Conference Call Transcript
1Q24 Results
Grupo Vamos (VAMO3 BZ)
May 7, 2024

Operator:

Good morning, ladies and gentlemen. Welcome to Vamos' conference call to discuss the earnings regarding the 1Q24. Today, with us in this conference call, we have Mr. Gustavo Couto, Vamos' CEO; and Adriano Ortega, CFO and Investor Relations Officer of the Company.

This video conference is being recorded and the replay can be accessed on the Company's IR website: ri.grupovamos.com.br. The presentation is now available for download in Portuguese and English versions.

We would like to inform that all participants will be just watching the conference call during the Company's presentation. We will then start the Q&A session when further instructions will be provided.

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 and operating and financial goals are based on Vamos' management beliefs and assumptions, and are based 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.

We will now turn the call to Mr. Gustavo Couto, who will start the presentation. Mr. Couto, you may go on.

Gustavo Couto:

Good morning. Thank you for following our 1Q24 earnings call. We started our year in a consistent manner, marking our 1Q with robust consolidated results, which reinforce the evolution and potential of our business segments.

We will be able to see, throughout our presentation, that the 1Q result brings a strong operational performance of the rental segment and, consequently, of our consolidated results.

Going straight to slide three, we talk about the highlights. The rental segment showed net revenue growth of 42%, reaching R$829 million. The used assets sales grew 56% compared to 1Q23, when we exclude the sale of non-recurring new assets that we carried out a year ago. Truck gross margin was 25.7%, in line with our projections, and reinforces the appreciation of our trucks.

The consolidated margin was 23.4% in used assets, resulting from the mix of machines and implements. EBITDA in this quarter totaled R$793 million, with growth of more than 40%. Operating profit of R$635 million, 38.5% higher than 1Q23, follows the sequence of robust operational growth.

Our rented fleet reached around 45 thousand assets, representing 90% of our total fleet, when we deployed a record volume of R$1.8 billion in assets, 36% higher than what we did in 1Q23.

This record was driven by an operation on an unprecedented scale in the sector, when we acquired practically the entire fleet of an important client in the beverage segment, with subsequent leasing to the same client, called sales and leaseback, despite there being no option to purchase by the customer at the end of the contract.

This operation was almost 100% completed throughout the months of January, February and March, and as we acquired assets, rental income began to take effect immediately and now there are few assets left to be transferred and paid for.

Moving on to dealerships, net revenue was R$670 million, registering an increase of 38% compared to 4Q23 and a drop of 15% compared to the same period a year ago. EBITDA was R$17.8 million, reversing the negative result of the last quarter, with an improvement of more than R$50 million and an EBITDA margin of 2.6%.

We have already seen a slight improvement in agribusiness stores and truck and yellow line dealerships continue to show positive results and contributions.

In relation to our consolidated results, net revenue totaled R$1.7 billion, an increase of 2.6%. Consolidated EBITDA grew 24% in the quarter, totaling R$820 million. We ended the 1Q with R$640 million in operating profit, which represents an increase of 18% compared to last year. Net profit totaled R$183 million, 8% higher compared to 1Q23.

If we analyze this result in more depth, the growth in net profit was even greater, almost 20% compared to a year ago, if we disregard the impact of non-recurring tax credits appreciated last year. The ROIC of the 1Q, of the last 12 months, was 16.8%, with a spread of 8.1p.p. relative to our marginal cost of debt at the end of the period.

Moving to the next slide, we present the evolution of our consolidated results since 2022, highlighting the contribution of the rental segment, boosting consolidated results. We reached R$1.7 billion in consolidated net revenue, a growth of 3% and double the recorded in 1Q22.

The rental segment accounts for more than half of total revenue, with R$979 million. EBIT more than doubled in two years and the rental was responsible for R$635 million in the Company's gross profit. EBITDA grew 2.3x, also in two years. Once again, the highlight is the relevant contribution of rental to this result, representing 97% of EBITDA.

In net profit, 8% higher than 1Q23, and 50% higher than two years ago. The highlight here is the result in the last line, free of non-recurring effects, and with our confidence that it will continue to improve.

We are confident that 2024 will be a year of better results for Vamos and reinforce our commitment to the sustainable development, profitability, diligence and above all, offering the best services to our customers.

Now I will give the floor to Adriano, who will comment on our performance in more detail, and at the end, I will return for some messages and also for the question-and-answer session. Adriano, please.

Adriano Ortega:

Thank you, Couto. Good morning to everyone participating in our earnings conference call. I will present to you, in more detail, our 1Q24 performance.

Continuing on slide five, at the top left, we present our ROIC calculated at the end of 1Q24, considering the last 12 months, of 16.8%, below that recorded in 2023, but with consistency in the spread in relation to the cost of debt, a unique level of profitability in the sector.

The recent evolution of Vamos' ROIC has reflected the stability of the profitability of the rental business and the current situation of agribusiness dealerships. The graph on the right, of EBIT by segment, corroborates the reflection of the Company's different segments, with the consistency of rental profitability and the gradual improvement in dealerships.

In the graph, at the bottom left, we present the annual evolution of EBIT, multiplying the 2019 EBIT by almost nine times, showing the potential of the rental market, boosting the Company's profitability.

Moving directly to slide seven, the rental segment, presenting another quarter of growth, reinforcing the sustainability of our results. We present continuous improvement in the main financial indicators, with consistent results and robust margins.

Net revenue grew almost 22%, totaling R$979 million in the quarter, with an important contribution from net rental revenue, which totaled R$829 million in the quarter, growth of 42% compared to the same period of the previous year.

