

## Q3 2021 Earnings Call

### Company Participants

- Carlos Horacio Sarquis, Rent-a-Car RAC Head Officer
- Luis Fernando Memoria Porto, Chief Executive Officer
- Marco Tulio de Carvalho Oliveira, Chief Financial Officer & IRO

### Other Participants

- Analyst
- Regis Cardoso
- Rogerio Araujo
- Victor Mizusaki

### Presentation

#### Operator

Good afternoon. Welcome to the UNIDAS Conference Call, where the results for the Third Quarter of 2021 will be presented. At this moment, all participants are in listen-only mode, and later the question-and-answer session will be opened, when instructions will be given for you to participate. (Operator Instructions) This conference call has simultaneous revision into English. And questions can be asked by participants connected abroad in English or Portuguese. Questions can also be asked over the Internet through the webcast platform. It is worth remembering that this conference call is being recorded. The audio will be available on the company's website within 24 hours.

If any of you do not have the copy of UNIDAS earnings release, you can obtain it from the company's website [ri.unidas.com.br/en/](http://ri.unidas.com.br/en/) This conference call accompanied by the slide showed is being transmitted simultaneously over the Internet, also accessed through the company's website.

Before proceeding, we would like to clarify that any statements and maybe made during this conference call, regarding the prospects of the company's business as well as projections, operational and financial goals, regarding its growth potential are forecast based on expectations, management in relation to Unidas future. Such expectations depend on the performance of the sector, the general or economic performance of the country and the conditions of the national, international markets. Therefore, they are subject to change.

Today we have here with us, Mr.Luis Porto, CEO; Mr.Marco Tulio Oliveira, CFO& IRO; and Mr.Carlos Horacio Sarquis, Head of Rent-a-Car division.

Now, I'd like to give the floor to Mr. Luis Porto. Please you may proceed.

## **Luis Fernando Memoria Porto** {BIO 17590082 <GO>}

Thank you. Good afternoon. Welcome to Unidas 3Q '21 conference call. Today, we have here, Marco Tulio, our CFO and IRO; and Sarquis, our Head of Rent-A-Car.

We are satisfied to start our presentation in Slide 2, celebrating that we received a very important award. This year we were ranked 25th in the Great Place to Work National Ranking, among all large companies in Brazil. An evolution of nine positions compared to last year demonstrating our peoples' recognition, in regard to all efforts and initiatives that the company has continuously been developing to increasingly become the best company to work for.

Now on Slide 3, we are still engaged with the environmental agenda. That's why we announced our entry in the EV100, a global initiative brought by The Climate Group, that brings together companies committed to the transition from combustion power transfer to electric vehicles.

Today, we are the first Brazilian company and the second Latin America to receive this CL. Unidas's interest to EV100 reinforces the social environmental agenda ecosystem of initiatives that integrates together for a better world program, and mobilizes employees, customers, and partners in favor of a more sustainable and balanced environment in the future.

Furthermore, we have the honor of being recognized for the second consecutive year by the Britain consulting company Brand Finance, as one of the 50 most valuable brands in Brazil and for being awarded with the first position at the 2021, 1st Top 5 Travels and Tourist in 2021, of the open Startups Top 100 open course symbolizing Unidas relationship and its investments in constant innovation.

In this last Q, we announced the acquisition of Getrak, a company that has been operating for 17 years in technology and tracking solutions. Present in every state in the country with 786,000 vehicles in more than a 1,025 clients in its portfolio, being the leader in vehicle tracking in Brazil with a solid and accelerated history of growth in national presence.

The acquisition reinforces the technological development already underway in the company and is intended to internalize the development and expand technology availability, in favor to ensure more predictability, safety, efficiency, and comfort to our clients, in the company's operating segments.

Combining the 786,000 vehicles from this new acquisition plus 240,000 from iTER, we reached more than 1.1 million tracked vehicles with great cross-selling possibilities within our products and services portfolio and the available tracked fleet.

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On Slide 5, we will show our fleet profile at the end of this period. We keep achieving records of vehicles in our consolidated fleet, 182,310 vehicles, an increase of 15.2% as compared to the same period of 2020, with growth confirming from both rental segments. In the chart below, we demonstrate quarterly evolution of our rented fleet in the last 12 months. We highlight our rented fleet for both rental segments, presenting almost 25% of growth against 3Q '20, while total fleet grows only 15.2% demonstrating company's continuous evolution in managing its asset base with greater excellence.

