



sequoia

+

move3

2Q24 RELEASE

Earning Conference

August 14, 2024
(Wednesday)
9:00 am BRT

Portuguese | English
(Simultaneous translation)

[Link](#)

B3: **SEQL3**
R\$ 9,25
Per share
(08/12/2024)

20.562.652
Total Shares
(08/12/2024)

ri@sequoialog.com.br

2Q24 EARNINGS RELEASE

São Paulo, August 13, 2024 – Sequoia Logística e Transportes S.A., a leader in e-commerce and technology logistics operations, announces its results for the second quarter of 2024. All numbers are compared to the same period of the previous year, unless otherwise stated.

Considering that the incorporation of Move3 took place on March 28, 2024, the result presented in the 2Q24 interim accounting information reviewed by the audit does not include 1Q24 Move3's result. We therefore present below the unaudited pro forma result for 6M24, considering MOVE3's unrevised result for 1Q24 together with the result presented in Sequoia's revised interim financial information for the same period. The 2023 results do not considered the Move3 results.

2Q24 Highlights

- Execution of 77% of the mapped synergies plan, which will generate annualized savings of more than R\$ 80M. Annualized reduction target: R\$104M
- Reduction of net debt by 48% and lengthening of amortization periods: stage completed to focus on restructuring non-financial creditors and tax debts
- Negotiations with PGFN to reduce liabilities with payment terms of between 60 and 120 months
- ESG Agenda with a focus on positive socio-environmental impact; example: launch of Class VII “Sementes Sequoia”

*Millions, unless otherwise stated

Highlights	2Q24	2Q23 ²	Δ	6M24 ¹	6M23 ²	Δ
Receita Bruta	282,0	223,0	26,5%	596,3	580,2	2,8%
Gross Revenue	243,4	191,3	27,2%	519,5	493,4	5,3%
Net Revenue	11,8	(34,6)	nd	22,6	(7,6)	nd
Gross Profit	4,9%	-18,1%	23,0 pp	4,4%	-1,5%	5,9 pp
EBITDA	(16,2)	(66,0)	75,5%	(31,3)	(66,9)	53,2%
EBITDA Margin	-6,6%	-34,5%	27,9 pp	-6,0%	-13,6%	7,6 pp
Net Profit Adjusted	(118,8)	(149,4)	20,5%	(240,1)	(236,3)	-1,6%
Adjusted Net Profit margin	-48,8%	-78,1%	29,3 pp	-46,2%	-47,9%	1,7 pp

(1) 6M24 Pro Forma: Considers Move3 Group's 1Q24; (2) 2Q23 and 6M23: Does not include Move3 Group

MESSAGE FROM MANAGEMENT

Post-merger: on the road to operational excellence and profitability

We began the second quarter of the year with the challenge of integrating Sequoia with Move3, without losing focus on profitability. Having overcome the challenge of integration, the Group will become one of the most important delivery players in the country, with important competitive advantages.

New members were elected to the Company's Board of Directors and Executive Board who bring experience in innovation, technology, operations, financial management and restructuring.

Through the creation of Working Groups, the members of the Sequoia + Move3 Board of Directors and Executive Boards are working in the verticals of certain themes, the main ones being:

	People	Financial	S&OP	Inovation
Board member	Sérgio Saraiva	Marcelo Martins Marcelo Torresi	Jan Handel Antônio Juliani	André Loureiro
Departament	All	Finance	Operations	All

An Integration Office was also set up with a director assigned to capture the various synergies, putting into practice the action plans involving, among others, headcount reduction and the closure of idle distribution centers.

It is important to highlight that since the end of 2023, Sequoia has started its financial restructuring plan with the aim of reducing its debt. In total, Sequoia has reduced its financial debt by more than R\$580 million and lengthened payment terms by more than R\$170 million.

With the restructuring of financial creditors completed, we are now moving on to another phase of restructuring non-financial creditors, which consists of negotiating outstanding liabilities with suppliers and tax liabilities.

Having completed the integration of Sequoia + Move3 and the restructuring of Sequoia's non-financial and tax creditors, the Group will focus on its growth agenda, taking advantage of its competitive edge in a consolidating and highly demanding market.

As we announced last quarter, since the merger of Sequoia and Move3 was announced, we have mapped out various cost and expense reduction actions with the support of a renowned consultancy. This mapping showed a potential of more than R\$100 million in annualized savings, which is being implemented.

