Q1 2021 Earnings Call

Company Participants

- Luis Fernando Memoria Porto, Chief Executive Officer
- Marco Tulio De Carvalho Oliveira, Chief Financial Officer and Investor Relations Officer
- Unidentified Speaker

Other Participants

- Lucas Laghi, Analyst
- Pedro Bruno, 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 First Quarter 2021 will be presented. At this moment, all participants are connected only as listeners, and later, the question-and-answer session will be opened when further instructions will be given for you to participate. (Operator Instructions) It is worth reminding you 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 a copy of Unidas' earnings release, you can obtain it from the Company's website ri.unidas.com.br. This teleconference call accompanied by the slide show is being transmitted simultaneously over the Internet, also accessed through the Company's website.

Before proceeding, I would like to clarify that any statements that may be made during this conference call regarding the prospects of the Company's business, as well as projections, operational and financial goals regarding its potential growth are forecasts based on the expectations of the management in relation to Unidas' future. Such expectations depend on the performance of the industry, the general economic performance of the country and the conditions of the national and international market, therefore, they are subject to change.

Today, we have Mr. Luis Fernando Porto, Chief Executive Officer; Mr. Marco Tulio Oliveira, Chief Financial and Investor Relations Officer with us.

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

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Good afternoon, everyone. Welcome to the Unidas first quarter '21 results conference. Marco Tulio, our CFO and IRO is with me here today.

We started our first quarter 2021, looking to evolve, increasingly more our operations. Even with adverse situations, we continue to grow strongly demonstrating our resilience and our commitment to the strategy adopted and which has been presenting the current results. As part of this strategy, we continue to invest in all segments, with emphasis in the first quarter to on the launch of imported products and features for car rental customers. We launched the Unidas Pass, which is the automatic paying system in tolls, mall gates and parking lots. This benefit is already available and Unidas' fleet vehicles and customers can use it whenever they want to go directly through these points of automatic payment, avoiding queues and gaining practicality and agility in their day-to-day.

On the next slide, we launched the Unidas Weekly Uber, which is the weekly fare rental for app drivers. In this modality, customers have some special advantages that (inaudible) digital hiring direct payment with the earnings of trips made by Uber (Technical Difficulty) financial conditions.

And finally, on Slide 4, we bring more comfort and connectivity to customers with Unidas WiFi, which can be hired on daily or monthly plans and that keeps our customers 100% connected to the Internet. With the possibility of sharing for up to five simultaneous users, our customers will be able to use geolocation applications, surf the Internet and access social media without actually worrying the ending of franchise, since the Internet is unlimited. Thus, in addition to continuing to operate at a high level, we bring more and more benefits to our customers, whether increasing the range of products or adding value to existing services, thus demonstrating Unidas' DNA and moving people and businesses with efficiency and excellence, bringing innovation and simplicity without leaving aside our passion focused customer.

Now on Slide 5, we will show our fleet profile at the end of the quarter. On the top chart, the Company's consolidated fleet totaled the final balance of 166,125 vehicles in the first quarter. In the lower chart, an important highlight for the significant in this business growth, quarter-by-quarter of the rented fleet in both rental segments.

On the next slide, we talk about the investment in fleets. We invested BRL1.1 billion in the first quarter 2021 for the acquisition of new vehicles, which represent an amount of almost 16,000 new cars in the quarter with what had agreed with the automakers.

Now, on Slide 7, we'll talk about the results -- the fleet management or outsourcing segment in the first page. Part of this slide, we see another consecutive record break and the total vehicle higher in this first quarter 2021. The global volume of contracts remains above BRL700 million remaining consistently at very high level, including regarding what was disclosed in the last quarter of 2020. Compared to the first quarter of 2020, we have presented an imported growth of 93.1% in the total of contracted vehicles, reaching 11,000 cars against 6,000 cars in that quarter and more than doubling the global value of contracts, reaching BRL725.3 million, with a growth of 137% vis-a-vis, first quarter 2020. This consistency is the result of an exceptional commercial structure added to a fleet management market that continues to grow quarter-after-quarter, reflecting the record volume of vehicles, in dispute, for the second quarter of 2021, which went from a base of 45,100 in 2020 to 73,000 in the same period this year.

