



# Non-Deal Roadshow

December 2022





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# Highlights of ARMAC's Investment Thesis for Yellow Line Equipment



## **Large Addressable Market, Ripe For Accretive Capital Allocation**

>428,000 Units (90.0x ARMAC's Yellow Line Fleet) Sold in the Last Decade By Over 30 Reputable Manufacturers

## **We Tag-Along Brazil's Comparative Advantages:** ARMAC Thrives in Sectors With Continuous, Non-Cyclical Demand

Grain Processing, Port Terminals, Fertilizers, Pulp & Paper, Sugarcane & Corn Ethanol, Protein, Mining & Others

## **Yellow Line Is Maintenance Intensive:** Armac is a Service-Driven Business Model

Over 67%<sup>1</sup> of the Total Cost of Ownership of Yellow Line Equipment Is Operational – Not Financial

## **Our Business Model Is Customer-Centric:** We Share Economies of Scale and Eliminate Conflicts of Interest

We Offer the Lowest Rental Prices for Clients and Attractive Returns for Shareholders by Bypassing Industry Deadweight Loss

## **Vertical Integration Is Our Main Competitive Advantage:** Higher Margins, Asset Turnover, and Equipment Longevity

Maintenance Is a People-Intensive Process that Requires a Strong Culture that Prizes Hands-On Ingenuity to Succeed at Scale

## **A sector prone to Responsible Financial Engineering:** Stable Cash Flow Backed by Liquid Assets

Our Unit Economics Support Fully Levered CapEx: 100% Debt-to-Value Maps to 2.0x Net Debt / EBITDA<sup>2</sup>. Equity Is a Collateral.

1: Source: SOBRATEMA – Tabela Custo Horário

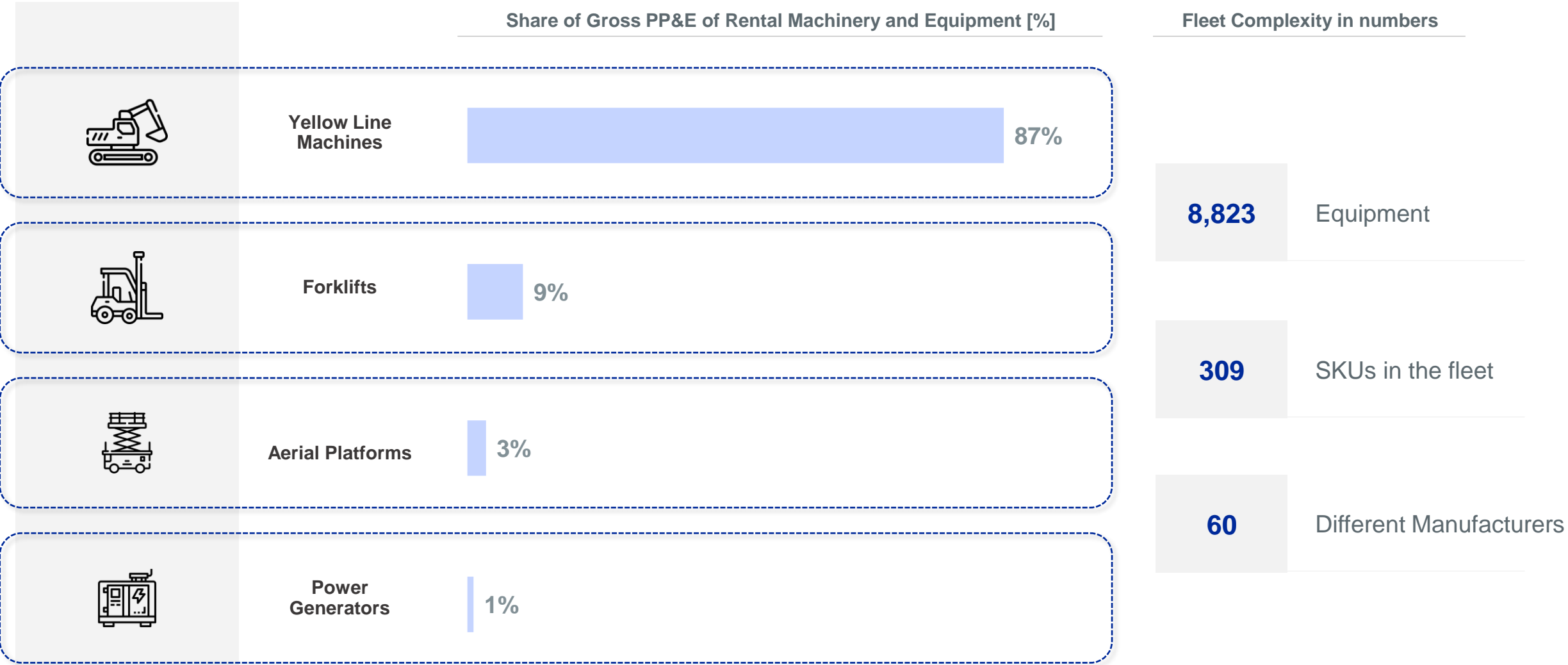
2: Internal Analysis. At the end of the first year of operations of a typical machine.



# Portfolio Update: one-stop-shop for agriculture, mining, industrial & infrastructure customers



The bulk of our asset base is Yellow Line (87%), but we have the scale needed to be competitive in Forklifts, Aerial Platforms and Power Generators



Source: Internal Analysis, considering 3Q22 data

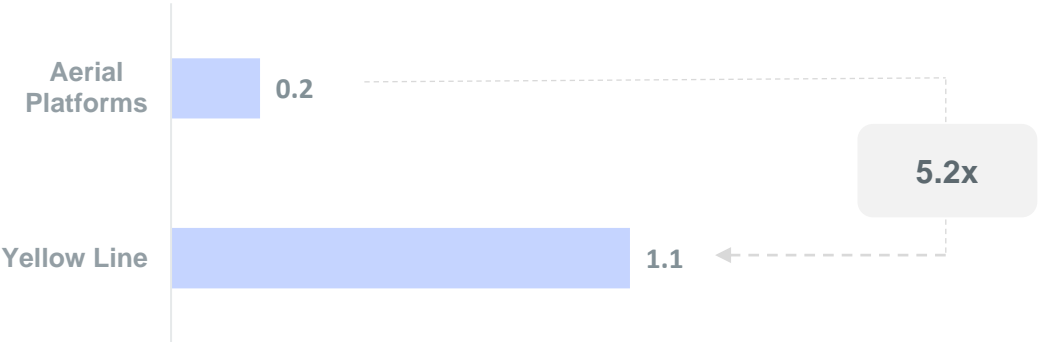


# Maintenance is critical for YL economics but negligible in other equipment lines

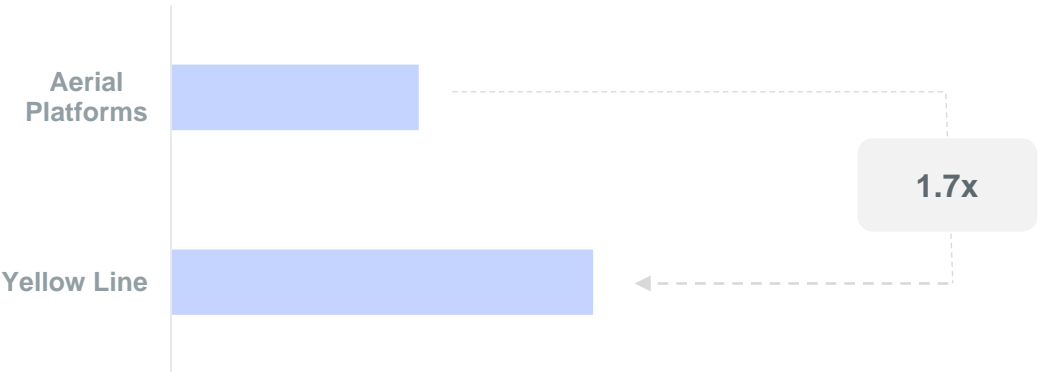


A typical YL machine breaks 5.2x more than AWP's and each service order takes 1.7x more time to solve, resulting in 8.8x more resources needed per machine