By the end of July we had already achieved 77% of the target, generating annualized savings of more than R\$80 million. Throughout the second half of the year we still have challenging work to do to reduce costs and optimize our administrative and financial structure, but we are confident that we are on the right track.

Also thinking about our future, we continue to work sustainably to strengthen the ESG agenda, with the goal of **becoming the best logistics integrator with a positive socio-environmental impact and financially sustainable.**

Last month, we proudly launched the 7th class: Sementes Sequoia, a social project in partnership with the Fundação Iochpe, aimed at training future professionals, offering professional training and employment to young talents.

REVENUE

*Thousands, unless otherwise stated

	2Q24	2Q23 ²	Δ	6M24 ¹	6M23 ²	Δ
Gross Revenue	281.974	222.976	26,5%	596.266	580.215	2,8%
Taxes levied	(38.569)	(31.691)	21,7%	(76.725)	(86.773)	-11,6%
% Gross Revenue	13,7%	14,2%	-0,5 p.p.	12,9%	15,0%	-2,1 p.p.
Net Revenue	243.405	191.285	27,2%	519.541	493.442	5,3%

(1) 6M24 Pro Forma: Considers Move3 Group's 1Q24; (2) 2Q23 and 6M23: Does not include Move3 Group

Gross revenue in the second quarter of 2024 totaled R\$282 million. In the first half of 2024, including six months of the Move3 Group, gross revenue was R\$596.3 million. The focus on profitability and the consequent termination of less active contracts led to a reduction in Sequoia's revenue, at the same time as certain business lines are being migrated to Move3 (example: B2C).

Taxes on gross revenue totaled R\$38.6 million in the quarter, which represents 13.7% of gross revenue for the quarter. In the year to date, taxes correspond to 12.9% of gross revenue for the quarter, as a result of the mix of states providing transportation services which have different ICMS rates, considering the origin and destination of the packages.

GROSS PROFIT AND MARGIN

*Thousands, unless otherwise stated

	2Q24	2Q23 ²	Δ	6M24 ¹	6M23 ²	Δ
Cost of Services	(231.574)	(225.900)	2,5%	(496.926)	(501.075)	-0,8%
Gross Profit	11.831	(34.615)	nd	22.616	(7.633)	Nd
Gross Margin	4,9%	-18,1%	23,0 p.p.	4,4%	-1,5%	5,9 p.p.
(+) Custos de Phase-out ³	-	14.470	nd	-	14.470	Nd
Adjusted Gross Profit	11.831	(20.145)	nd	22.616	6.837	230,8%
Ajusted Gross margin	4,9%	-10,5%	15,4 p.p.	4,4%	1,4%	3,0 p.p.

(1) 6M24 Pro Forma: Considers Move3 Group's 1Q24; (2) 2Q23 and 6M23: Does not include Move3 Group; (3) The phase-out cost in 2Q23 refers substantially to the demobilization of the Heavy segment.

The phase-out cost shown above in 2Q23 refers substantially to the demobilization of the Heavy segment. The costs essentially include freight, leasing, fuel, fleet maintenance, tolls, personnel and fixed costs related to the provision of warehousing and transportation services. In 2Q24 the cost was R\$231.6 million, which represents a gross margin of 4.9% and in 6M24 the cost was R\$496.9 million, with a positive gross margin of 4.4%, reversing the negative margins of the same comparative periods of the previous year.

As we have reported in recent quarters, the group has been implementing some cost reduction plans which are already reflected in the results for the second quarter of this year, such as: reduction of 3 DCs: Embu das Artes/SP, Hortolândia/SP and Betim/MG, as well as a significant reduction in headcount. These reductions will be captured from 3Q24 onwards once they are implemented from July 2024. At the beginning of July 2024, following the issuance of a R\$20 million Commercial Note, it was possible to carry out a reduction of approximately 20% in the total number of Sequoia + Move3 employees. This reduction cost approximately R\$14 million in severance expenses but will generate monthly savings of R\$4 million.

As a result, as of 3Q24, the Group has approximately 3,500 employees.