Now on Slide 8, and the top chart, we present a new record break and daily volumes in the first quarter '21 with a growth of 15.9% and a record in the average monthly rate that reached 17,670 [ph] per vehicle, an increase of 17.4% against the first quarter 2020. In the lower left chart, the utilization rate for the segment in the first quarter '21, reached the level of 97.4%. On the side we represent a record in the net revenue from fleet outsourcing, which moved from BRL395.3 million this quarter, a significant annual growth of 35.2%. In addition to this exceptional growth, we ended the quarter with a record volume of new contracts, backlog of approximately 21,000 cars already contracted to be implemented. These results add to the growing demand for fleet outsourcing, give us full confidence in the growth potential of this segment.

On Slide 9, we will talk about used cars, starting with an industry analysis. The top chart shows that the market for used vehicles with up to three years of use presented an annual growth of 8.3% in the first quarter '21. The increasing use representativeness is the used vehicle sales market in the country. The price increase made by the automakers added to the reduction in the offer of new cars, the increase in the demand for the purchase of cars, and our evolution in the management and intelligence of the sales channels generated an increase in the prices of used cars, that is reflected in our record ticket of BRL55.1 thousand per car sold in the quarter, an increase of 47.5% growth compared to the first quarter 2020.

Now on Page 10, the increase in the ticket per car sold added to the slightly higher sales volume, resulted in a net revenue from used cars from BRL908.3 million, with an increase of 47.8%, vis-a-vis the first quarter of 2020. In the chart below, we present our portfolio of stores, with one new wholesale store open this quarter. In relation to first quarter 2020, we had the opening of seven new stores.

We now move on to Slide 11. The car rental segment continues to evolve consistently. The continuous growth in the demand for rental remained firm in this first quarter, even with the leisure and business travel segment operating at levels well below the pre-pandemic era. We ended the quarter with a growth in all indicates, which in our view, reinforces our belief in the enormous growth potential of this service.

In the first chart, we show a 3.1% growth in the number of daily rents, reaching a record volume of 4.6 million daily rents in this quarter. This growth was limited by the unavailability of new vehicles for the operation. The increase in the number of daily rent was accompanied by a recovery in average rates, which moved from BRL70.6 in the first quarter of 2020 to BRL73.1 in the first quarter 2021 which represented a growth of 3.5% as seen in the lower right chart.

As we have done in the past quarters, the Company has managed to grow while maintaining high levels of efficiency in the management of its assets, as measured by the occupancy rate, which ended the quarter at 82.6%.

Moving on to Slide 12, the first chart shows the evolution of the RAC net revenue excluding franchises, which totaled a record amount of BRL303.3 million, and in the first quarter of 2021, 4.7% higher than the first quarter of 2020, impacted by the increase in the volume of daily rates and average fares. In the lower chart, our service network ended the quarter with 256 stores, of which 208 are own stores and 48 are franchise stores.

In this quarter, we had the net opening of eight own stores. Finally, it is worth noting and highlighting that even with greater restrictions resulting from the lockdowns at the end of the quarter, our occupancy rate ended March at a level above 80% and the average rate close to BRL70, reinforcing our confidence, that our business will have a rapid acceleration, once the leisure and business travel segment return to pre-pandemic levels, according to our view.

And now, hand over to Marco, our CFO and IR Director to comment on the financial results.

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

Thank you, Luis, good afternoon, everyone. Moving on to Slide 13, we present the evolution of EBITDA and margin. I would like to highlight that for the first time in Unidas history, we've exceeded the level of BRL0.5 billion of a better in the quarter.

Consolidated recurring EBITDA in the first quarter of 2021, reach the record level of BRL528 million, with the growth vis-a-vis first quarter 2020 of 68.6% and reaching a record consolidated EBITDA margin of 75.1% and an expansion of 22.7% pain points compared to the previous year. An important highlight for Fleet Management, which in addition to growth, 35.2% in net revenue deliver this growth with an expansion of 3% points in the EBITDA margin, reaching the margin of 67.5%. In the Rent a Car or RAC we saw the constant recovery of the annual module, which this quarter expanded 1% point, reaching 43.2%. Lastly, we will continue to benefit from the high demand and the increase in prices of used cars to reach the record margin of 14.1%.