Next, we have EBITDA, which totaled R$793 million this quarter, an increase of more than 40% compared to 1Q23, with a margin of more than 91%. At the bottom left, we detail the evolution of our revenue between contracts with and without maintenance. In the lower right corner, we present the consistent growth in rental EBIT, which reached R$635 million in this quarter, an increase of 38% compared to the same quarter in 2023 and a margin greater than 72%.

Moving on to the next slide, on the left, we present the quarterly comparison of deployed CAPEX, which reached a record in 1Q24, of R$1.8 billion, 36% higher than in the previous year, confirming our execution capacity, boosting our results. In this amount deployed, we have R$55 million in used assets that were repossessed and redeployed, a little more than R$1.2 billion of the implementation of new assets and R$525 million of the innovative sales and leaseback operation.

In the lower graph, we demonstrate the evolution of the deployed backlog. Considering the volume of revenue related to the implementation of 1Q24 and subtracting the amount of contract termination and the gross revenue made in this quarter, we get to approximately R$14 billion in future revenue from current and already deployed contracts.

In addition to the consistency in the pace of implementation, the sales and leaseback operation, which we carried out recently, has an important contribution to Vamos' future revenue generation and confirms our unique execution capacity.

Moving on, on slide nine, on the left we have the evolution of the rented fleet versus the total fleet. In March of this year, we reached almost 50 thousand total fleet assets, of which approximately 45 thousand assets are rented, reflecting the positive dynamics for the rental business. We can see that from March 2023 to March 2024, we had an important expansion of 10p.p. of the rented fleet, maintaining a level of 90% since the end of 2023.

In the graph on the right, we demonstrate the evolution of our inventory available for rental, which in March 2024 totaled approximately 1.4 billion, reflecting the purchase of new assets carried out since the end of last year.

Moving on to the next slide, in the top left graph, we demonstrate our contracted CAPEX, which totals more than R$2 billion, a quarterly record, 17% higher than that contracted in 1Q23, confirming a healthy pace of rental demand with good profitability. The average yield on new contracts this quarter was 2.5%, maintaining consistency in the profitability of new contracts. The IRR spread, which is the relation between the average IRR of projects and the cost of debt after taxes, in 1Q24 was 12p.p.

In the bottom left graph, we showed the evolution of gross rented fixed assets starting from R$12.6 billion of fixed assets in December 2023, considering the deployed volumes, contract terminations and asset repossessments, which totaled R$270 million of CAPEX in this quarter, a higher pace than expected for the period, also reflecting the credit market, we reached gross fixed assets rented, at the end of March 2024, of approximately R$14 billion.

In the table on the left we show the percentage of this rented asset with revenue in the quarter.

Moving directly to slide 12, talking about used assets, we had a strong performance in sales, indicating a consistent market with broad potential for asset appreciation. Recurring net revenue exceeded 1Q23 by 56% and gross profit was 18% higher. The 1Q gross margin was 23.4%, impacted by the mix of assets sold. If we only consider trucks, we reach a margin of 25.7%.

Below, on the left, we demonstrate the strong appreciation of 36% of assets in our truck fleet. We carried out the analysis with a sample of four representative models of our fleet, around 13% of our net vehicle assets. The appreciation of assets indicates an opportunity for sales with attractive margins or even a new rental cycle for these assets.

To be clear, this appreciation reflects the price variation and not the sales margin of these assets, versus the FIPE table and not the sales price by Vamos. Reflecting the demobilization of assets that occurred throughout 2023, the inventory of used assets vehicles reached R$400 million at the end of 1Q24.

Moving directly to slide 14, I will comment on the dealerships' results. Trucks and the yellow line continue to make positive contributions to our results. Agribusiness dealerships, on the other hand, show a gradual improvement in sales and are already implementing a series of internal measures to improve results.

Despite the momentary cyclicality of the sector, the country's agricultural potential is unquestionable. We had important growth in net revenue in 1Q24, totaling R$671 million, almost 40% higher than that recorded in 4Q23, and still slightly below 1Q23. We can observe the dynamics of representation of agri dealerships in revenue in recent quarters, reflecting the atypical scenario of 2023.

The segment's EBITDA was R$17.8 million in the quarter, reversing last year's negative result by more than R$50 million. 1Q24 already indicates gradual improvement, with a growing perspective of the contribution of this segment's results to the Company in 2024.

Moving directly to slide 16, about our capital structure. In 1Q24, Vamos' net debt totaled R$9.8 billion, with leverage of 3.4x in the net debt to EBITDA metric, mainly reflecting the payment of the sales and leaseback operation in this quarter. When considering the potential EBITDA for one year, generated through this operation, our leverage would be 3.27x.

On the right, we have a comparison of the evolution of working capital since 3Q23, which saw a reduction of approximately R$1 billion in the period, following our planning. Below, we indicate the variations in the main lines, comparing with the 3Q23 used as a reference in Simpar Day. We had a reduction of more than R$100 million in inventories and accounts receivable from dealerships and we still have an important opportunity coming from inventories in this segment.

Considering our extended payment terms, at a time when we are once again purchasing assets for rent, the supplier bill increased by more than R$700 million. We continue on the path of normalizing working capital, with the deleveraging trend throughout the first half of this year, reinforcing our commitment to the Company's financial management.

Moving on to the next slide, we ended the quarter with a solid cash position, enough to cover the debt until mid-2026, totaling almost R$2.5 billion. When we add the R$1 billion in available committed lines, we have, approximately, a total of R$3.6 billion.