SG&A

*Thousands, unless otherwise stated

	2Q24	2Q23 ²	Δ	6M24 ¹	6M23 ²	Δ
SG&A	(68.657)	(67.486)	1,7%	(135.294)	(133.848)	1,1%
% Net Revenue	28,2%	35,3%	-7,1 p.p.	26,0%	27,1%	-1,1 p.p.
(+) Depreciation and Amortization	26.000	17.431	49,2%	50.080	35.547	40,9%
(+) Non recurring expenses	-	2.764	nd	-	10.817	nd
SG&A – Cash expenses	(42.656)	(47.292)	-9,8%	(85.214)	(87.485)	-2,6%
% Net Revenue	17,5%	24,7%	-7,2 p.p.	16,4%	17,7%	-1,3 p.p.
Personnel Expenses	(17.924)	(20.776)	-13,7%	(34.380)	(48.754)	-29,5%
Other Expenses	(24.732)	(26.516)	-6,7%	(50.834)	(38.731)	31,2%

(1) 6M24 Pro Forma: Considers Move3 Group's 1Q24; (2) 2Q23 and 6M23: Does not include Move3 Group

In 2Q24, total expenses were R\$68.6 million, essentially comprising personnel expenses, sales, administrative expenses, third-party services, depreciation and amortization. In the 1H24, expenses totaled R\$135.3 million. It is worth noting that even with the incorporation of the Move3, the variation in total expenses was only R\$1.4 million (+1.1%), demonstrating the effort made to reduce Sequoia's expenses.

As we pointed out in the section on costs, although expenses were reduced in this quarter, a greater reduction is expected from the second half of the year, when it will already be possible to capture reductions in personnel expenses and administrative expenses, related to the implementation of the synergies mapped after the incorporation of Move3. The main synergies are the unification of the Shared Services Center in São Bernardo do Campo/SP, in addition to the Totvs ERP unification project, which is already underway.

Expenses adjusted for depreciation and amortization were R\$42.6 million in 2Q24, which represents 17.5% of net revenue. In the first six months of the year, this item represents

EBITDA

Thousands, unless otherwise stated

	2Q24	2Q23 ²	Δ	6M24 ¹	6M23 ²	Δ
EBITDA	(16.175)	(65.966)	75,5%	(31.311)	(66.936)	53,2%
EBITDA Margin	-6,6%	-34,5%	27,9 p.p.	-6,0%	-13,6%	7,6 p.p.
(+) Non-Recurring Effects	-	17.234	nd	-	25.287	nd
Adjusted EBITDA	(16.175)	(48.733)	66,8%	(31.311)	(41.650)	24,8%
Adjusted EBITDA Margin	-6,6%	-25,5%	18,9 p.p.	-6,0%	-8,4%	2,4 p.p.

(1) 6M24 Pro Forma: Considers Move3 Group's 1Q24; (2) 2Q23 and 6M23: Does not include Move3 Group

EBITDA totaled a negative (-)R\$16.1 million in 2Q24 and the EBITDA margin reached a negative (-)6.6%. Although still negative, there was a positive variation of +R\$49.9 million when compared to 2Q23, because of the incorporation of Move3 and Sequoia's focus on profitability. The same positive variation can be seen between the negative 6M23 (-)R\$66.9 million and 6M24 (-) R\$31.3 million.

Optimization by reducing costs (headcount and DCs) will be reflected over the next few quarters, since it was implemented as of July 2024, with the raising of R\$20 million. These mapped synergies, which are in the process of being implemented, estimate annualized savings of more than R\$100 million and by August we had already achieved 77% of the total reduction target, which will generate an annualized reduction of more than R\$80 million.

PROFIT

* Thousands, unless otherwise stated

	2Q24	2Q23 ²	Δ	6M24 ¹	6M23 ²	Δ
Net Profit (loss)	(118.799)	(149.354)	20,5%	(240.053)	(236.337)	-1,6%
Net Margin	-48,8%	-78,1%	29,3 p.p.	-46,2%	-47,9%	1,7 p.p.
(+) Amortization of Intangible Assets	12.993	14.125	-8,0%	22.342	28.900	-22,7%
(+) Non-Recurring Effects	-	17.234	nd	-	25.287	nd
(+) Non-Cash Adjustment of Financial Instruments	-	2.430	nd	-	9.727	nd
(+) Income Tax / Social Contribution on Non-recurring Effects	-	(5.859)	nd	-	(8.598)	nd
Adjusted Net Profit (Loss)	(105.806)	(121.425)	12,9%	(217.711)	(181.021)	-20,3%
Adjusted Net Margin	-43,5%	-63,5%	20,0 p.p.	-41,9%	-36,7%	-5,2 p.p.