On Slide 14, we have a record of consolidated EBIT, which totaled an amount of BRL411.9 million in first quarter 2021. The EBIT margin expanded 30% points to 58.6%, benefitted by the EBIT margin of those segments, in car rental, with an expansion of 34.7 percent point and reaching 53.8%, and in outsourcing of fleets with an EBIT margin of 62.3%, an increase of 23.8 percent points.

Now on Slide 15, the recurring net financial results totaled BRL78.2 million in the 2021, an increase of 11.4% in relation to the first quarter 2020, while its share in relation to the net revenue decreased by 0.7 percent points and reached 11.1%. The accounting financial result was BRL96.3 million, given the impact of BRL18.1 million non-recurring impact generated due to the early settlement of certain debts of the Company in the first quarter of 2021. The cash effect of these expenses was BRL8.1 million in the quarter, and then remainder has only accounting effect since it refers to the lower funding costs.

In the chart below, I highlight the highest recurring net income ever achieved in the history of the Company, representing almost 3 times what was achieved in the first quarter 2020. Profit for this quarter reached an amounted BRL231.4 million, an increase of 190.9% in relation to the previous year, and with a record net margin of 32.9% vis-a-vis the 13.3% of the first quarter 2020.

Now on Slide 16, the Company reached the ROIC record of 14.9% this quarter, allowing it to reach a record spread 11.9 percent points, which resulted in annualized ROE of 25.1%, demonstrating the consistency of the operation and Unidas' ability to evolve quarter-by-quarter.

In the chart below, we ended the quarter with a comfortable cash position of BRL2 billion, equivalent to 102.9% of debt commitments for the next three years. With a robust cash generation, we were able to continue reducing the leverage measured by the net debt to annualized recurring EBITDA to the level 2.08 time. This appropriate capital structure gives us peace of mind to continue accelerating strong growth in both rental segments in the coming quarters.

Now, I hand over to Luis.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Thank you, Marco. Before going into our question-and-answer session, I would like to make my final remarks. I would like to once again express my satisfaction with the results presented. We remain faithful to our strategy and our long-term vision. And this has been rewarded by quarter-by-quarter, with excellent results, demonstrating that all the investments of time and money made daily by the entire Unidas team, is rewarded with the results of this first quarter, which presented levels higher than the results presented in the first half. The whole first half of 2020, these exceptional results both from the point of view, financial, as operational results further reinforce our full confidence that the best is yet to come, and that Unidas is very well prepared for an even more promising future.

To conclude, I would like to thank the continuous intense and exemplary work of our team, which even under adversity itself. Quarter after quarter and allows us to thus achieve the results will bring at this moment. Count on me, Marco and the entire Investor Relations team for any further clarifications on Unidas for our market. Thank you very much.

Questions And Answers

Operator

Ladies and gentlemen we will now begin the question-and-answer session with investment analysts and investors. At the end of this session, we will have another one exclusively for press professionals. (Operator Instructions).

Our first question comes from Mr. Lucas Laghi from XP.

Q - Lucas Laghi {BIO 20757425 <GO>}

Good afternoon, everyone. Thank you for taking my questions. First, congratulations on your excellent results. I just like to take a bit from you, if you could go into detail. First regarding the growth in the GTF segment, we've seen strong acceleration vis-a-vis previous quarter. Can you clarify where this growth comes from?

So, Unidas has a relevant growth in this segment or would it be more on the average rate in the quarter -- there has been a resumption of corporate GTF, there is more operational. And second point, if you on the other hand could comment on the de-acceleration of Rent a Car, RAC, which has been a choice of the Company prioritizing segments with more return on the (inaudible) or whether it's been a market move? I'd like to understand the growth dynamics in both sectors or areas? Thank you.

