Q3 2020 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 and Investor Relations Officer
- Unidentified Speaker

Other Participants

- Lucas Marquiori, Analyst
- Murilo Freiberger, Analyst
- Regis Cardoso, Analyst
- Rogerio Araujo, Analyst
- Unidentified Participant
- Victor Mizusaki, Analyst

Presentation

Operator

Good afternoon. Welcome to Unidas Conference Call where the results for the third quarter of 2020 will be presented. At this moment, all participants are connected only as listeners. Later the Q&A session will be open and instructions will be given for you to participate. Unidas will also open space for media professionals to ask questions right after the analysts and investors Q&A (Operator Instructions).

This teleconference has simultaneous translation into English. Questions can be asked normally by participants connected abroad. Questions can also be asked over the Internet, through the webcast platform. This teleconference is being recorded. The audio will be available on the Company's website within 24 hours. If you do not have a copy of Unidas earnings release, you can obtain it from ri.unidas.com.br. This conference call and the slide show is being transmitted simultaneously over the Internet and also through the Company's website.

Before proceeding, I would like to clarify that any statements 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 forecasts based on expectations in relation to Unidas' future. Such expectations depend on the performance of the sector, the general economic performance of the country and the conditions of the national, international markets.

Today, we have Mr. Luis Fernando Porto, Chief Executive Officer; Mr. Marco Tulio Oliveira, CFO and Investor Relations Officer; and Mr. Carlos Sarquis, Head of the Rent a Car division. I now turn over to Mr. Luis. Please proceed, Mr. Luis.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Good afternoon, everyone. Welcome to Unidas third quarter 2020 results conference call. Sarquis, our Head of RAC as well as Marco Tulio, our CFO and IRO.

We begin our presentation on Slide 2. We're proud to announce another important step by the Company related to ESG. We entered into an important partnership with EDP to start offering electric vehicles for rentals. In the first phase of this initiative, which started in October, Unidas will make 100 electric vehicles available to corporate and individual customers, whereas EDP will act as a supplier of a set of solutions for customers, including customized electric chargers according to each need, the installation and maintenance of this equipment, a load management platform, in addition to the offer of energy supply, which may, among other possibilities, be made through a contract for the sale and installation of solar panels.

In short, we're talking about customers who will have a fleet that can be supplied by satellite. Imagine the infinity of benefits that can be generated to the environment, society and quality of life for the fleet costs of customers who rent the solution with us. We have two indicators that demonstrate the transformational power of electricity. With only 100 vehicles, it will be possible to reduce the emission of 574 tons of CO_2 into the atmosphere in one year, which corresponds to planting 3,518 trees. We know the journey will be long. This is our first step.

I also want to remind you that since last year, the CO_2 emission of our entire fleet has been 100% neutralized by the Company. Our stakeholders can rest assured that our Company will continue to work with great impetus to become a reference in ESG practices.

Moving on to Slide 3. We will talk about the important awards received in the third quarter of 2020. We were winners for another consecutive year of the 100-plus innovative companies in the use of IT award from IT Media and Pricewaterhouse [ph]. We were acknowledged for the digitalization of customer service project, the most relevant in the field of technological invention among Brazilian companies in miscellaneous services sector in 2020.

Unidas was considered the 40th most valuable brand in Brazil by Exame Magazine. The ranking is a result of a study conducted by the bridge consultancy brand finance, which analyzed around 5,000 brands from around the world. In its 24th edition, the 150 best companies to work for in Brazil ranking, great place to work in partnership with Epoca Negasus Magazine ranked Unidas in 34th place among large companies in the country. It was also considered for the second consecutive year, the Best Car Rental Company in the ESU [ph] ranking of the rental car segment.

To survey the ranking of the best company, they surveyed 2,055,275 customers using a questionnaire with different questions and in compliance with International Privacy Shield. This survey was applied between March 2019 and March 2020 with over 6,500 companies cited by customers.

In Slide 4, we show the evolution of our fleet. At the end of the third quarter, the Company's consolidated fleet totaled a final balance of 158,320 vehicles and an annual growth of 3%, explained by the expansion of both rental businesses. As we can see on the next slide, in the third quarter of 2020, vehicle purchases were higher than in the same quarter of the last year due to the normal course of the fleet management business and the resumption of vehicle purchases in the rental car segment. Although the purchase volume was higher, it was not enough to overcome the record sales volume of used cars in the quarter, and we will talk about it later.

On Slide 6, we will talk about the fleet management segment. In the first graph, we can see that the record performance meant a three-digit growth, both in global value of the new rental contracts and in the total of vehicles hired. In fact, the amounts accumulated in the nine months of this year, in addition to being absolute records of the Company in that time span, also represented 156% and 110% of the global value and the total of vehicles hired, respectively, throughout the full year of 2019.

