



3Q23 Earnings Call

Operator:

Good morning, and welcome to JSL's conference call to discuss the earnings regarding the 3Q23. Today with us, we have Mr. Ramon Alcaraz, JSL's CEO; Guilherme Sampaio, CFO and Investor Relations Officer.

Right now, all participants are in listen-only mode. Later on, we are going to start the Q&A session, when further instructions will be provided. Should any of you need assistance during the conference call, please reach the operator by pressing *0.

We would like to inform you that this conference call is being recorded and simultaneously translated into English. Before moving on, we would like to let you know that any statements made during this conference call relative to the Company's business outlooks, projections, operating and financial goals are based on the assumptions and beliefs of JSL's management and rely on information currently available to the Company. Forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions since 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 Company's future results and lead to results that will be materially different from those in the forward-looking statements.

Now we are going to turn the call to Mr. Ramon Alcaraz. Please, Mr. Alcaraz, you may go on.

Ramon Alcaraz:

Good morning, ladies and gentlemen. It is a great pleasure to be here to announce JSL's results for the 3Q23.

Before I go into the numbers of this quarter, I will allow myself to talk about the transformation of scale this entire wonderful team has built over the 3 years since the IPO in the 3Q20. Gross in revenue of 153% from R\$3.3 billion to R\$8.34 billion, comparing revenue over the last 12 months between the 3Q22 and 2023.

We brought forward the guidance launched in 2021 when we said we would reach R\$10 billion in annual gross revenues in 2025. If we analyze the revenue of those quarters, we have already reached that. If growth in revenue was already spectacular, old growth was even better.

EBITDA grew 210% from R\$447 million to R\$1.4 billion. Even with all difficulties in interest rates in the period, we grew 205% our net income going from R\$79 million to R\$240 million. We more than doubled our return on invested capital from 7.3% to 15.7%, made 8 acquisitions in the period and considerably increased our international footprint.

Our service portfolio grew from 5 to 8 countries, one of which outside South America. We have grown our team by 11,000 employees to 28,000 direct employees, more than R\$2.8 billion in net CAPEX over the 3 years. And we also improved our credit rating by the 2 companies that cover us, Fitch Ratings and S&P Global.



I would like to take the opportunity to thank the work of the JSL team for the hard work and dedication. You believed it was possible and the result is here. Congratulations. But this is just the beginning.

Going to the next page, we are going to talk about the results of the 3Q23. As we have been saying quarter-over-quarter, it is just as important that achieving good results is creating value with consistent growth. We had another fantastic quarter. When we compare the 3Q23 versus the 3Q22, we have the following: growth of 23% in gross revenue with R\$2.4 billion. Here, as I already said, annualized in the quarter, we are already a R\$10 billion company. Net revenue of R\$2 billion, EBITDA of R\$393 million, record EBITDA in a challenging quarter with growth of 31.5%, margin of 20.2, a gain of 1.2 p.p., net income of R\$58 million, growth of 37.6%. Return on invested capital, 15.7%, spectacular.

It's important to note that we are not just concerned with economic financial results. For us, excellence lives in the tripod, customers, people and results. It's great to be recognized for our team as one of the best companies to work for. When that team does not even speak our language, but shares are values, it's even better. For this reason, we want to highlight the Great Place to Work seal, awarded for the third consecutive year in Paraguay through a survey of 500 direct employees in that country. We are recognized as one of the best companies to work for.

On the customer side, we were awarded first place in Heineken's Transport Excellence Program, which evaluates supplier performance.

Page 4. I would like to highlight a few points that we believe are the cornerstones of this evolution in results since the IPO. Contract management. We manage contracts on a contract by contract basis, seeking excellence in operational execution, ensuring that project assumptions are true. Sometimes we have to nip it in the bud. We have the discipline to adjust the portfolio in the renewal cycle, discontinuing those where the margins are not suitable for the cost of capital. After all, "one way to make money is stop losing it", as the famous commander Rolim, from TAM Airlines, used to say.

We seek to have an optimized portfolio with increasingly specialized services, thus creating a barrier to entry, focused on individualized pricing of contracts, margins. We believe in cost management, looking inside the opportunities for cost reduction at greater efficiency, but we also have the strength of readjustment mechanisms with effective parametric formulas to keep the planned profitability.