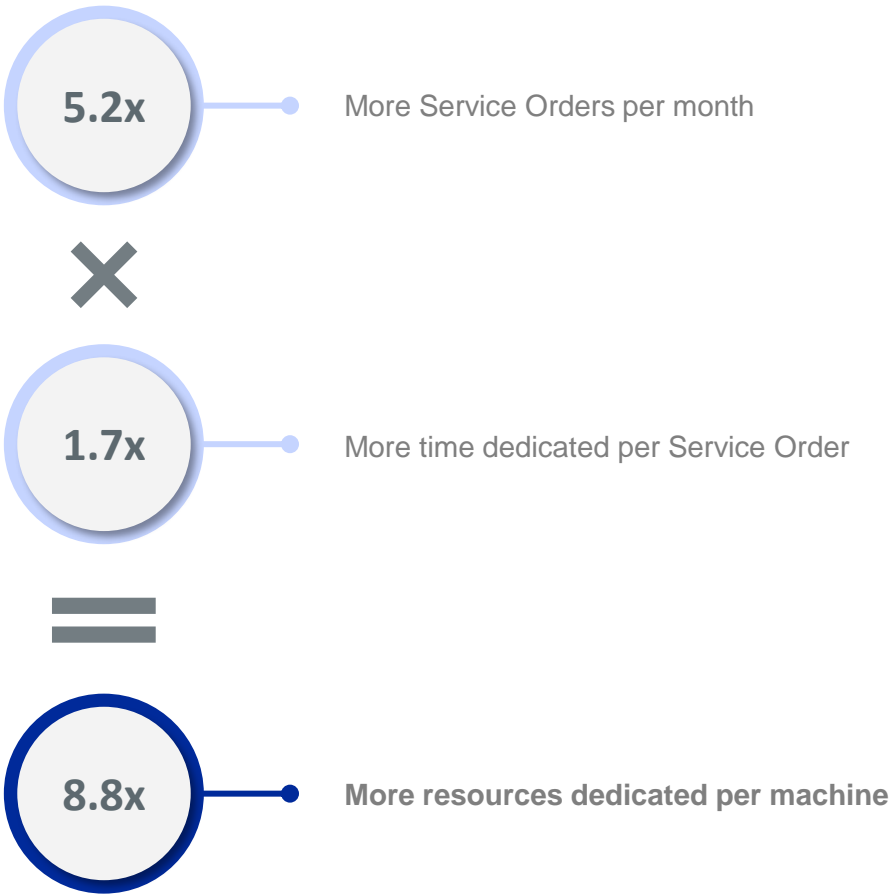
Average Corrective Service Orders per Machine / Month



Average Resolution Time (per service order)



Yellow Line vs. Aerial Platforms – Complexity in Numbers

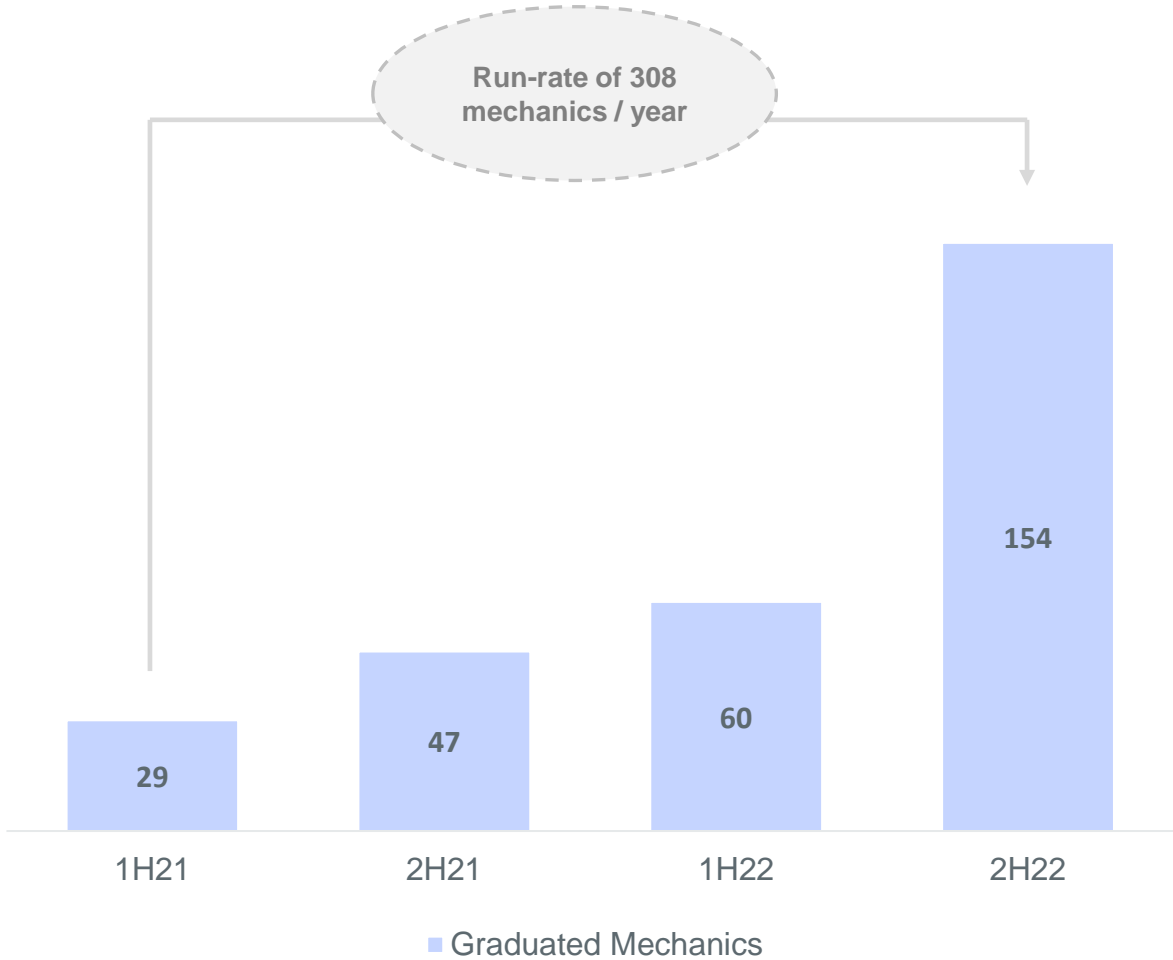




# Maintenance complexity demands a strong culture and in-house training



Our recipe to keep the culture real is to create leaders in the frontlines and offer them the technical knowledge through strong in-house training structures