This positive momentum experienced by Unidas continues to the fourth quarter of '20, representing an increase of 22% in 12 months. This is a result of having the most complete service platform in Brazil, Unidas 360 degrees. It has 15 products available to serve anybody in the country or any company that needs to rent a car or trucks for any period to -- and wherever they are.

Now on Slide 7, in the upper left, we have an annual growth of 5.6% in the volume of daily rentals in the third quarter and 3.5% in the average monthly tariff, both of which are record and the result of strong uninterrupted business activity even during the pandemic and the expansion of our addressable market with the entry into agribusiness and special vehicle segments.

In the lower left graph, the utilization rate of the segment in the third quarter increased 0.1 percentage point in 12 months, reaching 98%. In the next chart, the net revenue from the fleet management was BRL346.5 million in the quarter, an annual growth of 9.7%. It is a record for the Company.

Now we're going to talk about used car sales, starting with sector analysis. The upper graph shows that the market formed by used vehicles with up to three years of use presented an annual growth of 7.3%, increasing its representation in the overall vehicle sales market in the country. As mentioned in the second quarter results, the used car sales market would resume strong in the second half, sustained by increasing prices and the supply shortage of brand new vehicles. With management's assertiveness in accelerating sales in this context, we achieved great success in reconciling record sales volume with an increase in the average price.

The previous graph shows that the market formed by used vehicles with up to three years of use presented an annual growth of 7.3% in the third quarter, increasing its representation in the overall used vehicle market in the country. As we mentioned in the second quarter of 2020 results, the used car sales market would resume strong in the second half, sustained by the increasing prices and the supply shortage of brand new vehicles.

With management's assertiveness in accelerating sales in this context, we achieved great success in reconciling record sales volume with an increase in the average price in the third quarter as shown in the chart below. In this quarter alone, 28,717 vehicles were sold, 60.4% higher than the volume of the third quarter in the previous year, whereas 56,408 vehicles were sold in the year so far.

On Page 9, as a result, the revenue from used cars sales was really strong, totaling BRL1.2 billion, with an increase of 65.4% in 12 months. Moving to the lower graph, I would like to highlight that the strong sales performance in the third quarter 2020 was only possible due to the robust investments in our store network over the past two years, crowning our vision of preparing the segment for even greater volumes in the long run.

I turn over to Sarquis, Head of the Rent a Car division, to present the Company's result in this segment in more detail.

Carlos Horacio Sarquis {BIO 20060508 <GO>}

Thank you, Luis. Good afternoon, everyone. We now move on to Slide 10. As already indicated by us in the previous quarter with the disclosure of some July indicators, the Rent a Car division was already showing a good relation -- sorry, recovery in relation to the most sensitive moment of the pandemic. And this improvement continued over the following months and the quarter's recovery was very strong.

Just to clarify, about the positive moment we had in September. And I can already say that in October too, we have been working with average occupancy rates greater than 80%. And on weekends and holidays, it has been higher than 90%. We're definitely experiencing a period of greater demand than supply, which gives us an even more optimistic view of what will happen in the upcoming quarters.

Our objective remains to accelerate the renewal of RAC fleet, optimizing maintenance and depreciation costs, while continuing to operate with this high occupancy rate to further recover the operations profitability. Speaking specifically on the source of this heated demand, it has been sustained by the strong growth of monthly rentals and by the continuous recovery of daily rentals, especially by individuals, who are the big demandants for rentals on holidays and weekends that I just mentioned.

This positive performance, both in terms of occupancy and the volume of daily rentals, provided us with enough comfort to increase rates to income levels or, in most cases, above of what we had before the pandemic, making the change in the mix of rentals with greater exposure to monthly rentals the only reason for not having a consolidated average tariff close to the normality of around BRL70 in the third quarter.

For the third quarter itself, we returned to double-digit annual growth in operating volume, once again, exceeding the BRL4 million daily rentals. The occupancy rate increased by 4 percentage points in 12 months, practically reaching an 80% mark, a level that the Company must maintain in the short and medium terms, recovering the segment's profitability and being efficient in the management of these assets.

In turn, the average daily tariff in the third quarter was BRL61.9, 10.6% below the tariff in the third quarter 2019 due to the already mentioned change in the mix, but in evident recovery from the pandemic, given the tariff of BRL50.4 in the second quarter 2020.

In Slide 11, we have the net revenue of RAC, excluding franchises, totaling BRL229.3 million in the third quarter 2020, which is 2.4% higher than the third quarter of 2019 due to the strong performance of daily rentals, even in the midst of the pandemic. In the lower graph, our service network has accumulated an increase of 38 owned stores in 12 months. Specifically in the three months, that make up in the third quarter of 2020, we have 10 more owned stores opened. The Company kept intact the execution of its plan to expand RAC operation throughout the country.

