

Earnings Release 3Q 2021

CONFERENCE CALL | November 17, 2021 | 11:00 BRT | 9:00 NYC

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Earnings Release 3Q 2021

Barueri, November 16, 2021. Armac (Armac Locação, Logística e Serviços S.A. – B3: ARML3) announces today its results for the 3rd quarter of 2021 (3Q21). The Company's parent company and consolidated interim financial statements for the periods ended september 30, 2021 and 2020 have been prepared in accordance with the accounting practices adopted in Brazil, including the rules issued by the Brazilian Securities Commission (CVM) and the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and are in conformity with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and provide all the significant information related solely to the interim financial statements, which is consistent with the information used by management. The financial statements were prepared in Reais.

QUARTERLY HIGHLIGHTS

- **FLEET SIZE:** 2,776 machines and equipment for rental; addition of 874 new equipment
- **CAPEX:** R\$ 323.8 million in 3Q21, including the acquisition of RCB for R\$ 42.3 million; average monthly organic CAPEX of R\$ 93.8 million
- **GROSS REVENUE:** R\$ 109.7 million in 3Q21; gross revenue from rental and services of R\$ 109.3 million, 39.0% growth vs. 2Q21 and 237.0% vs. 3Q20
- **ADJUSTED EBITDA:** R\$ 53.0 million with a 53.6% EBITDA margin in 3Q21, growth of 37.8% vs. 2Q21 and 260.3% vs. 2Q20
- **ADJUSTED NET INCOME:** R\$ 22.2 million and a margin of 22.4%
- **INDEBTEDNESS:** cash position of R\$ 892.4 million; gross debt of R\$ 725.8 million; net cash of R\$ 166.7 million; net debt / Adj. EBITDA LTM of -1.20x
- **SUBSEQUENT EVENTS:** acquisition of Bauko Movimentação, a company focused on renting forklifts with a fleet of 2,894 units, for R\$ 254.2 million (enterprise value)

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
Rental Fleet Size	2.776	1.902	46.0%	879	215.8%
CAPEX	323.8	208.1	55.6%	84.4	283.5%
Gross Revenue	109.7	79.3	38.4%	32.6	236.9%
Gross revenue from rental	109.3	78.6	39.0%	32.4	237.0%
Adjusted EBITDA	53.0	38.4	37.8%	14.7	260.3%
% net revenue from rental	53.6	54.2%	-0.6 p.p.	50.3%	+3.2 p.p.
Adjusted EBIT	41.3	27.4	51.1%	10,5	294.1%
% net revenue	41.8%	38.6%	+3.2 p.p.	35.9%	+5.9 p.p.
Cash tax earnings	43.7	23.9	83.0%	9.3	367.7%
% net revenue	44.0%	33.4%	+10.6 p.p.	31.9%	+12.2 p.p.
Adjusted Net income	22.2	10.8	105.8%	3.9	465.1%
% net revenue	22.4%	15.1%	+7.3 p.p.	13.4%	+9.0 p.p.
Net Debt	(166.7)	473.8	(135.2%)	172.9	(196.4%)
Net Debt / Adjusted EBITDA LTM	-1.20x	4.69x	(125.5%)	3.63x	(133.0%)
Adjusted ROIC	35.6%	32.6%	+3.0 p.p.	37.2%	-1.6 p.p.
Adjusted ROE	27.2%	56.9%	-29.6 p.p.	59.2%	-32.0 p.p.

MESSAGE FROM MANAGEMENT

Dear investors,

The third quarter of 2021 marked the IPO of ARMAC, which took place on July 2021. Our new partners have entrusted us with R\$1,0 billion to better serve our customers and create the first national platform for renting and sharing machinery, equipment and trucks. Since then, our priority has been to diligently allocate this capital, seeking to maximize returns and leverage on our operating capabilities while increasing the resilience, longevity and predictability of our cash flow.

In the third quarter, we maintained the growth rate of 39% per quarter and 237% per year. This growth was supported by an investment of R\$ 323.8 million in the quarter (considering the purchase of RCB), which represented the addition of 874 pieces of equipment. From this equipment, 356 were added with RCB, 98 were acquired used through our origination channels (R\$ 59 million) and 420 were purchased new. It is worth noting that we made an organic investment of around R\$90 million in September, which most of the assets didn't generate revenue in the quarter.

Our accelerated growth was possible by a demand that remained very high for our services in several segments, including agribusiness, mining, infrastructure and consumer goods. With 2,776 assets, we are an irrelevant fraction of our potential addressable market (which if we select all categories in which we operate, has more than 1 million assets). Our incipient participation coupled with a value proposition anchored on the lowest marginal cost in the market makes us believe that we are just at the beginning of a very long journey.

In financial terms, we managed to maintain a healthy EBITDA margin in the 3Q21 and a high excess return on invested capital. This is a result of our discipline in capital allocation and the unique operational skills of our team. It is noteworthy that to create the foundations to sustaining the future growth of our business, we started making relevant investments in technology, training, and the development of new industrial processes. Cost structures, which were already operational in September/2021, have a negative impact on our short-term margins, but result in stronger long-term comparative advantages to the business.

In terms of team growth, in the third quarter we created 422 new job positions, reaching a total of 1.504 people in the team. This is an example of the great social impact generated by our business model. We extract the maximum from each asset's useful life and share it with as many Clients as possible, reducing the carbon footprint of the supply chain and generating thousands of jobs in the process.

