

**Operator:**

Good morning and welcome to the JSL conference call to discuss the results for 1Q20. Here with us today are Fernando Simões, CEO, and Denys Ferrez, CFO and IRO.

At this time, all participants are in a listen-only mode. Later on we will begin a Q&A session, when further instructions will be provided. Should you require any assistance during the conference call, please ask an operator for help by pressing \*0.

This conference call is being recorded and simultaneously translated.

Before proceeding, we would like to point out that any forward-looking statements that may be made during this conference call about the outlook for the Company's business and operating and financial targets and projections are based on the beliefs and assumptions of JSL's Executive Board, as well as on information currently available to the Company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions because they refer to future events and, therefore, depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may affect the future results of the Company, leading to results that are materially different from those

expressed in such forward-looking statements.

I would now like to give the floor to Mr. Fernando Simões. Please, Mr. Simões, you may proceed.

**Fernando Simões:**

Good morning, everyone. We are now going to discuss our 1Q20 results. On behalf of all of us at JSL, I would like to thank you all for your time and participation. Before we talk about our numbers, let us begin on slide two, where we talk about the moment we are unfortunately experiencing, as well as some social and business initiatives that our Group has been implementing.

As you can see on slide two, on the top, we talk about our employees. The most important for us is taking care of our people. We have implemented several initiatives with this objective, whether through material, information or clarification on actions that they must take preventively.

A large part of our administrative employees are working from home, as their jobs are fundamental and essential, and can be performed from their houses, although a third of the people are working in the offices.

Our *Ligado em Você* (Connected to You) service is offered 24hs a day. Some of the actions implemented were opening the rooms as much as possible, as well as the windows. Several of our operations include the delivery of cars to people, so they can bring another employee along instead of using public transport.

When we talk about customers, this is what we had to do. We do not measure efforts to ensure the continuity of all of our essential operations to our customers, which are also important to the society and to the sustainability of our business.

We have taken preventive cleaning measures, rotation of people and given prevention tips, as well as initiatives to help our customers, whether in the Movida segment, by offering a number of concessions to customers, or by lengthening payment terms to some of our main customers. Finally, we seek to embrace our customers and, together, find the best way to overcome this moment.

The community is also an important factor. We donated more than R\$1 million in PPEs to several needy regions in which we operate. We are providing logistics support to some states, such as São Paulo, by distributing food staples, an important initiative to reach the neediest people throughout the state of São Paulo.

We have implemented several initiatives to our truck drivers, who are essential to our work and extremely important in the Brazilian logistics segment. We distributed food baskets to all truck drivers who transport our loads over a medium distance and have to spend a few days away, so they are able to eat for eight days.

We supply them with hand sanitizers and, through our communication channels, we frequently give them instructions on how to prevent from COVID-19. We allocated truck drivers from several operations that have been interrupted to other ongoing operations.

They were also allocated to perform social actions, such as the distribution of food staples to people in most need in the state of São Paulo, and are being paid for the performance of such services.

We also implemented our *Ligado em Você* program, which is a center with psychologists, doctors and legal professionals who provide clarification for in order for people to have all the necessary support.

These are some of the measures we have taken and we strongly believe that we are contributing to the ecosystem where we operate. Although we are very sad about this moment we are all experiencing, our JSL team is glad to be able to help lessen the suffering of the neediest people.

Now, let us talk about our main figures, our business, considering the current scenario. Let us move on to page three, where we talk about the main highlights of 1Q20.

We recorded adjusted net income of R\$83 million in 1Q20, an increase of 37%, reflecting all the bases constructed in the last few years, in line with our business planning, which has been shared with you during the last few releases.

Our consolidated net revenue from services totaled R\$1.7 billion, or growth of 3%, with EBITDA increasing by 18%, to R\$562 million, with a margin of 32.8%, an increase of 4.2 p.p. compared to the same period last year, in line with the Group's strategic planning.

In other words, revenue is lower because we are taking advantage of several corporate bases built and CAPEX made in recent years, but margin has increased, which is in line with our business planning.

We strengthened our cash at the end of 1Q20, which is sufficient to cover the amortization of short-term debt by 2.5x. And we ended the quarter with leverage of 3.6x, which is 12% lower than in the same period last year.

As recently announced, we had the approval of the Board of Directors to carry out a corporate reorganization, which, at the end of two stages, will result in a holding company that will be the biggest road logistics company in Brazil with the largest service portfolio.

JSL Logística recorded profit of R\$19.7 million, in line with the same quarter in 2019, excluding the non-recurring revenues of 1Q19. Despite the costs for implementing new operations in 1Q20, our EBITDA came to R\$110 million.

Vamos recorded net income of R\$36.6 million, growth of 16%, with EBITDA of R\$139 million, 14.5% more than in the same period last year, and operating income grew by 30.7%.

Vamos continues to combine growth and profitability in a single business platform, with great opportunity for growth, even at the current scenario we are undergoing.

CS Brasil recorded net income of R\$16 million, an increase of 44% compared to the same period last year, with EBITDA of R\$83 million, growth of 48%, and operating income 86% higher than in the same period last year.

Within our strategic planning, CS Brasil has had an increasing share in the GTF fleet leasing and outsourcing segment, with a significant reduction in other business lines, in line with the Company's planning.