Maturations of the acquired companies in the JSL ecosystem. On average, we gained 1 p.p. in net margin compared to the previous year's growth and scale, unique capacity to sustain growth. Revenue growth above 20% year-on-year, but with a balance between asset-light and asset-heavy operations. We would like to highlight the consolidations of IC Transporters with 3 months in this quarter and FSJ with just one month.

Page 5, I would like to share with you our management model. In digitalized management of each contract, we have an Executive Director responsible for a basket of contracts, below that, a specific manager for each contract and a managing leader for each service included in each contract. With this strategy, we give autonomy to teams with a focus on managing each contract, generating agility in decision-making. Projects are developed jointly with customers. We believe in a virtuous cycle, understanding to serve excellence in operational execution,



always seeking efficiency gains. As a result, we have loyal customers generating cross-selling and also through referral the possibility of new customers.

Page 6. We believe in our acquisition model. With the expertise of our acquired companies and the scale of JSL, we generate robust organic growth. See the table below for growth, 3Q23 versus 3Q22 considerable developments. We did a comparison exercise between this quarter and the 3Q of the year in which each acquired company was acquired, significant growth, Fadel and Marvel doubled size, Rodomeu more than doubled, 124% on average. On average, they grew 74%, even JSL with a much larger revenue base grew 48%.

And remember, our managed model for the acquired companies, we highlight independent management, immediate synergies, reducing the cost of buying assets, taking advantage of potential cross-selling and addition of new customers, growth driven by the quality of the Company's management model, supported by JSL scale and access to capital, results that prove the success of the management model.

Page 7. We highlight, as we have done in previous quarters, the growth of new contracts. This quarter, we closed R\$910 million in net revenues with new contracts, 93% of which were cross-selling. If we add up the new contracts in this month of 2023, we have R\$2.5 billion in new contracts, with an average maturity of 45 months.

These new contracts follow our multi-segmentation policy. As you can see, we have signed new contracts in several segments, including pulp and paper, food and beverages, automotive, steel and mining, consumer goods, chemicals, among others.

That demonstrates our ability to invest efficiently in the allocation of capital. Quality and know-how in essential services that add value to our clients. Diversification with an integrated portfolio of services and experience in several sectors. Scale. The largest logistics platform in the country, and leader in several segments.

Now I will hand over to my friend and colleague, Guilherme Sampaio. Guilherme?

Guilherme Sampaio:

Thank you, Ramon. Good morning, everyone. As Ramon mentioned, this quarter marked the third year since our IPO as a pure logistics service company, and the results are a reflection of the tireless work of a team that is extremely focused on doing the best for our customers, while at the same time ensuring the sustainability and longevity of our business.

These are different people, who contributed to their areas of expertise, but which together delivered what we are reporting to you. Several areas involved: commercial, products, finance, accounting, taxes, all operations, technology, pre and post M&A, which brought in 8 new companies that quickly integrated and became part of this whole JSL. I would like to thank this team.

Now, going to the numbers. This quarter, we started to consolidate FSJ, we have 1 month inside our figures, which we announced the acquisition last quarter, and we already have full 3 months of IC Transporters. We closed the quarter with R\$2.4 billion in consolidated revenue, R\$2 billion in net revenue, a growth of 24% when compared to the 3Q.



In the year, we have accumulated R\$5.4 billion in net revenue, also 24% higher than the 9M22. EBIT closed the quarter at R\$296 million, up 29% versus the 3Q22, and a margin expansion of 0.6 p.p. versus last year and 0.7 p.p. versus the last quarter, the 2Q23.

For the year, respecting the consolidation date of each acquired company, we reached R\$770 million EBIT, already taking out the R\$250 million from the bargain purchase of IC that we accounted for last quarter. EBITDA reached R\$393 million, as Ramon said, a record growth of 31% compared to the 3Q22, a margin of 20.2% compared to 19% in the 2Q.

An important point to mention about margin is that they are still impacted by IC's margin profile, which is not yet at the levels we believe are appropriate for the size of the capital invested and the type of service provided by IC. You may remember that IC's EBITDA margins when we disclosed them were about 8% to 9%, and we believe the appropriate margin to run the business according to IC's profile is 15%. We are already starting to see some improvement, mainly due to cost reduction and operational efficiency actions, but we still believe that in the coming quarters, IC will be able to contribute more to JSL's consolidated results.

