



**sequoia**

**3Q20 RELEASE**

\*

## Video Conference

November 11th, 2020  
(Wednesday) 11 h BRT

English (simultaneous translation)

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## 3Q20 EARNINGS RELEASE

Since 2015, our financial statements and interim financial information have been prepared according to the International Financial Reporting Standards (IFRS), including IFRS 16. To better represent the economic reality of the business, the figures for this release are reported under the former IAS 17/CPC06 standard. The reconciliation with IFRS16 of 3Q20 can be found on page 19.

### 3Q20 Highlights

**B3: SEQL3**  
**R\$14.40**  
 Per share

**126,918,336**  
 Total Shares

**R\$1.828 Bi**  
 Market cap

ri@sequoialog.com.br

- > **Number of Orders:** Total 11,813k, +84% vs. 3Q19
- > **Same Client Sales:** R\$173.6 million, +53% vs. 3Q19
- > **Gross Revenue:** R\$329.6 million, +131% vs. 3Q19
- > **Net Revenue:** R\$277.5 million, +124% vs. 3Q19
- > **Gross Profit:** R\$62.4 million (margin of 22.5%) | +139% vs. 3Q19
- > **Adjusted EBITDA:** R\$30.1 million (margin of 10.9%) | +130% vs. 3Q19
- > **Adjusted Net Income:** R\$13.9 million (margin of 5.0%) | +192% vs. 3Q19
- > **ROIC:** 34.1% | 5.9 p.p. higher than 3Q19
- > **Subsequent Event:** Conclusion of Direcional Transportes acquisition in October 2020

Highlights				Million		
	3Q20	3Q19	3Q20x3Q19	9M20	9M19	9M20x9M19
B2C	10.6	5.5	94%	25.9	14.8	75%
B2B	12	10	28%	3.0	2.6	17%
<b>Number of Orders</b>	<b>11.8</b>	<b>6.4</b>	<b>84%</b>	<b>28.9</b>	<b>17.4</b>	<b>66%</b>
B2C	163.5	56.1	191%	368.1	156.3	135%
B2B	130.1	62.3	109%	303.3	189.4	60%
Logistics	36.1	24.4	48%	99.1	70.8	40%
<b>Gross Revenue</b>	<b>329.6</b>	<b>142.8</b>	<b>131%</b>	<b>770.5</b>	<b>416.5</b>	<b>85%</b>
Same Clients Sales	173.6	113.4	53%	403.6	342.2	18%
<b>Net Revenue</b>	<b>277.5</b>	<b>124.1</b>	<b>124%</b>	<b>654.0</b>	<b>361.8</b>	<b>81%</b>
<b>Gross Profit</b>	<b>62.4</b>	<b>26.1</b>	<b>139%</b>	<b>135.7</b>	<b>64.9</b>	<b>109%</b>
Gross Margin	22.5%	21.0%	1.5 pp	20.8%	17.9%	2.9 pp
<b>Adjusted EBITDA<sup>1</sup></b>	<b>30.1</b>	<b>13.1</b>	<b>130%</b>	<b>51.8</b>	<b>22.6</b>	<b>129%</b>
%Net Revenue	10.9%	10.5%	0.4 pp	7.9%	6.3%	1.6 pp
<b>Adjusted Net Income<sup>2</sup></b>	<b>13.9</b>	<b>4.8</b>	<b>192%</b>	<b>12.0</b>	<b>2.5</b>	<b>375%</b>
%Net Revenue	5.0%	3.8%	1.2 pp	1.8%	0.7%	1.1 pp
<b>ROIC<sup>3</sup></b>	<b>34.1%</b>	<b>28.2%</b>	<b>5.9 pp</b>			

<sup>1</sup> Adjusted EBITDA is calculated by EBITDA, excluding M&A expenses and non-recurring income/expenses.

<sup>2</sup> Adjusted Net Income is calculated by Net Income, excluding goodwill amortization and non-recurring income/expenses.

<sup>3</sup> ROIC is calculated by the sum of Adjusted EBITDA LTM + Depreciation LTM, multiplied by 1 - Income tax rate and divided by residual value + working capital. (The income tax rate applied to calculate ROIC was 34%).

## MESSAGE FROM MANAGEMENT

Introducing our earnings release as a publicly-held company listed on B3's *Novo Mercado*, after our IPO, under the ticker SEQL3, we have inaugurated a new cycle of development. Sequoia Logística e Transportes S.A, founded in 2010, is focused on high-quality logistics solutions for B2C freight transportation (last mile), B2B freight transportation (express fractioned, complete, field services, reverse logistics) and logistics services (storage, sorting, shipping, reverse, repairs). Along with modular and integrated solutions, the company is supported by the continuous evolution of their proprietary technology. The company maintained the pace of accelerated growth and high ROIC, as seen in previous quarters.

Although we are a young company, we have overcome various challenges with hard work and resilience. We were able to advance despite an adverse political and macroeconomic scenario over the last decade in Brazil. The company's IPO evidences our path towards growth and evolution. We are supported by our team members, the confidence from our clients, operating partners, our board of directors, and the US fund Warburg Pincus.

We want to take this time to thank our 5,000 employees working across 11 distribution centers, 47 hubs, and 350 operational bases throughout the country. Their daily efforts are the reason we are able to keep our operations running smoothly and keep our customer services available 365 days/year. Even under adverse conditions, such as the Covid-19 pandemic, our employees demonstrated outstanding work ethic.

We also want to thank our 2,600+ active clients for their confidence in Sequoia's team, our logistics operations, products, and orders. 55% of our customers have been loyal clients for the past four years. The only reason this index isn't bigger is because of the fact that we obtain new clients every year.

Our partners, suppliers, and drivers, who deliver hundreds of thousands of orders every day in 3,359 Brazilian cities, are also to be recognized for their contributions to our success.

3Q20 was marked by solid growth in B2C and the recovery of B2B volumes, which were severely impacted during the early pandemic. The definitive signature in August of the transaction refers to the acquisition of Direcional Transportes e Logística S.A. ("Direcional"): a company specialized in heavy product transportation for B2C and B2B segments. This acquisition concluded in early October.

We also advanced the integration of Transportadora Americana Ltda. ("TA"), acquired in February 2020. TA is one of Brazil's most renowned express freight companies that provides services for various product segments such as electronic devices, IT, pharmaceuticals, garments, and others.

We initiated the cycle of capturing operational and commercial synergies, assuring full adhesion to the original plan. The impacts caused by the closing of stores, business centers, and shopping malls in the second quarter of the year due to the Covid-19 pandemic affected our delivery volume. However, in the third quarter, we already could see higher delivery volumes and sales compared to those pre-Covid, evidencing our capacity to diversify services and conquer new clients.