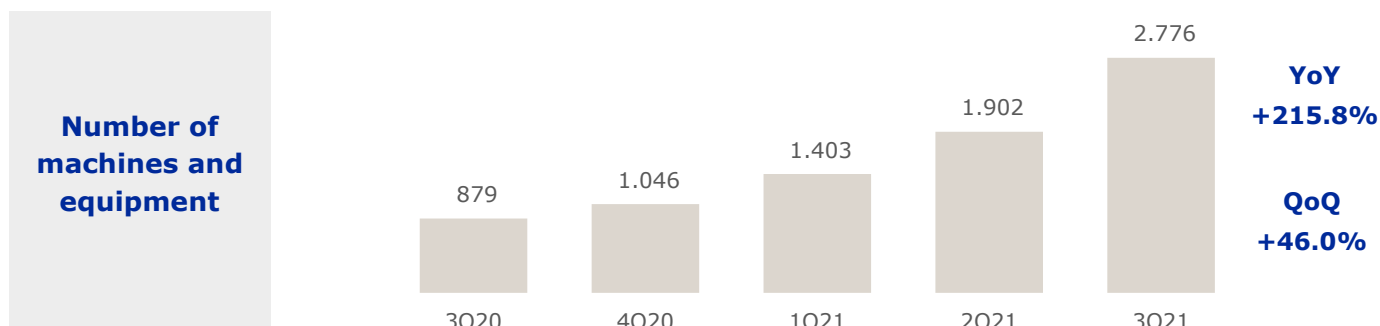
After the end of the 3rd quarter, we concluded the acquisition of Bauko Movimentação. Besides being a great opportunity of capital allocation, the acquisition led us to the leadership of the forklift rental market. We are now able to accelerate organic growth in this category, bringing the same disruptive comparative advantages we brought to the yellow line market. The diversification of assets classes and sectors of activity will support us in efficient capital allocation, as we will continuously choose the best risk x return ratios between different asset classes, sectors of activity and customer profiles.

Finally, we would like to thank our customers, partners, creditors and suppliers for the trust placed in us. We remain 100% engaged in the mission of bringing savings and efficiency to our customers while making our contribution to a sustainable future with more employment opportunities.

Thank you!

RENTAL FLEET AND INVESTMENTS

We ended the third quarter of 2021 with a total rental fleet of 2,776 consisting of yellow line machines, aerial platforms, forklifts and trucks. Which represents a growth of 215.8% compared to 3Q20 and 46.0% compared to 2Q21.



Organic CAPEX, which includes the expansion of the rental and support fleet, totaled R\$ 281.5 million in 3Q21 – of which R\$ 59.4 million were allocated to the purchase of used equipment. This represents an average monthly CAPEX of R\$ 93.8 million vs. R\$ 69.4 million in 2Q21, an increase of 35.3% in the period.

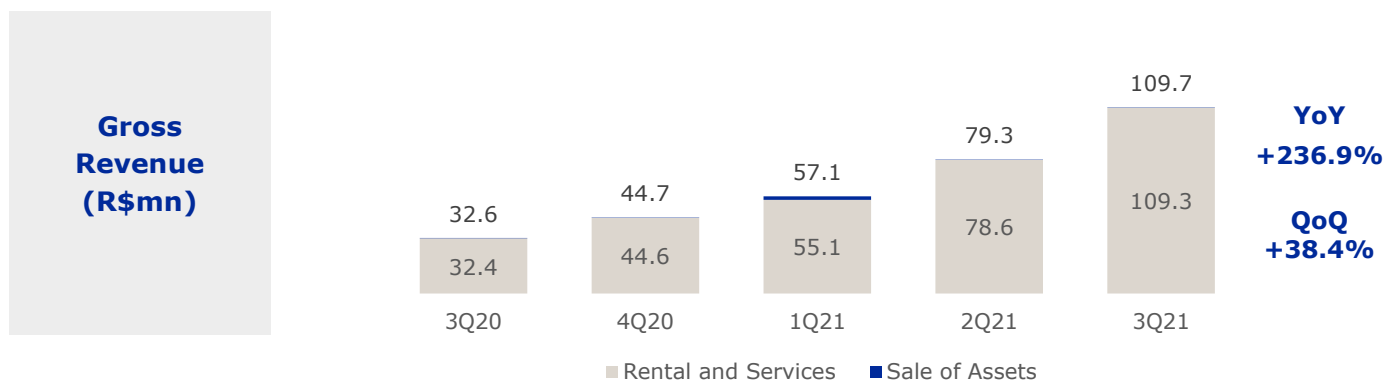
In this quarter, we acquired RCB, a company focused on rental of aerial platforms with 354 equipment, giving us the minimum scale to operate in this segment. This was ARMAC's first acquisition, bringing important lessons to a new path of inorganic growth, simultaneously with organic growth.

The acquisition represented an investment of R\$42.3 million, comprising payment to sellers and assumption of debt. As a result, we made a total CAPEX of R\$323.8 million in the quarter.