FSJ, which is one month old, has great potential, a huge market to be explored, and we have an uptick to conquer and already has margins closer to what we think is appropriate even though we still have adjustments to make, and also because of the benefit we will gain from JSL's scale and ecosystem.

Turning to profit. I think here, we have already the combination of several issues that shows that we are in the right direction. We are reporting R\$56 million versus R\$42 million in Q3 2022, but if we exclude the one-off effect of the exchange variation of the peso in the Argentina operation, remember, it's the balance of previous quarters, given that these operations have already started to be invoiced in Brazil.

We would be talking about net profit of R\$68 million. Here, we already begin to see the combination of the cycle of projects priced at the cost of capital, cost of inputs in line with the current scenario, significant improvement in operating margins due to the individualized management of each contract and various efficiency initiatives, cost of debt due to the reduction in spread and the average CDI rate in the period and also due to the work we have been doing in capital structure. So in return, our ROIC running rate reached 15.7%, keeping the same criteria as in previous quarters and the reported 22.7% for the last 12 months.

Next page, I break down the results between Asset Light and Asset Heavy operations. I think I have already said that, but the balance between the two is generally around 50% to 50% of revenue in each of the segments between Asset Light and Asset Heavy. And brings yet another kind of diversification of resilience to our business. On the one hand, our deployment capacity and the CAPEX entry barrier, our investment capacity, on the other hand, the working capital barrier and our ability to mobilize our third-party and independent providers to provide the service and have a scale of growth without so much pressure on capital structure at time zero.

Asset Light, we closed the quarter with R\$1.055 billion, growing 22% versus 2022, EBIT margin at 10.9%, R\$113 million; EBITDA margin 17.5% with R\$181 million 3Q23.

EBITDA grew 35% compared to the 3Q22. Some factors that brought this improvement: labor-intensive services reached EBIT margin of 25% in the period. We are increasingly operating



specialized transport services, which require know-how and operations with greater added value to our customers. Also Asset Light, on the negative side, consolidation of IC Transportes grain operation, which pulled the margin down and represented 15% of Asset Light's revenue.

Asset Heavy, we closed the quarter with R\$956 million net revenue, EBIT margin 18.2%, EBITDA margin of 23.4%, EBIT of R\$160 million, EBITDA of R\$202 million, growth of 29% compared to the revenue growth of 26%.

Margins were basically impacted downwards by IC, consolidation of the 3 months, and upwards by the business and new contracts that have been deployed over time, which are already at an adequate level of return for the cost of capital at the moment, and also for the cost of inputs. And also the growth in the profitability of acquired companies, which have a pricing and scale component that increased the margins of the acquired companies by more than 1% in the period.

Next page, we have CAPEX for the quarter. We closed with net CAPEX of R\$153 million, gross CAPEX of R\$222 million, 80% of which for expansion.

The message we always show is the book value of assets, growing inventory, machinery, equipment, trucks, trailers, which today stands at R\$4.7 billion compared to our net debt of R\$4.5 billion. That is book value.

If you bring these numbers to market value, using the average from our sale of assets in the last quarter, we had R\$6.3 billion in salable assets, compared to a debt of R\$4.7 billion. That is 1.4x our net debt.

I think it's just important to remember that the R\$180 million expansion is already an investment in contracts already signed that will generate future revenue for JSL.

Capital structure, on the next page. We closed the quarter with R\$4.5 billion, as I said, of net debt and reported leverage of 2.63x net debt-to-EBITDA ratio. A net debt/EBITDA added ratio of 2.37x, which is our benchmark for financial covenants. Removing the R\$250 million from the account of the effect of the bargain purchase of last quarter. We still see a reduction of 0.2x in average against the previous quarter, going to 3.09x.

Cash closed at R\$1.2 billion in the quarter, with already the R\$700 million of the Real Estate Receivable certificate of September and revolving credit lines of R\$1.4 billion with availability of R\$2.7 billion, a comfortable position to manage our debt focusing on reducing spreads to help our net income in addition to the benefit that we have already begun to see from the reduction in CDI rates.