These acquisitions only reinforce the company's business strategy. Coupled with relevant contracts won in e-commerce over the past three years, this allowed us to reach an outstanding position as one of the leading private logistics operators to end consumers. Our solutions and services are integrated into high-quality storage and specialized transportation, such as supply for commercial establishments, stores, field services of installation, uninstallation, and exchanges of electronic equipment.

During 3Q20, we continued to invest in the automation of order picking and routing at our distribution centers and hubs. This increased our installed capacity, reduced processing times for orders, and at the same time, obtained substantial gains in lines of productivity. These investments also required operating expenses related to the implementation and testing of equipment, which raised our expenses during the period, but will represent relevant returns in the coming years.

Aside from automation investments, we also improved our own systems to increase processing capabilities, future scalability, and technology infrastructure.

We continue to invest in training programs for our leaders and operational teams. We saw great initiatives promoted by the people & management executive board, such as the index of utilizing in-house staff for promotions and vacancies filled, which exceeded 65%. We were also recognized by IEL Institute with the award for having the "best internship program in 2019." This only reinforced our belief in training and developing our team and future leaders.

We have pleasantly maintained our partnership with the lochpe Foundation under the Formare Program, concerning the qualification of socially vulnerable young apprentices (with household incomes of up to one minimum wage), residing near our headquarters and distribution center in the city of Embu das Artes. This program concluded on a satisfactory note, which employed nearly 90% of young apprentices. These apprentices can double their household income, and generate a positive impact on their families.

Due to the expansion of our operations, widespread services throughout the country, continued investments in technology, automation, and investments in team development, we reinforced our core belief that "growing and evolving is in our DNA." We are guided by a strong culture, that highlights the following:

- > **The Best Solutions:** we work to offer the best solution to our clients
- > **Passion For Delivering:** we have passion for delivering more while continuously improving
- > **Flexibility With Excellence:** we work with flexibility and excellence to make a difference
- > **Team of Leading Agents:** teamwork is our strength
- > **We Grow Together:** we foster team development to grow together
- > **We Innovate With Sustainability:** we invest in innovation and sustainability to create value

Sequoia's 3Q20 results went above our expectations, evidencing the company's resilience within the current context of the pandemic. The company continues to improve and take advantage of new opportunities while upholding high levels of service and profitability.

Amid an extremely challenging scenario caused by pandemic, which forced us to adjust our operational model and redefine several initiatives for workplace safety, our total gross revenue surpassed 130% y-o-y in 3Q20. B2C sales grew by 191% in 3Q20.

Orders saw a consolidated growth of B2C and B2B by 84% y-o-y in 3Q20, reaching a record of 120,000 packages sorted on a single day at Mega Embu DC. This is a direct result of the company's investments, especially in the automation of sorting processes.

The B2C segment grew 94% y-o-y in 3Q20 for the number of orders. We saw a higher average ticket due to a relatively greater share in inland regions of the country. Especially in the Northeast region, which also recorded an increase in average order weight.

We are committed to growth, the evolution of the gross margin, ROIC, and improving the performance of the company. We remain focused on expanding our national footprint, and at the same time, offer innovative solutions with a level of customer service superior to that of the market. This allows us to consolidate the best logistics and transportation solutions for the online and off-line multichannel Brazilian market.

**Armando Marchesan Neto**

Founder and CEO

# OPERATIONAL HIGHLIGHTS

## CORPORATE PROFILE

We are a Brazilian tech-enabled logistics company that provides transportation and logistics services. We focus on express deliveries and e-commerce reverse logistics solutions.

We developed a proprietary and scalable technology platform that supports the growth of Brazilian e-commerce and logistics markets. This makes us a logistics operator with an asset-light structure, which offers highly customized solutions for each type of business and client. We provide operational efficiency and reliable levels of service at each stage of the delivery chain.

Considering the number of deliveries in the e-commerce sector, we are a leader among private Brazilian companies.



National footprint in 3,359 Brazilian cities, covering 92% of Brazil GDP



Over 5,000 employees in Brazil



In one year, we recorded 1.4 million same-day delivery



We serve 8 of top 10 largest e-commerce players in Brazil

## OPERATIONAL GROWTH & TECHNOLOGY

During the third quarter, we carried on our business plan, which aimed to expand our areas of activity and improve the quality of services rendered.

We bolstered network expansion and currently own bases in the inland of the state of Minas Gerais. We make a wide distribution of deliveries to end consumers. We also advanced our position within the Northeast region by opening our own bases in the cities of Fortaleza, Jaboatão dos Guararapes, João Pessoa, Teresina, and Campina Grande. We continuously aim for higher service quality.

We also want to highlight the inauguration of two distribution centers:

- > Belo Horizonte DC 1 Capacity of 12,406m<sup>2</sup> with eventual expansion to 22,841m<sup>2</sup>
- > Rio de Janeiro DC 1 Capacity of 12,584m<sup>2</sup> with eventual expansion to 21,799 m<sup>2</sup>

Keeping pace with our quality and automation strategy, we acquired a new **Sorter** (automated equipment that picks orders) to provide services to the state of Minas Gerais. This equipment increases our capacity to meet the high demands of seasonal year-end peaks such as Black Friday and Christmas.



## M&A

On August 22<sup>nd</sup> 2020, the company signed definitive contracts to acquire 100% of Direcional Transporte e Logística S.A.'s capital stock ("Direcional Transportes"). This company operates in the transportation and logistics sector, with a focus on fractional "heavy" cargo, e-commerce, cross-docking, door-to-door, milk-run models, and reverse logistics for B2C and B2B. The acquisition of Direcional Transportes concluded on October 2<sup>nd</sup> 2020 after compliance with the conditions of this transaction and following an approval by the Brazilian Antitrust Authority – CADE.

Direcional Transportes, which has operated in the market over the last 20 years, has standardized operational processes that provide agility and safety to all clients. Their fleet is composed of carts, trucks, semi-trailer trucks, urban vehicle cargo delivery trucks, and vans, with a wide variety of models that cover spaces to carry various volumes. Direcional Transportes currently relies on 27 operating bases. We initiated the consolidation process of the company, which will take 4 to 6 months to conclude.

## GEOGRAPHIC FOOTPRINT

- > Presence in **16 Brazilian States**
- > Headquartered in the City of **Belo Horizonte**
- > **19** Branches
- > **70** Agents
- > **+1,200** Employees

## INTEGRATIONS & SYNERGIES

In February 2020, Sequoia acquired Transportadora Americana (“TA”): one of Brazil’s most renowned express freight transportation companies. This company provides services to various product categories, such as electronic devices, IT, pharmaceuticals, garments, and others.

