



## 4Q21 Earnings Call

**Operator:**

Good morning, and welcome to the JSL conference call to discuss the results for 4Q21. With us today is Mr. Ramon Alcaraz, CEO of JSL, and Mr. Guilherme Sampaio, CFO and Investor Relations Officer of JSL.

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

This conference call is being recorded and simultaneously translated.

Before proceeding, we would like to clarify that any statements that may be made during this conference call regarding the Company's business prospects, projections and operating and financial goals are based on the beliefs and assumptions of JSL's Management, as well as 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 Company's future results and could lead to results that differ materially from those expressed in such future considerations.

I would now like to turn the floor over to Mr. Ramon Alcaraz. Please, Mr. Ramon, you may proceed.

**Ramon Alcaraz:**

Good morning ladies and gentlemen. It is with great pleasure that I am here to disclose the results for the fourth quarter, and consequently the full year of 2021, for JSL.

2021 was a transformational year at JSL. A very good year, despite all the difficulties. Our revenues increased by 66% in the fourth quarter over the fourth quarter of 2020, and by 60% for the year, which closed with a net revenue of R\$4.2 billion.

Speaking of results, despite all the challenges, such as higher inputs, we ended the fourth quarter 82% higher than the fourth quarter of 2020. For the year, we increased almost 80% in relation to 2020, at R\$758 million.

Net income at the end of fourth quarter was 78% higher than in the fourth quarter of 2020, at R\$54 million. We ended the year 5x higher than in 2020, at R\$273 million. With a ROIC of 13.5% and ROI of 20.5%.

We concluded three acquisitions in 2021, increasing our service portfolio and geographic presence. These acquisitions were for the companies TPC, Rodomeu and Marvel.

We delivered 20% in organic growth in the quarter and 17% in the year, and we also signed R\$4.1 billion in new contracts, which guarantees organic growth for the coming months.



We began our operations in South Africa, thus totaling seven countries with international operations, and this time crossing the Atlantic.

With these results, and all the challenges with increased costs in the year, we proved our ability to deliver sustainable margins, even in a scenario with strong inflation on inputs. We made great effort to renegotiate contracts with clients, most of them more than once a year.

Now highlighting our organic growth, we had a 23% growth in the acquired companies in the fourth quarter of 2021 versus the fourth quarter of 2020. At JSL, 18% in the year, we had 20% from the acquired companies and 16% of JSL, for an average growth of 17%. Of this growth, 47% was due to readjustments and expansion of current contracts, but 53% was due to revenue from new contracts.

Speaking of which, in 2021 we signed R\$4.1 billion in new contracts, with an average expiry term of 42 months. This already guarantees us organic growth for the coming years.

Just as important is the sector diversity of these new contracts, such as pulp and paper, food and beverage, steel and mining, consumer goods, e-commerce, among others. 60% in dedicated operations, which reinforces our relationship with our clients. Of this amount of R\$4.1 billion, 75% were cross-selling contracts signed with the same clients, taking advantage of opportunities arising from existing relationships.

I also highlight the transformation resulting from the acquisitions of five companies in the last 12 to 14 months. I refer to Fadel, Transmoreno, TPC, Rodomeu and Marvel.

In addition to the sector diversity of the companies, we also reported a 26% growth from 2019 to 2021. Results increased 40% from 2019 and 2021.

In terms of synergies, we identified R\$45 million, which represents a 27% increase in the net income of these companies. Of this amount, we already captured R\$13.5 million in 2021.

But it was not an easy year, as you all know. We had not seen this inflation levels on inputs in the last 20 years. Fuel increased by more than 70%, parts by more than 30%, tires almost 30%, and an IPCA index of 10%, which in itself is already a very high inflation, but our direct inputs increased much more than the IPCA.

What actions do we take to try to minimize this impact? We renegotiated contracts with clients three times in the year, with anticipation of readjustments and discussions on automatic transfers; we centralized the issuance of operating documents allowing us to do more with less; we accelerated the process of capturing input synergies for purchases between JSL and the acquired companies; we created new pricing models and strategies for granting benefits to third-party and aggregate truck drivers; we improved our cost management in pursuit of efficiency gains.

With that, I now give the floor to Guilherme Sampaio, our CFO, who will provide more details on our numbers.

**Guilherme Sampaio:**

Thank you, Ramon. Good morning, everyone. Going straight to slide 6, I'll provide more details on the numbers for the quarter and the year. Starting with net revenue, we ended the quarter



with R\$1.3 billion, of which R\$21 million was from sale of assets, a 66% growth compared to the same quarter in 2020.