Movida reached adjusted net income of R\$55 million, growth of 31%, and an EBITDA margin of R\$225 million, growth of 55%, confirming its continuous operational improvement in all business lines.

It is worth noting that the main quarterly highlights unfortunately occurred in the last 15 days of March, which were impacted by COVID-19.

Moving on to page four, we talk about JSL's main financial results in the consolidated.

Net revenue from services was R\$1.710 billion in 1Q20, growth of 3% compared to the same period in 2019, totaling R\$2.357 billion.

Also on page four, on the top right, we talk about EBITDA. The consolidated EBITDA totaled R\$562 million in 1Q20, an increase of 18%, with a margin of 32.8%, 4.2 p.p. more than in the same period last year.

Also on page four, in the bottom part in the center, adjusted net income came to R\$83 million in 1Q, with a margin of 3.5%, and growth of 37% compared to the same period in 2019.

I will now turn the floor to Denys, who will talk about the companies' main figures in details. Denys, please go ahead.

**Denys Ferrez:**

Thank you, Fernando. Good morning, everyone. On slide five we show the reconciliation of adjusted net income to reported net income. As Fernando has just

presented in the previous slides, our adjusted net income totaled R\$83.2 million. The adjustments were basically a result of what was presented yesterday in Movida's results, that the Brazilian car industry will undergo an imbalance between supply and demand in the short term.

In our understanding, the imbalance is a result of higher supply of used cars by fleet owners or financial institutions, lower interest rates and smaller installment payments, facilitating the down payment on new cars, and the return of production by vehicle manufactures, which should increase focus on the retail, as already said in Movida's conference call.

Thus, JSL's consolidated results include the adjustments presented in Movida's earnings call. Please note that these effects initially do not impact cash and, if they prove to be higher than necessary, they consist of provisions that can be reversed.

So, regarding the adjustment and its origin, R\$193 million refers to asset impairment, which account for approximately 2% of total consolidated operating assets; and R\$50 million refers to impairment of accounts receivable, reflecting a conservative position of short-term default.

In both cases - vehicles or accounts receivable, we have a short-term view. Then, with lower amounts, we have the tax breakdown, which reflects such adjustments. Therefore, we reported loss of R\$86.3 million.

Moving on to the next slide, we talk a little about the investments made in 1Q20. Remember that this period preceded the coronavirus pandemic. Net investments totaled R\$995 million, which consist of R\$1.670 billion in gross investments less R\$675 million from the sale of assets.

The most significant amount was the net investment of R\$600 million by Movida, followed by Vamos, with R\$220, million and Logística, with R\$122 million. Regarding its nature, the net amount invested was mainly aimed at business expansion.

Moving on to the next slide, where we talk about JSL's indebtedness on a consolidated basis, we have the amortization schedule of gross debt on March 31, 2020.

The first column on the left, in blue, shows our liquidity, of approximately R\$4.1 billion. Compared to the short-term debt maturities of R\$1.6 billion, it represented approximately 2.5x the short-term commitments.

In the last earnings conference call, we informed you about our liquidity then. So, you were already aware of this liquidity of nearly R\$4 billion. I would like to take this opportunity to inform you that, at the end of April, the Company's liquidity remained at R\$4 billion; R\$4.2 billion to be more specific.

This liquidity gives us security to continue meeting all of our contractual commitments and allows us to fully focus on adjusting our operations and seeking for opportunities with greater efficiency and savings.

Another important point to emphasize is that we have been experiencing a significant drop in interest rates. If you look at the Company's interest rate exposure, approximately 75% of it is exposed to the fluctuation of the CDI.

Part of it is hedged against rising rates, but this instrument allows us to take full advantage of the drop in interest rates. So, the Company's average post-tax cost in 1Q corresponded to 4.5% per year, with a downfall trend, as observed when the interest rate was cut in Brazil.

Regarding covenants, a topic that is always in the center of discussions, we are very comfortable with our covenants, as you can see. The net debt to added EBITDA ratio is 1.7x, when the maximum is 3.5x. Here we have the concept of maintaining the covenant.

The added EBITDA to net interest ratio is 6.4x. The minimum here would be 2x, so we are also in a comfortable position. Here we also have the concept of maintenance. And the last indicator that applies to securities abroad, the net debt to EBITDA ratio, excluding any impairment effect, is 3.6x, when the maximum is 4.4x.

Here we have a different concept, the concept of inconsistency, which means that if the maximum limit is exceeded, the company is subject to some specific conditions that, simply speaking, correspond to an additional leverage of almost 1x the EBITDA.

This does not lead to any acceleration in our indebtedness. These comments are just to show you that, so far, we are very comfortable with our covenants.

Moving on to slide eight, we talk about the breakdown of profitability per Group company and the consolidated. Remember that our presentation is based on adjusted results, when applicable, which is the case of Movida and the consolidated. All returns on invested capital are based on the last 12 months.

Beginning from the top left, Vamos contributed R\$37 million with ROIC of 12%. Movida contributed R\$55 million of adjusted net income, with ROIC of 10.3%. CS Brasil contributed R\$156 million of net income, with ROIC of 9.2%.