We initiated a cycle of capturing operational and commercial synergies, assuring full adherence to the original plan (“acquisition business case”). The company was able to turn things around, as we significantly increased the cross-sell. This allowed us to reach a higher level than the volume of deliveries and sales pre-Covid. These results attest to our ability to diversify services and conquer new clients. Within a short time frame, we expanded our B2C operations in the regions of São Paulo (capital city and inland) and Porto Alegre: regions that (in the past) concentrated their efforts on B2B transportation services. We also advanced the integration of our operations in the city of Curitiba, optimized routes in the state of Espírito Santo, and the south region of the country, and built freight synergies with higher margins.

We mapped out all duplicate bases and will consolidate all operations until the first quarter of 2021. This concludes the operational integration between the company and acquiree.

## ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE RESPONSIBILITY (ESG)

Sequoia’s sustainability program was created to develop a culture that reinforces the company’s commitment to three core sustainability pillars: social, environmental, and economic. We understand that today our activities have a great impact on environmental and social spheres. It will be a long journey to minimize these impacts.



In 2020, the company will start mapping out key stakeholders to measure the impacts, recognize the main challenges, and define the short and long-term metrics.

Currently, the company has the following projects underway:

### > Internship Program

We promote the Sequoia internship program: which aims to identify and develop undergraduate students in communities where the company operates. In line with our company's culture, these individuals contribute our results with innovative vision. In 2019, the program was elected as "Brazil's best internship program" by the Evaldo Lodi Institute (IEL).

### > Apprentice Program

The apprentice program targets adolescents in socially vulnerable households with incomes of up to 1 minimum wage. In 2019, 25 apprentices were employed (83% of total). This program was conceived by the lochpe Foundation: the partner that qualifies young students at an average of 10 students per year. The company's program qualifies an average of 28 students per year.

### > Inclusion Program (For Disabled Persons – PcD)

We also launched the inclusion program aiming at building an environment that values diversity and inclusion of disabled and rehabilitated persons. We offer equal opportunities, and promote the alignment of the company's business and culture.

### > "Minha Chance" Program (My Chance Program)

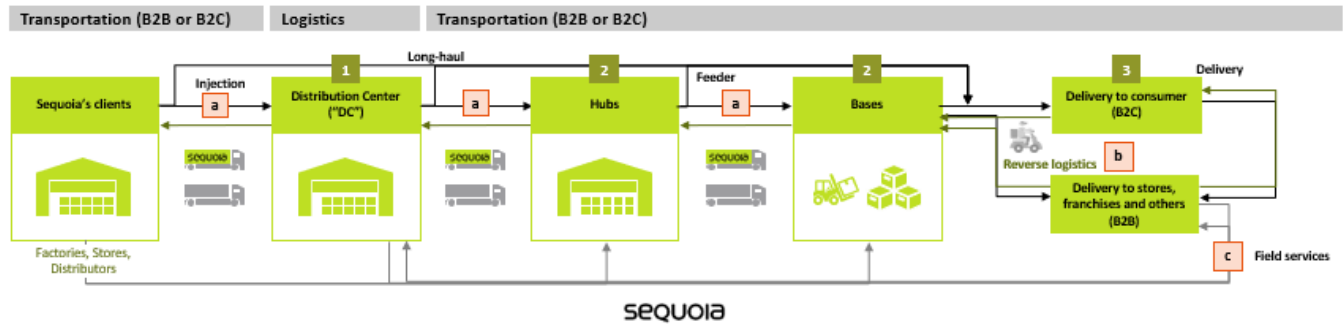
This pilot project kicked off in March 2020, focused on deprived communities of Embu das Artes, in partnership with Consultoria FESA. This program uses TAQE (an employment app that qualifies and refers young students to the labor market) to select professionals. The course is also offered to the young students within the community, free of charge.

### > Environmental

A program that promotes the selection and collection of solid waste recycling (Biodigestor), and the conscious use of materials and resources.

# OPERATING REVENUE

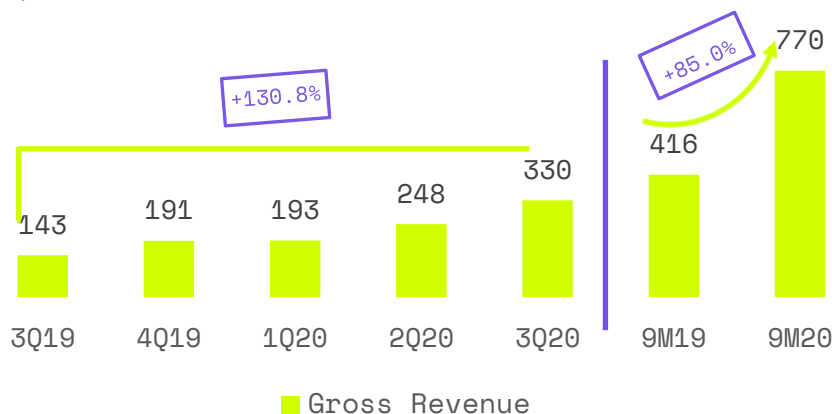
We provide customized transportation and logistics services to our clients to meet the specific needs of their businesses. Our activities can be divided into three main categories: (i) B2C freight transportation; (ii) B2B freight transportation; and (iii) logistics services.



	3Q20	3Q19	Δ	9M20	9M19	Δ
B2C	163,468	56,124	191.3%	368,089	156,309	135.5%
B2B	130,059	62,316	108.7%	303,283	189,360	60.2%
Logistics	36,050	24,352	48.0%	99,108	70,783	40.0%
<b>Gross Operating Revenue</b>	<b>329,578</b>	<b>142,792</b>	<b>130.8%</b>	<b>770,480</b>	<b>416,452</b>	<b>85.0%</b>
Taxes levied	(52,035)	(18,685)	178.5%	(116,437)	(54,646)	113.1%
% Gross Revenue	15.8%	13.1%	2.7 pp	15.1%	13.1%	2.0 pp
<b>Net Operating Revenue</b>	<b>277,543</b>	<b>124,107</b>	<b>123.6%</b>	<b>654,043</b>	<b>361,806</b>	<b>80.8%</b>