Now I turn the floor back to Ramon.

Ramon Alcaraz:

Thanks, Guilherme. Coming to an end, I would like to highlight a few things. We have an irreplicable business model developed over the 67 years of history, Since the IPO 3 years ago, we transformed in scaling profitability with 153% in gross revenue and 210% in EBITDA keeping the balance between Asset Heavy, Asset Light operations, taking advantage of each



one. We have grown a lot, but responsibly. Guaranteeing margins appropriate to the cost of capital and inputs with discipline in the contract renewal cycle.

Also, I would like to highlight some important points. Launch of Truckpad's Interactive Platform for the transformation of the scale of general cargo, bringing digitalization to Brazil's transport system, continues increasing scale and operational efficiency to projects and to protect operating margins and better use the invested capital. Capture of synergies and transformation of profitability of IC Transportes and FSJ, our latest acquisitions.

An important point, reducing the spread and the cost of debt in addition to the downward trend in the CDI rate. Commitment to excellence and execution of services. Understanding to service is not the marketing sentence, but the marketing mantra with a focus on customer satisfaction. Our people are greatest assets. We do not manufacture a screw apiece. We provide services. This is done by people. And to be excellent, they have to be motivated and committed to our goals.

Ladies and gentlemen, thank you very much.

André Ferreira, Bradesco BBI:

Congratulations on your results. I have 2 questions, the first talking a bit about margins that were very strong in the quarter, even with the consolidation of IC. I would like you to give us some color in terms of capturing synergies, improving margins in IC, how much have you done so far? What initiatives are to be developed in the coming months? And how long do you think it will take for you to get to the 15% margin that you mentioned?

Second question is about the forced churn and subcontracts with dedicated operations. If you could give us some color on that. What sectors, how long ago they were terminated, anything specific about them? Or is it something that is to be repeated in the coming quarters?

Ramon Alcaraz:

Indeed, we are very happy with the improved margins we have been getting quarter-on-quarter. As I say, more important than reporting a good number is the consistency of numbers, and we have been disclosing a strategy, a set of actions that is based on cost management, efficiency, revisiting contracts and so on. And all that has been developing quarter-on-quarter. And this quarter, indeed, we had very positive numbers in income and EBITDA.

IC is no different. Perhaps the only difference is that of all our acquisitions, it was slightly different. The other acquired companies already had a good margin, even better than JSL, and we just got this fresh breath of capital.

IC was slightly different. So that was a company with high revenues but compressed margins because of all the difficulties they had had in the last 3 years. And we have been implementing a set of actions to improve margins. As you mentioned, we have the expectation of getting to 15%. That will not happen overnight. It's a ramp up, and we believe it will happen by mid next year. It has been improving month after month, but it is a process.

Of course, it's important to mention that, that somehow can reduce a small percentage of revenue. We have to make choices.



Another thing that I would like to use your question to answer is that if we remove IC from the 3Q, our EBITDA of all the acquired companies would go above 22%.

Anyhow, going to your next question, which is the dedicated operations, you asked what segments. We have several segments for dedicated operations from food and beverages, chemicals, you name it. But your question specifically was about the reduction of some contracts, very often, as we work to improve margins, and I mentioned before we do our homework internally to seek efficiency. But in some cases, the problem is that the contract that was closed some time ago and did not foresee all the market changes. Fluctuation of prices of input as we had not seen for a longer time, interest rates going up, as you know.

And as there was not a solution, the last step is either terminate or wait for the contract to mature and not to be renewed. As for reduction,, we are talking about the services of chartering services, dedicated operations but chartering services. I think that was the question. If I have not answered, please let me know.

Guilherme Sampaio:

Just to answer another part of your question. Contracts not renewed. There is a forced churn in the middle of the period or in the end. That is the nonrenewal of this contract at the end of the contract. So what we mean is that we decided after a negotiation because the prices that could be profitable for the contract were not achieved, we decided cited not to renew the service together with the customers. So it was at the end of the contract. It's not that we had any advanced churn.

