



sequoia

+

move3

1Q24 RELEASE

Earning Conference

July 08, 2024
(Monday)
9:00 am BRT

Portuguese | English
(Simultaneous translation)

[Link](#)

B3: **SEQL3**
R\$ 4,70
Per share
(07/05/2024)

20.039.539
Total Shares
(07/05/2024)

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1Q24 EARNINGS RELEASE

São Paulo, July 05, 2024 – Sequoia Logística e Transportes S.A. (“Sequoia” or “Company”; B3: SEQL3), a leader in e-commerce and technology logistics operations, announces its results for the first quarter of 2024 (“1Q24”). 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 1Q24 interim accounting information reviewed by the audit does not include Move3's result. We therefore present below the unaudited pro forma result for 1Q24, considering MOVE3's unrevised result for 1Q24 together with the result presented in Sequoia's revised interim financial information for the same period.

1Q24 Highlights

- **Conclusion of the transaction with Move3:** Closing on March 28, the operation with the Move3 Group that will bring important developments for the future company: synergies already mapped, revenue leverage and more innovation & technology.
- Mapping of **synergies with Move3**, integration and execution of the takeover plan
- **Launch of the 6th Private Issue of Debentures Mandatorily Convertible into Shares**
- Conclusion of the **Restructuring Plan for financial creditors**.

*Millions, unless otherwise stated

Highlights	1Q24			1Q23
	Sequoia	MOVE3	Combined	Sequoia
Gross Revenue	126,9	187,3	314,2	357,3
Net Revenue	114,4	161,7	276,1	302,2
Gross Profit	(2,8)	13,6	10,8	27,0
Gross Margin	-2,5%	8,4%	3,9%	8,9%
EBITDA	(20,7)	5,0	(15,7)	0,7
EBITDA Margin	-18,1%	3,1%	-5,7%	0,2%
Net Profit Adjusted ^{1 e 2}	(100,8)	(11,1)	(111,9)	(60,3)
Adjusted Net Profit margin	-88,1%	-6,9%	-40,5%	-20,0%

1 Excludes amortization of intangibles generated in acquisitions and non-recurring expenses.

2 Excluded non-recurring effects (1Q23): Restructuring Project

MESSAGE FROM MANAGEMENT

A look to the future: the start of a new phase in Brazilian logistics

We ended 2023 with good news that formally materialized at the end of the first quarter of 2024: on March 28, we signed the closing of the M&A operation with the Move3 Group: **the fusion of two major operators, which together are among the 3 largest logistics operators in Brazil**, operating nationwide, including the most remote areas of the country.

As a result of this business combination, we now have a storage area of more than 74,000 m², more than 19,000 delivery personnel and a model with more than 500 franchises to serve more than 4,500 customers with quality and excellence.

As we announced last quarter, important synergies have already been mapped between Sequoia and Move3, which will bring important reductions in costs and expenses, as well as significant leverage in revenue and, with this, provide an increasingly high-quality service to our customers.

With the support of a consulting, the main operational synergies have been mapped out and the execution plans for reducing staff, demobilizing DCs and optimizing bases are already on schedule.

At the beginning of July, we carried out the first wave of downsizing, with a 20% reduction in the workforce, with an annualized reduction of R\$4 million, the effects of which will be felt from the third quarter of this year. In addition, we demobilized approximately 15,000 m² of a DC in the state of Rio de Janeiro, which will bring monthly savings of R\$1 million.

For the upcoming quarters, additional cost reduction initiatives are already scheduled, which together will result in an annualized reduction of costs and expenses totaling more than R\$ 100 million.

From a financial point of view, following the plan outlined for restructuring financial creditors, we ended the first quarter of the year with the launch of the 6th issue of debentures mandatorily convertible into shares in two series:

- In the first series, the debentures were paid in (in May) through the delivery of credits, which resulted in the conversion of approximately R\$341 million of bank debts with the main creditors into instruments mandatorily convertible into shares.
- In the second series, the funds obtained (R\$55 million) will be used entirely for Move3's acquisition.