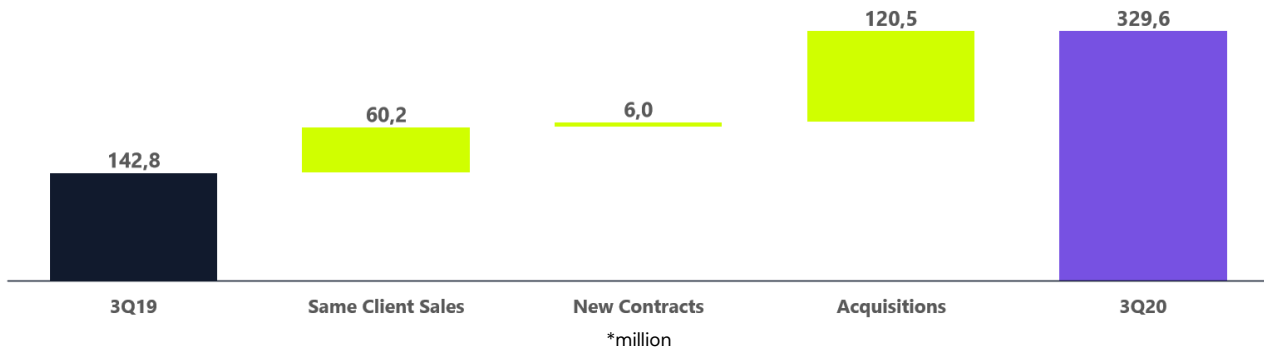
\*thousands

The company's gross operating revenue is derived from B2C and B2B transportation and logistics services. Gross revenue grew by 130.8% in 3Q20 to R\$329.6 million, or R\$186.8 million versus 3Q19. In 9M20, gross revenue rose 85% to R\$770.5 million, or R\$354.0 million.



Among the key aspects that compose our growth, we want to highlight the B2C segment, which was positively impacted by e-commerce growth in the domestic market. New contracts signed were also positively impacted by commercial synergies between Sequoia and their recent acquires.

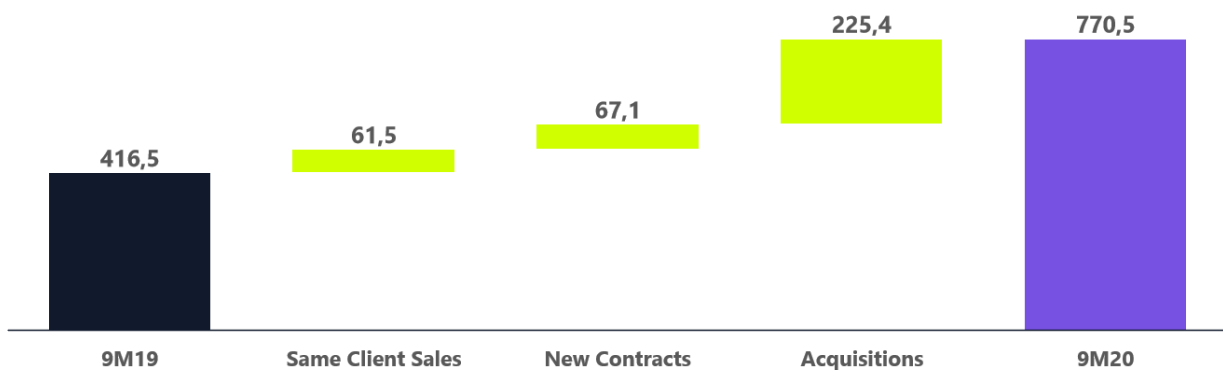
## Gross Revenue Evolution | 3Q19x3Q20



We consider acquisitions as the total revenue of acquirees within the last 12 months (moving average). The same concept applies to new contracts and same client sales.

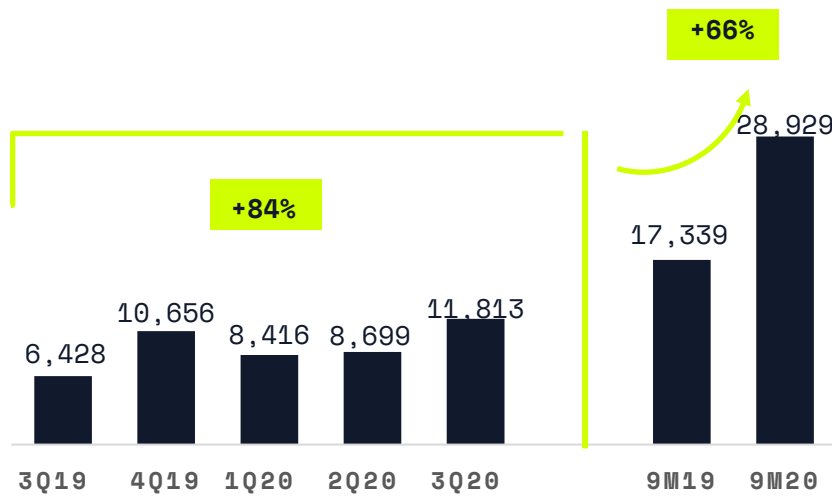
Out of an additional R\$186.8 million, compared to the same period last year: R\$60.2 million increase in same client sales, especially for e-commerce B2C; R\$6.0 million from new contracts; and a R\$120.5 million was derived from the acquisition of Nowlog and TA.

## Gross Revenue Evolution | 9M19x9M20

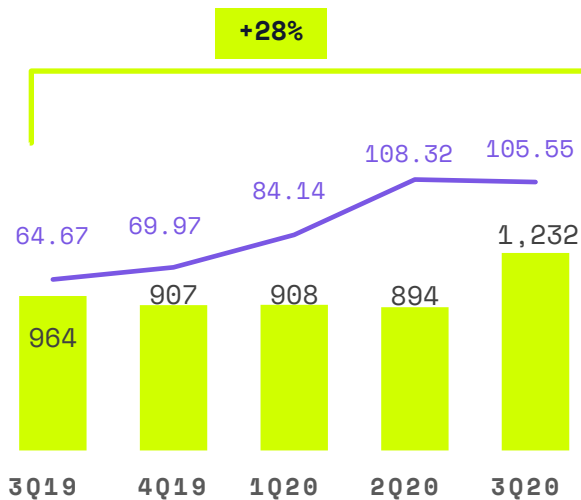


In 9M20, the increase is mainly derived from business combinations with same client sales growth was R\$61.5 million, new contracts totaled R\$67.1 million, and Nowlog and TA, which contributed with R\$225.4 million in 2020.