On the next slide, number 6, we will show the investments that we did in fleets on this quarter. We continue to expand our fleet, although far from the pace we intend.

Slide number 7. We will talk about the results of fleet outsourcing, that still has excellent results. In the first chart, we show the global volume of contracts. In the first nine months of 2021 grew a 155.2% against the first nine months of 2020, achieving BRL2.8 billion, that already is more than the entire year of 2020. Some of the vehicles hired or better the total is of 36.1000, a 91.8% growth which represent a 120% of the total vehicles hired in 2020.

We ended this quarter with a record number of 78,000 cars in dispute for the next month. As you can see on the chart below, this commercial pipeline shows that the demand for rental cars keeps accelerating quarter-over-quarter.

On Slide 8, on the upper chart, we continue presenting record-breaking in the volume of daily rentals. In this quarter we achieved 8.5 million of daily rentals, 24.9% increase, in record of every monthly rates that reached BRL1.829 per vehicle and expansion of 8.9% against 3Q '20. On the leftward chart, the segment's occupancy rate reached 97.4%. On the side we represent the net revenue from fleet management for another consecutive quarter, represents a record performance reaching BRL470.2 million in this quarter in annual growth of 35.7%.

Additionally, in this quarter, we brought an evolution of fleet management net revenue, which presents an average growth of 8.2%, since 1Q '20. Such results which then considered the backlog of 22,000 cars in addition to demonstrating our strength and resilience in this business division, give us a comfort to continue delivering double-digit growth.

Slide 9, we'll talk about used car sales market in this quarter. The upper chart shows that the market for up to three years of usage grew 5% in 3Q '21. Total used cars reached 11.6 million vehicles sold in the first nine months of 2021. And we believe that the scenario will continue to be favorable for the segment given the scarcity of supply of brand-new cars in the short-term.

Moving on to the bottom chart we represent the average selling price record of vehicles, 43.3% expansion as compared to last year. The company continues its strategy to hold the vehicle sales volume due to the scarcity of new vehicle delivery in order not to repress rent operations.

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Now on page 10. Net revenue from used car sales totaled BRL715.6 million this quarter. On the bottom we demonstrate used cars gross margin evolution, in this quarter reached a record of 29.2% with gross profit above BRL208 million, even by considering the lower number of volume of vehicles sold. It is worth mentioning that considering normal scenario of used car sales and gross margin as well as the volume of cars sold, we believed that gross profit would keep in higher levels than the historical.

Doing a quick exercise today, if we sell the total volume of a vehicles of used cars around BRL30,000 to BRL40,000 per quarter with a normalized gross margin and that is approximately 80.5%. Our gross profit would remain above the levels.

Finally. The company currently has an asset in cars with a book value of around BRL11.1 billion, and market value of 32% above this, as a result of the increase in price of cars sold in recent quarters, and the company's conservative performance and its depreciation.

I'll give the word now to Sarquis, Head of Rent-a-Car to share with more details the company's results in this segment.

### **Carlos Horacio Sarquis** {BIO 20060508 <GO>}

Thank you. We'll go on to Slide number 11. The company demonstrated once again its capacity to grow even in a scenario of relevant restriction, the offering of brand-new cars. The demand for rental services continues to be warm in all segments, what resulted in a volume 24.5% higher with record in the volume of daily rentals combined with an occupancy rate record of 87.3% and a strong growth in the average daily rate of 29.2%.

The average daily rate also represents an important growth, as compared to last quarter with an expansion of 9.2%. The price growth in tariff is supported by the high demand for the segment in all our channels, besides reflecting the company's strategy of making the most of the asset, passing on the price, increases for brand new cars, financing cost for the acquisition of vehicles, and the fleet maintenance costs.

Going to Slide 12. In the first chart, we show the growth of the net revenue from Rent-a-Car excluding franchises that in this quarter totaled [ph] BRL307.3 million, an expansion of 61.2% as compared to the same period of 2020. And this excellent growth allowed us to reach a net revenue in this nine months that was higher than all the revenue of the complete year 2019 and 2020.

In the lower part of the slide, in the last 12 months, we had a net expansion of 59 stores in our network. It's an increase of 39 stores in total and we also have franchise stores. We maintain our growth strategies in such a way that we are ready to capture all the demand that has been repressed by the pandemic, when the new vehicles will be again at the normal place.