Logística contributed R\$20 million with ROIC of 8.1%. Original Concessionárias contributed R\$200 thousand of returns in the quarter, with ROIC of 11.2% in the last 12 months. And BBC Leasing contributed R\$2 million of net income with ROIC of 25%.

Accordingly, the consolidated return on invested capital in the last 12 months was 10.4%, in line with one of our goals of making this a two-digit figure. Therefore, excluding the impacts from COVID-19, the Group had a return on invested capital of more than 10% in the last 12 months in the first quarter: 10.4%, actually.

Therefore, the companies' profits totaled R\$130 million which, net of financial expenses from investments and the related tax effects, resulted in adjusted net income of R\$83 million in 1Q, 37% more than in the same period in 2019.

I would like to give the floor back to Fernando. Fernando, you may proceed.

**Fernando Simões:**

Thank you, Denys. Continuing with slide nine, we will talk about 1Q20 results.

JSL Logística recorded net revenue from services of R\$656 million, EBITDA of R\$110 million, with a margin of 16.8%, and net income of R\$20 million.

When comparing with the same period in 2019, we can see a significant negative impact, which was due to some non-recurring initiatives carried out in 1Q19. Excluding these operations, 1Q20 results are in line with 1Q19, even though they were affected by the effects of the COVID pandemic in the last 15 days of March.

Regarding Movida, the net revenue from services totaled R\$452 million, growth of 20%; EBITDA came to R\$225 million, with a margin of 49%, which translates to EBITDA growth of 55%; and net income of R\$55 million.

As we can see in Movida, the margin growth is much higher than revenue growth, which is in line with the planning and the quality of the team's execution, increasingly improving Movida's margins and taking advantage of what has been built.

Vamos, the truck, machinery and equipment rental company that operates with long-term agreements, reported net revenue of R\$250 million in 1Q20, with EBITDA of R\$139 million and net income of R\$37 million. This means growth of 4.3% in revenue, 16% in profit and 30.7% in EBIT.

CS Brasil reported revenue of R\$171 million, EBITDA of R\$83 million and net income of R\$16 million.

BBC and Original Veículos, although being much smaller in size, are essentially complementary to the other companies.

In a consolidated basis, JSL reported net revenue from services of R\$1.710 billion, EBITDA of R\$562 million, and consolidated adjusted net income of R\$83 million, which corresponds to a margin of 3.5%. As we can see, revenue increased by 3% and EBITDA by 18.4%. Net income increased by 36%.

These results are part of our strategic planning, which focus on a business mix with better margin and a distinguished team, separated by company and taking advantage of the best of each company's business, thus improving even more its result, even with lower revenue growth.

In spite of not being aware of all the challenges ahead of us but knowing that they are enormous and times are difficult, our team and business organization make us comfortable to say that we are confident and prepared to overcome this phase of great difficulty.

On page 10, we can see some of our challenges and consequences, given that, within our governance and transparency, I think it is essential to share with you what has been happening, the impact on each company and the possible effects on us.

So, on page 10, we have the main facts and consequences. When we talk about Logística, some sectors recorded significant drop in volume, such as the automobile, which virtually showed no progress at all in the second half of March and in April.

Customers seeking longer payment deadlines, others greater production efficiency in order to have the best cost-benefit and consequently becoming more competitive and

aiming at higher outsourcing, are some of the main factors caused by COVID-19 in Logística.

Consequently, the service diversification and mix by sector in Logística mitigated the drop in our revenue. I would say that in April, for example, services rendered fell by 28% at Logística. Very few competitors can extend terms for new services.

Truck drivers once again were prized and the logistics system was seen as an essential supply service, be it food, medicine or fuel, which makes companies value and look for reliable service providers. These are some of the main factors in Logística and the opportunities that have been arising.

Regarding Vamos, we have been paying more attention to accounts receivable from some sectors, although it is important to make it clear that we do not have problems with receivables from any customer sector. More companies are interested in leasing heavy vehicles and the demand for unique services has been growing, such as companies that want to sell the fleet to us and lease a new fleet.

As a result, our default is at normal levels and we have an opportunity to grow with low risk and better return. Vamos has been proving this in a distinguished way, regardless of the scenario it has been going through.

When we talk about CS Brasil, public entities strongly need fleet outsourcing in order to provide better quality service. In addition to having long-term contracts, we have reduced our participation in urban transport, as the number of passengers has been significantly decreasing.

Consequently, CS Brasil has regularity and growth opportunities in the GTF segment for public entities, low dependency on urban and, consequently, resilient revenue.

Regarding Movida, the main impacts caused by the COVID pandemic were the significant reduction in the RAC segment, the effects of the quarantine on used vehicle stores, higher demand for distinguished products and new customers. We also had a significant impact on used car prices.

As a result, our customer diversification at Movida also mitigated the drop in the RAC segment, the increased use of digital channels supported used car sales, resulting in the sale of more than 3,500 vehicles in April alone, and the opportunity for new product growth and acceleration of the car rental transformation for individuals makes us believe that we have a great opportunity for organic growth.

BBC and Original are smaller businesses, extremely strategic and complementary to the others. Although being greatly impacted, the effects in the Group's result is very small.

So, on this page, we tried to show some of the main effects caused by the COVID-19 pandemic, compared to the consequences for our business.