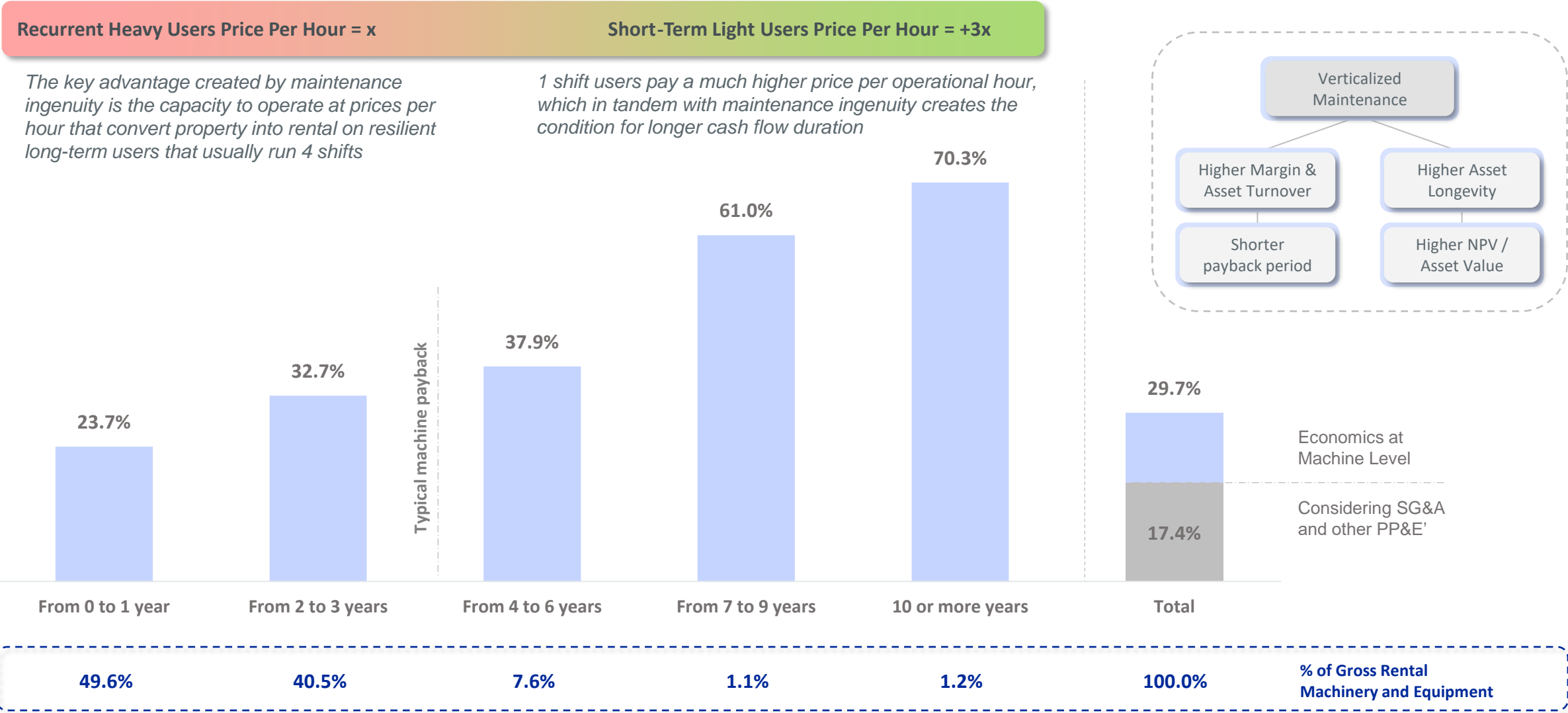


# For customers, society and shareholders: the longer the use, the better



Our business model and demand characteristics of the yellow line market enables a long-term cash flow duration

Unit Economics: EBIT / Net PP&E <sup>[1]</sup>, grouped by cohorts of fleet age



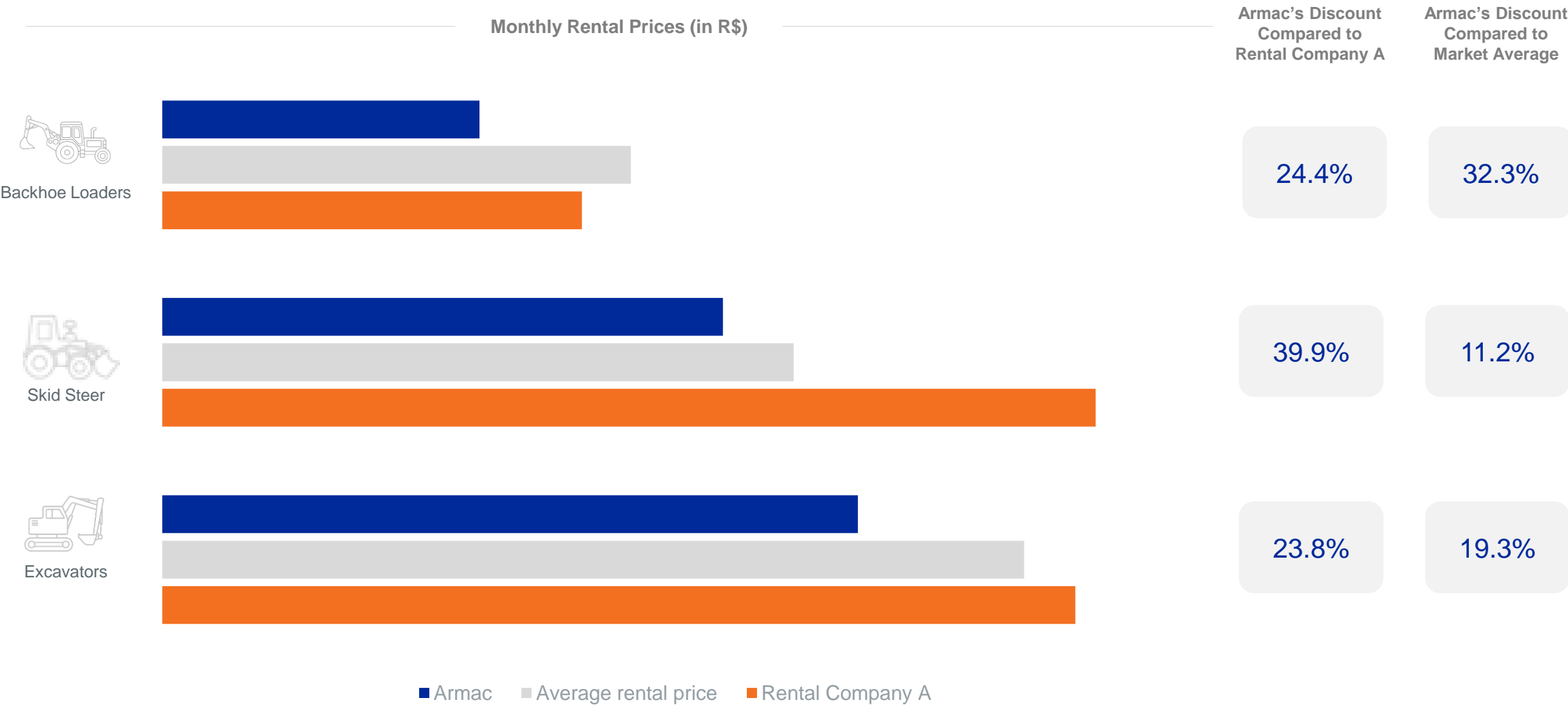
Source: Internal Analysis, considering 3Q22 data  
[1] Calculated considering Depreciation and Net PP&E of Rental Machinery and Equipment only, except for the Total



# Our operational efficiency and longer duration are creating a wide price barrier



Being able to offer customers very low prices while maintaining high returns is what propels our growth rates



Source: Internal Analysis and Outsourced Advisors. Based on 30/11/2022.

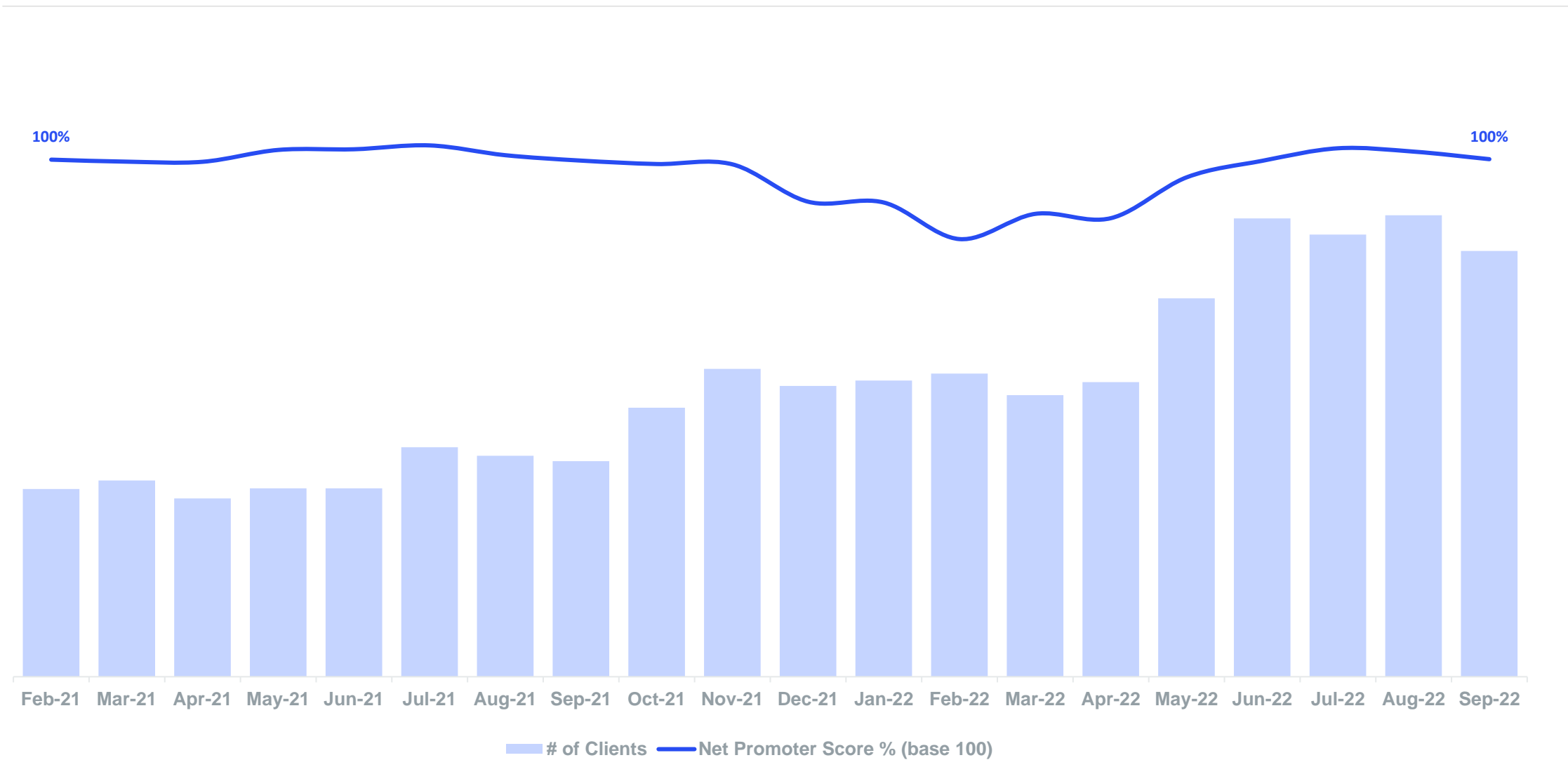


# We've managed to maintain a high NPS, despite strong inflow of new customers



Growth is increasing service density and scale in all regions, which combined with a customer centric culture is supporting NPS levels