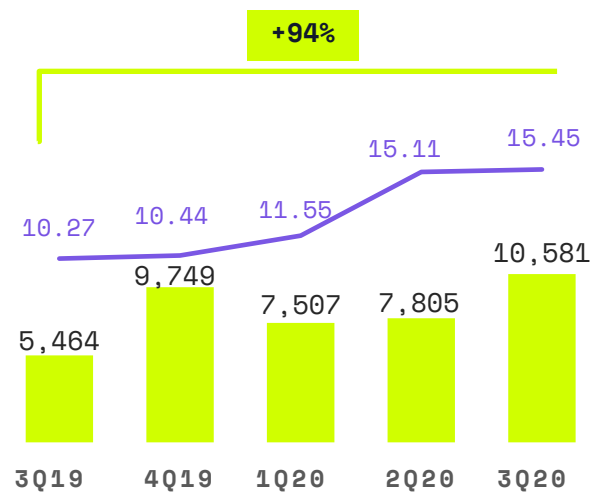
### Number of Orders



### B2B ORDERS



### B2C ORDERS



■ B2B Orders (Thousands)    — Average Ticket (R\$)    ■ B2C Orders (Thousands)    — Average Ticket (R\$)

In 3Q20, the Company made 11.8 million deliveries: 1.2 million in B2B, and 10.6 million in B2C. This accounts for 84% in growth y-o-y. Such growth can be explained by an increase in the number of deliveries on e-commerce platform and acquired companies (Nowlog and TA).

For B2B, order volumes rose by 28% while the average ticket soared 63%. This increase is a result of TA contracts recorded in company results from March 2020. Higher value was added, especially from the electronics and air deliveries departments.

The B2C segment saw volumes increase by 94%. The average ticket surged 49% on the back of the logistics network expansion in the Northeast region (as a result of Nowlog acquisition in November 2019).

Taxes levied on gross operating revenue totaled R\$52.0 million in 3Q20. This equates to 15.8% of gross revenue, 2.7 p.p. higher than in 3Q19. Mainly due to a higher share of the transportation segment in relation to logistics in revenue structure, and the mix of states in transportation services (variation in ICMS [VAT] tax rate).

## GROSS MARGIN

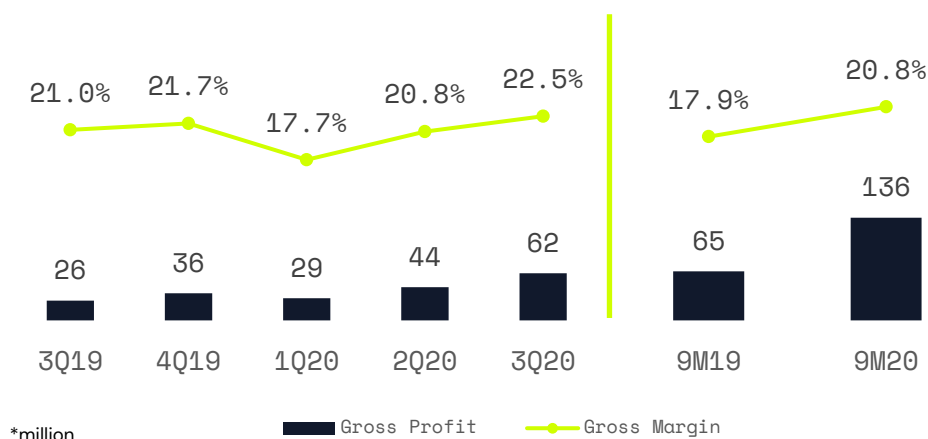
	3Q20	3Q19	Δ	9M20	9M19	Δ
Distribution and transportation	(157,095)	(63,817)	146.2%	(365,699)	(192,434)	90.0%
Other	(58,041)	(34,226)	69.6%	(152,626)	(104,502)	46.1%
Cost of Services Rendered	(215,137)	(98,043)	119.4%	(518,325)	(296,936)	74.6%
% Net Revenue	77.5%	79.0%	-1,5 pp	79.2%	82.1%	-2,9 pp

\*thousands

The company's costs composed of freight, fuel, toll, personal expenses, and other fixed costs, relating to storage and transportation services, totaled R\$215.1 million in 3Q20. 119.4% higher than in 3Q19. In 9M20, the increase was 74.6% or R\$221.4 million.

The 1.5 p.p. lower share of costs over net revenue is a result of synergies captured along with the integration of Nowlog and TA. Investments made in process automation resulted in higher productivity and gains of scale.

## Evolution of Gross Margin



Gross profit totaled R\$62.4 million in 3Q20, 139.4% higher than in 3Q19. In 9M20, gross profit climbed by 109.2% or R\$70.8 million. Such growth reflects the higher revenue during the time periods. The cost optimization, resulting from route density and investments in automation during previous periods, already delivered positive results for the company.

## SELLING, GENERAL & ADMINISTRATIVE EXPENSES

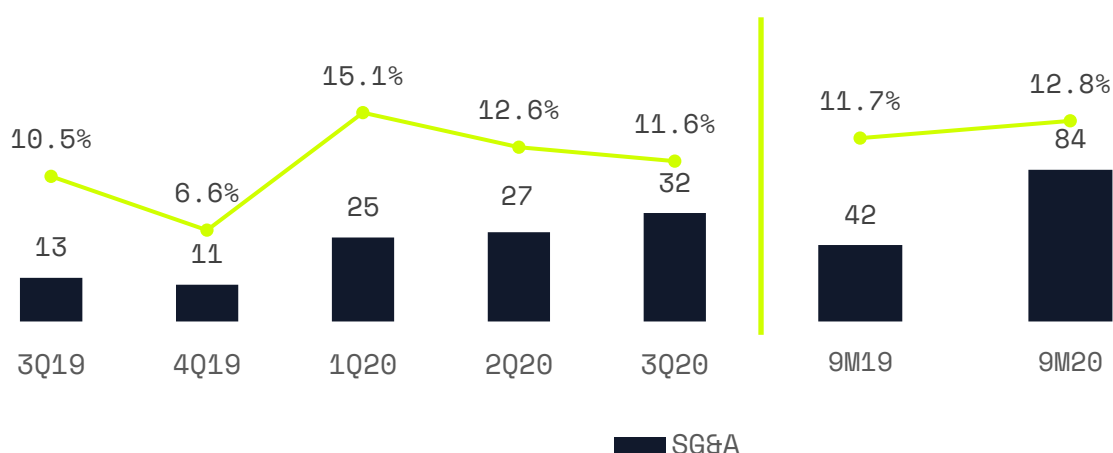
	3Q20	3Q19	Δ	9M20	9M19	Δ
Personnel Expenses	(17,576)	(6,405)	174.4%	(49,462)	(21,366)	131.5%
Other	(14,708)	(6,575)	123.7%	(34,408)	(20,872)	64.9%
<b>Selling, General and Administrative Expenses</b>	<b>(32,284)</b>	<b>(12,980)</b>	<b>148.7%</b>	<b>(83,870)</b>	<b>(42,238)</b>	<b>98.6%</b>
% Net Revenue	11.6%	10.5%	1,1 p.p.	12.8%	11.7%	1,1 p.p.

\*thousands

Selling, general, and administrative expenses are composed of personal, depreciation, amortization, selling, and administrative expenses, as well as outsourced services. In 3Q20, the company's expenses totaled R\$32.3 million, up 1.1p.p. over net revenue compared to the same period last year.