Since its inception, stores have been opened in all quarters, including during the most critical period of the pandemic. This reinforces our commitment to advancing the long-term strategy.

I now turnover to Marco, our CFO and IRO, to comment on the financial results.

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

Good afternoon, everyone. Thank you Sarquis. In Slide 12, we present the evolution of EBITDA and margin. The consolidated recurring EBITDA in the third quarter of 2020 reached a record level of BRL368.8 million, reporting an annual growth of 12.6%, explained by the strong expansion of fleet management and used car EBITDA resulting from both the increase in revenue and a strong generation of operating leverage seen in its EBITDA margins, increased by 1.7 percentage points and 3.1 percentage points, respectively.

As to the RAC, I highlight the strong recovery of the EBITDA margin in the third quarter of 2020 it was 3.7% [ph] and is now 35.5%, which is closer to normal. Finally, I highlight that the consolidated EBITDA margin of 63.6% in the third quarter of 2020 is the highest margin ever achieved by the company in a quarter since it entered the Rent a Car segment in early 2018.

And Slide 13, consolidated and totaled a record of BRL234.1 million. In turn, the EBIT margin expanded by 3.2 percentage points to 40.3% benefiting from the record EBIT margin of the Fleet Management segment of 51.2% and the continuous recovery of RAC's EBIT margin, which was 24.3%.

In Slide 14, the financial net result totaled BRL69.9 million in the third quarter, an annual drop of 33.7% [ph] while its representativeness in terms of net revenue reached 12%, which is 4.7 percentage points below what it was in the previous year. The result was made possible by the intense work carried out in the last two years to reduce the spreads of the Company debt in addition to the contribution of the subsequent reductions in the basic interest rate. We remain confident that it is still possible to reduce its representativeness with a strong revenue growth above the debt expansion. At the same time that we carry a AAA rating reaffirmed by S&P, even with the effects of the pandemic.

Now in the chart below, we can see that a record amount of BRL124.2 million and a record net margin of 21.4%. This performance marks the strong generation of operational leverage this quarter, added to a better context of vehicle depreciation and financial cost strictly under control.

In Slide 15, the Company, through its record EBIT and diligent work aimed at optimizing invested capital, was able to quickly return to a double digit ROIC, allowing to reach a record spread of 7.3 percentage points which is also a record.

Now in the last slide, we can see the company's strength in generating cash, which in just three months, increased its balance by 500 -- I'm sorry, and BRL60.1 million, reaching a level of BRL2.4 billion on September 30th. With this comfortable cash position, it was possible to reduce the leverage, measured by the net debt to annualized recruiting EDITDA by 0.63 times in 12 months, reaching a comfortable level of 2.02 times. We still have an excellent debt aging profile with cash equivalent to 74.2% with total principal due by the end of 2023.

The Company is very comfortable in its capital structuring in order to accelerate vehicle purchases in both rental segments again. I now turn over to Luis.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Thank you, Marco. Before we move on to our Q&A session, I would like to make my final considerations.

We're very happy with the success of our strategies to protect our business in the middle of the pandemic without giving up our long term planning. We have emerged much stronger from the biggest crisis in history of the car rental industry worldwide, than we entered it, and we are just beginning to reap these rewards.

May this crisis stay in our CVs of more than 35 years, facing all kinds of difficulties. We are a company shaped by great challenges and the highest level of competition in a sector with around 12,000 competitors and still hugely underpenetrated.

Be sure that all investments in stores, people, technology, brand, among many others, will have even more results ahead. And I invite you all to participate in our history together with our more than 4,000 employees who put Unidas among industry leaders regardless of adversity. For all of you who need it, I, Sarquis, Marco and the entire Investor Relations team are available to the market.

I now open our Q&A session.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the Q&A session with investment analysts and investors. At the end of the session, we will have another exclusively for press professionals. (Operator Instructions) Our first question comes from Lucas Marquiori from BTG Pactual. Please proceed.

Q - Lucas Marquiori {BIO 17907247 <GO>}

Good afternoon everyone, Sarquis, Marco, everybody. I would like to congratulate you for your results. I have some questions, one for the short-term and one for the long term. I would to ask a question about the semi-new cars. I want to know whether there was any impact on sales so I can understand what the normalized rate of these vehicles would be snd also what your regular sales are.

Also for this segment, I see that the depreciation of (inaudible) had an impact on RAC. So in the long term, we have quantification return. I want to have an idea of what you consider the mean price. Also, I want to better understand electric car vehicle, whether it's just a simulation or whether there has been an impact in the sector as well. Thank you very much.

A - Unidentified Speaker

Thank you, Lucas. First question in the short term, whether we have sales blockage or what the normal flow would be, after June especially in the end of the month, we could already see a very strong demand. We also had a softened demand from our channels. And so there's no question that this happened very strongly this quarter.