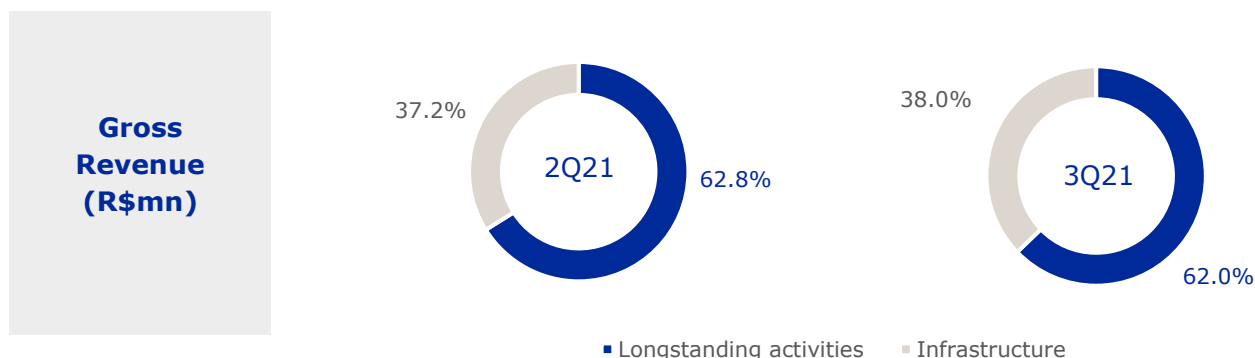
R\$ Million	3Q21	2Q21	% Change	3Q20	% Change
Acquisition of fixed assets	239.9	137.0		39.3	
Financing for the acquisition of fixed assets	26.4	55.9		38.4	
PIS/COFINS credit in the acquisition of fixed assets	14.9	15.1		6.6	
Acquisition of intangible assets	0.3	0.1		0.2	
Orgânico CAPEX	281.5	208.1	35.3%	84.4	233.4%
<i>monthly CAPEX</i>	93.8	69.4	35.3%	28.1	233.4%
Acquisition of RCB	42.3	-		-	
Total CAPEX	323.8	208.1	55.6%	84.4	283.5%

GROSS REVENUE

In 3Q21, gross revenue reached R\$ 109.7 million, growing 38.4% compared to 2Q21 and 236.9% compared to 3Q20. Gross rental revenue reached R\$ 109.3 million, growing 39.0% when compared to 2Q21 and 237.0% compared to 3Q20. Of the gross rental revenue, RCB represented R\$ 3.5 million which refers to the months of August and September, the remainder coming entirely from organic growth through the expansion of the rental fleet and the maintenance of productivity

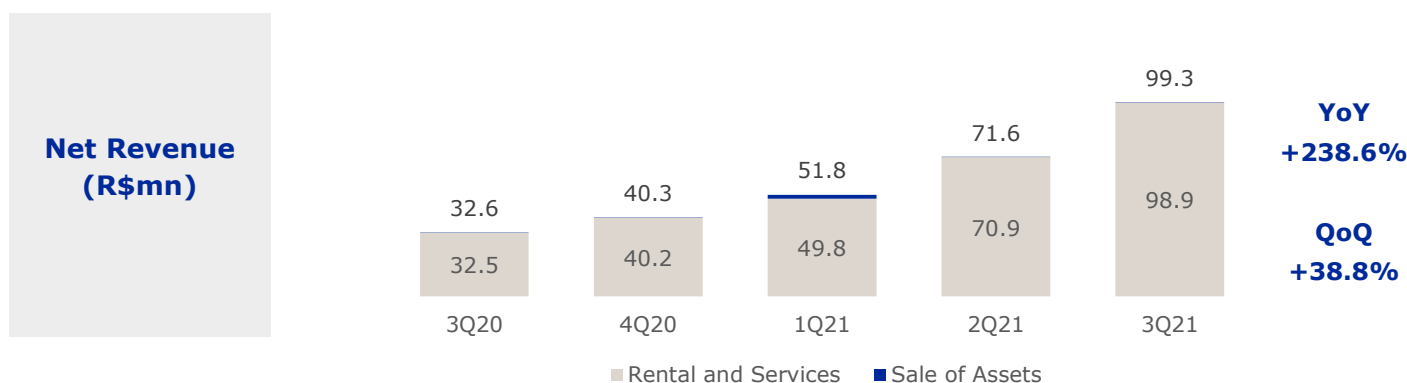


In 3Q21, our gross revenue was composed of 62% by rental to longstanding activity sectors and 38% by rental to the infrastructure sector, in line with the Company's long-term strategy. The sectors of longstanding activities are composed of Clients that operate in mining, fertilizers, cement, steel, forestry, agro-industrial, port, railway, waste & sewage, sugar and ethanol, industrial, logistics and retail. The infrastructure sector is composed of Clients that operate in sanitation, large infrastructure projects (railways, highways, among others), construction, urban maintenance, energy and utilities.