Ramon Alcaraz:

Yes, we stick to the contract. This is Ramon speaking. We went to the end, that's what we generally do for us not to have some kind of breaking services. And it's normal. Especially because of asset appreciation, sometimes when you are going to renew the contract, the price of the assets is double what it was before. And that is a scary to customers. And you have everything in the market, so it may happen. Sometimes you have adventurous companies with prices that we do not believe are competitive, and we prefer to step back.

Guilherme Mendes, JPMorgan:

Thanks for the opportunity. Two questions on our side, I think both related to growth. You had very strong performance since the IPO, part of it non-organic, but also organic. Could you please talk about organic growth and for the next 2, 3 years, if you think can still keep those 2 digit pace?

And the second question still related to that is the competitive scenario. This is a segment that's a bit harder to see because of a very fragmented market for lots of informal companies, much has been said about consolidation in the past. How are your main competitors performing? And are you gaining market share?

Ramon Alcaraz:



Undoubtedly, we have been growing very fast. I mentioned before, we brought closer annualized 3Q numbers, again, both organically and inorganically. That's important to say. If we get our organic growth and we compare the last 2 months of the 3Q22 against the 3Q23, we already have 20% growth in acquired companies, 11% in JSL, consolidated 15%. So we do believe in organic growth, 2 digits because the market has the demand.

Although we have a very fragmented market with hundreds of logistics companies, many are very small. When we grow mid- and large-sized companies with capacity to invest, we have a much lesser number. And this scenario we mentioned, high interest rates input prices going up as we have not seen for, I do not know, 30 years. It really shook the market. It's split men from boys, as we say. And why is that? Because some companies that did not have right prices and solid contracts could not survive.

I will give an example. Inside our group, I see large company with solid contract had difficulties to survive those 3 years. As we mentioned, this is a company that was coming to the group with more compressed margins. It's good that it was a large company with solid contracts, and it survived. Perhaps the smaller companies won't. And that means that the market realizes that this is the new reality. And that's why we have been closing new contracts, almost R\$1 billion of new contracts this quarter, adding the other 2 quarters, R\$2.5 billion of new contracts that will generate new revenues of R\$55 million a month, R\$650 million a year.

If we get what we disclosed last year, it is also in our release, we have CAPEX that was acquired and not fully performed in revenue. We have R\$1.1 billion new revenue. You get this R\$1.1 billion new revenue of this year, but yet not in total, it will be total in 2024 plus this new contracts that have not generated revenues yet. You are talking about new revenues of R\$1.7 billion. It's even bigger than I see that we bought.

I am giving you these numbers just to tell you that the market is huge. There are many companies, but companies with the capacity to execute and invest at JSL are very few, very few.

So obviously, you are going to have segments in which you have a lower entry barrier, lower CAPEX and therefore, more competition. So you have to pick and choose better what you want, thinking of revenue and margin.

But a quick answer to your question: the market is promising. We believe in high 2 digits growth as it has been happening since the IPO. We are very confident in that.

Lucas Marquiori, BTG Pactual:

Good morning. Thanks for the call. I have also 2 questions on my side. First, the run rate of the return of invested capital of 15.7% consolidated numbers, can you break down the average ROIC of Asset Light and Asset Heavy operations, just for us to see where the highest returns lie? And if you could give a bit more color on each segment and if you are having more return in Asset Heavy, just for us to understand the ROIC trend.

Second question is a bit related to your comment of growing more in more specific logistics services, which increases your capacity of pricing, entry barriers and everything. But how can you transform the IC business in the agribusiness in a more specific segment with a higher



entry barrier because we know the agribusiness is very competitive. So how can you add logistics value to agribusiness? So I would like to understand your take on that.

Ramon Alcaraz:

I am going to start from the last part of your question. And then I am letting Guilherme answer the question on return on invested capital. You asked about the opportunities. Obviously, in logistics services, more complex where you have a lower entry barrier, you have the capacity of making your business more competitive. And this is what we have been doing and disclosing. But you cannot rule out the huge potential that you have in Asset Light services like general, cargo, agribusiness that has huge potential for revenues.

So what is our take? How can we stand out? I recently talked about the digitalization of our business. In Brazil, our sector is still analogic. It's almost like a taxi that's the analogy I make. You have taxi or a truck that gets the cargo, goes to a place, then comes back empty like the taxi that's wait for the new passenger.