In the fourth quarter, we maintained our performance. This has been maintained. But I think there are other factors. The demand will remain strong at least in the next few months. The company made a lot of investments. We improved systems. We improved our digital sales for this segment of semi-new cars. And I believe that we can sustain these high volumes in the upcoming quarters. And being very transparent with you, if we had more cars, if we could sell even more, we would. But car used assemblers are not produced at the rate demanded by the market. And also some employees are infected by COVID and the line will stop. So we think that this will normalize in the next few months. So of course we still have the effect of this lack of supply.

And regarding depreciation. In the cars we have in our stock, we have no doubt that we will have lower depreciation. The new cars -- the price of new cars has gone up and taken the price of used cars along with it. We still need to calibrate depreciation. Used cars went -- price went up and so good for new cars.

And so for the short term, in the Rent a Car, we have chosen to be careful but our depreciation rates will be similar to the current level or even lower. We do have the ability to decrease. We have a good accounting margin. We have not done this yet because we want to wait and see what will happen in the next two or three quarters. We want to better understand the dynamic of brand-new cars. We are conservative.

And I'd like to remind you that the cost of depreciation, even with higher rates, we won't lose this month. With that, we are always very conservative with our stock. We think we should be careful and not change the RAC's amount so far.

Regarding electric cars, we are -- we have been working for more than six months. It is now clear to us that sustainability is very important for our business. We had invested a lot of time and money over years (Technical Difficulty). We have renew cars in our fleet and our added value chain. We are encouraging our clients to do so.

Of course, electric cars are already a reality worldwide. Maybe not yet in Brazil. We have a low volume. And also the price is very expensive. But for this time, we expect it to be a profitable business. We are the only ones who can offer it. And of course, you have to put the rental amount according to the values we need to be able to be sustainable.

In Brazil, our reality is to have products that will generate benefits to the society and profits to the Company. It is a profitable project, and it is just the beginning of a new business. We're working with (inaudible). We've been doing for some time and are happy to kick off. And this is something that our clients in Brazil demand a lot too. There's a lot of people in it. Our clients are not familiar with that. They -- but it is our job to showcase this car to a larger number of people, and this is what we're doing. And so I thank you, Lucas, and I'm available to access.

Q - Lucas Marquiori {BIO 17907247 <GO>}

Okay, thank you very much. Good morning, everyone.

Operator

Our next question is from Regis Cardoso. Regis, please move on.

Q - Regis Cardoso {BIO 20098524 <GO>}

Good afternoon, thank you for the question. I'd like to discuss a few things with you. One of my big concerns today is the RMA process with Localiza. I want to know what kind of measures you're taking to guarantee that Unidas will not get distracted in the meantime when you have this exchange of shares concluded. I wanted to better understand what your expectation is for the growth of Unidas. And when do you think this product will be relevant? I want to understand what the negotiations are like for 2021. I also wanted to understand what the contribution of GTS Gold are. Is it due to the new rates?

A - Unidentified Speaker

Regis, thank you for your question. In response to your first question, this is a very important question and it is included in our risk map. We know very well and need to have cash approval. And eventually it may not happen, even though we have stated everything very well to take this step. What we have done is that as of the first day of the announcement, we will forget this topic. Here in the company, we are all working normally according to our regulation. We don't know what things will be like. We cannot have any merger. We're following our rules. And with that, we will get ourselves from what they are asking us.

So we are no longer discussing it. We are making all of the investments as if we didn't have this business. We are making investments in technology, new products, and the main challenge we have is for Unidas in 2021 to have the best year of its history. If we have a wonderful year, it will be good, the companies will be stronger. And if it doesn't, the lines move some as usual. And we will try to grow with sustainability in a consistent manner. We only have this action to do.

And I'd like to remind you that we will all be in the new company. Nothing will change. We have not gone bankrupt. All of our main executives will be there, myself, Sarquis and others will be there as partners and as executives of the company if needed. And so it's not just a trivial business In our case, we all want this merger to allow both companies to be able to dream with a global market so that we will consolidate global rental. This is very important. It must be highlighted. We are in this merger not because we're leaving, but because we're staying. Different assemblers are doing it. Our competitors are doing it as well.

We have 12,000 companies in Brazil, and we have never seen an easy market. It is a harsh market. We're used to our competition. And we think it's great because the more you talk about a product, the more you talk about the use of a vehicle, the more opportunities and expectations we have.

So it is a reality. It will all be relevant for our business. I believe that next year, it will be an important and significant product for our Company (Technical Difficulty).

Operator

Ladies and gentlemen, please stay connected. Unidas conference call will return in some minutes.