NET REVENUE

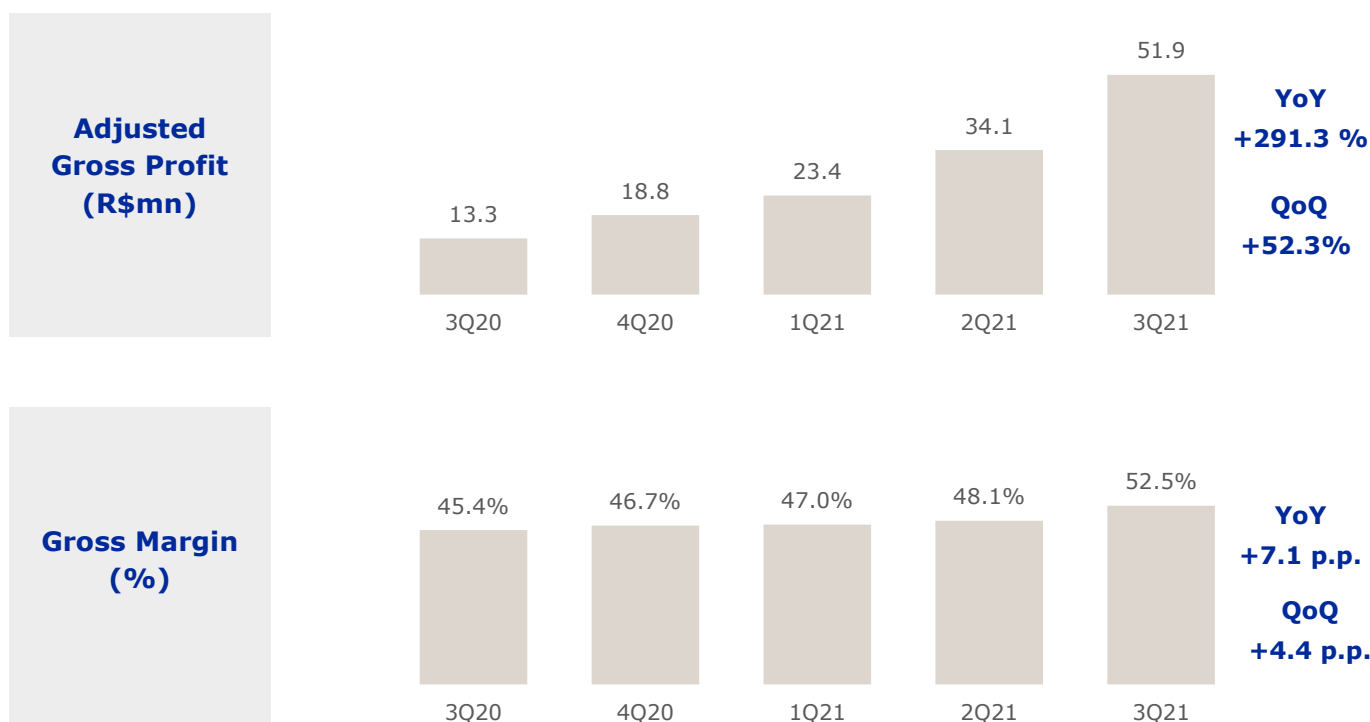
In 3Q21, net revenue reached R\$ 99.3 million, growing 38.8% when compared to 2Q21 and 238.6% compared to 3Q20. Net rental revenue reached R\$ 98.9 million, growing 39.4% when compared to 2Q21 and 238.7% when compared to 3Q20



ADJUSTED GROSS PROFIT

In 3Q21, adjusted gross profit, which excludes non-recurring revenues and expenses (mentioned below) and the result of the sale of fixed assets, reached R\$ 51.9 million, growing 52.3% when compared to 2Q21 and 291.3% compared to 3Q20. Gross margin was 52.5% in 3Q21 vs. 48.1% in 2Q21 and 45.4% in 3Q20.

This quarter, we made a revision of the useful life of our assets in line with our accounting policy of annual revaluations. In order to maintain the accounting value of our assets consistent their real useful life and with their market value, based on internal analysis and an from an independent specialized company, we made the revision of the useful life of the earthmoving fleet and trucks from 10 to 15 years and aerial platforms from 10 to 20 years.

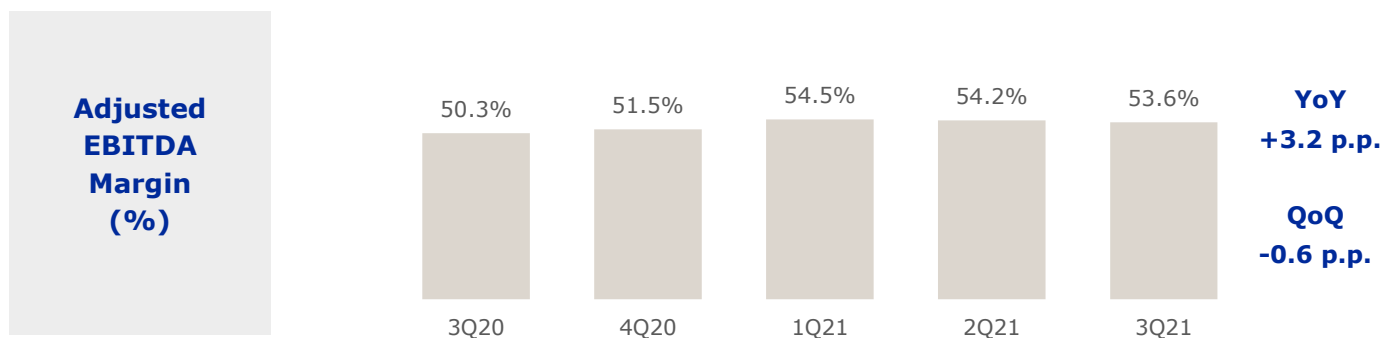
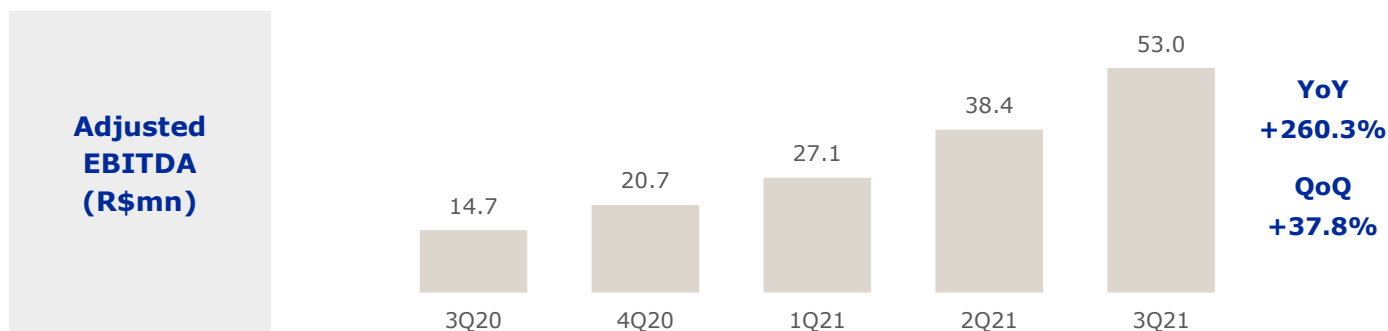


EBITDA

In 3Q21, Adjusted EBITDA, which excludes non-recurring revenues and expenses and the result from sale of assets, reached R\$ 53.0 million, growing 37.8% when compared to 2Q21 and 260.3% compared to 3Q20. Adjusted EBITDA margin was 53.6% in 3Q21 vs. 54.2% in 2Q21 and 50.3% in 3Q20. In line with our long-term strategy, the Company continues to incur expenses in building the foundations that will allow it to achieve sustainable long-term growth.