To conclude, on slide 11, we summarize our initiatives during and after the COVID-19 pandemic, because one thing is certain: the moment is sad and difficult, but it will pass.

We take care of our people and the community where we operate, in a strong and deep way. We partnered with our customers to maintain our operations, to maintain the customers' operations and to ensure the supply to our customers' customers. Our team quickly strengthened our Company's liquidity.

As a result, we had and are having calm to prepare for the next steps. I can tell you, with peace of mind and responsibility, that we strongly believe that because the way we are positioned in the business, with highly qualified teams and strict controls, all of our companies have great growth potential after overcoming this very difficult moment.

First, we held on and became increasingly compact, simple and agile to go through this and start looking to the future. At JSL Logística, we have a very strong opportunity for organic growth. Customers need service.

Sadly, many competitors are weakened and we believe that the government will increasingly make everyone meet their legal responsibilities. Unfortunately, our sector is very informal, which gives us, as a company with distinguished governance, great opportunity for organic growth and growth through acquisitions.

As you know, Vamos is a company that leases heavy vehicles. Any industry that does the math would never buy assets and, in this difficult time, everyone is doing the math, and this generates even more value and growth opportunities for Vamos, allows it to have more scale and build up alliances with vehicle manufacturers, thus becoming increasingly more competitive yielding better returns.

Movida is prepared to meet the growing demand from new customers and products through its distinguished positioning. As you know, the DNA of the team has always been that of a simple, fast and modern company, aiming at serving and building up alliances with customers, especially long-term relationships with individual customers.

Because of its history in the last few years, CS Brasil, as you can see, makes us believe in maintaining growth through GTF to public entities, a segment has the best return and resilience in terms of revenue. And this is precisely our focus.

Because of that, our business transformation is based on our team, customers, assets, service portfolio and, above all, long-term relationships.

This gives us peace of mind to believe that we are prepared for growth and for capturing opportunities. Some of the main reasons that give us such confidence is the business transformation carried out in recent years, which is supported by a team with unique people, customers, assets and a service portfolio in a mix of industries and sectors, with which we have long-term relationships.

To conclude, I would like to say that the foundation of this support consists of strong governance, distinguished people, simplicity, agility and diversification, factors that are essential to get through the moment and capture these opportunities.

On behalf of our entire team, I would like to thank you all for participating. We will now open for questions and answers. Denys and I are here to clarify any doubts that may have remained. Thank you one more time.



**Lucas Laghi, Santander:**

Good morning, Fernando and Denys. I actually have two questions. The first is in relation to Vamos. We saw that backlog increased by approximately R\$400 million in 1Q. I would like to thank you for the transparency of showing April data.

I just wanted to understand a little more about April. Together with the revenue increase at Vamos, we can think about a backlog composition in those months impacted by the coronavirus pandemic as well. So, I would like to understand a little about Vamos' backlog dynamics, which is managing to create contracted revenue for the future.

I will ask the next question after your answer.

**Fernando Simões:**

Good morning, Lucas. Vamos is a completely distinguished company. It had been growing; it is an extremely incipient business in Brazil. The trend of leasing machinery, trucks and equipment, long-term and large volume contracts is very high.

The company had been growing based on this model and continues to grow impressively. During and after the pandemic its demand continues very high, maybe even higher than before. The company is on its regular growth pace, with a lot of discretion when it comes to credit.

Whenever industries review their model, be it the service or food industry, they increasingly seek for productivity and, consequently, realize that leasing is a trend that contributes with lower costs and tax gains, thus becoming streamlined.

This has created great opportunities for Vamos to both change its scale and review costs when purchasing assets, and with regards to its management. It has really been a different experience. This is what we expect as the company tends to continue growing based on this model.

**Denys Ferrez:**

Adding to what Fernando has just said, the company's growth is within our planning. It has been following the plans and the agreements entered into with the company's executive officers since the end of 2019.

**Lucas Laghi:**

Right, Denys. Regarding JSL Logística's operations, I believe that during the crisis, and with a lighter cost structure, the company has great chances to feel the biggest effects, such as the automobile industry that you have mentioned. And our expectation is that capital intensive operations, such as pulp and paper, would perform better.

Is my view of Logística correct considering the nearly 25% drop in April? And are these commodity operations, mainly paper and pulp, recovering? Because we saw a significant one-off drop in 1Q. So, thinking about April and May, is it possible to assume that these capital intensive sectors will recover in this COVID scenario?

**Denys Ferrez:**

Lucas let us go from the beginning. You are correct. Logística's structure currently consists mainly of variable cost. Considering the cash-based cost, I would say that only 35% is fixed cost.

Bearing in mind that personnel costs are included in this 35%, and many of these people perform operational activities. So, one could think that the limit is also variable. Traditionally speaking, 35% of the cash cost is fixed and most of it is variable. You are right about that.

This structure originates from the fact that 65% of our revenue is based on light asset operations, which has an immediate cost adjustment in case of lack of demand or collective vacation, which was the case in the automotive sector. This is a fact.

Regarding the operations in which our capital is invested, and this coincides with the commodity segment that you mentioned, it was in fact a one-off event. We have two different situations. Number one is the case where we have a long-term customer, with more than 10 years and several contract renewals, whose contract ended in December and, based on his planning, the contract was renewed for another five years as from the end of March. So, this also normalizes.