The average term of net debt is five years, with an average after-tax cost of 8.7%. The tendency to reduce the average cost of debt contributes to the improvement of financial results in the coming periods.

Now I'll give the floor back to Gustavo to make his final considerations on the presentation and I'll be back with you in the Questions and Answers session. Thank you all.

Gustavo Couto:

Thank you, Adriano. Let's now go to the final messages slide. We ended another quarter of consistent growth for the Company, with the rental segment as its main vector, which reached important milestones. Record deployment of R$1.8 billion, with good diversification of segments and emphasis on the beverage, sugar-ethanal, logistics in different sectors and intra logistics.

Also record of new orders signed by our customers and new contracts signed. This performance confirms the resilient dynamics of the rental market, the business model that is still just in the beginning and with differentiated profitability in the sector.

The growth in net revenue from the sale of assets achieved a truck margin of 25%, and 23.4% when we include other assets. This reaffirms the quality of our assets, the appreciation of our fixed assets and the Company's successful purchasing strategy.

At dealerships, the positive dynamics of trucks and yellow line in this quarter indicates a favorable scenario for the year. Furthermore, agricultural performance signals a gradual improvement, even though the numbers are below what we expect for our concession areas. We prefer to be conservative in relation to speed, for a long-awaited recovery in demand, but it is a fact that we believe in the potential of agribusiness and this market is very strong.

For now, we have taken several measures to reduce inventories, reduce costs and ensure an improvement in short-term results, which we hope will have a positive impact in the coming years.

Finally, we continue on the path of normalizing working capital and, added to the growth of the rental sector, will lead to a deleveraging cost for the Company in the second half of the year. Combined with this, the positive outlook on business performance reinforces our confidence in the 2024 result. There is more to do and improve throughout the year on this work front.

I would like to conclude by thanking our people who, committed to achieving more and better, are essential to building the best experience for our customers, whom I also thank for their trust in our solutions and services.

Before opening the Q&A session, I would like to welcome José Cesário. As announced a few weeks ago, Adriano will leave his position as CFO and Investor Relations Officer at Vamos at the end of this month, taking on new duties at Simpar. Throughout May, Adriano normally responds to his duties here at Vamos.

Cesário is already here with us, but he will take on his role on July 1st. The transition has already started and is going well. Adriano, thank you very much for your work and this time with us here at Vamos. Cesário, once again, we are happy with your arrival. To you both, much success in your new roles.

Now we are going to open for your questions. Thank you very much.

Luiz Capistrano, Itaú BBA:

Guys, good morning. Thanks for the space. I would like to dive deeper into two topics with you, please. The first in relation to the pace of new contracts that we saw this quarter, a record, and a strong number, even adjusted by the new contract with Petrópolis.

For the rest of the year, do you think it would be fair for us to assume the same level? Are you expecting some acceleration? This compared to ex-Petrópolis, so, more or less 1.2 or 1.3. Would it be a fair pace to expect for the 2Q, the 3Q, the 4Q? How are you seeing the evolution of this demand without taking into account this new contract?

And the second point is a little related to profitability. First, understand how the entry of this contract impacted the average IRR of this crop of contracts signed in the quarter, whether it was higher than the average of other contracts, or not. And it also caught our attention that the number continued to grow. I think the cost of debt fell one point and the spread increased one point. So the IRR has remained fixed, despite the falling cost of debt.

Is this a trend we can expect for the rest of the year as well? Even though interest rates are falling, are you managing to hold the price? Or are you seeing some pressure from the client, eventually, in a few quarters you will have to reduce this IRR as well? If you could give some color on these fronts, I would really appreciate it, guys. Thank you very much.

Gustavo Couto:

Luiz, good morning. Thank you for your question and for your participation. It's Gustavo Couto speaking. I will then start with the question about new contracts. We started the year with a record volume of deployment, as well as a record volume of new firm orders signed and contracts signed. This gives us the guarantee that our demand remains very strong and our business model, as always, very resilient.

If we exclude this operation in the beverage sector, if we take a look, we have R$400 million in CAPEX deployed. I'm going to invite everyone here to do an analysis, what would this Company be like in one, two years, if we maintain this pace of R$300, R$400 million of deployment going forward? This Company manages to grow, it manages to deleverage and it transforms the size of the Company, like what you have seen in the last five years.

So, I think we do have the opportunity to maintain consistency in the pace of deployment that we have already been presenting in recent years and if we continue to do this, we are able to grow and, naturally, deleverage the Company to lower levels than we are seeing today. So, this is the trend, we will continue working this way.

The fact that we started the year well, with a record volume of deployment, our commitment is to the year's plan. We are going to deliver the plan for the year and that is our bigger commitment, that is what you can expect from the Company, Luiz.

In terms of profitability, each time the Company grows and develops, we achieve very different conditions to serve our customers. This is also replicated in competitive commercial conditions and this is also replicated in maintaining an IRR spread, which is truly what we seek. In other words, we are always looking to expand this IRR spread between my marginal value of the debt versus the IRR that I can obtain in our new contracts.

And you can see that, with renewed assets, post-implementation of the new emissions standards, that is, we are maintaining a great level, I would even say a unique level in the sector, of IRR spread, which in short, has proven to be quite sustainable over time. And we believe, yes, that this level is our greatest ambition, we want to continue seeking this level.