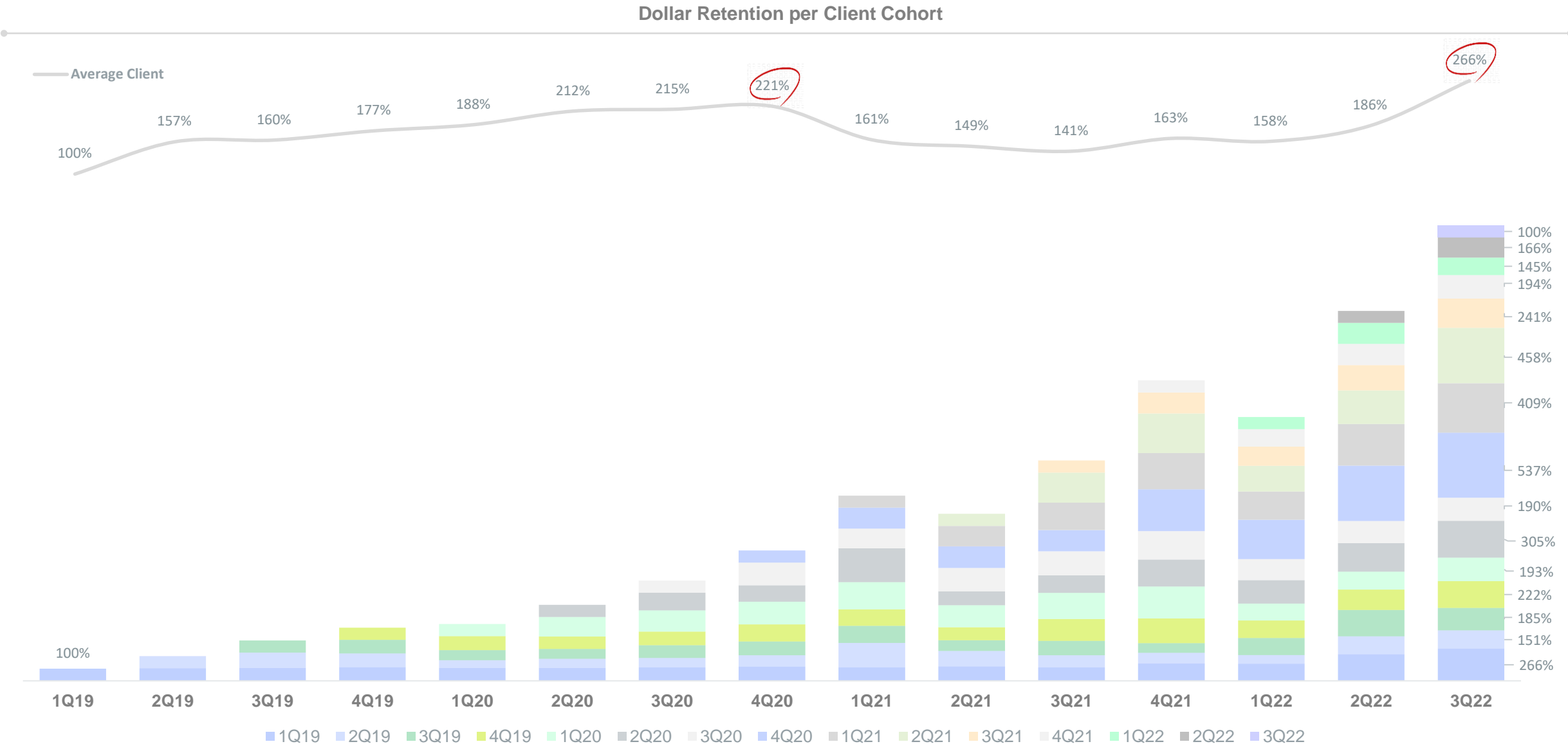
NPS vs. # of Clients





# Our value proposition convert property into rental in waves after the first contract

On average, after 8 quarters at Armac, the client has already multiplied its revenues from the first quarter by 221%

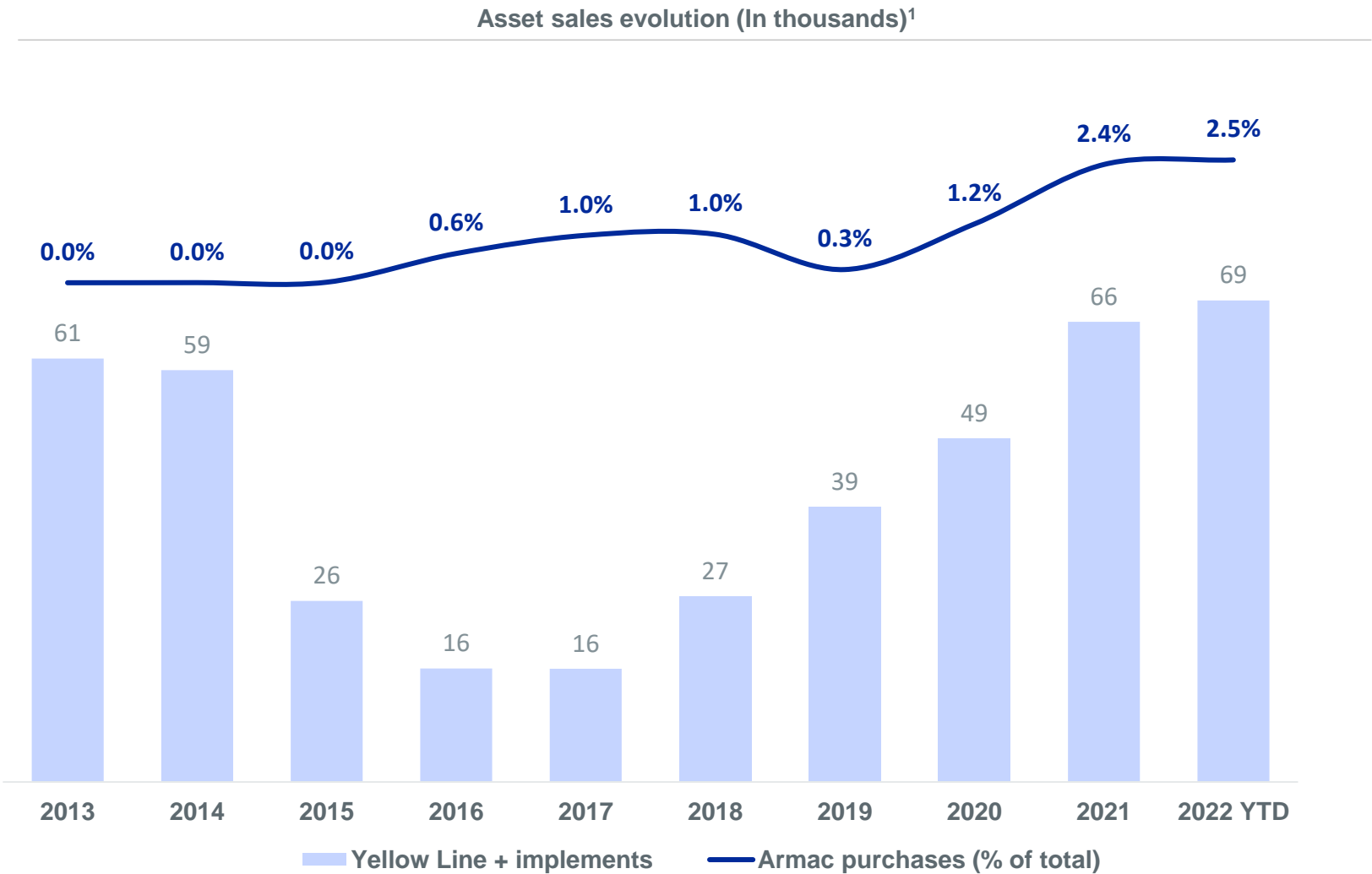




# At 1% of the market, we are still at the very beginning of a long journey



Regardless of being the largest acquirer of equipment in the yellow line market, our share in market sales is still at ~2.5%