And that generates idleness. In Brazil, we are talking about 30% inefficiency. That's not possible. We have to get close to an Uber model. And what's that? By means of artificial intelligence, we optimize the supply and demand of trucks with cargo. So that when you need transportation, before the truck reaches this destination, you already have its return guaranteed. Of course, it's a model that is much more complex than Uber, but we have the technology for that. And buying truck pad was because of that.

So we are developing what we call an active tower. It's a project to the mid to long term, but we believe that with technology and digitalization, we are going to capture a market with huge potential and make it profitable because we are going to be more efficient. We are going to eliminate idleness.

And it's no different in agribusiness. We say IC is a challenge, but it developed a market practice that is very interesting, which is transport of agribusiness with franchisees. It's a very intelligent business. You work with a lower margin because you get paid by passing on prices and if you have the technology, you have more efficiency, but the idea is very good.

So you are right. The overall bulk market agribusiness market is very important. And with technology, we can embrace it with profitability.

Guilherme?

Guilherme Sampaio:

Lucas, about your question on return on invested capital, we do not break down ROIC by Asset Light or Asset Heavy operations. We do not have the precise numbers. Especially because if you think of JSL's consolidated balance sheet, you have the debt of acquisitions. And then you have to think of allocation of debt, allocation of the balance sheet in each area, and that's not that precise.

But overall, thinking of returns, we see a balanced return between each segment. In Asset Light, you have more compressed margins, lower margins. However, you do not have the weight of CAPEX that does not generate revenues at x0. So your capital invested at 0 is close



to the results generated the next month. What's the capital invested, we have in Light Assets is working capital.

In Asset Heavy, it's different. You have a shorter working capital because of the market dynamics, payment terms and et cetera. In Asset Heavy, you have lower working capital. The word is not 'idleness', but you have deployment costs. In addition to CAPEX, you have the ramp-up of operations. It takes 2, 3 months, hurt the results and impacts return.

On the other hand, you have margins that are higher because you have to make do with the capital invested in the operation. So today, especially with the increase of Asset Light margins quarter-on-quarter, we see a very balanced return between the 2 types of operations.

André Mazini, Citibank:

Good morning. First question is about the Argentine operation. The size seems to be small, 1%, 2% of revenue. And it was good to hear from you that you are invoicing it entirely in BRL. Given Argentina is the third largest commercial partner in Brazil, and now you are invoicing in BRL, would you be willing to increase your operations there, or perhaps it's better to keep it the size it is today? That's my first question.

And second question, about Truckpad, this initiative that seems to be interesting in Asset Light. I would like you to talk a bit about monetization of this initiative. Is it the take rate? How much would that be? Would it be more towards apps, or the e-commerce, or are you thinking of something different in terms of pricing? Thank you very much.

Ramon Alcaraz:

André, thanks for your question. Argentina. Let's hear this one-off context. It's a country that is a major partner of Brazil, as you mentioned, a very good option for our customers. Thinking of OEMs, for example, they all have plants in Argentina, and they all want to keep it that way, even because of the bilateral agreement between the two countries.

It's important to say that one of the operations that most grew between last year and this year was the transportation of parts for Brazilian OEMs manufacturing cars in Argentina. Although, you know, they are manufacturing in Argentina, parts are produced in Brazil. So, we embrace new contracts, and we are going to continue so, undoubtedly.

Argentina is going through an economic problem, we all know. That lead to a difficulty to bring Pesos to Brazil, which, in a way, kind of froze our prices there. That led to a devaluation and an effect in the financial costs.

One-off problem solved, the new invoices are being in BRL, not to have any problems, and life goes on. We believe Argentina will solve their problems, will finish this emergency crisis and, that said, it continues to be a very interesting country for us.

The active tower. I can talk about that for hours. I always thought the major gain in logistics is efficiency. Industries went through revolutions in the last 60 years. Thinking of efficiencies, if you measure Six Sigma, it's hard to not to see a company that the efficiency is at 0.99. In logistics, we are far from that, not only in Brazil, in the world. Efficiency is still at 2 digits.



Everything you do in logistics can therefore reduce costs for both sides considerably. In the pandemics, we saw logistics was a major differentiator. Even for share of several credits.