Another case also refers to customer planning and volume. This customer moved regionally, increasing our costs, which were reimbursed by him. So, we are carrying out new operations in a new region of the country.

And that part of the fixed cost that did not have a corresponding entry, that is, the revenue you mentioned that dropped, was refunded to us. So, everything ok. This customer is more resilient and things are doing well forward as from April.

**Fernando Simões:**

Just to complement, this proves what we always talk about. When there is a change in the operating structure of an asset, the customer refunds us in order to sustain said change and the drop in volume, where capital is invested.

**Lucas Laghi:**

Perfect. Thank you. And congratulations for the result.

**Lucas Marquiori, BTG Pactual:**

Good morning, everyone. Thank you for the conference call. I hope everyone is well. I also have two questions. I want to know a little more about the logistics division. We have seen an increasing sectoral dynamic in logistics for fractional transport and e-commerce, which has been a highly demanded segment in this consumer profile migration.

I know that you are pretty much focused on long haul, but I would like to know if you think about providing any type of e-commerce services, given this structural migration of demand to online commerce. That is the first question.

The second question is if you could talk about the cash of nearly 2.5x to pay short-term commitments. I would like to know the total amount committed with the car manufacturers, be it light or heavy, and if you really intend to maintain that payment or if there is any chance to improve the term. How is the negotiation with the car manufacturer, given that it is the main supplier of your business? These are my two questions. Thank you.

**Fernando Simões:**

Lucas, regarding Logística, we are happy with revenue from our sector diversification, as disclosed on the material fact. This shows this enormous difference.

Our diversification comprises segments that have been essential for the economy and for the society, such as food, medicine, ore and pulp. Pulp is essential in the manufacture of packaging.

This has given us calm. Sectors such as the automobile and white goods, in which we have a significant share but which is diluted within our diversification, also underwent total stoppage. This has made the difference.

When we talk about e-commerce, everyone currently knows what e-commerce is. Everyone is at home placing orders, and we are sure that e-commerce is accelerating something that has already been foreseen. Perhaps we are anticipating what was expected to happen in the next three, four or five years.

Frankly, we currently have no plans to join the e-commerce market. Vamos has leased some trucks and equipment. And impressively, Movida started to rent cars for deliveries. Goods apps are being created.

And because of the Group's diversification, we are somehow taking advantage of this. We may eventually join the e-commerce in Logística, but this is not our current focus.

We think that e-commerce can increasingly become a better business, as it will have faster scale. Before, the problem with e-commerce was lack of productivity, as one car would make a delivery in the North region and another on in the South region of São Paulo. This will certainly improve and bring new opportunities for the e-commerce.

But we also do not think the entire world will depend on e-commerce. We think that there is room for everyone.

I will now turn the call over to Denys.

**Denys Ferrez:**

Lucas, you mentioned of our focus. You reminded me of something important. Our focus has been supporting industries in a scenario like this, where many people say that the globalization of supply chains will be reduced.

Despite the current USD rate, this is a great incentive for local industrial production. I believe that we have the opportunity to benefit from an increase of the local industry even in a weaker scenario. Just a comment on what we have been doing for so many years.

Your second question referred to our cash, our liquidity, how are you see this in the future, and the vehicle manufacturers, right? Just to confirm.

**Lucas Marquiori:**

Correct. The amount of its commitment to the vehicle manufacturers and if there is room to negotiate with this type of supplier.

**Denys Ferrez:**

You can see the amount in our financial statements. It corresponds to R\$1.7 billion. Remember that the company's asset base is approximately R\$9 billion, so it is normal within the turnover. We basically have contracts already signed by Vamos, whose financing is already guaranteed.

Obviously, this reflects Movida's normal turnover, which, as you could see in the result already disclosed, continues operating and selling, even in an unexpected scenario, thanks to the strong digitization innovation of the processes developed by the company's team. This gives us confidence to continue.

There is room to negotiate. We have already made a number of negotiations, several terms have already been achieved within Vamos' increasing relevance in the scenario and the expansion of its business. Because the relationship has always been very good, there is always room to negotiate.

But, as things are staggered, with cash and lines already committed, I can tell you that, aside from the R\$4.3 billion, we could still have access to more than R\$2 billion.

So, we are very comfortable and the schedule is good for us. But, answering your question, there is always room and openness to negotiate with them. We are very calm.

**Lucas Marquiori:**

Perfect. Thank you, Denys and Fernando. Good morning, everyone.

**Victor Mizusaki, Bradesco BBI:**

Good morning. Congratulations on the results. I have two questions. The first concerns Simpar and how it can impact Logística's business. Can we consider that, if Logística's business unit were to be separated, would this facilitate M&A growth?

The second question is about the investment plan for 2020, considering the CAPEX budget. At the same time, we see this scenario that, as you mentioned, for both light and heavy-vehicle rental to the corporate segment, we should probably see an increasing demand.

At the same time, there is the concern with coronavirus and a potential contingency of investment plans. How can these two things impact JSL's CAPEX in 2020?

**Fernando Simões:**

It is part of our strategic planning, and we have been talking about this for many years at APIMEC and to the market, to separate and have a pure holding company, thus creating a separate logistics company, with a single corporate identification number (CNPJ). Logística has had a proforma number for more than three years. It would be a company similar to Movida and Vamos.