If the IRR falls a little, it will fall due to the fall in interest rates, but this does not mean that our spread needs to fall. And that's what we're going to continue working on, Luiz.

Adriano Ortega:

Luiz, Adriano here, if I can make a quick addition. You always have to remember that when we are talking about the cost of debt after taxes, this one depends a lot on the movement that the Central Bank makes in the short-term interest rate.

When we are looking at the IRR of projects, when the Company is doing pricing, we look at the curve over three to five years. And this curve had a recent decline, throughout the 1Q, but it has been getting stressed as well. So, when looking at the IRR, we have to look at the long-term curve, and it is demonstrating it here, even now reaching a higher level than it had throughout the 1Q.

Lucas Marchiori, BTG Pactual:

Thanks. Good morning, everybody. Thanks for the call. First, leave our best wishes for Cesário. Thanks also to Adriano. I have two topics I wanted to hear from you. The first about this recovery of assets. I was thinking about this here, it was already starting to slow down at the end of last year, we saw the 1Q number had a slight increase in the recovery of assets in the 1Q.

I wanted to understand a little what motivated this increase, both in the recovery and in the end of contracts, to understand if there is any effect, naturally, seasonal or sectoral, that we can quantify to understand this recovery of assets a little.

And in the second topic, in the supplier account, we saw this relevant increase, and then you commented, Couto, that you have much better conditions in these most recent supplier terms that you negotiated.

If you could possibly explain to us what the deadline is, purchase condition, so that we can quantify how much this increase in the supplier bill is mitigated with the improvement in the purchase condition. Even for us to be able to understand a little how negotiation works. It would be these two points, guys. Thanks.

Gustavo Couto:

Marchiori, it's Gustavo Couto. Thanks for the questions. Marchiori, his audio was very difficult for us to understand. I believe it was in general, there is a lot of noise around you. We noticed, when you open the audio, Marchiori, a very strong ambient sound comes here. I would even ask you to kindly, if you can, later try to pacify this issue, so that we can be sure that we heard your question.

I imagine we did it, yes. Forgive me if I have any misunderstanding here. But I understood that the first question was in relation to asset recovery, the pace of asset recovery.

You're right, we didn't work so that we would have to take back these assets now, quite the opposite, we, naturally, when we made these contracts, we imagined that these contracts would continue for a long time. But market conditions change, the Company has grown and this is a reality that we are facing.

Now, most importantly, we are being agile, we are being absolutely quick in making decisions and putting these assets in. Why? Because it is much better to have this asset with you, which is an asset that is appreciated. As you saw during the presentation, we took four, five models and you can see how much they appreciated in relation to the FIPE table.

So, these assets today are much cheaper than a new one. They are often used for one or two years, and these assets can be sold with very good margins or can also be rented for new contracts under very good conditions. Then it became a business. So, obviously we don't want this to happen, but given a scenario, and it happened specifically in a sector, which was specifically impacted over the last few months.

So, it's natural that, instead of letting this become a bigger problem, we take these assets, take back these assets. Most of it by mutual agreement, but when not, we also take it and take it quickly, from a judicial point of view. And the fact is that this is an opportunity for us to enter the new leasing cycle, with good returns, good contracts, just as this is also a sales opportunity, as you have seen in the sale of used cars.

Obviously, I still expect a pace of recovery a little higher than what we originally estimated for the year. I think this could happen in another quarter or two. I'm not giving any projections here, but the fact is that we know that there is still something to be dealt with in some specific sectors of the economy, and this could also bring some further recovery to levels that you have been seeing in recent quarters.

That's what we hope for. And again, but this has become, yes, a business opportunity in the short term, it is not what we projected, it is not what we planned, but the fact is that this asset was greatly appreciated and it has a lot of value in our hands. And that is why we are being very quick in this resumption.

Regarding the supplier question. Lucas, I don't know if I understood your question very well, but, in other words, you wanted to know the tradeoff between the payment term versus the commercial conditions that we are checking now in this purchasing cycle that we are making.

Marchiori, we always buy with longer terms, that is, we have a good historical relationship with practically all automakers and this gives us credit conditions, and one thing ends up helping the automakers a lot, because we make planned purchases, they are large volumes in a planned manner, which allows them to have the best production planning and, consequently, to improve their costs, and also to sell to us under different price and deadline conditions.

So, naturally, we always negotiate and reach an agreement regarding the possible financial cost of a longer term, versus our internal cost of capital. And we always make this decision, negotiation by negotiation.

The fact is that we always look for longer deadlines, again, we have a good credit rating with the car manufacturers, they know that whatever they sell to us, they will receive it on time. So, it ends up being easier to achieve these two important aspects: deadline and very attractive commercial conditions.

So that's what we do, we've always done it this way, Marchiori, and we're going to continue doing it this way. I'm sorry if we didn't capture any part of your question here, but if you have it somewhere you can add it, feel free.

Victor Mizusaki, Bradesco BBI:

Hey, good morning. Congratulations on the result. I have two questions. The first is in relation to the asset available for rent. Doing a quick calculation, given that it is stable, around R$1.3 billion, given the volume you purchased in the quarter, versus what was implemented, you have turnover once per quarter, so, roughly speaking, four times a year.

My question is what we can expect going forward, if suddenly the fact that you have this asset available to your client, you can implement quickly. If this is still something very important, given that the automaker is taking more than three months to deliver the asset, or if there is some gap to have some reduction in this percentage, in this volume of R$1.3 billion, freeing up a little more capital for the Company to deleverage.