A - Unidentified Speaker

(Technical Difficulty) That we already have the agreements for 2021. Things are moving on fine. We already have a supply arranged with them. Now regarding contribution of sales, Rodrigo, I'd like to ask you to send more details about this. I can say though that the margin that increased from our DCF was not only because of the higher ticket, quite the other way around. There are some services that are provided such as drivers, labor, and that has a lower EBITDA margin.

It doesn't make any sense for us to have a higher margin if it is already very healthy and you're happy with it. But that could have a depreciation needed. So what we have to say about this increase is that it was an operational leverage with strong efforts to decrease costs during the pandemic. And we are now seeing the results to have business at our level. You know very well that sometimes it takes one, two or three months for the results to show. We're now obtaining a result. We have increased revenue and lower costs. This is what I have to say about (inaudible).

Thank you Regis once again for your participation. Thank you very much.

Q - Regis Cardoso {BIO 20098524 <GO>}

Thank you very much.

Operator

Our next question is from Rogerio Araujo from UBS.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Good afternoon, thank you for the opportunity. Congratulations for your results. I have two questions. One of them is regarding car rental and the year-over-year revenue. I want to know if you can give us an idea of what segment you have more than what you have thought. And also regarding RAC, we saw stronger growth in July showing a trend towards the acceleration. What explains that, what we have to do with July? Also, what can we expect in terms of growth?

And I have a second question. You said that assemblers have some restrictions in delivering their products. I think by now you have an idea of how much it can grow (inaudible) you can meet the demand based on how many cars you are receiving. Can you give us an idea about that? And could that be a bottleneck for the next quarter? Thank you very much.

A - Unidentified Speaker

Rogerio, thank you. I'm starting with the second part of the presentation. Regarding the acceleration, the answer is very sensible. We are running with cars in the Rent a Car. It has gone up month by month, and this is what we informed in terms of occupancy rate. We can see that the occupation in August and September was higher. And of course it takes a little bit away from our ability to grow. But we are confident that we will keep on growing quarter over quarter. There is a potential to grow significantly in the short term and also in the long term. And as of now at the end of September, October, our Rent a Car fleet will grow, and the airport is a channel that has recovered the least. It is still going down. But we have had expressive recovery.

If you see the number of passengers last year, it was very expressive. We have evident penetration gains among passengers. One of the reasons is that it's a lot safer for us to drive a car than using apps. We are recovering. The numbers are going down, but we are recovering.

Rogerio, regarding the assemblers, there is a bottleneck. We don't think that we will have this bottleneck next year. But according to the demand we have, our rental business and also the demand for used cars. If we had more cars, we will be growing even more and could have more cars in the fourth quarter. So it is a bottleneck for us today, but according to the conversations we've had and we are having, next year it won't be a problem. It is not a problem with our sector.

It is a problem of these manufacturers. One, in terms of productivity, we have a problem with a manufacturer or one person. You have to stop production. And also we have the small, medium-sized suppliers. If a part is not available, manufacturing will have to stop. The used car sector will have a natural adjustment based on what happens at the plant, and it will be solved in the next few months. Today, there is no doubt that it is a bottleneck. It could be growing more. We could be selling more cars if we didn't have the supply challenges that we're having.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Thank you. Could you talk about the segments that are compensating?

A - Unidentified Speaker

Well almost everything recovered completely. Rental at the airport for physical persons, and not only for those who get there and also for those who live nearby. And therefore rental by physical persons have recovered as well. Of course, anything that is related to airline company has suffered an impact.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Well, thank you very much. It is very clear now. Good afternoon to all.

A - Unidentified Speaker

Thank you, Rogerio.

Operator

Our next question is from Victor Mizusaki from Bradesco.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Good afternoon. I have two questions. The first, Sarquis you mentioned the expectations of having an occupancy rate greater than 80%. It looks like you have an accumulation of product mix and also increase in operational efficiency. Could you provide us better details? What kind of decisions in operational models have you implemented that you can keep for the fourth quarter?

The second question Luis, you talked about the difficulty of the assemblers in resuming car production in face of these restrictions. How do you intend to rent these cars? Or will you have (inaudible) how do you plan to do it?

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

Victor, thank you very much. In response to your question, would you like to have a silver bullet. A high occupancy rate involves a combination of factors, but I will tell you what we're doing to have a higher occupancy rate.

Of course, we also have to think of car purchases. You have to be able to estimate the best way possible, the demand you're going to have for each group and each car. This is very important. And we are investing in this, investing in systems that will provide better results. We are very assertive in terms of what cars we're going to buy or not.

Also another relevant thing is to invest in processes. You have to be efficient in the management of your price. We have invested a lot not only in tools that affect the price, but also in tools that will allow us to optimize what kind of reservations you want to accept.