This aims at improving management, increasing focus and growth, and generating value for shareholders. And, with that, increasing visibility for our investors and the financial market as a whole, which does not support our development.

I believe there are a number of reasons for this. It can also give us the opportunity, through merger or acquisition, to make moves that contribute to the generation of value and to our development in Logística only, in a separate way. This facilitates in several senses, including the one above.

When we talk about CAPEX, and Denys will add some information afterwards, I want to make it clear that we are getting to know each other and learning to live, knowing little of yesterday and almost nothing of today, but working hard. We are prepared to go through tomorrow and not miss any opportunity in everything we do. I can say that we are prepared for this.

After everything we are going through, our main focus is to improve our returns, keep our leverage, not under control, but we want to reduce it. Before that, we this level to increase a little - of course it must change, that is the trend - but in a controlled manner.

We are prepared to realize Vamos' CAPEX and to support Movida's growth after the pandemic. Being realistic, we must remember that first the car rental will reduce, as we have greater car demand in inventory than that required for travel. It will first reduce and after it will recover.

I will not share this with you, because it is neither the case nor the focus, but it is within the strategy. Movida's team has done a fantastic job, including with new platforms to target other types of customers that are increasingly stronger, such as individuals, and making this a very different experience in terms of car renting.

So, yes, we are prepared for that. We are not used to giving CAPEX guidance, nor do we have this in our planning. But I can say is that we are selective in terms of CAPEX and we are increasingly seeking CAPEX return in long-term contracts, as well as and longer terms.

So, we are prepared to benefit from these opportunities at Movida, Vamos and Logística. It is interesting amidst this confusing scenario, we have already entered into a new contract at Logística.

Would you like to add something, Denys?

**Denys Ferrez:**

Victor, as Fernando has already pretty much covered, I can only emphasize the fact that the good thing about CAPEX is that it is optional and discretionary. You do it if you feel comfortable, safe and have adequate prices, otherwise you are not required to. It is

not compulsory, it is not maintenance. It is always good to emphasize this item, as it is not mandatory.

**Victor Mizusaki:**

Great. Thank you. If I can ask one last question, when we see Movida's result in 1Q, they created an allowance for doubtful accounts. Do you think that it would also be necessary to create a provision at JSL, given its exposure to the corporate market?

And also regarding to customer relationship, do you have any news on working capital? I think Fernando has mentioned that customers are asking an extension on payment terms. Can this somehow pressure cash?

**Fernando Simões:**

Regarding lengthening customer's payment terms, this is part of the strategy. In order to return to the market, the entire automobile industry, for example, wants a supplier that can extend payment terms. The food industry, no matter how well it is selling, is also part of its strategy. Everyone has reduced costs because nobody knows what is going to happen.

So, this is an opportunity for large companies and we have the intention to extend terms, but it is a longer term because it is a healthy term. As Denys can explain better, we currently do not have any problems with any customers in our business and the logistics industry, neither any difficulty in terms of payment.

**Denys Ferrez:**

Victor, you are correct. Regarding the provision created at Movida, this has been done in other businesses as well, but it has not changed. In fact, we could see a slight improvement at Logística. So, the payment extension becomes an opportunity to show the value of the company, the size and governance differentiation with customers.

These are very high quality customers, with long-standing relationships, so the scenario is quite different. But this had already been evaluated. We will be always monitoring this need, but this has not been the case so far.

**Victor Mizusaki:**

Great. Thank you.

**Heloísa Cruz, Stoxos:**

Good morning, thank you for taking my question. Congratulations on the results. Thank you for defending the shareholders. I have two questions. First, I would like to understand if there is any possibility that some part of the debt in USD, which is not hedged, will strongly impact the balance sheet. We have seen this happening in some hedged and non-hedged companies. That is the first question.

The second is, based on the result of Vamos and the other companies, which of them allocated assets? Considering the take-or-pay contract, the trend is to have a similar

result in EBITDA, but with a much lower revenue? Will we have a non-recurring margin expansion when the asset is not in operation? Is that the expectation?

**Denys Ferrez:**

Heloísa, thank you for your first question. In fact, we should have highlighted this item because, in a scenario where the exchange rate is at the current level, people normally wonder whether the company contracted a hedge instrument that is within the range.

We have a complete hedge, contracted in the most traditional way, with principal and interest. Because of JSL's governance, derivatives and exposure in foreign currency are both decided at and authorized by the Board of Directors. Not a single executive makes such a decision nor has the power to sign such a contract, be it related to a derivative or foreign currency.

And the advice of our Board is that we are always fully hedged against the exchange rate, without any kind of limitation, because the Company's revenues are in Reais. So, taking advantage of your question and clarifying it definitively, we have no foreign exchange exposure on any of our debts. Everything is 100% hedged.

Regarding your second question. Considering the assets within our industry, they are operational. It is not that they are not operating. So, I do not see this margin expansion happening. If I am not wrong, Vamos' penetration, which is increasing, is still below 25% of the base. The company will favor the use of Vamos' trucks, due to the contractual structure.

And in the logistics sector, regarding take-or-pay contracts, the industry continues to operate, as we already said in other questions at the beginning. So, I do not see this expansion.