And the second question is regarding leverage. We are trying to do a simulation to understand Vamos' leverage, in a normalized dealership scenario. If we reduce inventory, which we understand as excess inventory, and dealership revenue, returning to the level of R$4 billion, we will most likely reach a number below 3x net debt EBITDA. The second question is whether this rationale makes sense. Thanks.

Gustavo Couto:

Victor, it's Gustavo Couto speaking once again. Thank you for your participation and your questions. Regarding the asset available for rent, as we have already been telling you, that is, a trajectory of normalization and reduction of these available inventories. You saw that we have already resumed an important volume of purchases, this was necessary, naturally, to meet demand, which continues to be quite strong. And these purchases are planned until the end of the year.

But it is likely, yes, it is possible, yes, to work with inventory levels a little lower than what we are seeing there. In particular, because we also intend to work increasingly financed by line suppliers, to hold this inventory, to keep this inventory ready for delivery.

And this is done, Victor, analyzing model by model, that is, there are models that are more restrictive, have a longer delivery time. So, in this case, for example, there is a whole study behind it and it means that we, eventually, anticipate and have a schedule for those assets. Other assets that are more liquid, that are stored in the supply chain, so there is no need to buy.

That's why I believe, yes, that this number can be reduced. I just wanted to make a reference, for example, to the number we simulated on Simpar Day. Personally, I think we can easily have between 2 and 3 months of inventory, considering our average implementation volume.

So, that's why I believe, yes, that this level can be reduced a little without us losing our competitive advantage in the availability of prompt delivery for our customers, given the unique scale and the unique positioning that Vamos has in this sector, as you know.

Regarding leverage, it is natural for us to do the same calculation as you did, Victor, it makes sense, straight to the point. It makes sense, yes. Obviously, this will depend a little on how fast the agribusiness dealerships. Remembering that we are here talking specifically agribusiness dealerships, who suffered and have suffered through a slightly more difficult time and who will at some point return. We cannot estimate how quickly it will return, nor do I want to speculate here.

But the fact is that we have already taken a series of important measures to, yes, lower this inventory, to, yes, reduce this cost, to, yes, use the supplier account also to maintain these inventories with extended deadlines that we've already done it, and without absolutely harming our financial results. So, this, quite naturally, will come back, Victor. And then, naturally, you will see this leverage converging to the levels you mentioned.

It's what we hope, it's what we plan, and it's what we're going to work towards. Just to give you an idea, in terms of working capital, you saw that we have already had an important improvement in relation to the numbers, again, we wanted to be accountable here in relation to what was commented on Simpar Day, we still think that there is much more room to further improve working capital. Not only at dealerships, as I mentioned a moment ago, also at rental locations.

So, I think this will naturally happen and is an important focus for the Company in the coming months. I hope I answered, Victor. I'm available.

Filipe Lenza, Citi:

Good morning, Couto, Adriano. I will start by congratulating Adriano's management and wishing Cesário success within the Company. For my part there would be two questions. The first, another follow-up to the previous one. We are already in May, so if you could talk a little about how the dealerships performed in April.

My second question would be about a slightly more delicate subject, it would be about the climate disasters that are occurring in Rio Grande do Sul. Last year we saw that there was an expansion of the Komatsu brand to the region, for example. So, if you could give a little more color about Vamos' exposure to the State, and how the disaster, both indirectly and directly, could be reflected in the Company's performance in the coming quarters. Thanks.

Gustavo Couto:

Filipe, thanks for the questions. I can't comment much about the month of April yet, but as we present and try to give a little color in relation to the 1Q, we see a gradual or gradual recovery. We had Agrishow now in April. We have a period that is seasonally stronger, 2Qs and 3Qs, in relation to the demand for new agricultural machines. Agricultural producers are already starting to look at the accounts in a more active way.

So, yes, we hope for the 2Q, 3Q, which are traditionally a little stronger, that this will actually materialize into gradually better sales. This, again speaking only about agriculture, because truck dealerships and yellow line dealerships have been operating at a normalized pace, with normalized sales and margins.

So, we are also working well along these lines. So, it's natural that we expect some gradual recovery, as you already saw in the 1Q, over the next few quarters, without a shadow of a doubt.

Regarding Rio Grande do Sul, Filipe, thanks for the question. First of all, I wanted to sympathize with all the families affected. We have, throughout the state, approximately 185 employees, we have some stores, two of which were affected. We had the Eldorado store and the São Leopoldo store.

The Komatsu store, which you mentioned, is in Caxias do Sul, it was not affected, so our stock is there. We have not had any impact on the operation of Komatsu, on time, which was your question. As in other stores too, which we have in other regions, in Caxias, Pelotas, etc. So, these stores were not affected, thank God.

But the more metropolitan region, we have there, so, two stores, as I mentioned, these two stores were partially flooded. So, we do expect some inventory loss to happen there. I already have a survey of exactly what our inventory is there. I imagine, looking at all the stock we have of new, used trucks and parts, it is not so representative of the entire Vamos stock, but it is obviously a value.

I wonder that if we imagine at the limit, between R$20 and R$40 million of losses that could happen. But it's too early to talk about that, Filipe, it's too early, because everything will depend on, when the waters recede, we see what kind of damage was caused to the trucks that were stored there.

I, personally, hope that these numbers are not so high, that when I see the images, when I see our teams that were there, in short, many of the trucks were flooded up to the height of the wheels. But anyway, the lower vehicles may have had some greater damage, so I would estimate that at most, between R$20 and R$40 million.