We ended the year with R\$4.3 billion, with the sale of assets representing R\$83 million of this amount, less than in 2020 since we decided to hold on to certain assets to meet our clients' demand at the end of the year. This strategy helped us achieve 17% organic growth, year-on-year.

In the consolidated numbers, we grew by 59% and included the acquired companies in the consolidated numbers as of their acquisition dates.

The operating result is, without a doubt, something that we need to highlight. Even with the strong pressure on costs, as Ramon mentioned, our ability to execute across all companies made our results jump 174%, from R\$54 million to R\$148 million, and an EBIT margin from 7.3% to 11.3%. This means 4 p.p. more in the quarterly comparison. In the year, the jump was 140%, reaching R\$462 million in 2021, with an increase of 4 p.p. in margin, to 11%. And here, I am already excluding non-recurring amounts from PIS/COFINS credit on the ICMS base that had a positive impact on JSL's consolidated results, as disclosed in the second quarter of 2021.

EBITDA reached R\$670 million, with a margin of 16%, already excluding these same extraordinary items that I mentioned, and the consolidated number reached R\$758 million, with a margin of 18%.

Net income for the quarter was R\$54 million, an increase of 80% compared to the fourth quarter of 2020. But if we exclude the amortization of the PPA for the five acquisitions we made, net income rises to R\$63 million in the quarter. In the year, we reached R\$273 million in consolidated net income, and R\$224 million if we make the adjustments I mentioned for EBIT and the effects of the PPAs of the five acquisitions we made.

This leads us to a recurring net margin of 5.2%, which is 3.8 p.p. higher than in 2020 and 4.3 p.p. higher than in 2019, a reference year since it was pre-covid and pre-inflation of inputs that we have experienced in recent years.

Going to slide 11, I will discuss our CAPEX, which ended the year at a net amount of R\$750 million. The amount was influenced, as I said, by the maintenance of a part of our fleet to serve clients during the second half of 2021, and this obviously caused a reduction in sale of assets, and also by the need to renew and expand the fleet for Marvel, Rodomeu and Fadel, which had repressed demand due to the lack of availability of certain assets in the market.

I think it is also worth mentioning that our CAPEX accelerated in the third and fourth quarters in order to implementation of part of the R\$4.1 billion in signed contracts, with some of them implemented at the end of the year and others are still in the process of being implemented in the beginning of 2022.

Another important point is the result in the sale of assets. As Ramon mentioned, inflation also impacted us, but this time it helped our result and the price of our asset base, which, when sold, has a margin above 25%, maintaining a trend that we have been seeing quarter to quarter in 2021.



So, by doing a simple exercise of this scenario in our vehicle, machinery and equipment base, we arrived at a potential appreciation of nearly R\$620 million, which is enough to cover 3 times the financial expense of 2021 and 7 times the financial expense of the last quarter.

Now on slide 8, let's talk about our capital structure. We ended the quarter with R\$1 billion in cash, excluding the R\$365 million available in committed securities, which is enough to cover our debt until 2025 and cover up to 9 times our short-term debt. Net debt ended at R\$2.7 billion and EBITDA leverage at 3.2x. Added EBITDA leverage was 3x, which is our benchmark for financial covenants and was very influenced by net CAPEX, as I mentioned on the previous slide. Our average debt maturity is 5.9 years and the cost, after taxes, is 6.9%.

An important point that I would like to highlight is that, due to our strategy and capital structure, including compliance with our leverage commitment, Standard & Poor's raised the outlook for our corporate rating from Neutral to Positive.

On slide 9, we show a comparison of our delivery in 2021 versus what we had promised during the IPO process, in September 2020. Organic growth was 17%, GDP+12, when our commitment was GDP+7. We brought in R\$2 billion in new revenue from acquisitions, when we had a commitment of R\$700 million per year. Excluding non-recurring effects, our EBITDA and net income was surpassed by more than 30%.

Consolidated LTM ROIC closed at 13.5% and ROI at 20.5%, which confirms the assertiveness of our acquisition strategy, our diverse business model and our execution discipline. We maintained our leverage close to 3x, according to our commitment.