A weaker dilution of expenses relate to the following factors: an increase in personal expenses, the consolidation of administrative activities of Transportadora Americana, which in the quarter added R\$9.5 million; the process of capturing synergies already initiated, but not yet concluded for acquirees (Nowlog and TA); and higher selling expenses due to increased revenue in the period.

## Evolution of Selling, General & Administrative Expenses



## EBITDA & ADJUSTED EBITDA

	3Q20	3Q19	Δ	9M20	9M19	Δ
EBITDA <sup>1</sup>	27,221	10,824	151.5%	40,965	18,431	122.3%
COVID-19	-	-	-	2,000	-	-
M&A Expenses	2,901	2,260	28.4%	8,882	4,201	111.4%
<b>Adjusted EBITDA</b>	<b>30,122</b>	<b>13,084</b>	<b>130.2%</b>	<b>51,848</b>	<b>22,632</b>	<b>129.1%</b>
Adjusted EBITDA Margin <sup>2</sup>	10.9%	10.5%	0,4 p.p.	7.9%	6.3%	1,6 p.p.

<sup>1</sup>EBITDA consists of net income (loss) adjusted by net financial result, current and deferred income tax and social contribution, depreciation and amortization expenses; calculation was based on provisions of CVM Instruction No. 527 of October 4, 2012.

<sup>2</sup>The Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by net operating revenue.

\*thousands

The company's adjusted EBITDA totaled R\$30.1 million in 3Q20 and R\$51.8 million in 9M20. 130.2% higher than 3Q19, and 129.1% higher than 9M19, these results were boosted by an increase in net revenue and a reduction in cost of services rendered, as mentioned above.

The non-recurring items adjusted to EBITDA are Covid-19-related expenses which include home office structuring, signaling, acquisition of cleaning products, hand sanitizers, masks, gloves, severance pay to adjust cost structures, and expenses related to the acquisition and integration of acquirees: Nowlog and TA.

## NET INCOME

	3Q20	3Q19	Δ	9M20	9M19	Δ
Net Income	7,158	(1,035)	na	(10,683)	(13,128)	-18.6%
Goodwill Amortization	4,789	4,295	11.5%	15,531	12,886	20.5%
<b>Net Income ex-Goodwill</b>	<b>11,947</b>	<b>4,295</b>	<b>266.4%</b>	<b>4,848</b>	<b>(242)</b>	<b>na</b>
M&A   COVID19	2,901	2,260	28.4%	10,882	4,201	159.0%
Income Tax	(986)	(768)	28.4%	(3,700)	(1,428)	159.0%
<b>Adjusted Net Income</b>	<b>13,862</b>	<b>4,752</b>	<b>191.7%</b>	<b>12,030</b>	<b>2,530</b>	<b>375.4%</b>
Adjusted Net Margin	5.0%	3.8%	1,2 pp	1.8%	0.7%	1,1 pp

\*thousands

Over the last five years, the company went through several structural changes that resulted in significant business growth. In 2019, we saw higher one-off expenses due to the acquisitions of Lótus, Nowlog, and Transportadora Americana. The profitability gains for these companies are expected over the coming years, along with the stabilization of operations, synergy gains, and company's higher profitability.

Until June 30<sup>th</sup> 2020, the company recorded profit before income tax (LAIR) negative, derived from the analysis above, depreciation and amortization expenses totaled R\$29,827,000, and net financial expenses at R\$22,867,000.

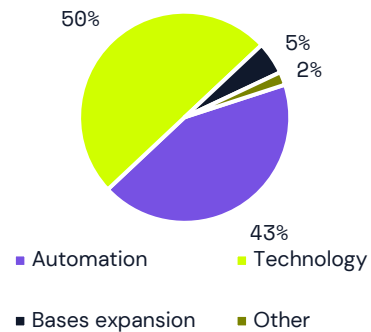
On September 30<sup>th</sup> 2020, the company posted an adjusted net income of R\$13.9 million for the quarter, reflecting an increase in revenue and synergy gains obtained from the operations mentioned above. This mitigated the unfavorable impacts of income tax and social contribution expenses, which totaled R\$3.6 million.

## Investments | ROIC

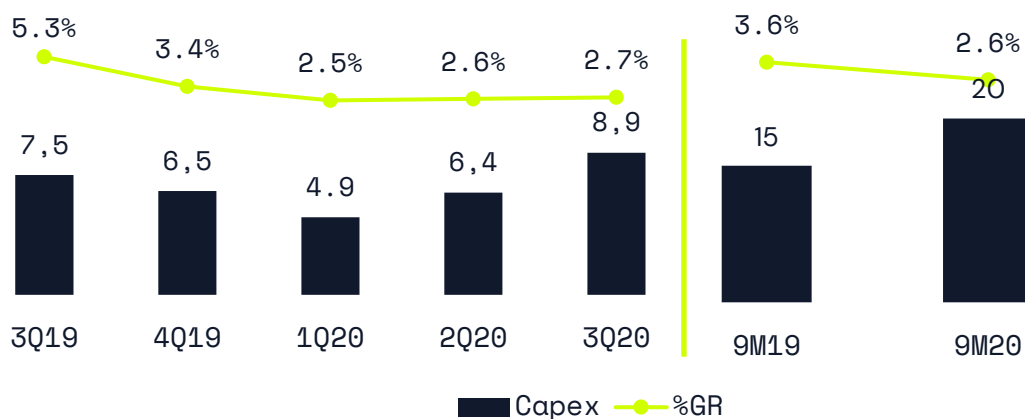
Historically, the company's investments are mostly allocated to expansion/automation of distribution centers, hubs, and branches, with a positive effect on operational efficiency, as well as, for the technological capacity of storage and data processing, software development, and integration programs with new clients. In 9M20, investments mainly focused on automation and technology.

During 2020, we will continue to invest in the expansion of our structure and technological development, enabling the continued organic growth of the company. This also applies to acquisitions in line with improved productivity and quality of services rendered.

### Investments 9M20



### Evolution of Capex



In 3Q19, the Company acquired Sorter for São Paulo and Rio de Janeiro, increasing the Capex/Net Revenue ratio in the quarter.

The company's ROIC stood at 34.1%, 5.9 p.p. higher than 3Q19, reflecting a combination of a better company performance, and operating income higher than investments in assets, due to the asset-light model.

To calculate ROIC, the company applied the statutory rate of 34%, although not effective, the company understands it is temporarily favored by tax loss and goodwill of acquisitions.