This is to give you, not that I am projecting this cost, but I think for you to try to understand, just to give you a little color, ultimately, what impact we would have in relation to our inventories.

Regarding the rented fleet, we were able to know exactly via telemetry. First, I would like to remember the following, our trucks that are rented to companies, for example, from Rio Grande do Sul, are operating throughout the national territory. So, I know exactly which trucks are in the affected areas and are at risk.

Remembering that our contracts, in case of loss, the responsibility, in general, lies with the customer. Naturally, we are not worried about that now. Our concern, really, is with people. Our concern right now is with the lives that are there, with safety.

And we can guarantee you that 100% of our people are sheltered, they are safe, and those who had a greater impact as a result of their homes being flooded or impacted, we are, yes, mobilizing the Company and providing support in real time those people. The movement of the Company and the Simpar Group as a whole, to support our employees, to support our people there, has been very great.

Now, from a material point of view, from a financial point of view, which is a second priority for the Company at this moment, we understand that the situation is controlled, the risk is known and it, obviously, in the dimensions that I mentioned, is important, but it is not so material to the dimensions of the Company.

And just to conclude, in the case of the rented fleet, we are talking about there, there are just over 200 trucks in the affected areas, a percentage much less than 1% of our fleet. It is a percentage much less than 1% of our fixed assets and our monthly recurring revenue.

In other words, it is not material, from the location point of view either, the biggest impact on this line is not expected either. I hope I answered, Filipe, but once again, our priority, in fact, is the safety of our people at this time.

Guilherme Mendes, JP Morgan:

Hi guys good morning. Thanks for the space. Firstly, I would like to wish good luck to Adriano and Cesário in their new roles. I have two points here on my side. First, Couto, if you could comment a little about the competitive environment, please, how do you see the competition from these smaller players, who have grown in recent months and quarters?

And on the second point, we talked a lot here about the Petrópolis operation, this idea of doing a sales and leaseback. Isn't the Company's pipeline carrying out other operations of this magnitude? I understand that, obviously, they already carry out some small operations to buy back customers' fleets, but in Petrópolis, I think it was the first on a large scale. If we expect to expect something similar in the coming quarters. Thanks.

Gustavo Couto:

Guilherme, thank you for the questions and your participation. The competitive environment, I always like to say that the competitive environment, as it gets tougher, the more we have to work and that's what I say a lot to our teams. So, competition is good for business development, the fleet renewal model, which is extremely new in the country and has a gigantic growth opportunity.

So, it's natural for other players to emerge and we have to work harder and harder to ensure that we expand our competitive advantages, because our positioning really is unique. Let's remember that Vamos was not born in 2016, 2017, Vamos was a combination of several assets that were built throughout the life of the Simpar Group. And with this we really managed to build competitive advantages that put us in a truly unique positioning.

And I would even like to bring it to you here, linking your first question with the second, Guilherme, is that in the operation you mentioned, of purchasing this customer from the beverage sector, when we carried out this operation, this operation was public and competitors could present proposals to beat that binding proposal that we made.

And the truth is that we knew that the context of combining used vehicles, the ability to receive used assets, put them up for sale in several stores throughout Brazil, the ability to renew part of the fleet with items purchased at very competitive values for one of the large fleet owners in Brazil and, obviously, have all the equipment to carry out this operation, which is not simple.

My operations team likes to joke with me that the implementation of Petrópolis, despite seeming simple, because we bought the asset and it continues to run in the operation, from the point of view of inspection, registration, from the point of view of the process, it It is even more complex than implementing a new asset. So, our execution capacity was really put to the test and we really showed our unique positioning.

As you said, this operation of purchasing a client's assets, renting the asset itself and renewing part of it, is something we do. The Petrópolis operation, as you said, was unprecedented, because Petrópolis is one of the largest fleet owners in the country, so an operation of this size had never really happened. It's hard to see one this size, there aren't that many around.

But we, yes, after the visibility that this operation had, many clients have approached us, but with smaller operations, and that is how we will continue working, probably with smaller operations, not, perhaps, the size of Petrópolis, but if there is, we will work on it, yes, Guilherme. And we are excited because this generates value for the customer, it generates value for the Company and I think it generates value for the shareholder.

Alberto Valério, UBS:

Good morning, Couto, Adriano. Thanks for taking my question. I would also like to wish Adriano a new cycle of success, thank you for your time. And also welcome to Cesário, good luck in this new venture.

My first question comes from the implementation of CAPEX, which was a relevant implementation, a record in the quarter. I would like to know if there is and was there any division in January, February and March, if it was more homogeneous during the quarter, especially with the sales and leaseback of Petrópolis.

And also, if you could give some color from Agrishow. I heard that there were more businesses this year, people were bargaining a lot, because they had credit difficulties, but whoever was there had money and was buying. Those are my two questions. Thanks again.

Gustavo Couto:

Alberto, Gustavo Couto once again. Thank you for your question and participation. Alberto, I would say to you that you can consider it uniform, despite there being a larger volume of beverage operations, sales and leaseback in the months of January and February, but there was also an operation in February. There is still a lot to happen in the 2Q, much more due to the bureaucratic part with Detrans, anyway. So, there is a very complex job involved in making these transfers and everything else.

But anyway, it's a fleet spread throughout Brazil, which is why I even mentioned a while ago that it's a complex implementation. But most of it was actually done at the beginning of the quarter.

But I think to have the effects of calculation, modeling, etc. it was well distributed throughout the quarter and more than 90% of the operation was completed within the quarter, which already shows you that from now on, from April onwards, you will see revenue practically full, it is not full yet, like I said, because you have more than 90%.

