefits of PIS/COFINS taxes?

And the second question is, taking a look at fleet management and outsourcing, when you take a look at revenue by car and the average purchase price comparing the 4Q to the 3Q, we see growth of about 10% in these two lines. However, if we think about new contracts that were added, given that more than 50% of your base in the end of the 4Q was purchased at an average price of R$50,000, it kind of implies that you have an increase in the average rate that is above that. Could you just give us some color about how do you see in terms of daily rates increase in GTF, and if that will have an impact on the return on invested capital for the future?

Edmar Neto:

Thanks, Victor. To talk about the CS report, we are working on that. It is expected to be released in the short term, but as usual, we are going to take it to the tax committee, to the Board, and then we are going to implement it. Last year, we had very quick passes, and we believe that that decision is going to be made by the 1H22. This is the landscape that we are considering.

With GTF, you are right, the price of new contracts with new cars is competitive, but when you get previous contracts, in almost all of them, except for two, we did not have adjustments with parametric formulas and rates established. So from start, you already have the pass-through of inflation rates.

And in addition, as we always say, whenever there is an opportunity, we are bringing contracts to fair prices, because the contracts were executed in a different reality of prices, and sometimes we can increase them.

If you get a snapshot of the GTF portfolio compared to the past, we have a higher yield because we had adjustments in the contracts, and also ex-contract adjustment in exchange of inclusion of cars, pricing terms, and even just based on the relationship to keep a very good relationship with the client.

And that brings up generation of value in the short term, and the revenue is closer to new values, and we are preparing to renew with new prices for the future.

Victor Mizusaki:

Just a follow up, just a point to be clearer: if you get your average revenue by car in the 1Q21, you are talking about approximately R$4,600. In the 3Q, it was R$4,200. If you think of new contracts, that is, you are talking about buying cars are, 10,700 cars that you have bought and that you are going to allocate intuitive. So you are talking about an average daily rate of 5,000 plus. Does it make sense?

Edmar Neto:

Yes, this is what it is. We are talking about 6,000 for the quarter, it would be the average amount. It can get to 7,000. Om Movida Day, we released this information of more than 2,000, then more than 2,300. I am talking too much, that is it. But anyway, it is good, it will reflect on the yield and it is going to give us gains of profitability. They are criticizing me for speaking too much.

Victor Mizusaki:

Okay. Thank you.

Florencia Mayorga, Metlife:

Congratulations on the strong results and success for the year. I wonder if you can provide any details regarding the tax credits, that PIS/COFINS, what is your expectation for this year?

Edmar Neto:

Florencia, I am going to translate your questions into Portuguese, and please, if you need any additional information, let me know. Florencia is an investor of ours, and she asks a bit more color on PIS/COFINS credits and how we should consider this subject for future.

We recognize R$18 million only regarding the month of December, R$14 million in the Rent-a-Car, R$4 million in GTF, and we may consider that this benefit is going to be a requirement as of January 2022. And why? Because we have the necessary support to continue with this practice. So the amount may vary due to the coming and going of cars, but the R$18 million, I believe, is the floor of what we should be seeing from now on.

There was another question in the call in Portuguese about CS Frotas and whether it is included in this amount, and the answer is no, CS Frotas is not included. There is an opinion report that is being produced. We have to submit this report to the tax committee and the Board of Directors to make a decision until mid-2022.

So this is positive news. The Company was able to respond to the demand quite fast. We already had similar work developed in 2019, and therefore we were able to respond quite quickly. And that is what it is.

Florencia Mayorga:

OK. Thank you.

Jorge Lourenção, Morgan Stanley:

Good morning, everyone, and thanks for taking my question, and congratulations on your results. My question is with regards to return on invested capital, spreads and the returns that you have in the Rent-a-Car business. This is a number that you have mentioned before, but what is the level of yield for the Rent-a-Car business to be able to support the return on invested capital spread, taking into consideration that we should have a normalization of interest rates for the future? Thank you very much.

Renato Franklin:

Thanks for your question. Yield is going to vary according to the type of service. And it is not only yield that has an impact on the return on invested capital. You can have a higher return on invested capital when you have a high yield, but a very severe yield.

So yields have to address the increase of interest to guarantee the spread that you mentioned, so the yield has to be increased according to the type of service that we offer. And according to the type of service, we can have margin gains.

So in addition to yield, we have gains of scale that help us to dilute our G&A in Rent-a-Car and GTF business that helps us to increase our return on invested capital. So we are very comfortable to have a good return on invested capital, a good spread, even considering the interest rates that we see.

Edmar Neto:

Renato, there is one thing I would like to add to that answer, which is the cost discipline of the Company that helps drive margins, as Renato mentioned. If you read our press release, we have the history of our costs. And in the year 2020, it was R$500. Now, in 2021, it was R$520. So even in a scenario in which cars went up by 30% or some, our unit costs went up less than 5%, 4%%, to be more precise.

So there is a huge effort within the Company in operation areas as a source to really provide us a very lean operation. 99% of our Rent-a-Car fleet is electronic traced. We have the lowest tax rates, we have the lowest default rates, we have the highest number of digital transactions and hits in which we pay less commission fees with direct channels.

So yield is very important, as you mentioned, but in the back office of the Company, we have actions on costs and expenses that help us drive returns. So yield is very important, but part of our DNA is really to deliver a very competitive Company to absorb costs.

Jorge Lourenção:

Very clear. Thank you very much.

Operator:

If there are no further questions, let me now hand it over to the Company management for closing remarks.

Renato Franklin:

Thank you all very much. I would like to emphasize that the transformation we have experienced is really something major. There are many analyzes which have shown that it is a really strong transformation. We hope you can have a different perception of our Company, and please brace yourselves, because we are ready for even a better year in 2022. We are very confident with our business plan for 2022 up to 2024, and we are going to grow even faster than what you expect.

Thank you very much for your confidence. We still have got a lot to do, and thank you very much for Movida's team who has been working hard and making a difference. Thank you.

Operator:

The conference call for the earnings is finished now. Thank you all very much for your participation. Have a great afternoon.