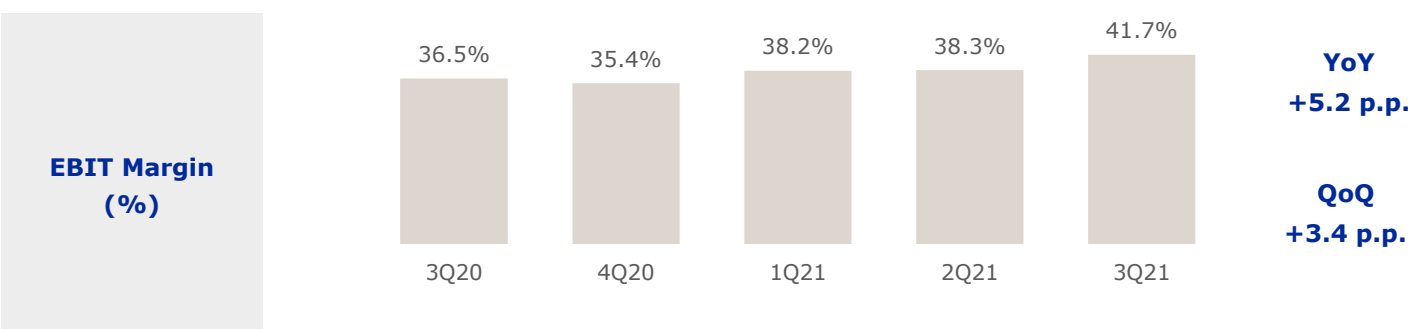
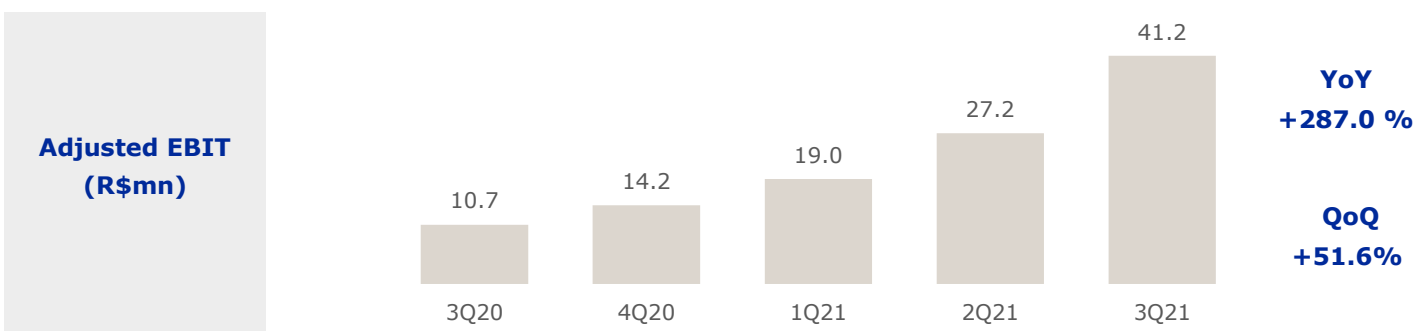
In this quarter, we had two non-recurring expenses: (1) expense with financial advisor in the acquisition of RCB of R\$1.5 million, and (2) annual compensation bonus that was anticipated with the execution of the IPO and, since July, future bonuses and grant of stock options are being provisioned under operating expenses. It is noteworthy that the controlling shareholders do not receive any bonuses or variable compensation currently.

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
Net Income	13.7	10.8	26.6%	3.9	247.7%
Income tax and social contribution	7.3	6.4		2.4	
Financial expenses	16.8	10.7		4.2	
Financial income	(9.4)	(0.6)		(0.1)	
Depreciation and amortization	11.8	11.2		4.1	
Proceeds from the sale of assets	(0.1)	(0.2)		0,2	
Non-recurring earnings	13.0	-		-	
Ajusted EBITDA	53.0	38.4	37.8%	14.7	260.3%
% Adjusted EBITDA margin	53.6%	54.2%	-0.6p.p	50.3%	+3.2 p.p.



EBIT

In 3Q21, Adjusted EBIT, which excludes non-recurring revenues and expenses and the result from sale of assets, reached R\$ 41.2 million, growing 51.6% when compared to 2Q21 and 287.0% compared to 3Q20. The EBIT margin was 41.7% in 3Q21 vs. 38.3% in 2Q21 and 36.5% in 3Q20



NET INCOME AND CASH NET INCOME

Net income in 3Q21 reached R\$ 13.7 million. Adjusted net income, which excludes non-recurring revenues and expenses, reached R\$ 22.2 million, growing 105.8% when compared to 2Q21 and 465.1% compared to 3Q20. The net margin was 22.4% in 3Q21 vs. 15.1% in 2Q21 and 13.4% in 3Q20. Cash Tax Earnings in 3Q21 was R\$ 43.7 million, growing 83.0% when compared to 2Q21 and 367.7% compared to 3Q20. The margin was 44.0% in 3Q21 vs. 33.4% in 2Q21 and 31.9% in 3Q20. This increase is mainly a reflection of the Company's capital structure after the IPO.