ROIC		3Q20	3Q19	3Q20 x 3Q19
<b>LTM Adjusted EBITDA</b>	A	76.8	43.6	76%
<b>LTM Depreciation</b>	B	(10.8)	(8.8)	23%
<b>Residual Value</b> (Property & Equipment + Software)	C	68.6	52.8	30%
Accounts Receivable		240.0	87.2	175%
Suppliers		(94.1)	(30.3)	211%
Tax and labor liabilities		(86.6)	(28.2)	207%
<b>Working Capital</b>	D	59.3	28.8	106%
<b>Income Tax Rate</b>	E	34.0%	34.0%	
<b>ROIC <math>((A+B)*(1-E))/(C+D)</math></b>		<b>34.1%</b>	<b>28.2%</b>	<b>5.9 pp</b>

\*thousands

## NET DEBT

	Sep 20	Jun 20	Δ
(A) Indebtedness	365,300	316,575	15.4%
Loans, Financing and Debentures	319,679	270,294	18.3%
Accounts payable due to acquisition of subsidiaries	33,067	33,791	-2.1%
Accounts payable due to stock redemption	12,554	12,490	0.5%
(B) Cash and cash equivalents	(122,513)	(80,402)	52.4%
(C=A+B) Net Debt	242,787	236,173	2.8%
<sup>1</sup> LTM EBITDA (b)	97,997	76,754	27.7%
<b>Financial Leverage Ratio (C/b)</b>	<b>2,5x</b>	<b>3,1x</b>	<b>-0,6x</b>

<sup>1</sup> Last Twelve Months (LTM), comprises the period from 10/01/2019 to 09/30/2020

\*thousands

During 3Q20, the Company raised R\$50.0 million to acquire 100% of Direcional Transportes's capital stock. This transaction concluded and was paid for on October 2<sup>nd</sup> 2020. The net debt/EBITDA ratio (considering the last 12 months) improved in relation to 2Q20, reflecting the Company's high profitability during the period.

On October 6<sup>th</sup> 2020, the company held the primary and secondary tender offer for 70,175,438 non-par, registered, book-entry, and common shares. All were free and unencumbered by any burden or lien (“shares”) at the price of twelve reais and forty centavos (R\$12.40). This tender offer totaled R\$870.0 million, and after the addition of greenshoe, totaled R\$905.7 million.

Below, the company highlights the shares issued:

- > 28,070,175 new shares issued by the Company (“Primary Offering”);
- > 44,982,878 shares issued by the company and held by selling shareholders (“Secondary Offering”).

The amount, net of commissions, fees, and taxes derived from proceeds raised by the company, totaled R\$331.4 million. It will be allocated, as follows:

- > Approximately R\$165.00 million for inorganic expansion through acquisitions;
- > Approximately R\$83.0 million for investments in automation and new technologies;
- > Approximately R\$83.0 million for capital structure optimization.

## DISCLAIMER

The forward-looking statements contained herein relating to businesses, operational, and financial results projections, and those referring to Sequoia’s growth prospects, are merely projections. As such, they are solely based on management’s expectations regarding the future of the businesses.

These expectations mainly rely on market conditions, the performance of the Brazilian economy, the sector, and international markets, and are therefore subject to changes, with or without prior notice. All variations stated herein are calculated based on figures in thousands of Brazilian reais, and use rounding.

This performance report includes accounting and non-accounting information, such as pro forma, operational, and financial data, as well as projections based on company management’s expectations. Non-accounting information was not the purpose of review conducted by the company’s independent auditors.

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### INVESTOR RELATIONS CONTACT

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## Income Statement Reconciliation | IFRS16

\*thousands

Corporate		3Q20	3Q19	Δ	9M20	9M19	Δ
	<b>Gross Revenue</b>	<b>329,578</b>	<b>142,792</b>	<b>130.8%</b>	<b>770,480</b>	<b>416,452</b>	<b>85.0%</b>
	Net Revenue	277,543	124,107	123.6%	654,043	361,806	80.8%
<b>A</b>	<b>Costs</b>	<b>(214,623)</b>	<b>(97,340)</b>	<b>120.5%</b>	<b>(516,309)</b>	<b>(294,709)</b>	<b>75.2%</b>
	Direct Costs	(204,474)	(92,227)	121.7%	(490,124)	(279,338)	75.5%
<b>A.1</b>	Depreciation / Amortization	(1,573)	(1,482)	6.1%	(4,659)	(4,672)	-0.3%
<b>A.2</b>	Depreciation - IFRS	(8,576)	(3,631)	136.2%	(21,526)	(10,699)	101.2%
	<b>Gross Profit</b>	<b>62,919</b>	<b>26,767</b>	<b>135.1%</b>	<b>137,734</b>	<b>67,097</b>	<b>105.3%</b>
<b>B</b>	<b>Selling, General and Administrative Expenses</b>	<b>(41,642)</b>	<b>(20,130)</b>	<b>106.9%</b>	<b>(115,001)</b>	<b>(60,877)</b>	<b>88.9%</b>
	Expenses	(35,185)	(15,240)	130.9%	(94,752)	(46,439)	104.0%
<b>B.1</b>	Depreciation / Amortization	(1,668)	(595)	180.4%	(4,718)	(1,553)	203.8%
<b>C</b>	Goodwill Amortization	(4,789)	(4,295)	11.5%	(15,531)	(12,886)	20.5%
	<b>Profit before income tax</b>	<b>21,277</b>	<b>6,637</b>	<b>220.6%</b>	<b>22,733</b>	<b>6,220</b>	<b>265.5%</b>
	Financial Result	(10,482)	(10,377)	1.0%	(33,349)	(27,901)	19.5%
	Income Tax	(3,637)	2,705	na	(67)	8,553	na
	<b>Net Income</b>	<b>7,158</b>	<b>(1,035)</b>	<b>na</b>	<b>(10,683)</b>	<b>(13,128)</b>	<b>-18.6%</b>