Armac currently has a share of **1.1%** in a market of approximately

**428K equipment**

representing a fleet TAM, at current average prices, of up to

**R\$ 314 Billion**

**Note:** 1 - Source: ABIMAQ / ANFIR and Company data. YTD data until October. Analysis considering only yellow line heavy equipment (crawler tractors, backhoe loader, wheel loader, hydraulic excavator, motor grader, roller-compactors, skid-steers, telescopic handler, dump and water trucks). Market Share considering only Yellow line fleet



## Financial Highlights

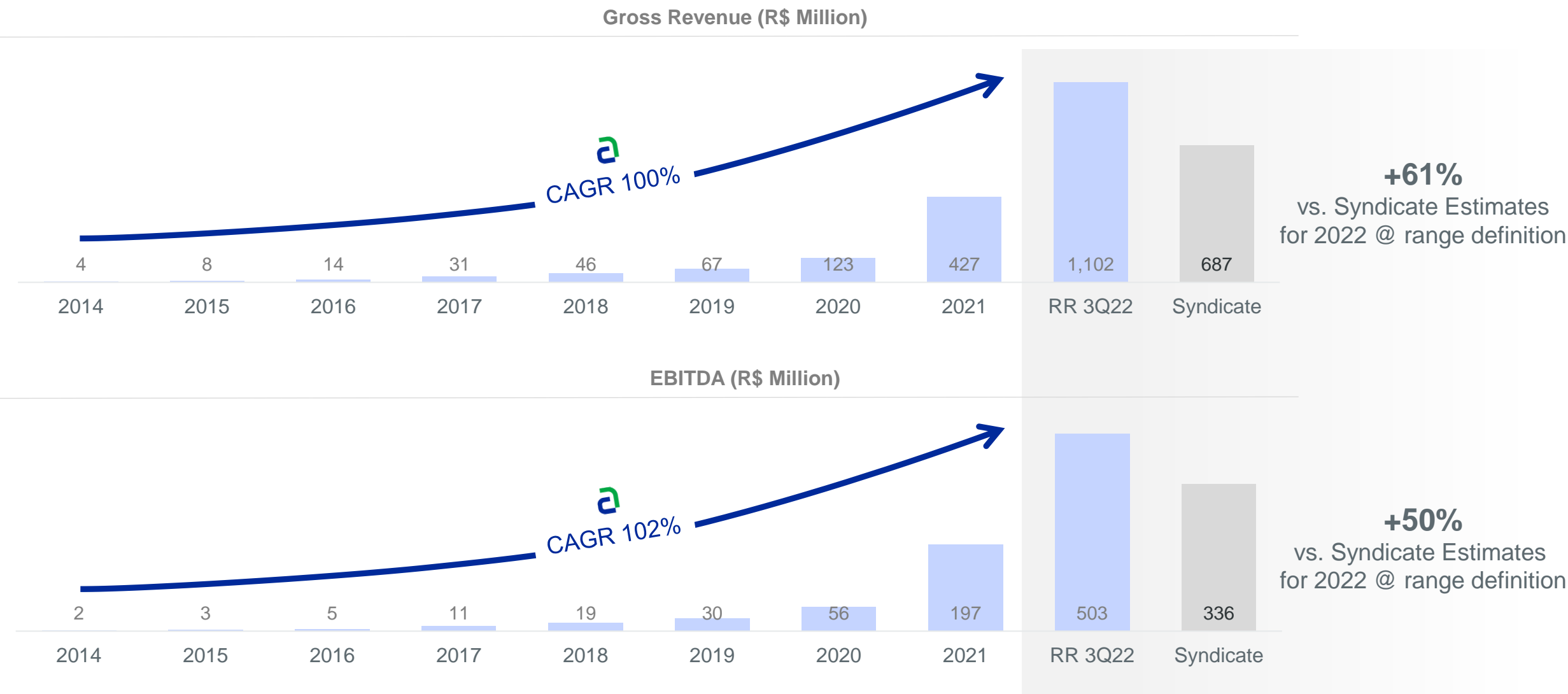




# Fastest EBITDA growth in the Brazilian public market<sup>1</sup>



Strong margins and cash generation amid abnormal growth rates is the product of our strongest comparative advantage: **culture**



Source: [1] Bloomberg, highest EBITDA of B3 considering 9M22 results annualized compared to 2019 for Novo Mercado, Nivel 1 and Nivel 2 of Corporate Governance