So I am sharing with you a huge trend. When we are able to digitalize the transport operation, we are going to have a humongous growth, especially in commodities regions, agriculture, overall cargo, you have opportunities that are almost immeasurable. You are talking about a universe of logistics of R\$500 billion a year. And it's just a guess, but I would say the volume of cargo would be, I do not know, 30% of that minimum. So the potential is immeasurable.

Of course, if you can digitalize that, this is something that is easy to say and hard to do. But someone has to start. Going back to the Uber analogy, I am not here to defend Uber as a company, I am talking about technology. Uber has changed the way society behaves. 46:43 TECHNICAL DIFFICULTY 21 plus, they do not have cars because Uber is just faster than parking their own cars.

Once again, it's easy to say, hard to do. It's hard to walk the talk, but we are proposing to be a first starter.

Gabriel Rezende, Itaú BBA:

Good morning. Congratulations on your results. A quick follow-up on growth. I think it was in the question to Guilherme. Ramon mentioned that you still see revenue growing at high double digits for the coming years. I would like to understand if the Company has been buried by leverage for new contracts, or you are able to accommodate demand. My point is, sometimes you have a contract with interesting ROIC margin, but because of the Company leverage, you are not closing the contracts. Is it true?

And the second question, a quick one, truck prices and how they are developing? I understand you pass on prices in Asset Heavy contracts, but I would like to know how you are seeing this variable behavior.

Guilherme Sampaio:

Gabriel, thanks for your question. Not really, growth vis-à-vis leverage. We do not have this concern. So you probably saw the entire growth we have been delivering organically at this level and leverage close to the 3x, which is our reference, and we keep the reference. But today, it is 3.09x excluding the bargain purchase; with the bargain purchase, 2.63x. So we are within expected, growing at the pace we want.

So as we deploy and retire assets correctly, we have all initiatives for better use, but we see no pressure in leverage to continue growing at the same pace. So I do not see any different. Growth does not put pressure on leverage.

And the other question, I am going to turn to Ramon to answer.

Ramon Alcaraz:

Gabriel, good morning. Talking about truck prices, as we all know, the technology changes, Euro 6 now against Euro 5, and as it happened with Euro 5 versus Euro 3, we wait for the



market to accommodate. That's why we held a bit the purchase of Euro 6, to wait for this accommodation.

Also, to remember, because of the pandemic, Euro 5 appreciated. We had an appreciation of almost 80% of Euro 5 in the pre-pandemic to the post-pandemic. And with that, the difference of Euro 6 compared to Euro 5 after this accommodation was at a very reasonable level.

If you think of the difference now, it's about 10% to 15%, depending on the volume, which I believe is a difference that is quite reasonable.

Of course, when I compare Euro 6 to the price of Euro 5, three years ago, then the amount has doubled, but the market is different. And as you mentioned, this is a price that's not at the right level.

And it's not that we wanted, but somehow the appreciation of assets is also good for us. Our business is purchasing, executing, operating profit and then profit on sales. Sales are very important in our business.

So when the fleet is appreciated because new asset prices are up, our assets also appreciate. So, in a way, it's an indirect gain in our business. So we understand that we are at a doable level. The market accommodated, in the 2H23 you already see Euro 6 selling a lot more than in the 1H23, so life goes on.

Ygor Araujo, Genial Investimentos:

Thank you, and congratulations on your results. I would like to go back to contracted growth. You talked about R\$910 million in new contracts in the 3Q. I would like to know what you are thinking for expansion CAPEX related to those contracts in the next 6 months.

Second question is the market. Know what I have most difficulty to understand is the warehousing market. Could you give us a bit more color from the insight? We estimate it is about R\$75 million a year, but perhaps you can bring us a more refined number for us to understand the potential of the segment. So these are my 2 questions.

Ramon Alcaraz:

I am going to start with the second question. Warehousing is a very broad topic. This sector that involves warehouse has many aspects. You have inbound operations, intralogistics. What is intralogistics? I will give you an example. We provide the intralogistics of MAN truck company in Resende. And I take part of the assembly line. It's not just inbound operations. I am part of the planned logistics, which adds value to my services.

So for example, TPC is one of our companies that has the handling of our inputs for COVID vaccination in Sao Paulo, when it was very important, obviously, during the pandemic.