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

Thank you, Lucas, for the two excellent questions. Well, GTF growth, we worked quite hard in the past years, a new grade that you noticed the multiple channels that Unidas has developed. And while I can't say regarding this growth is strong growth, sustainable and coming from all channels. The average ticket growth and the increase in investments is the result of -- obviously, of these new products. We have a higher ticket in the sales of special, agri -- agro and free and truck. We have a truck division at Unidas. I wouldn't highlight especially anyway.

Obviously, we are pleased with the performance of our free, which is under subscription call. But we wouldn't say that this is the result only of this product. What we have is an explosion plus sales, result of this powerful platform that Unidas has today with various products, meeting customers in whatever they need, and obviously, with a very strong development of the car rental culture also in companies.

This is what we are living currently. So very strong markets align to this culture added to a structure that is the most complete one in terms of structure in Brazil, with the commercial power, and this added to -- this creates this spectacular growth of 35% with a powerful highlight, increasing the EBITDA margin, the ticket and the profitability of this channel in a very consistent way as I said. So GTF is that.

So de-acceleration of RAC, unfortunately, as you know, we have restriction in the number of cars, also aligned to the strategy of Unidas. We have grown a lot the occupancy rate. We've realized that it's very profitable for the business -- the rent a car business to work on an occupancy rate that is higher, and undoubtedly, the market that suffers the most when there are moves of lockdown and restrictions and other restrictive measures. So we are actually setting privilege to the three channels used cars, RAC or fleet. We don't have a preference for one or the other, but our project is a long-term one not because of product is more profitable, we're going to do this or that, and obviously, we are giving the right privilege to the three projects as long as we have no impact on profitability.

Profitability is something that we'll not let go. It is important for the relevant investments of growth that we have been having. So the de-acceleration [ph] of RAC in our view has been the result. At the end of the quarter, as we had the more stricter restrictions in the early March, so it's something more specific or time-specific and compared to the growth of used cars and fleet, it may seem little.

We're coming from a quarter compared to last year, when there was no pandemic with very little impact, with an impact in March that has disrupted the growth in this business. But the good news is that all our segments, sales and rent a car are performing higher than last year. So I believe it's a matter of time, so that we have more cars and our rent a car may have a strong growth pace as it had before the pandemic, it's not a demand problem. Unfortunately, is the strategy of the Company with the effect of lockdown in some cities and obviously, the lack of cars from the automakers.

Thank you very much, Lucas, and we are always available to you.

Q - Lucas Laghi {BIO 20757425 <GO>}

Thank you. Perfect. Thank you very much.

Operator

Our next question comes from Mr. Victor Mizusaki from Bradesco BBI.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Hi. Good afternoon. Congratulation on your results. I have two questions. The first is thinking about the reopening scenario. After the vaccination of COVID, we will see the growth in RAC and the major one can come also from airports. Can you comment a bit how much is this represented pre-pandemic and now today? And as you mentioned the OEMs, what's the conversation with them to normalize deliveries over the second quarter -- semester?

And the second question, in the press release, you've mentioned the possibility of increasing depreciation over 2021. When can we start to viewing that and you need is bottom line? Thank you.

A - Unidentified Speaker

Thank you, Victor, for the questions. First, we don't open the mix of RAC product, but undoubtedly what's happening is that those channels, individuals, at airports and also businesses, those are the channels that are suffering the most. Here in our business, we have an expectation as you say. In the second semester, we have two major factors for Rent a Car, which is an expectation of improvement with the vaccination and the circulation of people. So people will be circulating more and more (inaudible) and the delivery of cars by the automakers, despite not being able to tell you what the mix is. You are totally right to imagine that what is happening actually in the Rent a Car channels with smaller turnover of passengers in airports. So, we have a great expectation when vaccines are at a higher percentage in the population, should happen in our view.