I think it's worth highlighting an additional point on slide 4, which Ramon presented, regarding the assertiveness of the acquisitions we made. Using the information disclosed for each transaction, we had an average EV/EBITDA multiple of 4.9x. And if we consider the EBITDA for 2021, which has not yet absorbed 100% of the synergies we identified, we already reached a post-growth multiple of 3.6x. So, this means the Company is 40% larger than anticipated in the IPO.

With that, I give the floor back to Ramon, who will discuss actions of our Sustainability Program and give his final remarks. Ramon.

### **Ramon Alcaraz:**

Thank you, Guilherme. I would now like to point out that, even in a difficult year, we did not forget our commitment to ESG principles through our sustainability plan.

Here I highlight a few actions: vehicle testing with alternative fuels, such as electric vehicles, and we are also testing trucks and buses powered by electricity. We are also testing gas powered vehicles. This is a trend that I strongly believe in, especially for long-distance vehicles, both for VNG and, mainly, biomethane.

We have our own fleet of trucks with an average age of less than four years, which means they have very advanced technology in terms of emission of pollutants, such as Euro 3, Euro



5. This year, we advanced in our corporate safety goal, with a culture of zero accidents. I also highlight Petrobras as a very austere company in the assessment of its operational safety.

In 2021, we initiated a project that we are very proud of, the Women in Management program, in which we train and hire several women as drivers in a predominantly male segment. We provided a link in our press release and in this presentation that takes you to a video where we present this program. It's very nice to see.

And finally, my friends, we are already a Company with R\$5.6 billion in gross revenue and, when we combine the numbers of JSL and the companies acquired since January, our EBITDA reaches R\$837 million and net income is nearly R\$300 million.

And we will continue to grow. Our size, structure and reputation allows us to take advantage of good opportunities for new acquisition projects given the current scenario in which the market has credit restrictions, high interest rates and input inflation. We accelerated our technology agenda, as we believe this is the path to efficiency.

I highlight our ability to purchase and gain access to assets due to the Group's scale and robust capital structure to support large contracts and new acquisitions. My motto, since I joined as CEO of JSL, is, in addition to being the largest logistics company in Brazil, we want to be the best company in the sector.

And as best, I take into consideration three fundamental pillars: the quality of services perceived by our clients, our work environment and how we care for our people and, our greatest asset, the return we give to our shareholders.

With that, my friends, I end my presentation, and I, along with Guilherme, am available for questions and clarifications. Thank you very much for your attention.

**Gabriel Rezende, Itaú BBA:**

Good morning. Congratulations on the result, and thanks for allowing questions. I have two questions. The first is on the EBITDA margin, you commented a lot on the cost pressure you had in the quarter, a factor that has put pressure on the sector throughout the year. Just to stress this point a bit more, we saw a resilient consolidated EBITDA margin, but with a small drop in the asset heavy segment over the quarters.

I would like to understand how can we think about this trend going forward, how are clients still willing to accommodate higher prices, how much room do you have to continue readjusting this, and what is the cost trend? Let's say we are still talking about a growing trend. So, how should margins behave in the coming quarters?

And the second question, in relation to contracted revenue, we calculate a considerable deceleration quarter over quarter. We wanted to understand what explains this, if it's seasonality, which sectors are behind the contracted revenue, eventually explaining this slowdown in the fourth quarter versus the third quarter.

**Ramon Alcaraz:**

Good morning, Gabriel. Thank you for the question. Regarding your first question, the slightly lower EBITDA margin in the fourth quarter compared to the third quarter is just seasonality. There is nothing unusual about this.



In the third quarter, we had some contracts that helped. An important issue, especially in a year with a very high cost pressure making us, as I said, to renegotiate several lines with clients, several times during the year, so this can cause a mismatch. What I mean is, I have a cost increase in one month and then I negotiate and results come in the following month, and so on.

So, in addition to the normal seasonality, the third quarter is usually the best quarter for us, we still have this mismatch between the impact of costs and the negotiation with clients. But the difference was very small. Nothing that worries us. We continued satisfied with the results achieved.

Regarding the second question – I'm just here taking the notes that Guilherme made, because I didn't record it.

**Guilherme Sampaio:**

Gabriel's question was if there was any specific explanation for the slowdown in new revenues since we reported R\$900 million in the second quarter, R\$1.2 billion in the third quarter and R\$480 million in the fourth quarter.

**Ramon Alcaraz:**

You also have little time to negotiate. In the fourth quarter, companies usually do not sign large contracts because they are waiting for the indicatives for the following year.