Reconciliation		3Q20	3Q19	Δ	9M20	9M19	Δ
	<b>Gross Revenue</b>	<b>329,578</b>	<b>142,792</b>	<b>130.8%</b>	<b>770,480</b>	<b>416,452</b>	<b>85.0%</b>
	Net Revenue	277,543	124,107	123.6%	654,043	361,806	80.8%
	<b>Adjusted Costs</b>	<b>(215,136)</b>	<b>(98,043)</b>	<b>119.4%</b>	<b>(518,325)</b>	<b>(296,936)</b>	<b>74.6%</b>
<b>A</b>	Cost of Services Rendered	(214,623)	(97,340)	120.5%	(516,309)	(294,709)	75.2%
<b>A.1+A.2</b>	Depreciation / Amortization / IFRS	10,149	5,113	98.5%	26,185	15,371	70.4%
<b>D</b>	Leasing - IFRS	(10,662)	(5,816)	83.3%	(28,201)	(17,598)	60.3%
	<b>Adjusted Gross Profit</b>	<b>62,406</b>	<b>26,064</b>	<b>139.4%</b>	<b>135,718</b>	<b>64,870</b>	<b>109.2%</b>
	<b>Adjusted Expenses</b>	<b>(32,284)</b>	<b>(12,980)</b>	<b>148.7%</b>	<b>(83,870)</b>	<b>(42,238)</b>	<b>98.6%</b>
<b>B</b>	Selling, General and Administrative Expenses	(41,642)	(20,130)	106.9%	(115,001)	(60,877)	88.9%
<b>B.1</b>	Depreciation / Amortization	6,457	4,890	32.0%	20,248	14,438	40.2%
<b>E</b>	M&A   COVID19	2,901	2,260	28.4%	10,882	4,201	159.0%
	<b>Adjusted EBTIDA</b>	<b>30,122</b>	<b>13,084</b>	<b>130.2%</b>	<b>51,848</b>	<b>22,632</b>	<b>129.1%</b>
<b>A.1+A.2+B.1</b>	Depreciation	(16,606)	(10,003)	66.0%	(46,433)	(29,810)	55.8%
<b>D</b>	IFRS - Leasing	10,662	5,816	83.3%	28,201	17,598	60.3%
<b>E</b>	M&A   COVID19	(2,901)	(2,260)	28.4%	(10,882)	(4,201)	159.0%
	<b>Profit before income tax</b>	<b>21,277</b>	<b>6,637</b>	<b>220.6%</b>	<b>22,733</b>	<b>6,220</b>	<b>265.5%</b>
	Financial Result	(10,482)	(10,377)	1.0%	(33,349)	(27,901)	19.5%
	Income Tax	(3,637)	2,705	na	(67)	8,553	-100.8%
<b>C</b>	Goodwill Amortization	4,789	4,295	11.5%	15,531	12,886	20.5%
	<b>Profit ex-Goodwill</b>	<b>11,947</b>	<b>3,260</b>	<b>266.4%</b>	<b>4,848</b>	<b>(242)</b>	<b>na</b>
<b>E</b>	M&A   COVID19	2,901	2,260	28.4%	10,882	4,201	159.0%
	Income Tax	(986)	(768)	28.4%	(3,700)	(1,428)	159.0%
	<b>Adjusted Net Income</b>	<b>13,862</b>	<b>4,752</b>	<b>191.7%</b>	<b>12,030</b>	<b>2,530</b>	<b>375.4%</b>

**BALANCE SHEET**

\*thousands

ASSETS	Sep 20	Sep 19	LIABILITIES	Sep 20	Sep 19
<b>Current</b>			<b>Current</b>		
Cash and cash equivalents	114,527	70,798	Loans, financing and debentures	34,516	107,131
Accounts receivable	240,025	87,202	Leasing	48,593	23,841
Advances	6,586	2,401	Suppliers and drawee risk operations	94,099	30,255
Deferrals	13,130	3,611	Labor and tax liabilities	73,621	28,115
Prepaid expenses	7,605	1,491	Accounts payable due to acquisition of subsidiaries	1,185	2,673
Indemnifications receivable	319	3,902	Other liabilities	58,841	26,438
Other accounts receivable	5,917	3,392			
<b>Total current assets</b>	<b>388,109</b>	<b>172,797</b>	<b>Total current liabilities</b>	<b>310,855</b>	<b>218,453</b>
<b>Non-current</b>			<b>Non-current</b>		
Restricted financial investments	7,986	7,755	Loans, financing and debentures	285,163	92,576
Indemnification assets in the companies acquisition	35,223	-	Leasing	124,862	86,422
Deferred income tax and social contribution	44,595	42,878	Labor and tax liabilities	13,024	73
Court deposits	1,666	755	Accounts payable due to acquisition of subsidiaries	31,882	27,099
Convertible loan	2,720	1,500	Provisions for legal contingencies	58,680	13,714
Property & Equipment	47,991	39,478	Other liabilities	13,656	12,121
Intangible Assets	219,997	160,069			
Right of Use	162,639	106,548			
<b>Total non-current assets</b>	<b>522,817</b>	<b>358,983</b>	<b>Total non-current liabilities</b>	<b>527,267</b>	<b>232,005</b>
			<b>Total liabilities</b>	<b>838,122</b>	<b>450,458</b>
			<b>Shareholders' equity</b>	<b>72,804</b>	<b>81,322</b>
			Capital stock	89,473	89,473
			Capital reserve	3,039	163,356
			Accumulated losses	(19,708)	(171,507)
<b>Total assets</b>	<b>910,926</b>	<b>531,780</b>	<b>Total liabilities and shareholders' equity</b>	<b>910,926</b>	<b>531,780</b>

## CASH FLOW | INDIRECT METHOD

	*thousands	
	Sep 20	Sep 19
<b>Cash flow from operating activities</b>		
Loss before income tax and social contribution	<b>(10,616)</b>	<b>(21,681)</b>
Adjustments to reconcile result before income tax and social contribution		
Depreciation and amortization	46,824	30,567
Provision for legal contingencies	(4,204)	1,161
Provision for loan losses	140	146
Interest on loans, financing and debt	28,105	23,540
Share-based compensation plan	634	794
Net result on sale/write-off of property & equipment	332	1,032
Yield of restricted financial investment	(155)	(255)
<b>Variations of assets and liabilities</b>		
Accounts receivable	(107,379)	(5,238)
Deferrals	(3,671)	(631)
Taxes recoverable	5,358	(554)
Prepaid expenses	(3,320)	(590)
Court deposit	141	(III)
Other accounts receivable	2,289	(818)
Suppliers	25,410	1,466
Labor and tax liabilities	23,336	(1,900)
Accounts payable due to acquisition of subsidiaries	(2,187)	(2,487)
Other liabilities	34,945	680
Interest rate paid over loans, financing and debentures	(13,689)	(11,939)
Interest rate paid on leasing	(7,068)	(6,165)
<b>Cash flow generated by (used in) operating activities</b>	<b>15,225</b>	<b>7,017</b>
<b>Investment Activities</b>		
<b>Cash flow used in investment activities</b>	<b>(42,799)</b>	<b>(47,205)</b>
<b>Financing Activities</b>		
<b>Net cash flow generated by financing activities</b>	<b>50,502</b>	<b>60,476</b>
<b>Reduction of cash and cash equivalents</b>	<b>22,928</b>	<b>20,288</b>
Opening balance of cash and cash equivalents	91,599	50,510
Closing balance of cash and cash equivalents	114,527	70,798
	<b>22,928</b>	<b>20,288</b>