In the third quarter, we should have a recovery in the second semester, that will be quite good of these projects that will provide a new growth for Rent a Car, as the delivery of the automakers, as I've mentioned in the previous answer, we have contracts with the automakers. And despite all the difficulties, they've managed to deliver what had been, what was promised to sell some actually delivered, fewer cars and others delivered more. So, overall, we've received a number of cars that was within our budget and within what was agreed with the automakers, I'd like to reinstate this, we have very long-term relationship with your automakers and we have a long-term view that coincides with their vision. We are, have been partners for a long time, and for a long time we need this is always privileged contract partnerships.

So, we have a growing curve for next quarters of cars (Technical Difficulty) vehicle deliveries, and we believe it will be a very special time because we're going to receive more cars and consequently we have the opening of airports, and a mitigation of restrictions in the cities. And with those, we have an expectation that this ensemble will bring us second semester even better than the first. So for OEMs, this is it.

And lastly, the increased depreciation. So for depreciation, in here to try to better explain this, what we believe in this business of depreciation, well, we have three say, seasons of vehicles, vehicles that have been here for a longer period, to be no longer need to be depreciated. We have a depreciated value that is much smaller than what we are actually selling the cars at, we have vehicles that have entered along 2020 that have a smaller depreciation, a result of the increase in the cars from 2020 to 2021, and we have the cars or vehicles of 2021 that have normalized depreciation.

So our strategy since the pandemic has been the following. So at every evolution and increase of used car prices, we have been reducing depreciation, and then the RAC and fleet dynamic have a difference because the turnover of the fleet is 12 to 18 months, and for fleet is 30 to 35 months in the current scenario. So for each channel of ours, we move in a different way because the dynamics is different and we do this car-by-car. So it depends on the make, the model. It depends on various factors that effectively, you, unfortunately, only get the average of the depreciation.

And there is doubt of this increase in RAC is an expectation of ours for the next year, which despite the price of used cars being high in our perception, we want and will have a long cycle of good margins in used cars. So we are being conservative. Actually, we could do less, but this is a feature of Unidas. We believe that depreciation is the best way to be conservative in a car rental company because it is a cost that makes you not to lose money until you sell the car. If we depreciate a car 100% in a year's time, it's sold by 50% more or if it is sold for 70% more, only then will we gain or lose. So this is something that we've been doing for a long time. And we use the depreciation rate to plan future margins of our business in used cars and consequently of car rentals. So the three seasons are working in such a way that vehicles have been sold with zero depreciation, and new vehicles came in with normalized depreciation and some vehicles have smaller depreciation.

Rent a Car dynamics was to increase in the first quarter because it's more short term. This is the fleet we've made an adjustment that was negative from fourth quarter to this because we have some room in these cars for the first season, not only depreciation and from now on, we certainly -- you certainly can expect that our two businesses increasing the depreciation in the forthcoming quarters. This does not impact our margins and this should maintain for a longer period than 2021. The used cars business is very healthy. Of course, we're not promising here that we'll be able to maintain these rates at the current levels, but certainly, you will take a long time to see depreciation rates -- sorry, you're going to take a long time, margins and EBITDA of used cars close to 0.1 [ph] as it was the policy before the pandemic.

Well, since I've talked a bit about the depreciation, I'd also like to talk about the fact that Unidas is a new company. A year ago, we had another type of dynamics in the assets. We maintained an occupancy rate at Rent a Car that was much lower, and it is today is something we don't see the need. Even if we have cars, we don't intend to reduce the rate below 80%.

We also have this scenario of inventory of vehicle sales that was quite different from the pre-pandemic period, and we don't intend to go back to that scenario. And if you realize the sum of it all makes Unidas to be a better company that better manages its assets. And this has seen in our profitability and ROIC, they reached almost 15% this quarter. We've learned lots of things over the pandemic period, and being conservative in the depreciation rate will give us this longevity in this model of current used cars policy, and we have a saying that is very hard for you to climb a very high hill. But if you prove to yourself that you managed to do that, we don't like to go up -- twice. We've learned a lot and we're going to use depreciation, it was going to be conservative. So that this used car cycle lasts longer than early 2021. So this is the depreciation dynamics that I must mention to you.

Victor and to everyone listening to this here. And thank you very much for your participation and we're always available to you.