The rest of the implementation follows that very traditional curve that we have, because there is a sugar-ethanal issue that ends up having a higher volume of implementation in January, February and March, as you know. Then, over the other years, the other sectors more than compensate for the pace of implementation. So, I would consider a uniform bill throughout the quarter.

In relation to Agrishow, we had a stand there and there was also participation, both from the rental team and the teams from the other Vamos businesses and also from the dealerships team. And the group came back very excited, because in fact, as I mentioned a moment ago, it seems to me that the situation is starting to become clearer for agricultural producers and they are starting to get excited.

Because, again, whoever, Alberto, didn't buy the machine last year, is starting to see that it needs to increase, it can't push forever. The machine he had there was already starting to get old. So, he had a machine that was 5 or 6 years old, which is a reality where they even take these machines often, they are starting to notice a drop in productivity in their plantation, the machines are being modernized, so he needs it, yes, renew.

So, postponing a year, I heard this from several agricultural producers, postponing a year, they can do it, more than that, it starts to tighten the productivity issue a little. And you know that year after year, the Midwest has been breaking productivity records due to advances in agricultural machinery technology.

So, I believe that, yes, Agrishow is a shot in the arm for the sector, but I still look at it cautiously. Why? Because I don't think it's going to be what it was in 2022, for example, which was a wonderful year, but I also don't think it's going to be as difficult a year as 2023 was. I think that from now on, God willing, this shot in the arm, we began to realize.

Rogério Araújo, Bank of America:

Thank you very much. Good morning, everybody. Firstly, congratulations on the strong results in renting. I wanted to wish Adriano and Cesário good luck. Taking advantage of the fact that Cesário is there, from what I understood Couto saying, I know it must be something very initial, but if you could share with us a little the initial vision of the sector, if there is any potential change in direction, even if it is just a slight change for the Company under new management. That's the first question.

The second, in relation to the recovery of assets, understand whether it is the agro sector that is still representing a large part of this recovery, which is expected to continue. And also, whether the Company will need to accelerate the sale of assets in the coming quarters. We are seeing an asset sale that is still timid and these repossessed assets have represented little of the new contracts, in the last quarter, R$55 million.

So, the question is, should we see used assets revenue accelerating in the coming quarters due to the recovery? And any details you can give, so that we can understand the sector, and also the question of timing, how long will this pace of recovery last. Thank you very much.

Gustavo Couto:

Hi Rogério. Thank you for your participation and questions. Cesário has been with us here for four working days, so I'm going to ask for poetic license to leave him as a listener at our conference, because he's obviously immersed here, he's already started the transition with Adriano, but any impression now might be too much. early.

But you will certainly have the opportunity, he is with us, yes, and he will be able to comment, give insights, as soon as he starts to form them and dive into the numbers, dive here into the sector. But he comes back here today.

Let's move on to the question of asset recovery. The answer is yes, in relation to the sector, it is the sector that ended up concentrating most of the recoveries. And this happened due to a dynamic that is already known, Rogério, and we know that we have to pay close attention to this, including looking to the future. Because when you had record after record, of production, in the Midwest harvest, it is natural that many companies would look for assets.

But then you have the old restrictions, of ports, of infrastructure, which bring important challenges for this fleet to have the necessary productivity. So, when freight eventually falls, diesel prices rise, or there is a stoppage at the ports, this can cause some difficulties for companies. That's why, instead of letting the problem get worse, we have been very agile in taking these assets that have appreciated a lot.

So, we have no doubt about the liquidity of these assets, Rogério. These are assets that when we look at, so I'll go back to a point I mentioned, the appreciation they had in relation to the price of new ones now, that is, they have appreciated and they have a much cheaper condition than someone buying a new truck, or rent a new truck.

So it's an asset, it's a really unique opportunity for anyone who wants to rent this truck. And he needs to be prepared. Why are you still seeing volumes, as you said, of R$55 million of assets rented in the quarter? It's because these assets, the Company was built to take the assets after their contracts end and be sold in used assets stores. The moment we have the opportunity to take this asset and carry out a second renting cycle, this asset needs to be quickly prepared.

So, we have already structured the Company for this. The Company is already prepared for this, so it is natural that this second rental cycle on this asset, which returned to the house ahead of schedule.

May it return, yes, in greater volumes for a second rental for those customers who are seeing an opportunity to use a truck, which the new one has become very expensive and that truck is in a very low running condition and is, really, a truck in excellent condition. So that's how we see it.

On the other hand, it is nothing new to anyone that we will continue to expand our sales capacity in the used car network. When we started this Company, a few years ago, that is, we inherited approximately 10, 11 used car stores from JSL.

When we look at our reality today, stocks are fully integrated. There are already more than 40 points of sale, considering stores dedicated exclusively to used cars, plus dealerships that have used assets to be sold. So, today our customers can find our assets with a differentiated and unique capillarity in the sector.

There is no one with capillarity like we have or the size we have. So, this is a fundamental aspect, so that the Company can grow in the volume of used assets sold to our customers. Remembering that it is an extremely scarce asset, it is a highly sought-after asset, given the average age of the Brazilian fleet.

Another important aspect, we have reinforced digital channels, so we have already started to notice a reasonable, interesting volume of commercial leads that come in the interest of the digital initiatives that our marketing team and our sales team have carried out.