Now, I'll hand over to Marco Tulio our CFO and IRO to comment on financial results.

## Marco Tulio de Carvalho Oliveira {BIO 20074241 <GO>}

Thank you. Good afternoon, everybody. Slide 13. We still are breaking records in EBITDA with very strong margins. We reached the record amount of BRL636 million in 3Q '21, an increase of 72.5% compared to 3Q '20. In addition, we had robust growth in EBITDA margin, which rose 11.8 percentage points in 12 months period. And I emphasize for the significant increase in EBITDA in the car rental segment, which reached BRL171.1 million, more than double the reported in 3Q '20.

And I also painted yellow, the recovery of the margin for the segment as compared to 2Q '21, which increased by 7.1 PP and reached 45.8. Another highlight is the used car margin, which for another consecutive quarter has presented a record level of 22.6%.

Slide 14, represent an evolution of our consolidated recurring EBITDA. We reached the record amount of BRL501.3 million, more than double the amount registered in 3Q '20, for the nine months of '21, we reached a record of BRL1.3 billion, increase of 186.1%, as compared to the first nine months of the previous years.

The EBIT margin for each operating segment of the company showed significant growth in the annual comparison. In fleet outsourcing, we achieved a margin of 66.4% in 3Q '21, an increase of 15.2 percentage points as compared to previous year. As for the car rental segment, we reached 50.6%, increase of 26.3 percentage points, compared to the same period of the previous year.

On Slide 15, on the upper graph, we see our G&A in a scenario of contest interest rate, where the SELIC rate, it was increased again last week reached a 154.2% growth in the 3Q '21 as compared to the end of 2020. The swap DI versus pre for the company for the contracts of fleet outsourcing segment allows us to protect part of the financial interest expense of the debt, which had its ex-spread debt cost increased by 46.5% in the quarter as compared to the end of 2020.

So, in addition, to protecting us from accelerated interest rate hikes, we guarantee greater profitability in the operation. In the lower graph we'll show a stronger evolution of our recurrent net income. In the 3Q 2020 has one of the orders compared to 3Q '20, reaching a record amount of BRL267.3 million driven by record net revenue in EBITDA in the rental segment. For the nine months of this year, we reach a record of BRL740 million, almost 4x the accumulated amount of the result for the same period of the previous year, and 85% higher than the entire net result for the previous year.

Slide 16, we showed an ROIC of 14.4%. This return is a result of the continuous and robust growth in the company's service revenue together with the expansion of margins and all segments. And the important efficiency gains in asset management describe the rate in relation to the cost of debt, continues to present significant values reaching 9.8 percentage points. I would also like to highlight our comfort regarding amortization of the principle of our debt until 2023, appeared in these cash covers a 112 of the outstanding balances.

It is worth mentioning that this quantity we raised BRL1.3 billion, our 21st issue of debenture is totaling BRL1.5 billion with maturity in 10 years and an average cost already considering the swap of CDI plus, 2.24.

Finally, in the chart on the bottom right, we show that we entered another quarter with very comfortable leverage levels. Net debt to annualized recurring EBITDA was 2.49 times, then a debt over the values of the fleet ended the quarter at 58.5%.

Now, I give the floor to Luis Porto.

### **Luis Fernando Memoria Porto** {BIO 17590082 <GO>}

Thank you, Marco. Before we open for Q&A, I would like to give my final remarks. This quarter, we achieved great things. We are increasingly solidifying our foundation in such a way that we are ready to accelerate our different fronts of action and capture all the remainder will come. We acquired Getrak, a telemetry company that together with iTER will help us evolve our digital front to participate in new markets, and to be increasingly present in the automobile ecosystem. At Rent-a-Car, we grew revenue significantly with records in the number of daily stays, and occupancy rate. And we do not waive our profitability. We increase tariffs in order to pass, to pass on the pressures exerted by a higher cost of capital employed and a higher maintenance cost due to the ageing of the operational fleet.

In fleet, we have another quarter with rapid growth. We had a record in net revenue with - as a result of the record daily rate with monthly rate that continues to rise, even without considering the backlog of 22,000 vehicles.