What happened in the third quarter? There was a great expectation for the volumes in October, November and December, mainly for retail companies, and this allowed us to sign large contracts for dedicated operations.

So it was a lot more to do with the period of the year. The third quarter also ends up being more open to the signing of new contracts, and the fourth quarter has a month that practically doesn't count, December, so there are fewer months left. It's more of a natural market issue. There is no specific fact that I could identify to justify this reason.

I hope I answered your question, Gabriel.

**Gabriel Rezende:**

Absolutely. Thank you.

**Victor Mizusaki, Bradesco BBI:**

Good morning. Congratulations on the results. I have two questions. The first is, you mentioned in the earnings release that revenue from operations outside Brazil totals around R\$145 million and the start of operations in South Africa. What can you tell us about your plans for international expansion and how much has the startup of the South African operation impacted the EBITDA margin of the asset heavy segment.

And the second question, Ramon, is if you can comment a bit on the technology agenda, what can we expect for 2022? Thank you.



**Ramon Alcaraz:**

Victor, thank you for your questions and for congratulating us on our results. Let's go first to the first question, about internationalization. Yes, we do have a lot of interest in growing our international operations. We have a dream of having an expressive percentage of revenue other currencies aside from the Real in the medium-term.

Speaking more specifically about our operations, we have two types: international transport operations in neighboring countries, Brazil-Argentina, Brazil-Chile, Brazil-Uruguay, Brazil-Paraguay, which is very strong with JSL and Marvel and has a large transport flow of cold and chilled products to these countries; and we also have dedicated operations in countries. For example, in Paraguay, we have a large beverage distribution operation with more than 500 employees, an autonomous operation inside Paraguay with no connection with Brazil, and now we have a similar operation in South Africa, also independent from Brazil.

Our expectations for South Africa are quite high because it is an experience in a country with a different culture. The cultures in countries neighboring Brazil are also different, but they are a bit closer. Making an analogy here, we are "cousins". South Africa is already a completely different country and a different culture, requiring additional learning efforts and we are very pleased with this beginning.

It had practically zero impact in 2020 since the operation only began in December. It may have even contributed negatively because of the implementation costs, but it was irrelevant.

What's more important is 2022. The operation has already started with significant invoices in February and March, and we are already negotiating with the client to quadruple this operation during 2022.

More important than that is the possibility, if all goes well, of extending this to other countries in Africa. Africa is a very large continent, with many opportunities for focused and specialized companies, and this gives us the know-how to enter other continents. So, especially in South Africa, it has everything to do with our internationalization strategy.

Going to your second question, regarding technology, this is perhaps what we have discussed most internally, because I see two fronts that are linked to technology. Number one, the digitalization of all of our processes, so we can use more technology and less physical power. With that, we achieved a phrase that I've been repeating: doing more with less. I mean, I can use technology to my advantage, and with that we have many opportunities.

And another issue, which is more has a bit more related to the medium term, is the actual transformation of JSL into a technology company; that is, selling technological solutions to our client that better connects freights to meet the client's needs. There are several studies on this, and I think we can already seen this in certain segments, especially retail, which requires product to be closer to the consumer, either B2B or B2C, we already see that. E-commerce started this trend and we understand this will end up entering all segments so we want to be prepared to be at the front of the line, to be the first company to offer solutions for all their needs.

In fact, we recently hired a Chief Technology Officer with experience in several technology companies to help in this process.



**Victor Mizusaki:**

Great. And Ramon, a quick follow-up on the first question, for South Africa. At the beginning of the operation, did you prospect a local client or does the strategy consist of having a relevant client here in Brazil that ends up asking you to make this expansion?

**Ramon Alcaraz:**

There is a big industry in South Africa. And its a local strategy, so speaking, as it covers Africa as a whole, but it is related to a group of companies here in Brazil. So, our prospect was based on one of our experiences in Brazil in which a director from Brazil ended up being transferred there and he evidently knew our know-how and helped in this transition.

So, opening in South Africa already included a signed contract, it wasn't an adventure. But this served, or will serve as an experience, and from this we can capture clients who are not linked with Brazil.

**Victor Mizusaki:**

Great. Thank you.

**Guilherme Mendes, JPMorgan:**

Good morning. Thanks for the questions. I have two questions, actually. The first is a follow-up regarding Gabriel's question about the new contracts. If you can give a little more color on how the negotiations of new contracts have been in terms of conditions, price transfers, or concentration in a specific sector.