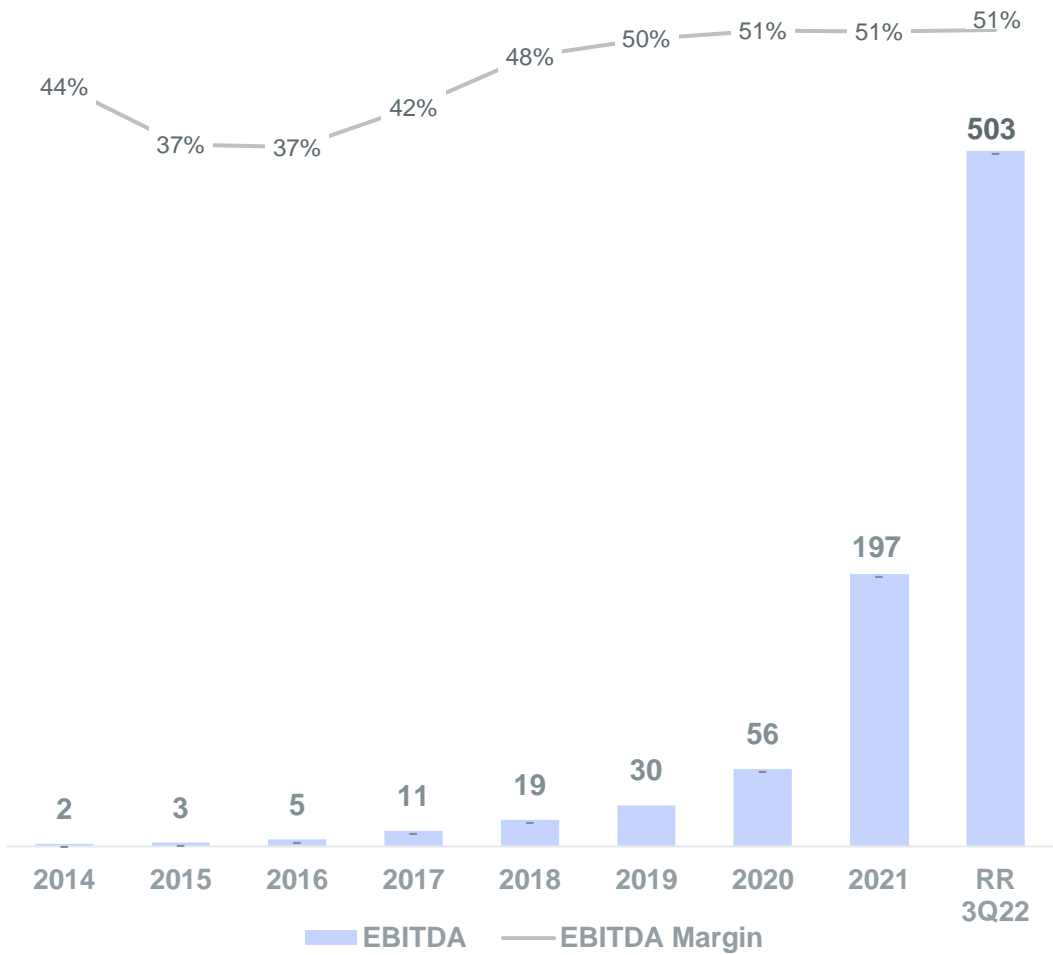


# Financial Highlights

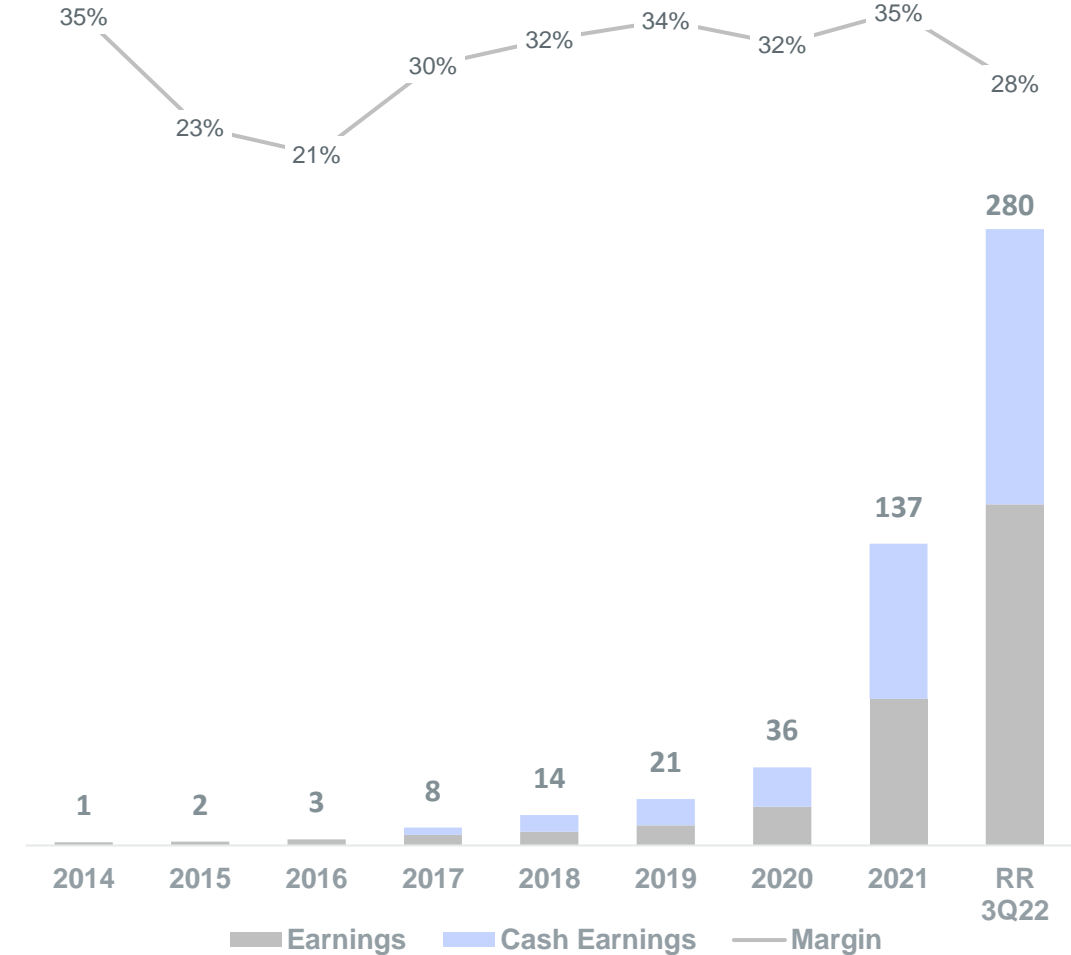
Armac's Accelerating Growth Has Not Come at the Expense of Profitability nor Organic Cash Generation



EBITDA (R\$ Million)



Cash-Tax Earnings (R\$ Million)