And also another (inaudible) and perhaps very relevant is that training -- and in the US they say that the worst enemy of a higher occupancy rate is fear at the store. Because we start fearing that we won't have enough cars. So it's very important for you to train the store as well. For example, if a car seems to be empty and we have a lot of clients coming the next day, we have to know how many cars are running and whether we will have enough cars, and so that we can meet the needs of clients coming without reservations. So we have to invest to decide what cars we're going to buy, how many we're going to buy, also invest in training information so that the store can have a higher occupancy rate.

And of course the monthly mix helps us to have a higher occupancy rate. But we're working hard to working with these rates. We have to improve our profitability. And Victor, you want you to know how we distribute cars right now when we do not have enough costs in how the products are being distributed? I just want to confirm.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Yes, exactly.

A - Unidentified Speaker

Well, the first thing is that we already thought and we are now sure that the levels will be very different than it was in the past. Sarquis' explanation shows that in adversity, it's very important to have an open mind because that's when you will find out good things and a sea of bad things. We are improving our efficiency working with a lower occupancy rate. And that of course will make us have a better revenue and not require a lot of cars right now. Some clients, they are liking at the stores, but in general we are meeting the needs of our clients. It's difficult to choose between one channel and the other. We cannot allow clients to go without meeting their needs.

And of course we also have wonderful things as explained by Sarquis. We have higher occupancy rates. We see that we can do it. We have technology. We have management, as Sarquis mentioned. And we also have improvements of new and semi-new cars.

Also, you have less depreciation on the progress, but we have to manage. For example, we decreased the number of cars available for sale. Our stocks is higher. And then we have the fleet cars.

We try to meet the needs. We have different channels. We do not want our clients to leave without cars. And at the same time, we try to be as profitable as possible. And the company is definitely much better now than it was five or six months ago.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Great. Thank you.

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

Thank you, Victor.

Operator

Our next question is from Murilo Freiberger from Bank of America. Murilo, please proceed.

Q - Murilo Freiberger {BIO 17385357 <GO>}

Hello everyone, good afternoon, Sarquis, Marco. I have some questions. Some of them have already been answered. But regarding (inaudible) we have the purchase and sales. We know that (Technical Difficulty) changing. And we have had increases in the price of new cars to higher single digit. We have assets that will depreciate further. I wanted to understand from you what the fleet depreciation moving forward is going to be? Will there be a decrease in depreciation rates? The second question, somebody mentioned the assemblers. From a point of view of supply and operations, demand and offer, I want to know if you see any influence in terms of pricing because the stocks are lower with less cars available. Thank you.

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

Thank you, Murilo. Fleet depreciation. If we continue buying cars with a higher ticket in the next quarters, it is possible to have a reduction such as we did because we have a very large car stock. And we have an important advantage in terms of depreciation. But moving forward, if we continue buying cars under these amounts, we will have progressive increases appreciation.

So your vision is correct. We do not have such problems this year, as I mentioned before. We had already closed our contracts for this year. We always work based on contracts and so we do not have that kind of problem right now.

But we're negotiating for next year. It is too early though to say whether there will be price problems. I'm understanding that in terms of the volume for next year, I don't know whether we'll be able to make the contracts according to our needs. If we do not have volume problems, we may not have price problems. This is the mechanism used by

Unidas. We do not speculate. And we do believe that this is a healthy relationship with our suppliers. It's too early to talk about prices now.

There's no question, though, that prices of (Technical Difficulty) have gone up. And in the next cycles, there will be an increase in depreciation. Of course, it will be observed later on. We have a stock of cars that do not need to have such high depreciation rates for the next quarters. We'll see what happens. But the trend is that for Rent a Car, it will be done at the current level downwards. So this is probably what will happen.

Q - Murilo Freiberger {BIO 17385357 <GO>}

Excellent, thank you very much.

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

Thank you Murilo.

A - Unidentified Speaker

(Operator Instructions) Good afternoon. This is (inaudible), our IRO manager. We received some questions from our webcast and so we're going to start. We see questions that were answered. Lucas Fernandez asked, what would be normalized semi-new car volume? It was answered already.

Then we had another question from Mateo's. Mateo Roberto talked about outsourced fleet growth. This was Regis' questions and Credit Suisse's question? Mateo, I will answer by email. I will share the information as soon as it is available.

And now I'm going to read the questions that have not been answered yet. We have one from (inaudible) and he asks the following, taking into account the excellent results, I'd like to understand why the merger was (Technical Difficulty)?

First of all, we do not think that the sales of the company was -- we have actually a merger of the two best companies in this segment. We will create a new company. We will try to have the best of the two to build an excellent one. We believe that this will generate value to all of our shareholders and will give us an opportunity to dream with an even larger market to develop a very long-term project. So these are the main rationales with Unidas and Localiza. We're the same concept.

I have no doubt that if it is approved, we're going to have an even better company, a more competitive company, which is what we think that has to be done to further value our assets and to have long-term results. These are the pillars we believe in, and that's why we decided to go on with Localiza.