And the second is in relation to the M&A strategy, just to get an update if your opinion remains the same in relation to the M&A strategy, and how the integration between the companies already acquired has been going. Ramon commented about capturing synergy in his presentation. What part was already captured? And it would be nice to also understand from where this captured part is mainly coming from. Thank you.

**Ramon Alcaraz:**

Good morning, Guilherme. Thank you for the question. Speaking first about the contracts, 2021 was an atypical year on several fronts and we already discussed costs etc., but it was also an atypical year in terms of demand. Several clients noticed that not having a guarantee agreement could harm them in terms of demand. Which means, there were sales volume but no vehicle availability.

This favored us to sign dedicated operational contracts with a bilateral commitment: a commitment on our part to make vehicles available, and on the other hand, of course, the client guaranteed volume, or in some type of take -or-pay guarantee. So much so that 61% of these contracts, of the R\$4.1 billion we announced, are dedicated operations.

In terms of segments, they are varied and for different reasons. For example, 30% of these contracts are in pulp and paper. Undoubtedly, this segment had a great boom in recent years, mainly due to the export of pulp, and Brazil is the leading pulp exporting country. We have



vast experience in this segment and this favored us to be present and sign contracts for the expansions of these factories.

In fact, we recently announced the signing of a contract with LD, a new pulp industry in the Triângulo Mineiro region. It is a specific pulp for finer products, including use in vehicles such as the pentatrem, which allows greater productivity, etc.

Undoubtedly, JSL's capacity and segmentation favor us for the signing of contracts with these clients. I talked about pulp and paper, which is in the primary industry, but I can go to the other side and talk about the food and retail industry, which also, coincidentally, closed at nearly 30%. The reasons are the same, you are guaranteed availability in different sectors.

So the advantage of having the size we have, and especially being segmented, allows us to capture all the opportunities that the market offers. If one segment, for some reason, is not going very well, we can take advantage of opportunities in other segments.

And our capacity, not only for investment, but also for being very present in the truck and machinery industries, not only through JSL, but also due to the Group's own capacity, JSL with Vamos, without a doubt, are the two companies that purchase the most amount of trucks and machines in Brazil and this obviously puts us at the front of the line in terms of making vehicles available at a time like this, when they have become scarce. So, know-how, investment capacity and the ease of having these vehicles and machines available favored us in signing these contracts.

The second question has to do with our M&A policy. We continue with exactly the same policy that we announced since the IPO. Our strategy is to grow, and grow quickly, including organically - In 2021, we had a very interesting organic growth. I believe we took advantage of the opportunities offered by the market and I gave the numbers to prove it – and inorganic growth. The five acquisitions we made proved to be very successful, and not only because they improved our growth. For us, inorganic growth, and for the companies themselves, is to take advantage of their own organic growth when we compare them with themselves. They came to bring very expressive results, which also helped us as a Group.

But we maintain our strategy. What we buy is know-how. We don't buy vehicles and machines, that's not our interest. Our interest is to focus on what the Company does best. So, we try to be far enough to not get in the way of what this company does well, and close enough to capture the synergies that the size of the Group offers us.

We continue with this same strategy, we continue with our acquisition pipeline. We even believe that in 2022, even with the difficulties of higher costs and having to pass them on to customers, our relevance with clients may make it easier to sit down at the table to negotiate. Negotiation is always difficult, but sitting at a table to negotiate is something that other companies may not have the same opportunity to do. So, these difficulties may favor us to sit down at the table and accelerate the acquisitions that are being negotiated.

Another important point you ask is about synergies. Again, our strategy is, yes, to seek synergies, but our desire for synergies is no greater than our fear of compromising the good business we purchased.

So we capture at the speed that is possible. Of these R\$45 million that we are disclosing for synergies, they are concentrated on changing the debt structure of these companies with



lower interest rates, backed by the size of the Group, in addition to purchasing vehicles at lower prices than if they purchased them individually, and inputs such as like tires, fuel etc.

In 2021, we captured R\$3.5 billion by changing certain contracts and managing certain suppliers. This was for some companies - out of the five, it is good to remember that the three (TPC, Rodeo and Marvel) already entered in the middle of the year, so we had less time to capture. In 2022, I believe we will capture a good part of this amount, which will certainly help our results, and we will seek new synergies within this policy that I mentioned.

**Guilherme Mendes:**

Very clear, Ramon. Thank you and good morning.

