

## Q3 2020 Earnings Call

### Company Participants

- Leonel Dias de Andrade Neto, Chief Executive Officer
- Mauricio Teles Montilha, Chief Financial and Investor Relations Officer

### Other Participants

- Olivia Petronilho, Analyst

### Presentation

#### Operator

Good afternoon and thank you for waiting. You're welcome to CVC Brasil Operadora and Travel Agency SA, for the discussion of the Third Quarter 2020 Earnings Results.

Today we have here with us, Mr. Leonel Andrade, CEO; and Mauricio Montilha, CFO and CRI. We inform that this event is being recorded and all participants will be in a listen-only mode during the Company's presentation. We will then start the Q&A session, when further instructions will be given. (Operator Instructions). This event is also broadcast live via webcast and may be accessed at [www.cvc.com.br/ri](http://www.cvc.com.br/ri), where the respective presentation is available. Slide selection is controlled by you. The replay will be available immediately after it is concluded.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of CVC's management and on information currently available to the Company. They involve risks and uncertainties, because they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that conditions related to the macroeconomic scenario, industry and other factors, could also cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Leonel Andrade, CEO, who will begin the presentation. Mr. Andrade, you may begin your conference.

#### **Leonel Dias de Andrade Neto** {BIO 17974731 <GO>}

Thank you very much. Good afternoon everyone. I hope you're all doing well and I thank you for being here with us. We are very proud to know that, today we are presenting the third quarter's results, which means that we have fulfilled all of our accounting obligations, which means that we have survived all of the challenges we faced this year.

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From an accounting point of view, we are 100% okay. And therefore, I think it is now time for us to start a new moment of the Company. I would like to start in Slide 4 and I would like to highlight that we recently published our balance and we have had only a few days after that. I would like to highlight here, that we created our business units, which are 100% operational. Daniela Bertoldo officially arrived at the Company this week, last week actually and she started managing CVC's business unit, the B2C unit and we now have a much more consistent vision for our future. So, that we can create in fact, a new digital world to reach our new target. I am sure that with all of the strategic work we're concluding, the stores are totally renovated in terms of experience and content relationship products and this is going to take place over the next year, with Daniela's management.

Also, we concluded our B2B business led by [ph]Jim Maurice and we will soon have a presentation. We are gaining market in B2B and with the pandemic, a series of companies, operators and agencies in general, have started working with us. We have an increasing scale, in a fragile competition and therefore we're gaining market share and I have no doubt that we will be an increasingly more important player in the segment.

Our online business is led by Tulio, Tulio Maia. We have now unified our different platforms, Submarino, Viagens and CVC and CVC's app, are already operating true fledged, of course this means that we are much more prepared to compete in the online world. We today have a focus which is clearly defined. We are also increasing our partnerships with this concept to generate new businesses, as we have with Livelo Linhas Aereas and Banco Santander. We have new ones coming up soon. And I will soon announce some news in the near future.

In the last six months, we totally reviewed all of this. We re-wrote the Company's history in terms of governance. We have unified all of the technology structure and today this is very strong and prepared to face the future. As I mentioned before, our priority focus is on margins. The take rate in Brazil is better, is increasing and of course for the Company as a whole, we have had significant increase, we have the operations in Argentina with a lot of difficulties and the take rate has gone down there, because of the difficulties the country is facing. But here in Brazil, we have an increasing margin and the structure we have created by placing clients and price has presented a series of new actions. Our pricing is more modern, we have algorithm pricing, we are actually anticipating our plans and this will take place much sooner than expected.

We are concluding our strategic plan, which will be concluded in two weeks. And with that, we have a totally different focus, with a high scalability. Our investments remain the same, thanks to the support of our shareholders and 100% of our processes are being reviewed and let's think that until very recently, we had 10 companies, they didn't communicate with one another, but now they are much more integrated and in the near future, we're only going to have two or three back ups and they will be integrated among themselves, the different business units. This will lead to cost reduction and more efficiency in our business.

And of course, moving onto Slide number 5, it is clear that, in the third quarter the results that are presented still represent huge challenges. We have a lot of problems because of

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the pandemic, with our borders are still closed. But it's clear that CVC Corp will be a Company which will lead the resumption of activities in the market and activities that are related to cash generation. We also have BRL1 billion in September, and all of the capacity and it's very important to highlight this, we have a capacity to honor 100% of our debts and our commitment. We can do this for our partners and the hotel networks, as well as for our physical persons clients, we can honor all of our commitment, which is very important so that we have people trusting our ability to lead. We also had very successful capitalization and we're going to have another one in the near future.

With I think that what is positive here is the performance of the quarter and when we move on to the next page, I'd like to call your attention to how much sales are restarting. Of course, so we are still in a fragile condition, it was almost tragic at the peak of the pandemic, in April. We had only 1% of what we had done the previous year. And now sales have increased, and we reached 37% of what we had a year ago. And let's keep in mind that in the domestic sector, we are very strong and actually resuming much faster than expected. Hotels are full, airline companies are going back to their schedules and this has helped us a lot, because in the Brazilian domestic market, CVC is sovereign.