Source: Internal Analysis

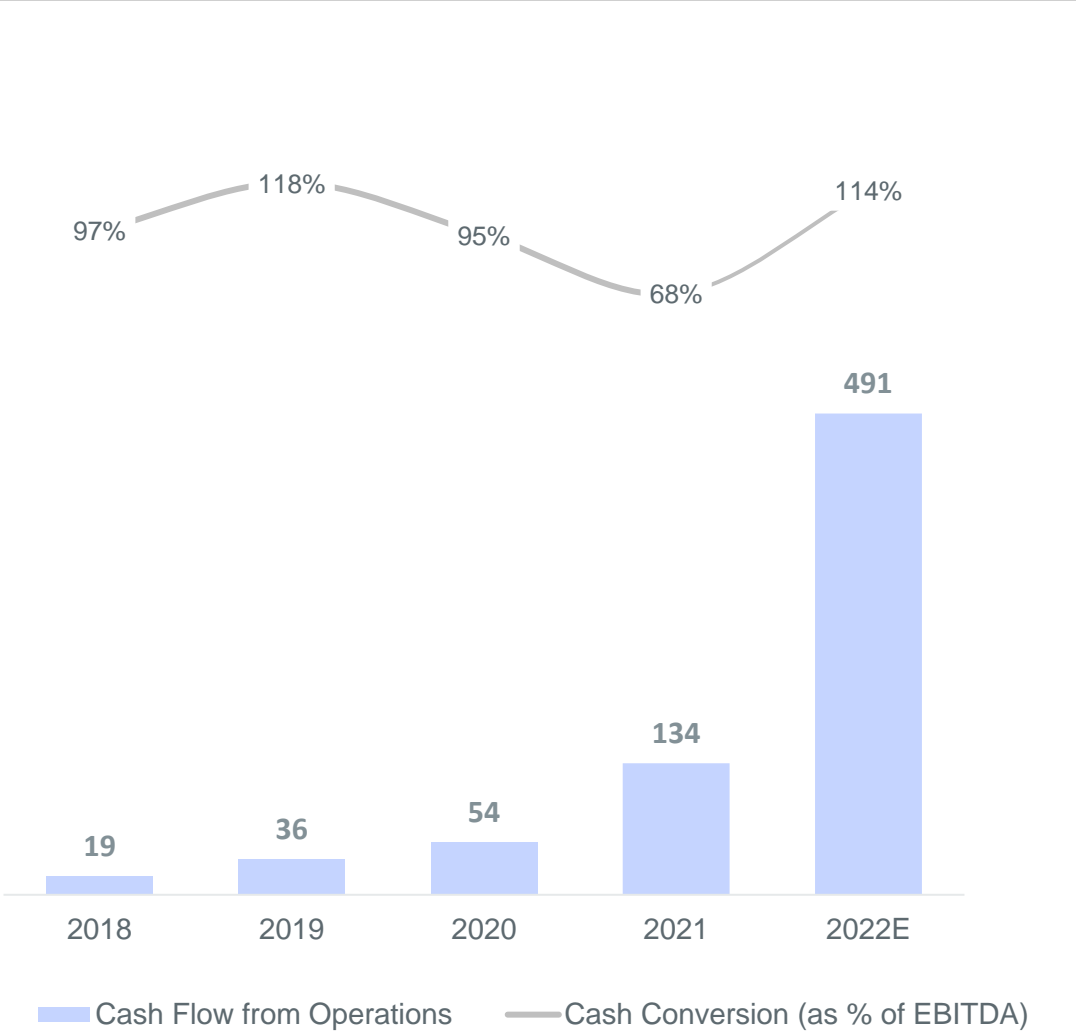


# Financial Highlights (Cont.)

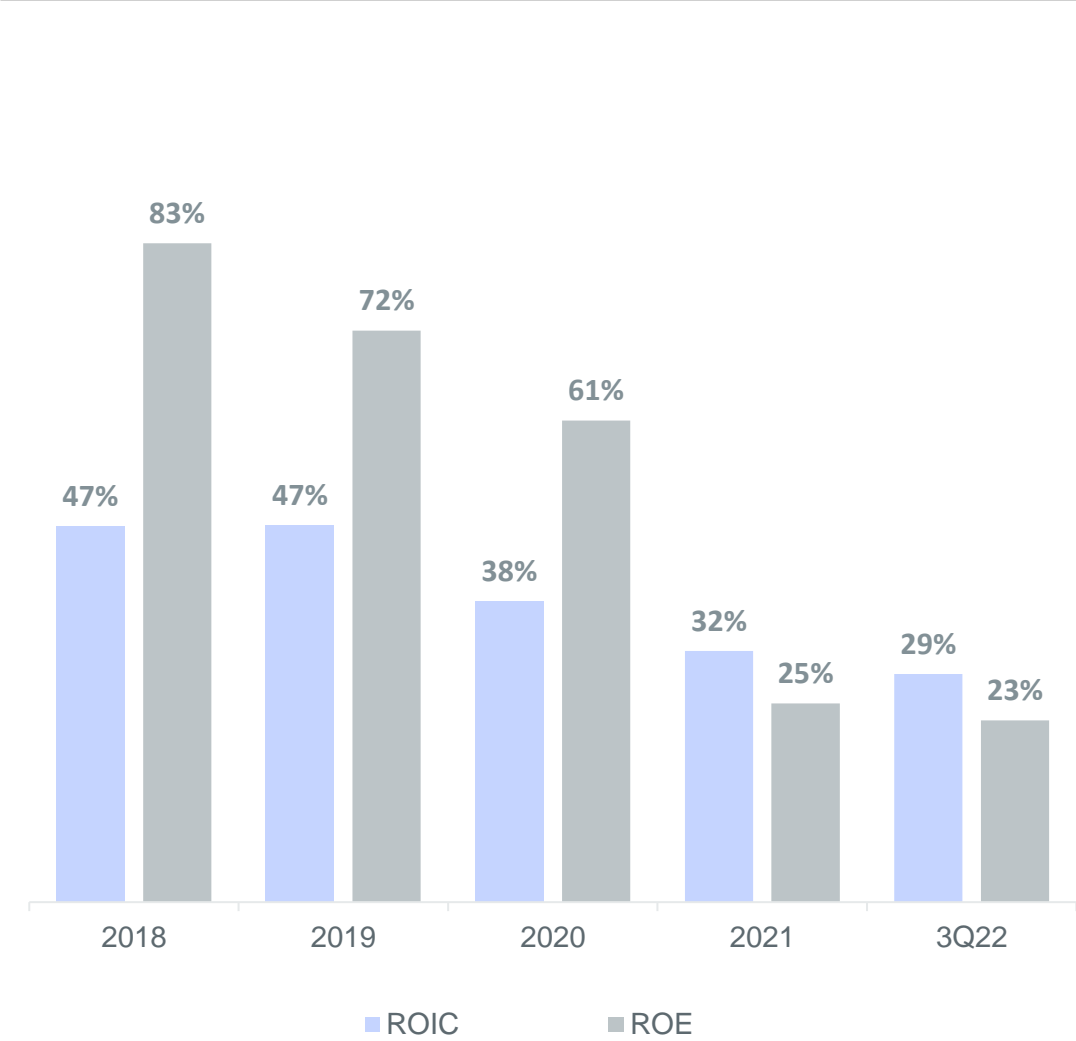


The same trends are maintained in cash generation and Returns on Invested Capital

Cash Flow from Operations<sup>1</sup> (R\$ Million)



ROIC & ROE



Source: Internal Analysis, considering 3Q22 data  
(1) 2022 number consider run-rate 9M22 2022 number consider run-rate 9M22

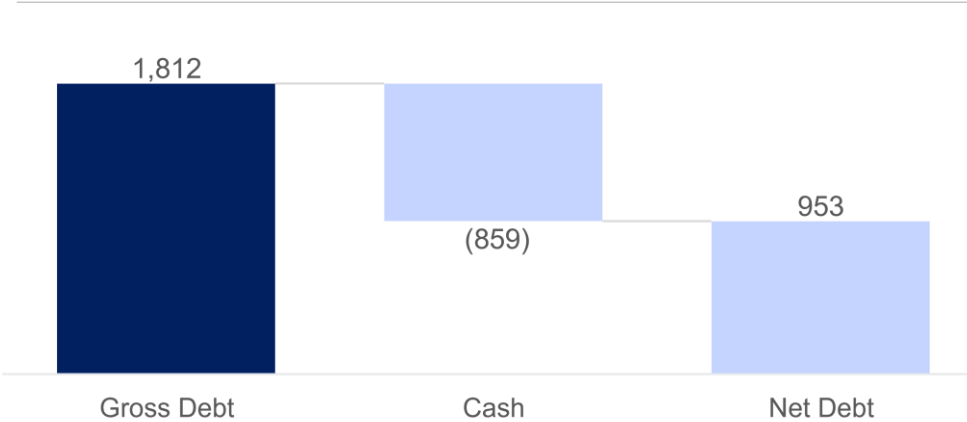


# Conservative balance sheet, with room for investments ahead

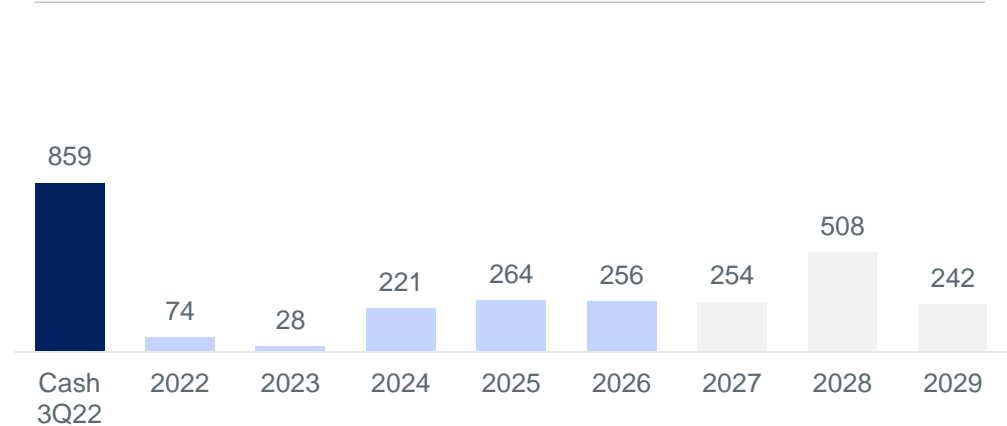


Considering 3Q22 EBITDA annualized, the company has a leverage ratio of 1.89x, holding a robust cash position, enough to cover debt amortization until 2026

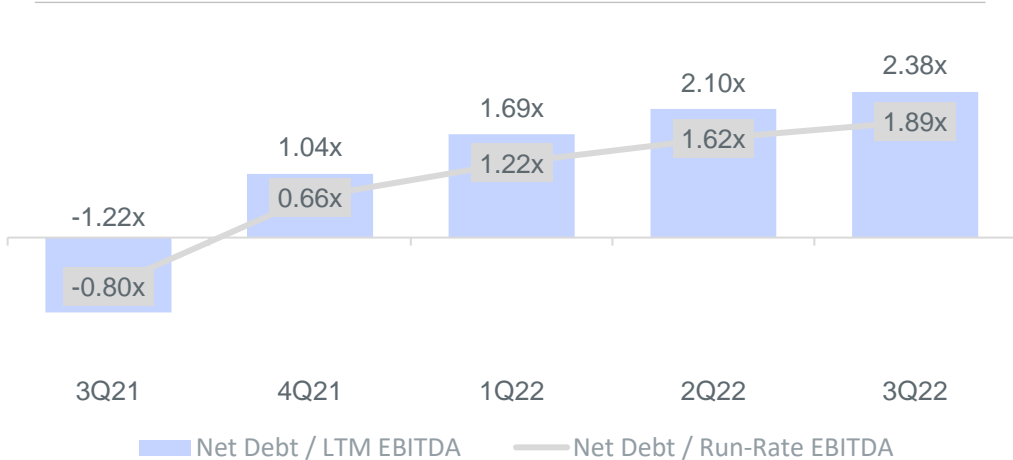
Net Debt (R\$ Million)



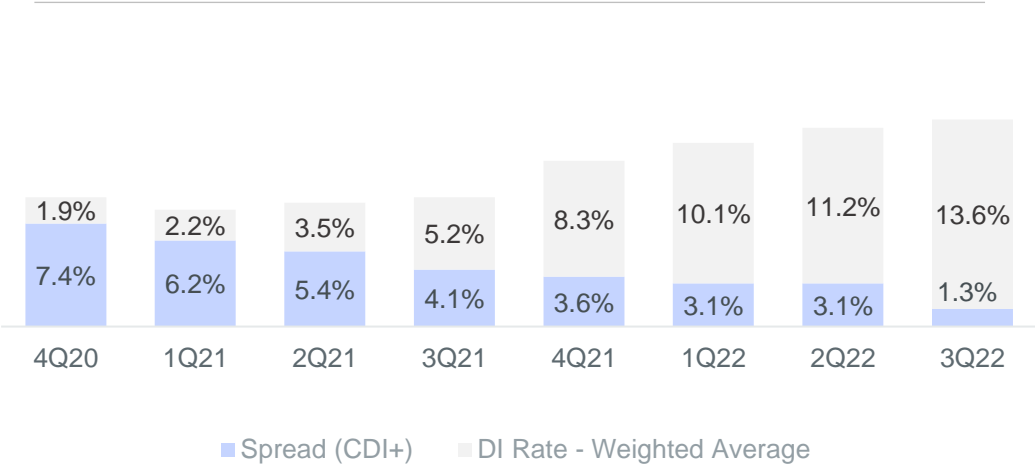
Financial Debt Amortization Schedule (R\$ million)