We remain strong on the commercial front, which has guaranteed the hiring of 9,000 new vehicles and has 78,000 cars in this fleet for the coming months. And in used cars, we go on with our strategy of ensuring focus on the rental segments, by selling only those that are extremely necessary. In addition, our installed fleet continues to appreciate against book value. We finish another quarter with the satisfaction of delivering excellent result, several broken records with excellent performance in the rental segment and supported by the result of used cars.

Finally, we achieved the 25th position in GPTW rank, a growth of nine positions as compared to 2020, demonstrating our focus on being, and even better company to work. And the recognition of our team, which is high performance adaptable and delivers fast results and seize opportunities on all possible frauds.

I really appreciate everyone's effort and I would also like to thank everyone who participated in this conference call, always count on me and entire IR team at Unidas.

## **Questions And Answers**

### **Operator**

(Question And Answer)

Ladies and gentlemen, we will now begin the Q&A sessions with investment analysts and investors. (Operator Instructions) Our first question comes from Bradesco BBI.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Good afternoon. Congratulations for the results, I have two questions. The first one regarding depreciation, when we see the 3Q and Rent-a-Car and in GTF, we see the price of the purchased cars. But there was a little bit change, we saw an increase in RAC, and in the other one there was a drop. So, I would like you to comment on that. And the second question about RAC, we saw that every quarter increase. Could you comment if we forget the impact for car rating impact, how much would the prices have risen?

**A - Luis Fernando Memoria Porto** {BIO 17590082 <GO>}

Good afternoon, Victor. Thank you for the questions. I will talk first about depreciation, then I give it to Sarquis to proceed. As you have said, we start with the depreciation of fleet outsourcing and then we bring Rent-A-Car. It's important to separate the two segments.

Thinking about the cycle of assets, outsourcing has a longer cycle and the company's much more present. The cycle is much longer and we are very conservative in the depreciation of new cars, but have also reduced depreciation in cars that have been acquired in the previous years. And the outsourcing segment is one that has the most participation. So when we see a reduction quarter-after-quarter of about 500, depreciation.

It's the reduction of cars that we had previously been bought and considering normalized depreciation at conservative levels, vis-?-vis the new cars that enter. So this is the dynamic that we use for both segments. But when we look at Rent-a-Car that has a shorter cycle, you have -- the new cars are more important and that generates this elevation quarter-to-quarter about 7% of depreciation normalized. We come from BRL2.1 million to BRL2.3 million.

So the dynamics of considering depreciation is equal for every business, what changes is the cycle of the asset of each one. So the cars that are purchased and larger proportions in previous years, because of fleet outsourcing.

**A - Carlos Horacio Sarquis** {BIO 20060508 <GO>}

Victor, good afternoon. Thank you for the question. About Rent-a-Car tariff year-to-year we grew 29.2%, quarter-to-quarter 9.2%. Y-to-Y most of the segments of RAC grew more than that. So we had an exception. In relation to your question about, what would be the increase and the increase would be higher in Uber. We would not give the details, but it was higher than the increase on Rent-a-Car ticket. So high railing it's that.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Okay, I just would like to take a look at that. If we get the mean tariff and put together the increase in price of the purchased cars will be the marginal RAC will be stable or do you see a variation?

**A - Luis Fernando Memoria Porto** {BIO 17590082 <GO>}

This volume of acquisitions in the third quarter was very small in Rent-A-Car. So, this purchasing mix is not normalized, therefore this mean value that you are seeing in the third trimester, hence that's what you have. So, we are quite comfortable in repassing the increase in all the costs, cars maintenance, et cetera and repass this pass is over in tariff. So, we still have a very robust RAC in Rent-a-Car segment.

**Q - Victor Mizusaki** {BIO 4087162 <GO>}

Okay. Thank you.

**Operator**

Our next question comes from Rogerio Araujo, UBS.

**Q - Rogerio Araujo** {BIO 17308156 <GO>}

Good afternoon. Congratulations for the result. I would like to understand, if you can set aside the trucks, and could you give us the increase in mean price, we saw more than 7% in car rental and fleet RAC.

Could you tell me how much increase in trucks, and was increase in tariff necessary in the margin of those cars that are being acquired. So that you repass the increase in price, and, in fleet and RAC, are you able to see this type of increase? This is the first question.

And the second question has to do with technical discount. Just to see if you do that are not, and what's the math? Could you explain how comes in that balance? How we can adjust to calculate the technical discount? How do you do it or what's the individual price of vehicles in the cash flow? This is it. Thank you.