**Pedro Bruno, XP Investimentos:**

Good morning. Thank you for the opportunity. Part of my question has already been answered, it was about internationalization. I would like to understand a bit of the rationale behind this internationalization beyond South America, as you have already answered.

But I wanted to ask a few questions on this. You commented quickly on the currency exposure and I wanted to confirm if this is the idea, or if this is part of the strategy, for these contracts to be priced in other currencies other than the Real. I would like to understand what is the currency and if there is any pattern for the countries you are seeking to gain exposure to.

I also wanted to know in what sector. You commented on beverage distribution in Paraguay in the same context, I don't know if this is the sector you are exposed to there. It was not 100% clear to me. If you could explain, please.

And my third question is regarding the strategic rationale of scale since I think you commented in recent responses about JSL's strategic differential in terms of size, etc., and I would like to understand how this applies outside Brazil as well, especially in more distant countries. Thank you. These are the three follow-ups.

**Ramon Alcaraz:**

Good morning, Pedro. Thank you for the question. Yes, it is within our internationalization strategy to become less dependent on a single currency such as the Real. But in those countries that I mentioned, we work with local currencies. There is no preference for a specific currency, but rather working with currencies other than the Real.

You ask about the segment we are operating in South Africa, and yes, it's also the beverage segment. Not because we have a preference for this segment, but it's our know-how in Brazil that allows us to take this to other countries.

Another important thing when you are entering other countries is to work with segments where you are less vulnerable due to specific crises. So, the retail segment is always an advantage for this.

Another part of your question is how we take advantage of our size in distant countries like South Africa and an important point to consider here is that the main vehicle manufacturers are international. I can mention that the vehicle manufacturer we used in South Africa was



Scania. We have a huge relationship in Brazil with Scania. This, without a doubt, helped us in acquiring trucks in Africa, with local branches of the same manufacturer.

So, we use our capacity and size, including relationships, not only with the vehicle manufacturers but also with financial institutions. We used our contact network, not only national but also international, to facilitate our entry even in countries as far away as South Africa.

**Pedro Bruno:**

Perfect. That was it. Thank you.

**Claudio Bernardo (via webcast):**

Congratulations on the excellent results. Analyzing the taxes to recover line for PIS/COFINS and Income Tax, the amount adds up to R\$450 million sealed, without subject to Income Tax. Can these credits be used to pay all federal taxes and contributions? What is the expectation of monetization of these credits in 2022 and 2023? What is the expectation of new acquisitions in 2022?

**Guilherme Sampaio:**

I answer the first question, and the second I will let Ramon answer. Thank you for the question, Claudio. Yes, this is an important asset line for the Company. This give us breathing room in our cash flow, and I would say that our expectation to use the PIS/COFINS credit is around 18 months.

So, we would practically eliminate all PIS/COFINS payments next year with this credit and would still have an important amount to be used in 2023.

I will let Ramon answer the question on expectation of acquisitions for 2022.

**Ramon Alcaraz:**

As a complement to the first question, the credits can be used towards other federal taxes. This is not the case since we have a large volume of PIS/COFINS that is sufficient enough to absorb these credits, but if it were not, it could be used in other federal taxes.

Regarding the second question, about M&A, I would like to complement what I had already answered to Pedro. Our policy continues aggressive. We want to take advantage of all the opportunities that even hard times can offer. We have several opportunities in our pipeline and very positive expectations for 2022.

**Carlos Herrera, Condor Insider (via webcast):**

Good morning. I have a question: how do you see the trend in asset prices for this year? Could the drop in revenue from asset sales be a sign that assets should fall this year to maintain a healthy turnover level, or was it a non-recurring event in the fourth quarter of 2021?

**Ramon Alcaraz:**



Carlos, the reduction in revenue from the asset sale does not have much to do with the drop in vehicle prices. It fell because our volume increased and our strategy is to keep these vehicles rather than sell them. After all, we operate a logistics business. Vehicle sales are important, but we prefer revenue from services. That was the strategy.

Vehicle prices greatly appreciated in 2020 and 2021, and I don't believe that will come back, not now, not ever. I never saw vehicle prices go backwards. It will probably not continue to increase in percentage terms that it did in 2020 and 2021. This has a lot to do with the appreciation of new vehicles and supply and demand of trucks and machines, but prices going backwards, in the 35 years that I've been in the transport segment, I've never seen that. So, I don't see that possibility. No.