**Heloísa Cruz:**

Great. Thank you. I just wanted to ask one more question. Is there a lot of business renegotiation to lengthen payment terms on the part of customers? Or is it as it always has been?

**Fernando Simões:**

It is more or less the way it has always been. As we said before, there are no problems. We are sharing a strategy with you. In the case of Logística, there is a competitor who is having cash problems, to finance itself.

Some of our competitors are unfortunate enough to be based on the automobile, electronics and fuel distribution industries. These three segments have sunk and the competitors are undergoing difficulty. So, we are taking advantage of an opportunity in which customers have a more fragile demand and offering longer terms to large customers who are willing to increase our volumes.

Customers often say: "I'm paying you this way. Can you extend my payment terms?" And we say: "Not with the volume you have. Would you like to make a medium-term payment? You are paying after 30 days, but you want to pay me after 60 days in

average? No problem, I will give you 90 days in any new service you rent with us and your average term will be 60 days. ”

Therefore, we are using a different cash position to increase volume in the business resumption in the future. We currently do not have any demand, no customers stressed or in any type of need. We are glad we are not going through that.

**Heloísa Cruz:**

Excellent. Thank you. Congratulations on the results.

**Werner Roger, Trigo Capital:**

Good afternoon. Congratulations on the results. I have two questions. One is in relation to Logística. The automobile sector underwent a strong downturn, considerably reducing revenue, and some vehicle manufacturers are already resuming operations. I would like to know how this segment is doing, if it is really starting to recover from such a big loss and if the vehicle manufacturers are already warning if the company is already planning to resume production.

About Vamos, I have a question related to suppliers. With resumption of operation by the vehicle manufacturers, will the company offer discounts on heavy vehicles? Is there an opportunity to purchase vehicles with discounts above those practiced?

Also, how the Company has financial leverage capacity if it can use it to buy vehicles, renew its fleet, and acquire tires and spare parts from other suppliers? Taking advantage of this moment, can it improve purchase conditions, especially with regard to the prices of tires and other spare parts used by the Company, such as filters?

**Fernando Simões:**

Good afternoon, Werner. The vehicle manufacturers are resuming operations. At the end of March, the industry began to stop and in April it stopped completely all over the world. The logistics business stopped 100% in April and the automobile industry by 95%.

It is already beginning to return. That is why we think - nowadays we think we never know everything - that it hit the floor. In fact, with the drop in the industry, April was the floor, as we had already said, of close to 24%, which is Logística's floor, because 100% of the automobile industry stopped. I had never imagined that I would live to see this.

They started to resume operations. Some of them in early May, others after that. Until resumption, it has a demand. And because of their resumption, we go back to work.

We are doing this on a daily basis, counting on our customers who have demand to supply their production line to also resume operations, in order to resume 100% of operations, but taking care of their health. With this, they are working again and also are we. We are very happy right now.

When we talk about new cars, be it a car, truck, etc., you cannot get that feeling yet. But I really believe that there will be better price opportunities, special discounts and



terms, because of the alliance with automobile manufacturers. Everyone is helping each other to overcome this moment.

But this is for a short time. And maybe Movida and Vamos, especially can take advantage of it, because Vamos is in demand and may have the opportunity to buy under special conditions.

Why a short time? Because as soon as the sale normalizes a little, nobody will produce more than they sell. The trend is to produce what you sell. When companies become aware of their floor and produce what they sell, with the USD at the current rate, new cars will increase. This will happen. Maybe in six, eight, ten or twelve months, but it will happen.

This current opportunity is transitory. I believe that in the future there will be increases. It is worth noting that our pricing is based on our new CAPEX. Bearing in mind that if CAPEX is lower right now, as in the case of Vamos, we become more competitive and have better chance of gaining more scale in this phase.

Vamos has an important prerogative. Tomorrow, the company may decide to make a scheduled purchase, as it is aware that its businesses are happening because of its assets and the predictability of its payment maturities with its customers. It can still use and benefit from this knowledge.

Regarding parts and tires, Denys is remembering that parts and tires have an opportunity. But the loss incurred was a non-recurring event as they are also gradually resuming operations. This is a non-recurring event because of the competition with export products in USD, such as rubber. But, occasionally, you may have an advantage or gain this moment.

**Werner Roger:**

Others sector are also resuming operations. We know that both agribusiness and mining are strong. Another sector is already standing out. And, regarding suppliers, we participated in conferences with representatives of vehicle manufacturers and they are all warning about the effect of the exchange rate on the assembly line. Be it gearbox or rubber, which are priced in dollars.

For this reason, the Company would not anticipate the necessary price increase. Costs will increase because of the USD. At this time, costs have not been included in prices. Just to complementing that statement. Thank you.

**Operator:**

There being no further questions, I would like to turn the call over to Mr. Fernando Simões for his final remarks Please, Mr. Simões, you may proceed.

**Fernando Simões:**

Once again, I want to thank you for the opportunity of having you all with us. We have over 280 people listening to us. Thank you very much for your time and attention. And I would like to point out some things we are experiencing. I believe the moment requires

us to say what we have been doing, where we are and where we believe we are going to.