Net Debt / EBITDA (x)



Average Debt Cost (%)



Source: Internal Analysis

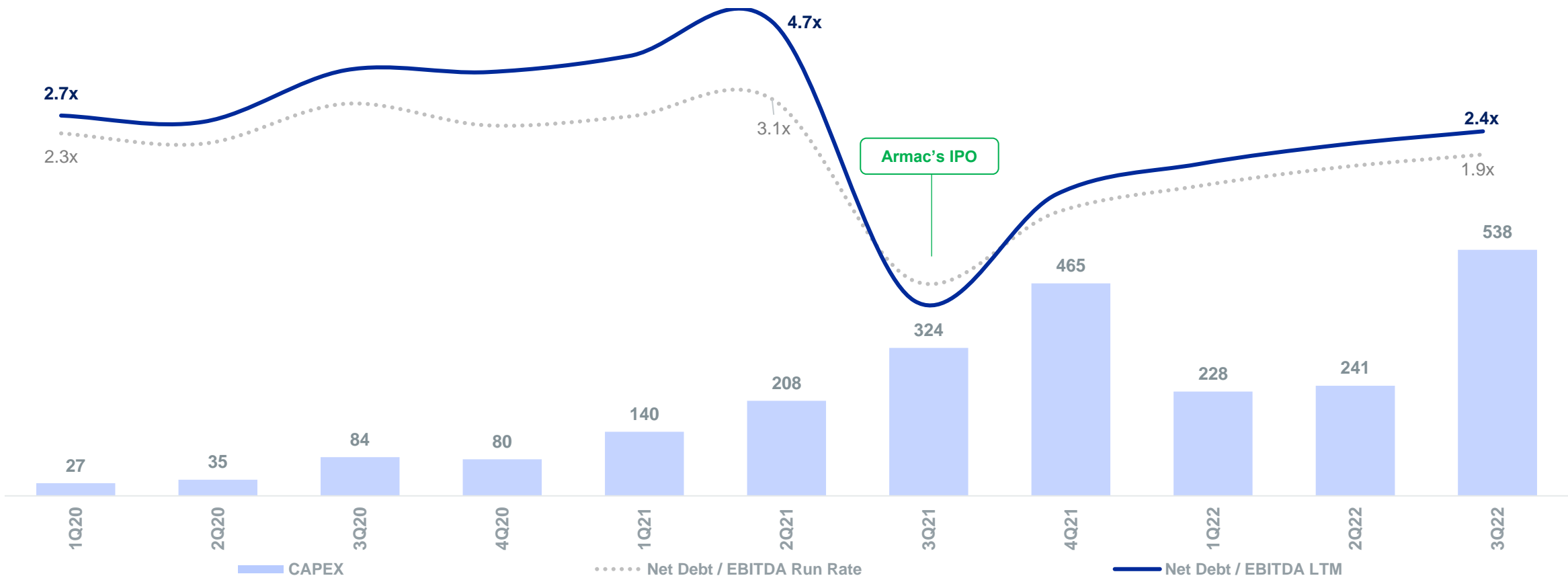


# Strong capital allocation capacity

More than R\$ 1.5B have been invested organically since the IPO and 2 acquisitions have been made and integrated, proving the company's execution capacity



Monthly CAPEX<sup>1</sup> (R\$ M) and Leverage (x)



DISCIPLINED CAPITAL ALLOCATION, WITH HEALTHY CAPITAL STRUCTURE

Leverage ratio of 1.89x 3Q22 annualized EBITDA (run-rate)

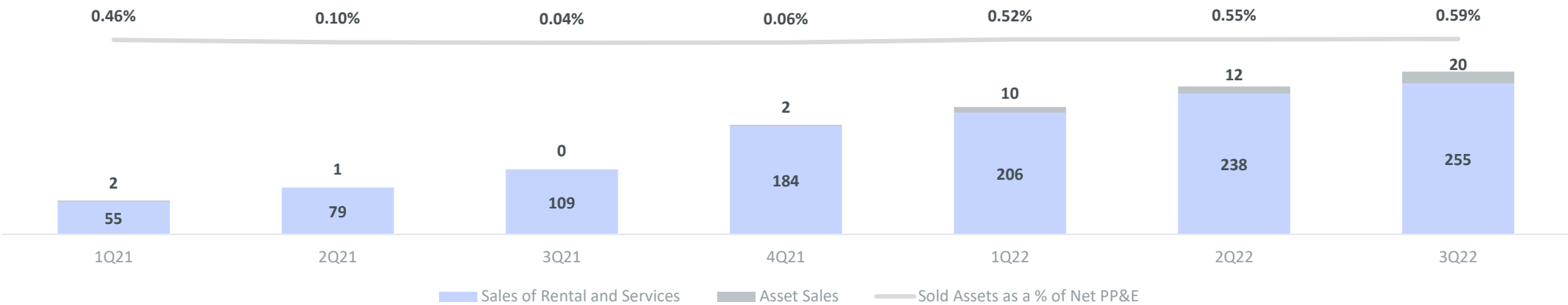


# Asset Sales: a downside protection initiative

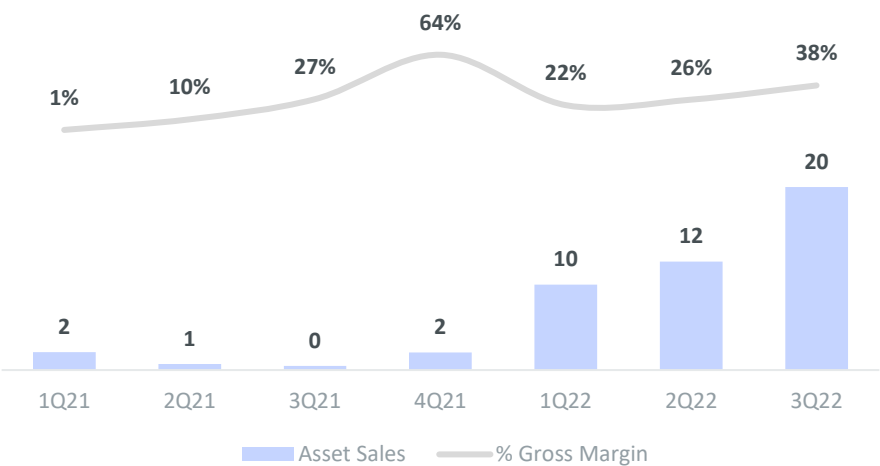
We've been selling ~0,5% of the fleet per quarter, divided by all kinds of machines and ages, in order to create a market in case of future need



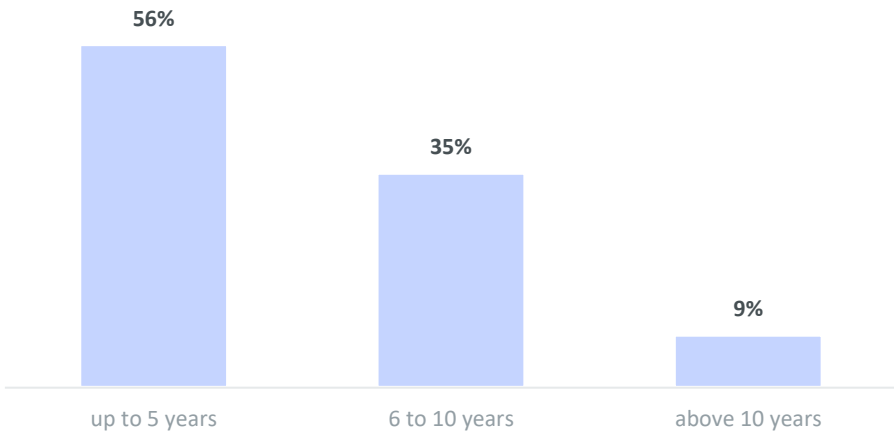
Asset Sales over total sales and as % of Net PP&E (R\$ million)



Asset Sales and Gross Margin (R\$ million)



% of Asset Sales by Age (YTD22)



Source: Internal Analysis





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A GENTE TEM O QUE VOCÊ PRECISA