Of course our international business and corporate, which represent about 30% of our total business, have not resumed yet and therefore, we still have some challenges, but of course we're doing better and better and selling more. We will continue with a very strong ascending curve. We are dedicating the Company to the business, to our client, leading, investing and communication. All of our stores are open. We have 1200 stores open, our structure is open, our B2B business is also growing strong and gaining market as I mentioned.

And this month we have Black Friday, we have all of our infrastructure available and I'd like to remind you that this is a very important moment for us. Black Friday is perhaps more important in this segment and it is in November when people schedule their travels for the end of the year, as opposed to other sectors. Here, Christmas week is when people are already traveling. Now, it is the time for people to buy and I'm sure that we are very well prepared to make good use of this.

I now turn over to Mauricio Montilha, CFO. He is going to talk about his Slide. And as always, I will be available at the end. Thank you very much.

### **Mauricio Teles Montilha** {BIO 18725719 <GO>}

Well, thank you Leonel. Good afternoon, everyone. I'm going to make a few comments about the financial results and then we move on to the Q&A session. I just have one comment. I will start on Page 8 with CVC's results in Brazil. As Leonel already mentioned, we suffered a significant impact, especially when we analyze our revenues and we have some areas which suffered more significantly such as boardings and in the domestic market, we are resuming much more significantly.

It is important to highlight that we are focused on costs and on consumer services and remarks to guarantee that the clients who bought their tickets, their packages or any

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type of products related to travels, can make good use of their travels. This is an important focus and even so, we are able to have our costs aligned to the expectations we had when we started working with the impacts of the pandemic, in the last few months. As Leonel mentioned, our margins are improving.

Margins depend on boarding and the sales are doing better, because we have a better mix, but the net revenue still does not show that. Here in Brazil, we already see some small margin improvements, which we hope will be consolidated. Another important aspect and we always talk about this, is that we still have our own funding. It is all working well and it's important that the pandemic and not only the pandemic, but the economic effects of the pandemic will lead to, this we're being more conservative.

First of all, we provisioned for losses and we changed our sales policies, with more conservative policies and in some cases, we want to decrease our loss. So, we are provisioned, we have had no surprises. What we expected is happening in practice. And then, on the other hand, we are being more conservative, especially when the credit scores are very low on the credit card fees. So we will continue as we are. The main focus is having healthier sales, this is happening with this new policy that was implemented.

When we analyze Argentina and of course as we had already mentioned, is much lower in Argentina than in Brazil. The country took more strict measures against the pandemic, they closed their borders and they depend a lot on international travel and therefore we can -- we see a very slow resumption in Argentina. We also have some restrictions in Argentina regarding the restructuring of the companies. We have good news, though, in November, the government opened their borders and we can see some resumption of sales in Argentina. The market depends on it and so we can see sales resumption as of November. The third quarter still indicates a difficult situation, but with opportunities for improvement, with the opening of the borders.

On the next page, we have the consolidated results, that indicate this dramatic decrease, especially on revenue, since boarding have been delayed and we can see a faster resumption in bookings. Even though the costs are going down, at this level of operation, we have not been able to cover our costs and that's why we're still in the negative.

An important aspect on Page 14 and we have focused on it from the very beginning of the pandemic, it is the financial health of the Company. As Leonel mentioned, we had an unconditional support from our shareholders. In January, we anticipating year around. We are receiving our sales and that makes us more relaxed. So, we have good working capital, which will enable us to fulfill all of our commitments with our clients, those who have bought their travels and have not used them yet. And so, on the financial side, we have total financial discipline for the Company as a whole. And we are 100% in conditions to guarantee our commitments with our clients, as well as to make new sales. There is no barrier for sales, you can say as much as you want, this is something that we like to tease here. The Company does not have any problems in having funding to try to resume sales and meet consumer needs.

Finally, on the last Page here, you can see our indebtedness. We are at the final negotiation step, the objective of this negotiations are to, of course pandemic had relevant impacts on the Company's indicators and they will continue for some time, until everything goes back to normal, which will be in '22 or '23, but we have to realign our structures, our contracts with this new reality and we are also trying to align our cash flow, especially for the short term payments.

We are at the final stages of this process and hope to be able to inform the market about it in the near future. So, this is something positive for all of us, for the Company, our clients and our -- and those who have supported the Company with a capital structure. (Technical Difficulty).

## Operator

Please wait a minute.

**Leonel Dias de Andrade Neto** {BIO 17974731 <GO>}

Have we lost him?

## Operator

Please wait a minute.

**Mauricio Teles Montilha** {BIO 18725719 <GO>}

Hello. Once again, good afternoon. This is Mauricio Montilha. Please forgive me, I had a problem with my telephone connection. I was talking about our indebtedness, which is actually my last comment, before we start the Q&A session. I don't know where I was cut-off, but the most important thing regarding our debts, is that we are at the final stage of the renegotiation of our contracts. So that we can align the new covenants and financial KPIs, with the resumption of business and what will come in at the end of '22 and '23 as a result of the pandemic.