In addition to this new issue, as announced in the previous quarter, at the end of 2023, we renegotiated with the main creditors the remaining balance of bank debt in the amount of approximately R\$107 million, with a grace period of 3 years for interest payments (quarterly payments from August/2027) and 5 years for principal payments (quarterly payments from August/2029 until 2031). We have thus successfully concluded the restructuring plan for financial creditors.

The company **reduced its debts to financial creditors by R\$582 million**, through the issue of the 4th and 6th Debentures in instruments convertible into shares, as well as extending the payment terms of the 3rd issue with the remaining debenture holders (remaining balance of approximately R\$65 million) and the balance of R\$107 million with two banks.

Restructuring with debenture holders and banks

3rd issuance of debentures	R\$ 306 M
Migration to the 4th Issuance (Convertible)	(R\$ 241 M)
Balance of the 3rd Issuance (extended debentures)	R\$ 65 M
New funds from the 4th Issuance (Convertible) and 5th Issuance (Non-Convertible)	R\$ 116 M
Conversion by the banks in the 6th Issuance	(R\$ 341 M)
Balances of extended bank debts	R\$ 107 M

As a result, the company is now focusing on non-financial credit restructuring and at integration, with the commitment and dedication of all the teams to strengthen the core business: **making quality deliveries** to our customers, and **cultivating relationships with our operating partners and suppliers**, with profitability and positive cash generation.

REVENUE

*Thousands, unless otherwise stated

	1Q24			1Q23
	Sequoia	MOVE3	Combined	
Gross Revenue	126.900	187.337	314.237	357.300
Taxes levied	(12.483)	(25.618)	(38.101)	(55.143)
% Gross Revenue	9,8%	13,7%	12,1%	15,4%
Net Revenue	114.417	161.719	276.136	302.157

Combined gross revenue sum up R\$314.2 million in the first quarter of 2024. In 1Q23, even though the reduction of heavy deliveries had already begun, Sequoia's revenue was still impacted by this discontinued segment at the beginning of 2Q23.

Taxes on gross revenue totaled R\$38.1 million in the quarter, which represents 12.1% of gross revenue for the quarter.

GROSS PROFIT AND MARGIN

*Thousands, unless otherwise stated

	1Q24			1Q23 Sequoia
	Sequoia	MOVE3	Combined	
Cost of Services	(117.233)	(148.118)	(265.352)	(275.175)
Gross Profit	(2.816)	13.601	10.784	26.982
Gross Margin	-2,5%	8,4%	3,9%	8,9%

Costs essentially include freight, fuel, tolls, personnel and fixed costs related to the provision of storage and transportation services. In the quarter, the combined cost totaled R\$265.3 million, which represented a gross margin of 3.9%.

It is important to notice that Sequoia's costs are still heavily impacted by an idle operation, since the fixed cost structure has not yet been fully adjusted. However, with the integration with MOVE3, synergies have already been mapped out which will be implemented throughout 2024 and which have the potential to reduce annual costs by around R\$ 20 million, which will be realized gradually throughout 2024.

In July 2024, a 20% reduction in combined headcount was implemented. Therefore, starting from the 3rd quarter, the Company will have 3,500 employees.

SELLING, ADMINISTRATIVE, GENERAL AND OTHER EXPENSES

*Thousands, unless otherwise stated

	1Q24			1Q23
	Sequoia	MOVE3	Combined	Sequoia
SG&A	(52.490)	(14.148)	(65.638)	(66.362)
% Net Revenue	45,9%	8,7%	24,1%	22,0%
(+) Depreciation and Amortization	18.505	5.575	24.080	18.116
(+) Non recurring expenses	-	-	-	8.053
Adjusted SG&A	(33.985)	(8.573)	(42.558)	(40.449)
% Net Revenue	29,7%	5,3%	15,4%	13,4%
Personnel Expenses	(14.050)	(2.405)	(16.455)	(27.968)
Other Expenses	(19.935)	(6.168)	(26.103)	(12.481)

In the first quarter of 2024, total expenses were R\$65.6 million, essentially comprising personnel expenses, sales, administrative expenses, third-party services, depreciation and amortization.