Another question is from Victor. Victor, thank you very much for your participation.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Congratulations for your excellent results. We can see a relevant level of opening of new stores. This is really making some pressure on the company margins in the third quarter. Could you give us an idea of the magnitude of this effect and what a normalized margin would be?

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

Thank you very much for your question. If you look at the margin we had at our quarter and compare it to last year, the difference is 12 percentage points. 25% of the shift is due to the fact that we accelerated store occupancy at the time with a suppressed demand, and now with the car offer, a suppressed car offer.

And so we have 25% of the difference as a result of the aggressive increase in the number of stores. And then the rest is because the fleet is older. The new age of Rent a Car is 12 months. It was seven in the past. This has a significant impact. An older fleet has higher maintenance costs.

Also, we have the strong investment made in technology and some sectors with impact on occupation EBITDA margin. This is a long-term investment. And the main thing, there's no question, is the fact that we have revenues much lower if we were not suffering what we are suffering with the pandemic.

As I mentioned, we are very enthusiastic with the growth in the short term. We can see the tickets. We are recovering week after week. And with the high occupancy rate, we will believe that we will resume the profitability we want to have in our operations.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Thank you very much, Sarquis.

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

Thank you.

A - Unidentified Speaker

The next question is from (Technical Difficulty) Investments. The Company is definitely making a commitment to expand the company?

Well, thank you very much, (Technical Difficulty). We have been working with this for three years. We have three pillars. One is a social pillar, environmental and diversity. Today, in GPTW, we have the response of our employees. 94% of them think that they are treated respectfully at our Company regardless of their race, religion, or any other condition. And so, we're very proud of that. We're very proud of this (Technical Difficulty).

We have different initiatives. Last week, we informed that we are hiring some women from other countries to work at our stores, like refugees. We also have important initiatives in different pillars. And this is something that has been happening in the company for a long time, more specifically, in social terms, they started a project two years ago. This year, we will have about 7,000 people that we'll take care of, be it from the slums surrounding our stores or the children and relatives of our own employees.

Since last year, the company focused on the environment, and we neutralized carbon in our fleet. This is our day to day. I'm happy as a leader to see it. And I truly believe that for any size company, these agenda will be mandatory in the very short term and no longer optional. We no longer have room in the world for those who do not take care of the environment and people and effectively of everything that involves ESG.

And so it is a reality that Unidas. We have some initiatives. We have many of them. And at the end of this year, we will have our first complete report with everything that we're doing. And this will make us very proud. And definitely it will make our investors proud and the market in general.

We have a message we received. We have already answered your question. The question was about the high volume of semi new and the bottlenecks we have moving forward. Luis, if you have any further questions, please contact us. Your question has already been answered.

Going back to the list of questions, we have a question from (inaudible), Could we talk a little bit about what the agribusiness segment is lined for?

Well, thank you very much for your question, Thiago. Agribusiness is what moves Unidas in Brazil. We're doing very well. We started working with it 1.5 years ago. And we have doubled the number of vehicles we have in this business. We're very happy. We have merged the expertise of the company that used to do this -- that only used to do it with the force of competition that we have. This is very successful, in my opinion.

We have been able to deal with agribusiness clients who are very demanding in a proper way. And they work in the (Technical Difficulty) farms and more complex conditions.

We're very happy. We have doubled our business in 1.5 years, and so there's a lot do. There are a lot of companies from agribusiness that has our fleet as their main model, and we have to convince them to migrate to our business model. We're doing well. We're doing well with the numbers I have just mentioned to you.

Thank you very much, Luis. So we have the next question from Deborah. Is there any risk of a second wave to the Company? Do you have any contingency plan?

Thank you very much, Deborah. Yes. Unfortunately, we can see in other countries of the world that a second wave is coming back. And of course we believe that it will happen in Brazil if our indicators are better than theirs. This is just a hypothesis.

As in any crisis, if we have a second wave, we've already had a first one. We have more experience. The most complex thing in the beginning was to work remotely, the ecommerce channels, (Technical Difficulty) and we did this in one or two months.

So if it comes back, of course we have contingency plans. And it's nothing new as opposed to what happened in March when we didn't expect what was coming our way. We didn't know what the conditions are going to be. And in addition to a financial crisis, we had a health crisis. We now have all of the protection in place and we also have the experience. It would be a lot simpler than what happened six months ago.

Thank you, Luis. I have a last question from the webcast about UBF. Good afternoon everyone. In the last quarters, we had good GTF growth, but we also had the sales in backlog. I want to know what is happening in the sector? Has it affected your sales?

Excellent question. This is the effect of the lack of cars. So it takes us longer to receive cars consequently. It takes us longer to invoice or to have the invoice of these sales. So as the cars are delivered, you will see an increase in the revenue that will follow the increase in sales that we're disseminating with record amount for consecutive quarters.