And additionally, we should have cash alignment, especially for the short-term debts. We hope to solve this and then in the near future, be able to inform the market, that we have concluded this renegotiation and have the support of our creditors. We will soon inform you that these processes have been concluded and what the conditions are.

Since we have covered the main aspects of our presentation, I would now like to open for Q&A. And so, Leonel we start our Q&A now. Thank you very much.

## Questions And Answers

## Operator

Ladies and gentlemen, we are now going to start the Q&A session. (Operator Instructions). Our first question comes from Olivia Petronilho from JP Morgan Bank. Please Olivia, you may proceed.

**Q - Olivia Petronilho** {BIO 19090195 <GO>}

Hello, everyone. Good morning and thank you for answering my question. I have two questions actually. The first one is regarding suppliers, you talked a lot about Black Friday and I wanted to know what the negotiation is like, with the airlines and if you have any types of partnerships, especially here in Brazil. Of course, you have a mix factor, but you probably have some relationships with suppliers here, that will give you some advantage.

The second question is about the renegotiation of debt. We wanted to understand whether you already have an optimal aspect for leverage that the Company could work with, after the crisis and the recession. Thank you very much.

**A - Leonel Dias de Andrade Neto** {BIO 17974731 <GO>}

Thank you very much, Olivia. This is Leonel speaking and I will answer your first question, then Montilha will answer the second one. Regarding suppliers, first of all, our position in terms of availability, our offers and relationships is very good, all of them have a series of priorities. For airline companies, I would say that we are growing in domestic tourism. All of the hotels in Brazil region [ph] are with us. We have resumed flights last week, we had the first flight of the year to Puerto Seguro. All of our schedule is going to be maintained until the end of January, with a series of exclusive hotels, as we've always done.

And now, the important aspect is that, we have closed a very large partnership with all of the boutique and class A hotels. We have also studied the segmentation of a boutique that we call CVC's boutique. This will be very strong as of next week. All of our communication models will be active, it's not atypical segment for us, but because we have had a lot of search this year, Brazilians will travel in Brazil, since the borders are still closed, this year we will not have New Year's in Disney for example. So Class A with high income will spend money traveling in Brazil, after a long time. And we have very good assets, we are selling all of the Class A hotels in Brazil. We even have exclusive transportation means to come on that tour by Class A hotel. We are the only Company to be lending recommended to by this summer. And therefore, we are very confident.

Of course the take rate remains a challenge. The Company -- the economy is too suppressed and people are not traveling as they did in the past, but in terms of suppliers' relationship, we are definitely at a very comfortable position, the take rate could even be going down. But, I believe that we will have a very good take rate. Thank you very much. I now turn over to Montilha to talk about debt renegotiation.

**A - Mauricio Teles Montilha** {BIO 18725719 <GO>}

Oh hello, Olivia. Of course when we think of a normal situation and look at the past and what is happening, I think that a comfortable leverage for the Company and apparently this leverage provides a good structure capital relationship, would be about 2.5 of the add to that, but of course, it all depends on the cost of the debt and of course in the

short term, when the costs are higher, it would be a little bit lower, but, if you think that these curves may have their risks decreased, it could be a little bit less, but this is our vision for today.

The past is reasonable and when we resume to normal, we will have about 2.5, 3, 3.5 at most, when we have more investments, expansion, this is a little bit of the vision we have today.

**Q - Olivia Petronilho** {BIO 19090195 <GO>}

That's excellent, thank you very much.

## Operator

(Operator Instructions). We now conclude our Q&A session. I'd like to turn over to Mr. Leonel for his final considerations. Mr. Leonel, please proceed.

**A - Leonel Dias de Andrade Neto** {BIO 17974731 <GO>}

Well, thank you very much for your participation. I'd like to wrap up by highlighting, that we are going through a good moment and the word of the moment is now trust. This has been the Company's most difficult year, we have, no doubts about it, not only because of the pandemic, but because of all of the different processes we went through, because of the accounting issues that we had the previous year, we had significant changes in the management of the Company, not only the CEO, but basically all of the high executives of the Company were exchanged, we also had changes of the Chairman of the Board and so that increased our challenges.

The Company stands, we have 100 of our publications on time, we have the support of our shareholders and of course the Company is operating, all of the players are investing on us. And today, we have a first-line team, with a new governance structure, not only corporate governance, but the whole business model. The Company is, as Montilha mentioned, with the debt renegotiation, we will rest assured, that we will be able to resume in a strong position. We are committed with the long-term. I have to thank you and say that we are confident about the future. We are sure that we have gone through the worst moment of the Company and we have survived in a healthy condition.

Once again, I thank you for your support, for your assistance, for your trust and together, we will go through a new moment, not only in Brazil, but in the world, leading the market more strongly. I thank you very much and wish you a good day.

## Operator

CVC's Brasil Operator and Traven Agency SA is now over. We thank you all for your participation and wish you a wonderful afternoon.

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