(1) 6M24 Pro Forma: Considers Move3 Group's 1Q24; (2) 2Q23 and 6M23: Does not include Move3 Group

In the quarter, net income adjusted for non-recurring effects for the group amounted to -R\$118.8 million. In the year to date, it was -R\$ 240.0 million.

Part of the financial expenses do not affect the Group's cash flow since the financial restructuring (banks and debenture holders) converted a very significant part of the debts into share capital.

It is also worth noting that there is deferred IR/CS not recognized as an accounting asset that could be used in an eventual transaction with the PGFN.

NET DEBT

*Thousands, unless otherwise stated

	Dec 23 ¹	Mar 24	Jun 24
(A) Indebtedness	650.903	691.828	391.570
Loans, Financing, Debentures	611.309	670.106	371.682
Derivatives	-	-	(2.346)
Accounts payable due to acquisition of subsidiaries	39.594	21.721	22.234
(B) Cash and Cash Equivalents	(44.731)	(20.584)	(41.850)
(C=A+B) Net Debt	606.172	671.244	349.720

(1) Considering Sequoia + Move's Debt

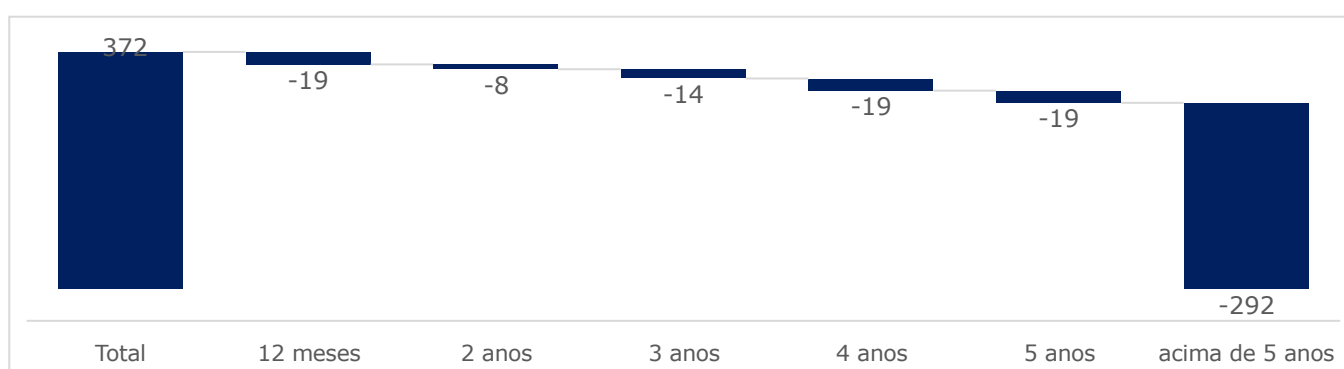
At the end of June 2024, the Group's net debt position was R\$349.7 million (Sequoia + Move3), a reduction of 47.9% compared to the previous quarter.

As disclosed in the previous quarter's release, on March 22, 2024, Sequoia issued Debentures Convertible into Shares which were paid up in May. Two series were issued. The first series was aimed at converting bank debts into debentures mandatorily convertible into shares and the second series brought in cash for Sequoia to pay the cash portion (R\$50 million) of the Move3 acquisition.

In addition, Sequoia also negotiated with two banks to extend the payment terms (R\$108.7 million on the base date of June 2024).

Debt amortization flow

R\$ in millions



The longer repayment periods, as well as the lower interest rates for the renegotiated debts, allow the Group to capture synergies and focus on the profitability of its operations, while restructuring its non-financial creditors and its tax debts.

DISCLAIMER

The statements in this document related to business prospects, forecasts on operating and financial results and those related to Sequoia's growth outlook are merely forecasts and, as such, are based solely on the Executive Board's estimates on the future of the business.

These expectations substantially depend on market conditions, the Brazilian economy, the sector and international markets and, therefore, are subject to change without prior notice. All variations presented here are calculated based on numbers in thousands of reais, as well as rounding.

This performance report includes accounting and non-accounting data such as operating, pro forma financial statements and forecasts based on the Company's management expectations. Non-accounting data were not subject to review by the Company's independent auditors.

INVESTOR RELATIONS CONTACTS

ri@sequoialog.com.br | <https://ri.sequoia.com.br/>