So we do believe that in fourth quarter, the results will be visible. And in first quarter of next year, we expect things to be normalized and this is what's happening.

Well, we have a question. They say, congratulations for the exceptional results. Of course, we do not have the results of the other competitors. But I want to ask a question about the merger with Localiza end.

Well, it's too early for us to speculate on that. We have not made business with Localiza thinking about the short term. We believe that our shareholder basis, will approve it because it is a profitable business. It will generate a lot of value in the short, medium and long term.

And of course we are not considering one additional 1% to 2% right now. We understand that the reason for the exchange was fair, and it will generate a lot more value to our shareholders, then eventual small pressures we may have in the short term.

But the rule of the new market -- the rules are defined, and we're here to follow the rules and to follow the majority of our shareholders. What they want is what we will do. We will recommend and vote in favor in our assembly, regardless of the results obtained by Localiza, Unidas or the market as a whole. We are thinking about the long term, not short-term.

Operator

We're now going to start the Q&A session with press professionals. (Operator Instructions) Our next question is from (inaudible) please proceed.

Q - Unidentified Participant

I have two questions. The first one is the answer you've just given. The question is about the shareholders voting in favor in the assembly. I want to know what you think about this (Technical Difficulty).

A - Unidentified Speaker

Cristian, your question was difficult to understand. The sound was chopped.

Q - Unidentified Participant

Is it better now?

A - Unidentified Speaker

Yes, it is better now.

Q - Unidentified Participant

My question is the following, regarding the question asked previously. I was not able to listen and the call. I was not -- the sound wasn't very good. But I want to know, is the positive results you have had in the quarter may have had an influence in the position of your shareholders in accepting the merger or not. You said no, because they will look at the long term, and that is what you will recommend actually. This is basically a summary of what you said.

And so I have a question. I don't know whether you can measure this. It has to do with the assemblers and the bottleneck. You all said it is a bottleneck. And you could sell even more if you had from (inaudible), but with the difficulties resulted by COVID, you've had this difficult situation. But do you have any way you can measure this, like how many cars that you could not buy that you would have had a demand for? Thank you.

A - Unidentified Speaker

Thank you, Cristian. The first question is basically this, I would like to add though that Localiza (Technical Difficulty) have not released their outcomes. Ours has been excellent, but we should wait for Localiza's to answer this question.

So my answer was basically what we've said, but I'd like to add that we do not think it will be good for the long term model. The reason for the exchange was fair. We have assistance who have helped us with this composition for the exchange. So we think that in the short to medium and long term, it will be good for the shareholders, and we believe that our shareholders will come along with us in this recommendation.

But of course in the capital market, shareholders as a whole are suffering. All we're going to recommend and we will vote in favor of what we think will be better in the long term and that would be good for us as shareholders. And so this is what management is going to recommend.

As to your second question, we would be guessing if we said how much more we'll sell, I'm sorry. But we do have some sales channels that if we had more cars, we would be able to (Technical Difficulty) faster. And our fleet business takes longer to deliver a car that is being sold now.

So with that, we can say that if we'd had more cars, we will deliver more and would have no delays. In the Rent a Car business, if we'd had more cars especially on weekends and holidays, we would also have more rentals. But we cannot say exactly how much we could grow, but we can say that it would grow a lot more. We have a higher demand than we can offer in terms of cars in the different channels today.

Q - Unidentified Participant

Thank you very much.

A - Unidentified Speaker

Thank you, Christian.

Operator

(Operator Instructions) We have a message from (Technical Difficulty). She asks, I'd like to know what the perspective of operation of the company are for 2021, taking to account projections of macroeconomic indicators.

Q - Unidentified Participant

The macroeconomic indicators is something we would rather not speculate about. Our culture in the company, if we forget macroeconomic mix and we do our work. But what I can tell you is that we have a very competitive company. We are financially and operationally prepared and also commercially prepared to have stronger growth in 2021. And we are lucky to be in a sector in which we believe a lot. If we have any cultural changes undergoing in the country, it was intensified by the pandemic.

We also have changes in the ownership versus use of car. Our sector will grow. It has strongly recovered from the pandemic. The Company is competitive, and we're very enthusiastic regardless of the macroeconomic scenario.

I really hope that things will move on fast, especially in the administrative and tax reforms that Brazil needs so badly. We hope that they will be fine so that the companies can keep on investing, and so that the investments are massive, generating new employment with a new growth cycle.

My expectation is very good for 2021 thinking about our sector. And regarding the macroeconomic factors, I would rather just help things move on and that Brazil can grow and generate more employment. This is what we need.

Thank you very much, Racquel for your question and for your participation.

Operator

If we do not have any further questions, the Unidas Teleconference is now closed. Thank you for your participation, and have a good day.