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
Net Income	13.7	10.8	26.6%	3.9	247.7%
Non-recurring income net of IRCS	8.6	-		-	
Adjusted Net Income	22.2	10.8	105.8%	3.9	465.1%
% net revenue	22.4%	15.1%	+7.3 .p.p.	13.4%	+9.0 p.p.
IRCS from non-recurring expenses	4.4	-		-	
Deferred income tax and social contribution	7.5	6.0		2.4	
PIS/COFINS levied on revenue paid with tax credit	9.6	7.1		3.0	
Cash Tax earnings	43.7	23.9	83.0%	9.3	367.7%
% net revenue	44.0%	33.4%	+10.6 p.p.	31.9%	+12.2 p.p.

MANAGERIAL OPERATING CASH FLOW

In 3Q21, managerial operating cash generation was R\$ 60.3 million, growing 57.8% when compared to 2Q21 and 233.7% compared to 3Q20. Operating cash generated in 3Q21 represented 113.8% of Adjusted EBITDA vs. 99.4% in 2Q21 and 122.8% in 3Q20.

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
Net cash from operation activities	(212.4)	(123.3)		(30.7)	
Purchase of PP&E	239.9	137.0		39.3	
Proceeds from Sale of PP&E	(0.4)	(0.8)		(0.4)	
Interest on financing	13.4	8.4		3.6	
PIS/COFINS credits from the purchase of PP&E	14.9	15.1		6.6	
Payment of right-of-use-leases	(0.6)	(0.6)		(0.2)	
Payment of tax instalments	(0.0)	(0.0)		(0.0)	
Financial income	(9.4)	(0.6)		(0.1)	
Prepaid IPO expenses	-	2,9		-	
Payment of non-financial debts of RCB ¹	2.8	-		-	
Cash Effect from Non-recurring earnings	12.1	-		-	
Managerial Operating Cash Flow	60.3	38.2	57.8%	18.1	233.7%
% Adjusted EBITDA	113.8%	99.4%		122.8%	

1 – Debt from RCB classified in the line of suppliers in the Financial Statements.

INDEBTEDNESS

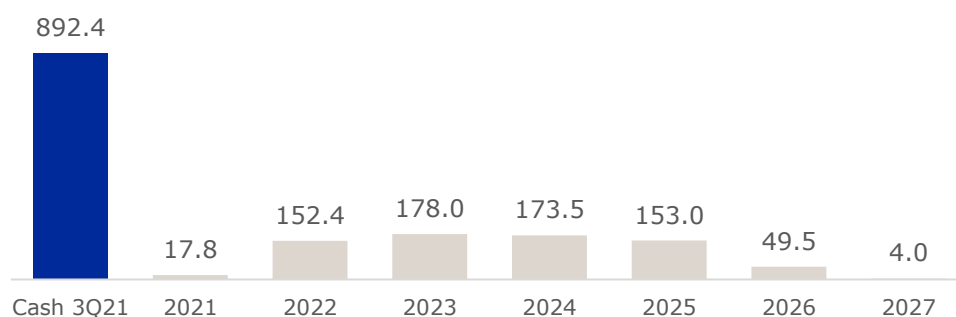
During 3Q21, we had a net borrowing of R\$ 145.1 million in new financing, which were used to (i) finance the purchase of new machines, (ii) acquisition of RCB and (iii) prepayment of debt.

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
Debt balance at the BOP	608.8	401.4		110.2	
Funding (net of fees)	145.1	257.9		118.4	
Assumption of debts from acquisitions	15.2	-		-	
Appropriate interest	15.6	9.9		3.9	
Interest paid	(13.5)	(8.4)		(3.6)	
Amortization	(48.5)	(52.0)		(10.0)	
Debt balance at the EoP	722.7	608.8	18.7%	218.9	230.1%

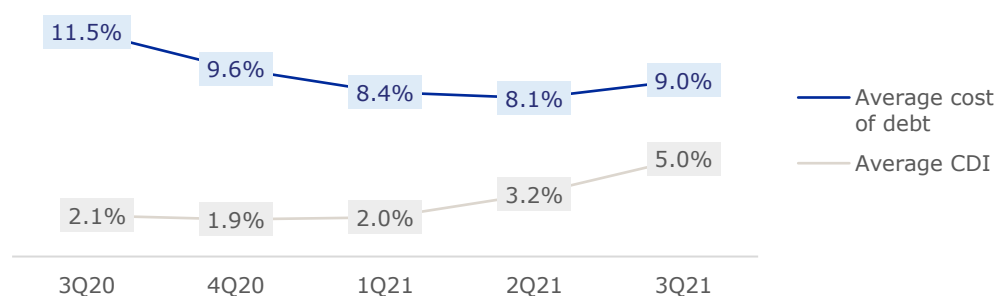
Considering the mentioned borrowings, the Company's gross debt ended 3Q21 at R\$ 725.8 million, an increase of R\$ 117.0 million compared to 2Q21. The Company's leverage ended 3Q21 at -1.20x, with a net cash of 166.7 million, as a consequence of the net funding of R\$950 million raised in the IPO concluded in July 2021.

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
Short Term	124.9	84.0		41.5	
Long Term	597.8	524.8		180.5	
Debt with sellers	3.0				
Gross Debt	725.8	608.8	19.2%	222.0	227.0%
Cash and cash equivalents	(892.4)	(134.9)	561.4%	(49.0)	1719.8%
Net Debt	(166.7)	473.8	(135.2%)	172.9	(196.4%)
Net Debt / Adjusted EBITDA Ajustado LTM	(1.20x)	4.69x	(125.5%)	3.63x	(133.0%)

Debt Amortization Schedule (R\$mn)



Average cost of debt (%p.a.)