Operator

Thank you. Our next question comes from Mr. Rogerio Araujo from UBS BB.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Congratulations on your results. I have two questions, the first, just to check whether the GTF count makes sense? In the past -- in previous calls you talked about 10,000 to 12,000 vehicles close to ready for delivery, in 2021 you closed over 11,500 and delivered a bit about 11,000. So practically delivered the same number that you managed to close. So you have those 10,000 to 12,000 vehicles and (inaudible) was part of this concert. And the second part in this topic, you've also talked about contracts for the second quarter, increasing 62% vis-a-vis the second quarter in 2020, you closed 5,000 cars.

Can we imagine that perhaps you closed 60% over 8,000 in closing contracts to second quarter and 10,000 to 12,000, we will get practically 20,000, second quarter, obviously depending on the delivery of vehicles. Does it make sense 20,000 cars in the second quarter, in the queue and then I'll ask the second question. Thank you.

A - Unidentified Speaker

Thank you, Rogerio. You understand the mechanics, I cannot just promise to you that I'm going to deliver the 20,000 cars that are in the backlog, because I depend on getting the cars from the automakers, maybe we cannot deliver all of them. But the calculation is correct, we have a large backlog, the Fiat to be delivered this out of the sales data. The sales that are quite strong especially starting in the second semester, last year. So the math is correct, we have about 20,000 cars in our backlog or even more. But I cannot actually promise you that they're going to be in, in the second quarter, because we depend on the deliveries of the (inaudible) timelines take longer than we expect it will. Cancelling happens of course, we lose the bid in the contract. Since it's a market move, it's not just Unidas that has the lack of vehicles. This is not being happening a lot because it's no use canceling with Unidas, because they won't be able to get a car in another car-rental company, so canceling, it's not a problem to us now. The problem again is the delivery time of cars from -- by automakers that makes us deliver our cars a bit later, but your reasoning is absolutely correct. This is what's happening.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Perfect. Second point regarding RAC, so we have a mismatch between operational lead and end of period fleet, one had a four and the other one end of period 70%, because you sold a lot of cars at the end of the quarter, and this may impact the volume of rented cars in the second quarter this year. What are the expectations of receiving car, vehicles for RAC in the second quarter?

A - Unidentified Speaker

Well, you've noticed it quite well, if reduced, because as I've said March with the closing, and well, actually the lockdown, so we had a reduction in Rent a Car. It's (inaudible) when airports are shut or stop operation and the cities are locked or there is a lockdown in the cities. But we acted fast because we have contracts that reassure us so that we can go back to cars with the resumption of Rent a Car. And this is already happening, Rent a Car is resuming or recovering quite well in April in our businesses. And this is quite normal from (inaudible) If it closes, RAC suffers. If it opens, it gets back with important or major recovery. It's just a maneuver to better use the assets. As I've mentioned to you, we are very much focused on asset management, and this brings differentiated return and this to us is very important and we've discovered the mechanism to operate and we will not let it go. The mission of all of us is how can we get to the long-term with those margins and this mechanism, and we have the whole strategy ready, so that this happens.

Q - Rogerio Araujo {BIO 17308156 <GO>}

Perfect. Thank you very much.

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

Thank you, Rogerio.

Operator

Our next question comes from Mr. Regis Cardoso from Credit Suisse.

Q - Regis Cardoso {BIO 20098524 <GO>}

Good morning, Luis and Marco, thank you for taking the questions. If you allow me, two topics I'd like to discuss. First, the dynamics of assets. It has been a quarter of fleet reduction with very strong margins in used cars, but despite of negative cash generation, I'd like to understand if this is an issue of the new cars didn't come at an average price, a much higher than what's being sold is going to consume net investment? If you imagine, what's the relevance this impact may have over time? If not, if there is another explanation perhaps related to confidence regime, or cash regime, perhaps you can comment on the fleet regime linked to the cash flow?