As of the second half of the year, due to the incorporation of Sequoia and Move3, it will already be possible to capture reductions in personnel expenses and administrative expenses after adjusting expenses related to the implementation of these synergies, such as: personnel termination expenses and demobilization of DCs and networks.

Expenses adjusted for depreciation and amortization were R\$42.5 million in 1Q24, which represents 15.4% of net revenue.

EBITDA AND ADJUSTED EBITDA

*Thousands, unless otherwise stated

	1Q24			1Q24
	Sequoia	MOVE3	Combinado	Sequoia
EBITDA	(20.691)	5.028	(15.663)	717
EBITDA Margin	-18,1%	3,1%	-5,7%	0,2%
(+) Non-Recurring Effects	-	-	-	8.053
Adjusted EBITDA	(20.691)	5.028	(15.663)	8.771
Adjusted EBITDA Margin ¹	-18,1%	3,1%	-5,7%	2,9%
(+) Rent/ leasings	(13.251)	(2.779)	(16.031)	(19.855)
Adjusted EBITDA Excluding IFRS²	(33.942)	2.249	(31.693)	(11.084)
Adjusted EBITDA Excluding IFRS margin ²	-29,7%	1,4%	-11,5%	-3,7%

(1) The Adjusted EBITDA is calculated excluding expenses with mergers and acquisitions and non-recurring income/expenses (one-off). (2) Adjusted EBITDA and including rental costs and expenses.

As a result of the factors above, combined EBITDA totaled -R\$15.7 million in the quarter and the EBITDA margin reached -5.7% in the first quarter of 2024. The combined companies' EBITDA Ex IFRS was -R\$ 31.7 million.

As already mentioned, the optimization will be reflected throughout 2024. The synergies mapped and in the process of being implemented estimate annual savings of more than R\$100 million.

PROFIT

*Thousands, unless otherwise stated

	1Q24			1Q23
	Sequoia	MOVE3	Combinado	Sequoia
Net Profit (loss)	(110.174)	(11.080)	(121.254)	(87.703)
Net Margin	-96,3%	-6,9%	-43,9%	-29,0%
(+) Amortization of Intangible Assets	9.349		9.349	14.775
(+) Non-Recurring Effects	-		-	8.053
(+) Non-Cash Adjustment of Financial Instruments	-		-	7.297
(+) Income Tax / Social Contribution on Non-recurring Effects	-		-	(2.738)
Adjusted Net Profit (Loss)	(100.825)	(11.080)	(111.905)	(60.316)
Adjusted Net Margin	-88,1%	-6,9%	-40,5%	-20,0%

In the quarter, net income adjusted for non-recurring effects for the combined companies amounted to -R\$111.9 million.

NET DEBT

*Thousands, unless otherwise stated

	Mar 24	6a iss.	Mar 24 Pro Forma	Δ
(A) Indebtedness	692.053		351.143	-49,3%
Loans, Financing, Debentures and Derivatives	670.107	(340.910)	329.197	-50,9%
Accounts payable due to acquisition of subsidiaries	21.946		21.946	0,0%
(B) Cash and Cash Equivalents	(20.584)		(20.584)	0,0%
(C=A+B) Net Debt	671.469		330.560	-50,8%
(D) Net Equity	365.921	340.910	706.831	93,2%
Financial Leverage Ratio (C/D)	1,8x		0,5x	

At the end of March 2024, the net debt position of Sequoia and MOVE3 is R\$671,5 million.

As disclosed in the previous quarter's release, on March 22, 2024, Sequoia issued Debentures Convertible into Shares which were paid in May in the amount of R\$341 million. As a result, the pro forma net debt would be R\$330,6 million.

Additionally, as already mentioned, in addition to this conversion in May 2024, two banks had their payment conditions extended (R\$107 million on the May/24 base date).

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

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