**A - Luis Fernando Memoria Porto** {BIO 17590082 <GO>}

Hi Rogerio, good afternoon. Thank you for your questions. We cannot put aside the trucks to talk about the mean price and the fleet are in the RAC, because it's a piece of data, we don't have here. But as Sarquis said, these values are not recurrent we are living through a unique money as far as the industry is concerned.

In our business -- truck business, when you have a small purchase, the truck business defines it. We can later on see how much it amounts to. But no question trucks influence, the mix as a whole, because to give you an idea we had in the 3Q a smaller procurement of popular vehicles because of the industry as a whole and we today have demand for the rental of any type of care at any group, be it Rent-a-Car or fleet.



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If I have a popular car, we have demand, and it's an SUV, the most expensive one, we also have demand. So we don't choose mix. We buy what the industry offers. So the mean price of fleet or of RAC or not this normalized values. This quarter had a huge variation in the number of popular vehicles as compared to the whole.

Second item. The fleet has repass when we sign the contract. So in our case, we suffer variation in the administrative course costs operational costs and of the price of final sales, all the other items interest curve, buying new vehicles and financial adequation that generates the price is done when the agreement is signed. So we are completely protected in the long run in all our agreements, all our contracts including interest -- interest is going on, up, I'm sorry, or our stock is going up.

And in Rent-a-Car, as you can see also the tariffs are going up consistently, here we are obviously repassing those cost increases to the tariffs and we will not as Sarquis said accept less RACs than what we understand, the minimum sustainable for the company. We have the pleasure of working in the sector that grows a lot, has a lot of demand and gives us the chance of having high margin.

We have a long experience to tell you that we at Unidas will not -- we've rentability, why profitability? Why do we say that? Because companies that tried to have different alternatives are not here anymore to tell their stories.

So it's a very good business if you have good profit. It demands recurrent high investment and that's what we believe on. So, the tariffs are already being impulsified at a level that is enough for good profitability in the coming periods. And about Acelero, I'm going to give it to Marco to explain better.

### **A - Marco Tulio de Carvalho Oliveira {BIO 20074241 <GO>}**

Good afternoon Rogerio, thank you for the question for your participation about Acelero. The whole movement of Acelero which is controlled by us. It does not go through the car sales numbers. And the sales of assets and mobilized, its in one single page of the release where we talk about operational results, where you have their other business and equity.

We don't open the segment because of the size, and it's in this reconciliation in the operational results page, you can see for release as well as for the financial statement. And about technical discount, I'm not sure if that was a question or both business sales, you have a cost of the car that was sold as the effective cost that have in the sales with effective price. There is no type of adjustment between businesses or financial statement lines or cash flow.

### **Q - Rogerio Araujo {BIO 17308156 <GO>}**

Perfect. Quite clear. Thank you. Congratulations again.

### **Operator**

Our next question comes from Regis Cardoso, Credit Suite.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Good morning, everybody or good afternoon. Congratulations for the results. I will go back to the topic of car pricing, and I would like to discuss it in three dimensions, if I'm allowed. The first one about the acquirement price. We have gone over a few, but I'm not sure whether you can quantify. But could you at least list what contributed to this increase? In prices, you have many items there. There is a reduction of the discount for the rental business, there is inflation.

So I'm not sure whether you could a list, a list this effects in a priority order. And that comes from the increase in new vehicles, in the price. It's an increase of the allocated capital that reflected on a growing net depth and I would like to understand whether this rhythm seen in this first quarter will go on. And if you have any concern of leveraging, especially if we think that the net liquid EBITDA metric is majored by the extraordinary margin of semi new cars? So this two were the effect and this leveraging.

And a third topic about the car pricing is on tariffs. If you could comment, how this trajectory was of Rent-a-Car tariffs throughout the quarter. So the mean price will keep growing and the fourth quarter will still grow, how is that? And may be on that topic considering the restriction of offer that you commented, what's the strategy if you could comment?

In relation to the Uber drivers, if it's a segment that had a reduction that had a reduction in the number of drivers and I suppose that's going to impact your business too and it was already a segment that had a lower margins. So, do you give priority in the assets for this segment, could you discuss that?