So this is a lot more than warehousing. So I would like to draw your attention when you are talking about warehousing, it's a huge universe, but our estimates that the warehousing market, considering everything has said, is more than R\$100 billion a year. That's huge. And so much so that we have expectations to grow in warehousing, especially in intralogistics operations in 2024. And why is that? Because we know we have a huge universe.



People are looking at me for me not to give you any guidance. But we understand there is much to be explored. Again, not with purely warehousing, but logistics services connected to warehousing, you add value to the business. You are part of the customers' production chain, which is something I like very much.

Ygor Araujo:

Yes, I said R\$75 million, but it's R\$75 billion. Your revenue alone is R\$1 billion in warehousing in 2023.

Ramon Alcaraz:

Yes, we got you.

Guilherme Sampaio:

Ygor, your second question, about CAPEX for these contracts, I cannot, again, give you any numbers because that would be guidance, but we understand that perhaps the 4Q is going to be slightly higher because we are going to deploy contracts, but nothing much different from what you have seen. So I am not giving you a number, not to run the risk to give you a guidance, but nothing that changes what you have seen so far.

Francisco (via webcast):

Congratulations on your numbers. In the earnings release on page 6, consolidated results, could you please talk about the numbers from January, September 2022, vis-à-vis the same period 2023 with a drop to R\$15.1 million. As you have such difference and there is no explanatory note, it would be very important for you to explain this number.

Guilherme Sampaio:

Francisco, the answer is simple. This is the line where we account for the bargain purchase of IC, R\$254 million of last quarter. That was the reported non-adjusted number. This number reduces operating expenses that you see in the previous year.

So that's simple. That's exactly this number that is included in the slide. I hope I have answered your question. If not, just let me know, and we are going to give you more color on that.

Operator:

Since there are no further questions, I am going to turn the call to Ramon Alcaraz for his final remarks. Mr. Alcaraz.

Ramon Alcaraz:

Ladies and gentlemen, I thank you very much for attending all your questions. They always help us further explain all points about the Company. In my final remarks, a bit of what I mentioned in the opening, but I would like to reinforce. Three years since the IPO, the IPO was in the 3Q20. We are in the 3Q23.



For you that have been following us since then, you will remember that from the very 1Qs, we were disclosing our risk strategy. Our risk strategy of having severe cost management, seeking efficiency, analyzing contracts on a contract-by-contract basis and we did not even expect the turmoil of things we went through.

I have been in the logistics sector for 40 years. And in the last 3 years, I think I saw more than in the whole 40, because in addition to the post-pandemic effect, we had increase of prices of double digits in inputs. Months after months, we had assets doubling prices in (59:18 TECHNICAL DIFFICULTY). We had interest rates going from 2% to 13%. We had it all.

And we state now firm on our strategy with discipline not to lose track. And the results quarter-on-quarter showing an evolution. We do not want to release a fantastic result, just one quarter and then have to explain ourselves the next quarter. It is a ramp-up based on customers, results and contracts to have happy customers, generating cross-selling, motivate your people without manufacturing anything. We have services, services remain to our people. We can be the largest, but at the customers at an operation in the far reach of the country, they have to think they are our only customers and that we are small. This is what we have to be.

It cannot be perceived as a large company to the front end. It is a company that works contract on contract. Our model is to have a director, a manager, a leader that is specific for each contract so that we meet these expectations of tailor-made services to our customers.

Secondly, I would like to talk about the growth we had this period and that's not only growth quarter-on-quarter. It is consistent growth since the IPO, not only inorganically, but organically, even inorganically, the acquired companies had organic growth consistently. So we are very encouraged.

I made the analogy in one of the interviews I provided talking about mountain climbing. It was easy to go up the mountains. Now that interest rates are lower, we believe going down the mounting is going to be easier, but always based on the pillars of our strategy, and that will not change.

So we are very hopeful that we are going to continue growing because we believe the pillars of our management. Thank you so much for your attention, and let's continue together. Guilherme, anything.

Guilherme Sampaio:

No, that's it. Just thank you.

Ramon Alcaraz:

Thank you, everyone, and we wish you a good day.

Operator:

JSL's conference call is now closed. We thank you very much for attending and wish you a good day.



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