PROFITABILITY

In 3Q21, Adjusted ROIC was 35.6% vs. 32.6% in 2Q21 and 37.2% in 3Q20. This increase is, in part, a reflection of the increase in the Company's EBIT margin.

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
EBIT	41.2	27.2	51.6%	10.7	287.0%
Current Income Tax	-	(0.5)	(100.0%)	-	n.m.
NOPAT	41.2	26.7	54.4%	10.7	287.0%
Working Capital	79.1	58.8	34.6%	8.8	802.4%
Gross Fixed Asset / 2	467.2	321.2	45.5%	125.6	271.8%
Invested Capital	546.3	379.9	43.8%	134.4	306.4%
<i>Average Invested Capital</i>	<i>463.1</i>	<i>327.5</i>	<i>41.4%</i>	<i>114.5</i>	<i>304.6%</i>
Adjusted ROIC	35.6%	32.6%	+3.0 p.p.	37.2%	-1.6 p.p.

In 3Q21, Adjusted ROE was 27.2% vs. 56.9% in 2Q21 and 59.2% in 3Q20. This reduction is a consequence of the capital increase of R\$950 million occurred in the Company's IPO.

R\$ million	3Q21	2Q21	% Change	3Q20	% Change
Cash Tax earnings	43.7	23.9	83.0%	9.3	367.7%
Shareholders Equity	1.108.5	132.5	736.4%	54.4	1936.0%
Deferred taxes	15.5	28.1	(44.8%)	17.0	(9.0%)
Equity and Deferred taxes	1.124.0	160.6	599.9%	71.5	1472.6%
<i>Average Equity and Deferred Taxes</i>	<i>642.3</i>	<i>168.0</i>	<i>282.3%</i>	<i>63.1</i>	<i>917.4%</i>
Adjusted ROE	27.2%	56.9%	-29.6 p.p.	59.2%	- 32.0 p.p.

INCOME STATEMENT (CONSOLIDATED)

In thousands of Brazilian reais (R\$)

	3T21	2T21	% Change	3T20	% Change
Gross operating revenue	109.730	79.271	38,4%	32.571	236,9%
(-) Sales Tax	(10.384)	(7.680)	35,2%	(3.227)	221,8%
% gross revenue	(9,5%)	(9,7%)	+0,2 p.p.	(9,9%)	+0,4 p.p.
Net operating revenue	99.346	71.591	38,8%	29.344	238,6%
(-) Cost of service	(47.541)	(37.333)	27,3%	(16.237)	192,8%
% net revenue	(47,9%)	(52,1%)	+4,3 p.p.	(55,3%)	+7,5 p.p.
Gross profit	51.805	34.258	51,2%	13.107	295,2%
% net revenue	52,1%	47,9%	+4,3 p.p.	44,7%	+7,5 p.p.
(-) Operating revenue	(23.424)	(6.901)	239,4%	(2.617)	795,0%
% net revenue	(23,6%)	(9,6%)	-13,9 p.p.	(8,9%)	-14,7 p.p.
Operating income	28.381	27.357	3,7%	10.490	170,6%
% net revenue	28,6%	38,2%	-9,6 p.p.	35,7%	-7,2 p.p.
(+) Finance income	9.378	567	1554,0%	71	13154,1%
(-) Finance costs	(16.830)	(10.673)	57,7%	(4.240)	296,9%
Income before tax & social contribution	20.929	17.251	21,3%	6.321	231,1%
% net revenue	21,1%	24,1%	-3,0 p.p.	21,5%	-0,5 p.p.
(-) Income tax & social contribution	(7.253)	(6.447)	12,5%	(2.387)	203,9%
Lucro líquido	13.676	10.804	26,6%	3.934	247,7%
% net revenue	13,8%	15,1%	-1,3 p.p.	13,4%	+0,4 p.p.

BALANCE SHEET (CONSOLIDATED)

In thousands of Brazilian reais (R\$)

	3Q21	2Q21	% Change	3Q20	% Change
Cash and cash equivalents	892.411	134.925	561,4%	49.038	1719,8%
Trade receivables	96.325	63.331	52,1%	16.820	472,7%
Inventories	7.784	4.721	64,9%	1.060	634,3%
Recoverable Taxes	36.376	23.986	51,7%	8.234	341,8%
Other Assets	6.098	5.132	18,8%	2.388	155,4%
Total current assets	1.038.994	232.095	347,7%	77.540	1239,9%
Recoverable taxes	248	272	(8,8%)	342	(27,5%)
Other assets	410	570	(28,1%)	663	(38,2%)
Property, plant and equipment	902.750	613.945	47,0%	238.215	279,0%
Intangible assets	16.580	608	n.m.	235	n.m.
Total noncurrent assets	919.988	615.395	49,5%	239.455	284,2%
Total Assets	1.958.982	847.490	131,2%	316.995	518,0%
Trade payables	61.535	29.156	111,1%	15.353	300,8%
Borrowings and financing	124.893	83.984	48,7%	41.489	201,0%
Lease payable for right of use	1.612	1.303	23,7%	2.366	(31,9%)
Payroll and related taxes	13.823	8.000	72,8%	4.669	196,1%
Taxes payable	3.603	1.553	132,0%	6	n.m.
Dividends payable	-	20.428	n.m.	-	n.m.
Other payables	5.315	656	710,2%	566	838,2%
Total current liabilities	210.781	145.080	45,3%	64.449	227,0%
Borrowings and financing	597.846	524.767	13,9%	180.474	231,3%
Lease payables for right of use	25.918	16.545	56,7%	-	n.m.
Taxes in instalments	461	497	(7,2%)	601	(23,3%)
Deferred Taxes	15.496	28.065	(44,8%)	17.026	(9,0%)
Total noncurrent liabilities	639.721	569.874	12,3%	198.101	222,9%
Capital and reserves	1.085.223	122.272	787,5%	43.538	2392,6%
Earnings reserves	23.257	10.264	126,6%	10.907	113,2%
Equity	1.108.480	132.536	736,4%	54.445	1936,0%
Total liabilities and equity	1.958.982	847.490	131,2%	316.995	518,0%