**A - Luis Fernando Memoria Porto** {BIO 17590082 <GO>}

Thank you Regis. I'll tell you first about the dynamics of the car pricing for Rent-a-Car and for fleet. You listed all the items of interfere on that. So you have those four items that influence. What I can say is that what influence the amount of popular vehicles vis-?-vis the total amount of acquisition, so the mix. This was the worst problem for us of this increase in the mean price of higher cost. When the moment industry is living through, it gives priority to the cars that have the most added value or the higher.

So the popular cars are suffering more impact in volume. So, if you sum up all these four factors that's important for the mix of popular cars, regarding the rest, about this 2Q as well as the 3Q. So this is it for the price.

**A - Marco Tulio de Carvalho Oliveira** {BIO 20074241 <GO>}

Regis, thank you for your question. Again this is Marco speaking, Marco Oliveira. Second part of your question, which is the indebtedness of the company of the debt that grew, what's important to say here?

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We always show a relation of depth and indebtedness. If we look at the EBITDA as you mentioned there, the recurring EBITDA every year so we see the capacity of generation of EBITDA of the company in this point in time. And there is a variation of 0.19% in this from to, from the first to the third quarter, where we see basically an intense growth that should go on, we put emphasis in our release.

So a growth of renting EBITDA very strong on this quarter. And EBITDA, not talking about margin but nominal EBITDA that basically decreases a bit. So, this is what we say, it's because of the growth that Unidas has focused in the rental business. This growing EBITDA in rents, it should make us compensate a marginal reduction, if there were in the semi-new EBITDA.

So we don't see any discomfort in the growth of the debt of the company. If we have a growth in a capacity of generating this operational cash, in the next quarters. And Porto mentioned that in exercise, that we do marginal reduction, if there is one because when the volume of semi-new is normalize as well as the margins and this gross profit exercise, we would have to sum many more cars, once the business is more normalized and the margin will be normalized, and this should not affect the gross profit or the company's EBITDA.

So growing the rental EBITDA, so that when the margins of semi-new is normalized and we have inverse table in the EBITDA of semi-news, we understand that we are going through a normal path in the capital structure of the company and to have its growth in this marginal levels that we have seen. So, even if you look at a EBITDA -- recurrent EBITDA that should be the EBITDA of the next coming quarters. Since the company is growing in rental operations. I don't know if I missed anything from your question, but I guess I answered.

### **A - Carlos Horacio Sarquis {BIO 20060508 <GO>}**

Regis, this is Sarquis, answering the last part of your question. In relation to trajectory, the tariff is higher than in the 1Q. So that did not stabilize and this keeps growing in the fourth quarter and I'm sure that the reason inertia that's quite clear, where the prices are going to demand is much higher than offering, you see this in occupation rate, in tariffs and in the fact that our fleet is not growing. So demand is much higher than what we can offer.

So I don't see in the short run, I don't see any reason for those prices not keep going up. And therefore the tariff will take the value of the cars and maintenance, because that cost is increasing, because the fleet is aging.

As Tulio mentioned, today we can go back to sell the number of cars that we are able to and that will depend on the volume of cars that we want to buy, there is a cost it's going to fall out which is maintenance. Also helping us in a bitter in this aspect and of course, the growth of Rent-A-Car will also help in fixed cars, leveraging the operation.

In relation to the last part of the strategy, considering the Uber drivers, we increased prices and we operate in this segment, just like anybody else knowing that at that price we have good rentability profitability. But we also see this drivers as clients. We could very

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well ask them all to give the cars back because we could rent the cars for other customers and the margin of the quarter will be benefited, but that would be client bettering and we do not subsidize one segment with the other. However, we do not better the customers intending to maximize the results of a quarter. I would like to make that point quite clear. Thank you.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Thank you. If I may one more question about Acelero, Could you share something to give us an idea of the scale of that business today? And how do we imagine it one more business for online sales or acquisition online is also relevant. Is it comparable to Companhia or other company like that That and if so, if it's comparable to other companies like that you operate with cash burn, which is common in this kind of business.

**A - Luis Fernando Memoria Porto** {BIO 17590082 <GO>}

Regis, this is Porto here. Thank you for the question. First, Acelero, in our balance, still is equity to business there two years ago, appeared in Unidas with a bias of complementarity of products for our clients, its equity and earnings. There was a demand in this business that we wanted to serve the fit, the physical clients, but in the last few years, it was transformed into a (inaudible) model, with strong digital bias.

And also, according to physical initiatives, which is our DNA here. So for now, we will not disclose the size or how it's going to work, because we understand that it's a business, that still does not have a size, that justify for Unidas to disclose it.