**Guilherme Sampaio:**

Just to complement, if you look at the latest releases, you can see that yes, driven by what Ramon said regarding new vehicle prices, there was an appreciation of our asset base. Today, we can reach asset sale margin of over 25%, which is what we announced in the last two quarters, and it is, without a doubt, a very positive point.

In our presentation, we calculated that if we put this same margin and apply it to our net asset base, including machinery, equipment and trucks, the potential appreciation of our asset base would be over R\$600 million. Just an additional comment on Ramon's answer.

**Rodrigo, investidor (via webcast):**

Congratulations on the results. Can you please comment a bit more on the e-commerce expansion strategy and if this modality has tighter margins than other business lines and the industry? Thank you.

**Ramon Alcaraz:**

Good morning, Rodrigo, and thank you for the question. E-commerce is currently part of our service portfolio. It is important to mention that, just to give you an idea, in 2021, we had over 150,000 deliveries per day made by Fadel, specialized in urban distribution, or by JSL itself. This is a very relevant volume. This shows our capacity in e-commerce. That is one point to mention.

Another question could be, are we interested in e-commerce? Depends. We are interested in business that gives results. E-commerce is always a challenge because it assumes that consumers want their product quickly, at a price equal to what he would buy in a physical store, which makes it complicated because the delivery of a product to an end consumer is more expensive than you delivering it to a retail location. So, this is challenging. You have a higher logistical cost for a product that, in theory, has the same price.

So, the question that always comes up is: who will pay for this? We have experiences in operations that were good for us in terms of results, but not necessarily good for who was operating it, who was paying for it, and then it ends up not being sustainable.

The opposite also happens. There were experiences we have that did not offer good results but it may have been good for the ones who hired us, which is also not sustainable.



So, the market needs to find a balance in relation to this. There is no doubt that the logistical cost of the e-commerce operation moves the needle. This will define if a marketplace operation will be profitable. And we are trying to find this balance. We know how to do it, we had several successful experiences, and now we need to find the profitability.

But e-commerce is a sales channel, just like any other. Just like retail, wholesale etc. So, whenever e-commerce grows, it benefits us because we are in the primary industry. We are in primary industry, we are in the storage industry, we are in the transfer industry and we are in urban distribution.

Obviously, for a product to arrive at a warehouse near your home, which will deliver the product to you, it need to cross this entire process. It was manufactured, it was stored, it was transported from a larger warehouse to a smaller one until it arrives at your home. We are in this entire chain.

So, the more e-commerce grows, the more we benefit, regardless of we are operating with the last mile or not.

**Pedro Cardoso, Eleven (via webcast):**

Congratulations on the results. I would like to understand what key factors influenced financial leverage, quarter by quarter, and what is the target for 2022 in terms of leverage.

And my second question is: with the entry of Euro 6 in 2023, how will cost increases impact JSL as more technological and modern assets will be required? Do you anticipate any investments for the asset heavy segment in 2022?

**Guilherme Sampaio:**

Pedro, I will start by answering about leverage, and then Ramon can comment a little more on Euro 6. In leverage, basically, our commitment remains at around 3x. This is the commitment we have since the IPO.

We are seeing the leverage of 3.2x as a reflection of the need to maintain CAPEX at home and the volume of CAPEX we need to meet these R\$4.1 billion of new contracts, our international expansion, and the CAPEX with the acquired companies. This means CAPEX for six companies.

So we're basically talking about a 3.2x now, but our target is still around 3x.

So, Ramon, comment about Euro 6.

**Ramon Alcaraz:**

Good morning, Pedro, and thank you for the question. It's difficult to talk about Euro 6 because we don't have information yet. We don't know the price. We only know what the market knows, which in theory this will be required of manufacturers from 2023 onwards.

So, I'll take the experience from what happened with Euro 5 and will probably happen with Euro 6. When the Euro 5 change happened, the transition year was an opportunity. We were



able to acquire Euro 3 vehicles at competitive prices at the time and I believe that will happen in 2022. This is just an assumption.

When Euro 5 became a reality, prices did not increase, not significantly anyway, and this was evidently reflected in the price composition of new contracts, so this will end up happening with the Euro 6.

Perhaps the difference we have this time is that vehicles, because of the pandemic scenario, already had very expressive price increases. So, I believe, and again, it's just an assumption, we don't have this information, that the difference between Euro 6 and Euro 5 may not be that expressive, but we have to wait and see what will happen.