CASH FLOW STATEMENT (CONSOLIDATED)

In thousands of Brazilian reais (R\$)

	3 Q21	2 Q21	3 Q20
Profit before income tax and social contribution	20.929	17.251	6.320
Adjusted by			
Depreciation and amortization	11.751	11.084	3.319
Decommissioned assets' write-off costs	1.699	1.114	356
Cost of disposal of damaged and demobilized assets	2.548	-	-
Loss and provision for accounts payable	-	(360)	(1)
Other changes	(1.739)	(25)	-
Expected credit losses	(457)	871	(138)
Charges on leased right-of-use assets	417	292	39
Interest on borrowings and financing	15.615	9.929	3.860
Changes in assets and liabilities:			
Trade receivables	(32.976)	(26.455)	(6.238)
Recoverable taxes	(12.366)	(10.322)	(4.325)
Inventories	(3.063)	(1.914)	(1.060)
Other assets	(805)	(640)	(1.384)
Providers	32.379	18.209	10.123
Labor and social security obligations	5.823	2.388	771
Taxes payable	2.050	1.143	(204)
Other payables	(1.197)	(465)	372
Interest on financing	(13.398)	(8.430)	(3.553)
Interest on leased right-of-use-assets	(416)	(294)	(39)
Interest on taxes in instalments	(3)	(4)	(4)
Acquisition of fixed assets	(239.861)	(136.982)	(39.254)
Receipt for sale of fixed assets	439	750	377
Income tax and social contribution paid in the year	239	(481)	-
Net cash generated by operating activities	(212.392)	(123.341)	(30.663)
Purchase of intangible assets	(332)	(98)	(169)
Corporate acquisition	(21.667)	-	-
Net cash used in investing activities	(21.999)	(98)	(169)
Borrowings and financing	118.735	202.035	58.537
Payment of tax instalments	(31)	(24)	(14)
Capital increase	950.119	-	27.000
Payment of dividends	(20.428)	-	(10.000)
Repayment of borrowings and financing	(48.044)	(52.049)	(8.174)
Payment of right-of-use leases	(563)	(561)	(185)
Shares issuance costs	(7.911)	-	(666)
Net cash provided by financing activities	991.877	149.401	66.498
Increase in cash and cash equivalents, net	757.486	25.962	35.666
Mains noncash transactions, recognized in balance sheet			
Borrowings for the purchase of PP&E. (FINAME and CDC)	(26.375)	(55.888)	(38.437)
PIS/COIFNS credits generated on purchase of PP&E	(14.913)	(15.099)	(6.563)
First-time adoption CPC 06 (R2)/IFRS 15 Leases	(9.511)	(4.783)	(1.105)



NON-GAAP METRICS

CAPEX: CAPEX aims to reflect the investment the Company's made in PP&E and Intangibles. It's calculated by adding (i) "Purchase of property, plant and equipment" account from the Cash Flow Statement, (ii) "Purchase of intangible assets" account from the Cash Flow Statement, (iii) acquisition of PP&E with debt, in which the payment is made directly to the supplier, (iv) PIS/COFINS credit generation from the acquisition of PP&E, paid by the supplier at the moment of the purchase.

ADJUSTED GROSS PROFIT: its gross profit deducted by the sale of PP&E. The Company doesn't see the result from sale of PP&E as a recurring result, seeing it as a marginal activity resulting from adjustments made in the composition of our fleet.

ADJUSTED EBITDA: consists of earnings (losses) net of the Company's interests, taxes (current and deferred), depreciation and amortization and the non-recurring results. The Company considers the sale of PP&E a non-recurring result. The adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by the net revenues from rental.

CASH TAX EARNINGS: cash earnings are the sum of (i) earnings, (ii) deferred taxes, (iii) taxes deducted from gross revenues generated in the current period that were paid using PIS/COFINS Credits. This KPI reflects the impact that the taxes actually paid in the period have on the company's earnings.

MANAGERIAL OPERATING CASH FLOW: The Managerial Operating cash flow is equivalent to the cash flow from operating activities, disregarding the effects of the sale and acquisition of PP&E, as well as interest income and expenses.

ROIC AJUSTADO: The Adjusted Return On Invested Capital is calculated by taking EBIT and deducting current income tax, then dividing the result by the period's average invested capital. The period's average invested capital is composed of the sum of (i) working capital and (ii) gross PP&E divided by two. The goal of using the gross PP&E divided by two is to present a perception of profitability in the mid-life of the company's typical equipment.

ADJUSTED ROE: The Adjusted Return On Equity, is calculated as the cash tax earnings divided by the sum of the (i) period's average stockholders' equity and (ii) period's average deferred taxes. The goal of using the Cash tax earnings is to consider the effect of income tax deferrals and fiscal credits generated in the operation.

DISCLAIMER

The non-GAAP metrics presented in this report are not measures of financial performance, liquidity or indebtedness accepted by the BR GAAP or the IFRS, and they don't have standard meanings. Other companies may calculate the non-GAAP metrics presented in this report in a different way, thus affecting and disabling comparison between disclosures. All statements made in this report are related to the Company's perspective of its business, projections, results and to its potential growth and are all based on internal estimates made considering management's expectations on the future of the Company. These expectations can all be affected by the overall results of the country's economy, the sector and international market; thus, being subject to changes.