First, I think it is important to emphasize that we were very careful with our people. We had more than 1,100 direct employees monitored in our program *Ligado em Você* with suspicion of bad health and, therefore, had to take some time out of work. Currently, this number fell to less than 400, and six employees are hospitalized. We even transferred employees by air transport from one region to another so they could have better medical assistance.

We really take care of our people, such as, for instance, transferring them from public hospitals by car or giving one car to every two or three employees. Many employees are working from home, but several of them are at the offices performing basic tasks and working in essential operations. The team has always been very attentive to having cash available for the company to be in a comfortable position, and our cash position will be reinforced, as Denys showed you all.

We took necessary preventive measures to maintain all operations of customers that are fully operational, such as those in the agribusiness, pulp, ore and food industries, among others. We do our best to help them in whatever they need, which is our obligation to customers and the team that has been working.

We support the most deprived communities where we operate, with donations of PPEs, contributing to the health area and to the neediest people. And we were extra careful with truck drivers, supporting them, making the *Ligado em Você* channel available to take care of them, and giving them food ticket that lasts six days when they take medium-term trips.

These are additional essential social initiatives attitudes implemented by the team so that the Company continues growing and assisting its customers. As I said a little while ago, we hardly know our yesterday, but we are working hard today to live the tomorrow, which is unknown, but in a distinguished way.

Given this scenario, we have been taken a number of initiatives that I believe to be very important. But where are they taking us? We have diversification, as we always tell you, which makes our revenue resilient.

When we talk about Logística, we have internal changes, as well as urban distribution, long- and short-distance transportation, integrated operation, whether with railroad or port, we are present in the food, mining, agribusiness and automobile sectors, the minority of which, as you saw in our material fact, reduced by 24%, but the Company continues operating and showing the resilience of its revenue.

Our origin also encompasses our other companies, such as Movida, for example, which is controlled by JSL. It has never been an application-only company, nor just a fleet management and outsourcing company or a company aimed at individuals only. It has a very strong service diversification. We understand that this is a way to depend on everyone, but not on one exclusively.

Vamos followed a similar path. It is inserted in the agribusiness, e-commerce and food industries. This diversification has ensured very strong revenue resilience, in spite of having decreased.

Because of that we believe that we reached revenue floor in April. We have been working hard to understand the market and the segment we operate, analyzing whether that was the floor, understanding the current and post-pandemic customers' needs, such as in the automobile industry.

Consequently, in April and May we became aware of our team's needs and the strong adjustment, both in people and assets. To be honest with you, we have made adjustments in our Company's the structure through the reduction of staff and assets, making assets available for sale.

We are always trying to resize the company in order to have lower costs. Because of that, we believe that our costs will be lower, we will be much lighter and much more agile.

What are our intentions? By doing that, we are prepared to support the growth of all of our companies during and after the pandemic, take advantage of Logística's opportunities, as we have already said, be them organic, consolidation or creating even more strategic alliances with our customers, and place Movidia in a different position.

It is important to remember that in addition to such diversification, it is a company that is new, light, with strong focus on individuals and strategic alliances in all the channels in which it operates. In fact, April figures show how agile it has acted to make decisions and execute them in order to be in an even more distinguished way.

And regarding Vamos, in addition to its current resilient result, its opportunity for growth and margin improvement is impressive.

As for CS Brasil, we can predict anything, as it is public competition. On the other hand, I usually say that because of its revenue resilience and fleet management and outsourcing growth, the company is a mixture of Vamos and Movidia. It is similar to Movidia because it is lighter in terms of fleet management and outsourcing and has long-term contracts.

It is important to remember that the company has divested from public transport in the last few years. Our public transport is currently very small, of less than 10% of CS Brasil's revenue, which, despite of having been difficult, has an almost neutral impact because of its small size.

That said, although the moment is sad, very difficult and there is still a great tendency for the economy to worsen as a whole, we are working hard and we strongly believe that, after this pandemic, we will be very different, if I may say to myself, from our competitors, and with strong relationships with our customers to benefit from a new development cycle, perhaps on top of other bases.

This is our reality. Nobody is saying that it is a moment of euphoria. On the contrary, it is a moment to be very lucid and down to earth. But, certainly after the pandemic, based on our base, we will be able to start a new development cycle.

I want to thank you all again. We are more than 280 participants. I want to thank all of our team, who prepared a strong report for us and met the disclosure deadline, despite everything we are experiencing.

I want to tell you that we thank all our customers and the market for understanding and supporting us, for being together with us clarifying our doubts and teaching us how to live.

We have respected the distance and WHO recommendations. Many of our people are working from home, much more than those who are working at the offices. The Company only has these numbers for April because we have a lot of people inside the offices, in our operational bases, working hard to be agile to make the necessary adjustments so that we can go through this in a distinguished way and resume business leaner but more strengthened and with much agility in the future.

I thank all our employees who have been working to go through this moment. Once again, thank you very much. On behalf of our entire team, I want to thank you all for your time and attention in our results release.

I apologize for taking a little longer at the end, but I think that the current moment asks for transparent clarification within our governance, where we are positioned and where we are going to. Thank you very much and a big hug for all of you. I wish you all health and peace. Thank you.

**Operator:**

JSL's conference call has now ended. Thank you all for joining us. Have a nice day.

"This document is a transcription produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the Company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."