However, we believe that throughout the next coming year, this business will be -- we will be able to disclose it, about the cash burn as I today, it will not affect Unidas as far as that is concerned.

**Q - Regis Cardoso** {BIO 20098524 <GO>}

Thank you.

**Operator**

Next question (inaudible)

**Q - Analyst**

Thank you for your call, two questions. I saw that your RAC services has been growing, increasing number of stores. And semi-new has decreased, it was increasing but it decreased 10 stores. What's the trend from now on, considering your networks -- towards network? And the other question is about the price of car. And when industries more normalized, how do you see the discount with the assembly lines? Thank you.

**A - Carlos Horacio Sarquis** {BIO 20060508 <GO>}

(inaudible), this is Carlos Sarquis. I run the Rent-a-Car and there is huge slice first to get the companies closer to the customers and we've been talking about that at every

quarter. When we do not look in the short run when we open a store, because, we could think about not opening store and concentrating the cars in the stores that are already opened. And but, our intention is to improve the segments or the service for the clients, serve more cities for instance.

I believe that there is a space for the industry at large, if you look forward. I'm not sure I answered your question.

### **Q - Analyst**

Yes. You did. Thank you. And about semi-news, this shrinkage of sources to optimize and maintain a high EBITDA margin. If you have an expectation?

### **A - Luis Fernando Memoria Porto {BIO 17590082 <GO>}**

Yes, we do, that the number of sold cars is smaller than capacity, we demonstrated at our capacities, 30,000, 32,000 cars, and we are selling about 12,000s in the quarter. It does not make sense to remain with stores that are not performing because of lack of products.

So, we did some actions to reduce cost right now, even if we have to open new ones upfront, our cars move about. So not necessarily the store of today will be the store, we need to sell cars within a year. So we have a logistic thing here, you open here and close there. You're saving logistic and semi-new is that it's adjusting the machine for the current needs. In RAC, as Sarquis said, we would rather invest a lot in opening new stores to serve a wave that we believe is huge and it's coming with the intention of bringing the stores close to the customers.

About the price in the long run, and discount in new cars, we believe that this dynamics will normalize everything will be normal, its natural or what's going on nowadays and our expectation is that things do address, what's more important for us right now is a relation that the market is piloting, in restoration somebody buys, whoever buys the more discount they will have.

So this dynamic being respected, things function very well for us and the market goes on functioning in a healthy way. This is what we're living through. It's been difficult, because we could have many more cars with a newer fleet, but we have been able as you have noticed to do more with less, which is with less cars, we have more revenue, more results, and we go on with the return rates that are very high. So things will be adjusted in the long run.

### **Q - Analyst**

Thank you. One more question about the RAC stores. How do you see the use of technology, and are you going to refurbish or renovate the stores?

### **A - Luis Fernando Memoria Porto {BIO 17590082 <GO>}**

We did great advances as far as that is concerned. Our app, we improved the experience of picking the car up, we have interesting, we are transforming to digital the rental process and also picking up and delivering the car.

And I believe that that's a very important path in the very short run and to add value for customers and for everybody, it's a win-win stance. It's going to be cheaper for us and better for the service, so it's been a year of investing in technology in next year also. So, this is a clear trend of the industry to advance into the digital agenda.

## Q - Analyst

Thank you. Excellent.

## Operator

Next question Philippi Firida(ph), Citibank.

## Q - Analyst

Good afternoon. Congratulations, for your results. I actually have two questions. One regarding the cost of debts, I noticed that you commented a lot about the strategies to reduce the interest rates escalation. But I would like to understand from you. How do you see the growth of the cost of new emissions, considering that the interest curve is steeper? The fiscal risk is higher. So, how do you see that impacting the capital structure of the company and in the cost of new emissions.

And also like to ask something else about competition. Of new companies that appear. What have you been seeing in relation to this expansion of niche competition like special cars et cetera. And how do you see these companies? If they are small companies or not, or is it a business that it has been competing directly with Unidas? Could you mention something about that, please?

## A - Marco Tulio de Carvalho Oliveira {BIO 20074241 <GO>}

Thank you, Philippi for you question. Marco Tulio here. And I will talk about the new emissions, and Luis will talk about competition. I think there are two classical movements here that speak of should be this moment in the aspect of new missions.