Obviously, the used assets customer still goes to the truck to inspect the truck before purchasing, but we have already realized that many of them have used digital tools and, consequently, as we digitized this entire system, we were able to show it to our customers, to he goes straight to where he knows he will find an asset of the quality that Vamos can sell to them.

So we are very excited about this sector. The market is still very fragmented, we are still less than 1% of the secondary market and we see this secondary market as very resilient. And, as I showed, with prices appreciating, which also gives us peace of mind that, even if the asset returns early, it is a liquid asset with good profitability, it will show good profitability. Thank you, Rogério.

Gabriel Dib, Alpha Research (via webcast):

Congratulations on the result. See a concern regarding a possible Follow On at current prices. Is there any possibility of this happening?

Gustavo Couto:

Gabriel, I'm going to joke with you that this question is always important to ask the driver. But I will say it here from the perspective, naturally, of the Company. The Company does not need, does not see the need and is not in our plans to carry out any Follow On operations at this time. Point.

Naturally, you always have to talk to the controller too, the staff, Dennis, the Simpar team are certainly at your disposal. But I come back here to say, from the Company's point of view, there is no need, there is no perspective, there is no plan to carry out any operation in this direction at this moment. Thanks.

Operator:

The question-and-answer session is now closed. We would like to give the floor to Mr. Gustavo Couto to make the Company's final considerations.

Gustavo Couto:

Guys, once again, I've been telling you that I'm quite confident about the Company's momentum and the delivery of a year, 2024, quite consistent, leveraged, yes, by the rental business and with a gradual recovery of our dealership business.

I wanted to reinforce some messages for you. The first is related to the quality of our used assets, with turnover that can be used for sale or rental, with excellent profitability. So, although we did not plan that volume of asset recovery, the fact is that we clearly realize that these assets are extremely liquid and with great market acceptance and that they will be very well used, whether with renting, or as used assets, this is already happening.

From a working capital point of view, we are also very excited. We've already done some of the work, but there's still a lot of cool stuff to do. I estimate that we can, yes, still work much better with the dealerships' inventories, they are still much higher than they should be, especially in the agricultural dealerships.

We have already managed to take several measures to extend payment terms, as well as cost reduction initiatives, so that we can gradually normalize the results of agribusiness dealerships, regardless of what will happen in the market. We do hope for a recovery, but if it doesn't happen, the measures have already been taken and you can expect an effort from the Company to improve this working capital over the next few quarters.

Regarding the future of the location, I'll tell you again, please do the simulation with the numbers you believe in relation to the pace of implementation that we have going forward. Repeat the values from the last quarters, take some projection that you have used and see how much this Company will be worth or will position itself in two or three years. What is the transformation that will happen?

We are doubling the size of the Company every two years. And there is no reason for us to continue at the same pace as we did so that this growth, in a sustainable way, continues. So, your modeling is very important for you to understand where this Company is going, given the market opportunity we have here.

And finally, guys, I wanted to say to you, end the call by telling you the following: we stand in solidarity with the families of the South, we are, yes, in the Simpar Group and all the companies, speaking here for Vamos, mobilized in supporting the authorities, supporting the local population and guaranteeing safety and health conditions for our people. That is our priority.

And from a material point of view, as I have already commented here, I do not expect the losses to be greater than the numbers I mentioned, but some loss is natural. I just wanted to do here, without any inference to the projection, make a risk limitation so that you can, in a more objective and more concrete way, understand the Company's positioning, from the point of view of exposure to our business.

So, once again, I end here by thanking all of you for participating, thank you very much, and let's get to work as the year is just beginning. Thank you, guys.

And before that, please, before that I just wanted, I was forgetting, I had agreed on this. Sorry. I had arranged it with Adriano and Cesário. In order not to leave Rogério without an answer, I will let Cesário quickly introduce himself and Adriano as well. Please, people.

Adriano Ortega:

Guys, this is Adriano speaking. From my side, I would like to thank all the analysts and investors who accompanied me here during this period, we always had very constructive interactions.

I would also like to thank the Council for the trust, the work here together with Couto and the conduct of this transition that we are still in the process of completing, especially the entire Vamos team, who has always been very supportive of my work, who has dedicated themselves to growth of the Company and this business model that is truly unique.

It was a period of important achievements on my side, and continuing the process of continuous improvement in Vamos' execution capacity, as this market is still very under-penetrated, there is a lot to grow. So, I wish everyone good luck and continue the extraordinary work you have been doing.

And to Cesário too, I wish you the best of luck with this project. You come with a lot of great experience from your experiences, and I'm sure you'll do very well here with the team.

José Cesário:

Thank you, Adriano. Thank you, Couto. I am very happy to be part of Grupo Vamos. As Couto commented, this month of May, I will be doing this experience in business, getting to know the processes, getting to know the people and being in a position, in June, to be able to dialogue more with the market and addressing the points that, that will certainly emerge on this journey.

So, in June I formally took over, and I can say that I am super happy and motivated with the challenge, being very well received throughout the time at Vamos. And I'm sure this transition process will be super smooth with Adriano, someone I've known for many years and who I really appreciate.

Thank you, Adriano and thank you everyone for participating.

Gustavo Couto:

Guys, to end here, I'm not going to say anything else, but I just wanted to congratulate Adriano and Cesário, as it's their birthdays today. So, congratulations to everyone. Now send them a message because it's both of their birthdays here today. A beautiful coincidence.

Thank you, guys, once again, for your participation. Stay with God. Let's work. A hug.

Operator:

Vamos' video conference is now closed. We thank everyone for participating and have a good afternoon.