We have a challenge, from what we have been hearing from the vehicle manufacturer, is that as Euro 6 uses a higher volume of electronic equipment and there may be a greater difficulty to manufacture these vehicles in 2022. These are challenges faced by the automobile industry in general, worldwide. We have to wait and see.

**Pedro Henrique Ferreira, investidor (via webcast):**

Congratulations on the results. Can you please expand more on the technology agenda.

**Ramon Alcaraz:**

Good morning, Pedro. We have many 'Pedros' with us today, which is very cool. This is an agenda that I consider to be extremely important. I think the world will experience a technological revolution in the next five years, for several reasons.

The pandemic has already demanded this of us, and the pandemic caused smaller consequences on the economy than it would have in past decades, precisely because of technology. Technology allowed people to work from home, it allowed people to purchase through via e-commerce, delivery etc., and this shows the importance of technology.

This is not just because of the pandemic, it was happening before, the pandemic only accelerated this process, but this is forcing companies that operate with logistics to review their processes. This involves technology.

As I said, for you to turn on your computer, buy a product and it arrives in a few hours, it's not just a delivery boy that picks up that product and takes it to you. This product had to be manufactured, as I said, transferred, stored, arrived at a larger warehouse, then to a smaller one, until it arrived closer to your home for the delivery boy to take the product to you. All of this involves technology.

So, I understand that companies, particularly in logistics, need to undergo a technological revolution. That's what we're doing internally. We already previously announced products, such as our JSL app, which aims to be closer to our aggregate partner, the self-employed truck driver. We want to have greater intimacy with our client. I want to know where the cargo is and the availability of my self-employed truck driver so I can combine the two, offering my client a faster and more accessible alternative.



Our dream is to have transportation model in Brazil in which there is zero idleness. I will always have a truck with a load, taking it close to where my client needs it. All of this involves technology. That's easy to say, it's not that simple to do.

JSL invests a lot of money annually in its IT division and we want to increase that. As I said, we hired an IT Director, which we may provide more details shortly, and he worked in companies where technology began, or other reasons, many years ago. So, he brings baggage to our segment and I think this will help us make a very important leap, in addition to looking at other startup alternatives, etc.

We want to take every opportunity and take a big leap. What I can guarantee is that, in the coming years, we will grow a lot in the technology field. Again, I think this is how we can become a competitive company in the near future.

**Operator:**

As there are no further questions, I would like to give the floor to Mr. Ramon Alcaraz for his final remarks. Please, Mr. Ramon, you may proceed.

**Ramon Alcaraz:**

Dear friends. Firstly, I thank you for the questions, your patience that for listening to us, and I want to end the presentation by saying the following: it is the first full year of JSL as an independent publicly traded company since we launched our IPO at the end of 2020. Coincidentally, it's also my first year as CEO of JSL. So, I am proud to be able to close end this year with you, reporting very expressive results, not only for JSL, but also for the companies we acquired.

When we look at the entire picture, it was very good, in a very adverse year. We started the year thinking the pandemic was already over. No one expected it would get even worse from a health perspective, much less this insane increase in input prices, and we had to deal with all of this.

So I like to say that we don't control the wind, but we control the steering wheels and the sails, which is what we tried to do. I think that, in adversity, whoever is quicker to transform, quicker to adapt, and performs better, get ahead of the game. And that is what I think we did well, despite being a large company. In general, large companies tend to be slower, and we aimed at being faster.

This allowed us to grow 60% in results in an atypical year, 60% in revenue, 70% in results. This made us relearn how to do things we were no longer used to, such as sitting down with clients more than once a year. This is not always a pleasant thing, it creates friction , but we managed to do it in a very balanced way.

Proof of this is not only the success in transferring part of the readjustments, but the cross-selling in 75% of the contracts signed, which had a very expressive amount, as we mentioned, of R\$4.1 billion.

We started 2022 more prepared for adversity. We will no longer be surprised with increase in costs, or with any different scenario related to the pandemic and, at least, the latest news are



promising. We have some challenges, its an election year and Brazil is always a country with novelties, not only Brazil, but the world, but we feel that we are prepared.

We are prepared in terms of capital structure, we have a reinforced team, including people from the market that can bring contributions to the experience of people who were already here, allowing us to take advantage of opportunities to reduce costs, to take on new projects, and invest heavily in technology so that, at the end of 2022, we can report even better results than in 2021. That is our goal as a company.

So, thank you, and I'm at your disposal.

**Operator:**

JSL's conference call has now ended. We'd like to thank you all for participating and have a nice day.

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