We announced for the third quarter BRL1.3 billion in debt and the worst one BRL1.1 billion be a long in debt. So, to have a comfortable flow, it's a 10-year operation. We're talking about something in additional spread of 2.24%. It's more than the mean cost of the company. When we look at the mean cost, we are talking about less than 2%. And again, we have to think about it's a 10-year operation and we have a shorter operation which has smaller spread.

So we're talking about operation that we have a spread of 1.3% to 1.4%, 1.5% depending on the duration. So talking about operation with maturity between the two mature between 5 and 10 years, this is a market cost of between 1.3% and 2.24%. These are

recent operations that have not been announced as yet but we can forget, we have to forget that it's going to happen in the future. But in this current moment, this is what I have to say.

## **A - Luis Fernando Memoria Porto {BIO 17590082 <GO>}**

Philippi, about competition, Unidas for the four, five years has been investing much money in a context of serving the customer in all needs, so we want to go on close to a situation where the client is demanding things and we want to serve them. This is why we created many products of different niche throughout this last year's. Acelero as I told you came out of client demands, its transform itself in business, other businesses, agribusiness, truck business all those products that are part today of Unidas 360 platform that's what we call it, which is the most complete platform in the market.

So only Unidas today can come to our client and serve the person, the company from a car to a truck offering other products, like tracer, other products besides this basic renting a portfolio, serving the client as a whole. We see this is a trend more and more clients demand competitive suppliers experienced ones that bring a benefit cost beyond renting. And this is what Unidas has been investing on for the last five years.

So, competition is niche is natural of a platform that we have constructed to act like that. And that bring some advantages. First advantage, it opens larger drawer for growth. The more we serve the client, the more the sorry, the client comes back and the more we profit, and moments of difficulty, you can choose one way or another, whatever is more demanded or has more profitability. This is what we think about the niches and what's more important about that is that the client has been served by Unidas and everything they need.

This is a context that we've been working on and it day-after-day, it's become more and more clear that we are on the right pathway of a strategy that is good for our clients, and that's what is important for us. This is what we understand on this niche businesses and competition. Thank you.

## **A - Marco Tulio de Carvalho Oliveira {BIO 20074241 <GO>}**

Thank you, Philippi.

## **Operator**

I would like to give the floor to Mr.Francesco, who is going to read the questions from the webcast.

## **Q - Analyst**

Good afternoon everybody. Let's start now Q&A. The first question comes from Barbosa from Santander. He says, good afternoon congrats for the results, in 3Q '21 RAC at the end of the period was close to the stable 2Q, but the mean age of the fleet increased. At what age are you comfortable? And could you comment if the rhythm of receiving cars in 4Q '21 improved when compared to 3Q '21? Thank you.

## A - Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Lucas, thank you. About the first part of your question, the excellent point is eight or less, that will be the optimum point. We are using the cars for almost 12 months.

This is not the best in relation to cost or quality of service to the client. Six would be much better than nowadays a time, as far as cost and services considered. We are achieving or we are being able to pass on this costs in tariffs. The higher cost that we have because the fleet is aging. So what's the comfortable point as far as margin we're comfortable with higher levels, but it's not excellent. In relation to the last point and how we see the evolution of the fleet for the fourth quarter. I cannot answer you,

## Q - Analyst

Thank. Now the last question from the webcast. One question has already been answered. So the question is from Thiago from Luxor Group, and he says congratulations for the results. Would it be possible to explain the reason why the cost of semi-news increased importantly, although the volumes of cars sold is less when you compare to 2020, the nine months?

## A - Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Thank you, Thiago for the question. Here you talk about the costs, but as I mentioned that, the question has to do with expenses because the cost of the vehicle drops in nine months. In spite of the increase in sales, and this has the dynamics of fix and variables expenses, especially when we do a parallel with some issues of 2020, what does that mean? When we consider variable expenses we have four more sales, more expenses year-to-year and when we talk about fixed expenses last year.

Remember, it was last year of pandemic. We had many actions. And it was an easier environment to have this expense freezing -- fixed expenses. Because of the moment that we're living with closed doors. But it's not the case of what we're going through in 2021, or the other way around.

We are functioning normally, and we don't have enough volume of variable of cars because of our strategy to dilute this fixed costs, and we maintain a robust sales structure. This is the dynamic, and thank you for your question.

## Operator

Since there are no further questions. This conference call is closed. We thank you for your participation and have a good afternoon.

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