The second topic is a follow-up on the previous questions. This reduction in RAC and fleet has been significant. And just to -- from your previous comment that's being intended, yeah, it's been a strategic move. I'd like to understand the following. If you assume at what speed can you recompose this fleet? And again, this point of mismatch between operational fleet and total fleet, I'd like to understand what mechanism led to that, the reduction sold -- cars for sale in the stores or used cars? So they have more operation in rental and RAC, they keep on operating? Or is this mechanism different or perhaps of purchasing? If you could comment in this sense, I would be grateful. Thank you.

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

Hi, Regis, thank you for your question. I'm going to talk about the first one, and then I'll hand it over to Luis to talk about the second to you.

Speaking about the cash burn that is your point, and that's very much linked to the end of your question. When you talk about the cash confidence so time, so we sold 16,000 cars and we sold 16 -- close to 16,000 cars with an efficiency of approximately BRL200 million. So that should be the difference respecting the mix difference, but let's say, that's the cash difference or re-investment.

Looking in a parallel of this quarter, so when we look at the first quarter and you see there is a cash burn that you mentioned, this is certainly a mismatch matter of how much you pay and how much you buy for us. So, if we take fourth quarter, if you see the sales of 20,000 cars and the 30,000 new cars with 10,000 more cars, which was the increase in the fleet in the fourth quarter. Most of those cars are paid in the subsequent quarter or even one or another as longer-term, two quarters later. So this quarter, if you look at our balance sheet, you can clearly see that we have a reduction, that is quite strong in the liability line of automakers payable.

So, we have generation, is quite strong, but when you have this purchase that is strongly the next quarter, you have more expenses or more spending. So, if we bought 15,000 cars -- to the fourth quarter, and the first quarter, the second quarter we don't have it, that's clear in the balance sheet. We don't have so much to pay to how does it behave ahead. We'll always have on average one in the next quarter, strong growth and we'll have the need for cash for investment. What is the very positive side of this linked to that, that we have been highlighted, which is funding and generation of better growth in margin as it's been the margin of all sorting of the fleet, that Luis mentioned.

The margin of Rent a Car recovering go above what we've seen in the past, and all of this helps us to have room to grow without needing to -- with no need for equity, the need for cash for growth is natural. But to sum up, I think the main point is a matter of cash in terms of competence. And the dynamics is more or less a payment on average 60 days, 90 days, after the acquisition. Second quarter we shouldn't have so much pressure, third or fourth depends on what we managed to buy cars, that are new for our fleet.

I don't know as if -- I don't know -- hope this is clear to you, I'll hand over to Luis now.

Q - Regis Cardoso {BIO 20098524 <GO>}

Very clear. Thank you.

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

Good afternoon, Regis. The second is a following. We have a tranquility to recompose the Rent a Car fleet. As I said we have contract and we have a budget mechanism here that is very sound and it's been like that for a long time, well contracts with the automakers and adapting to demand of the OEMs. And they have been staying with us, couldn't be different that they're going to gradually increase their production. And if they increase their production, obviously, there are more cars left for us. And we're quite confident that over this year, that you're going to see the RAC fleet being composed and growing quite strongly in the second quarter -- semester.

This is the way of Unidas to be conservative because if this business of ours has the largest drop when there are lockdowns or when cities are stopped, and we believe that with the vaccine and the second semester, we should have fewer possibilities or likelihood of having these phenomena. And we should have expectation of higher occupancy rates, and not keep the old fleet, and this causes problems to customers and higher cost to us.

And what happened in the second part of your question was a follow-up. If we have remaining Rent a Car, cars and used cars, so all we have to do is get from Rent a Car and move to used cars sales and that's what has been done and our used cars inventory is quite low. So we get a car today from Rent a Car, move to used cars, and then we put a Rent a Car move from used cars, and there is sort of constant flow between one and the other. In this quarter, when the pandemic pressed Rent a Car, we moved to used cars. So this is more or less the dynamics and the resumption is actually programmed and we have very positive expectations for the second semester in the Rent a Car segment.

Q - Regis Cardoso {BIO 20098524 <GO>}

Just a follow-up to understand a bit better this last point because in your comment, that reduction of the non-operational fleet was not because of demobilization. For exclusion, I understand that they should have come from the side of receivable -- receiving cars and the mobilization of new fleet. Is that so?

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

Yeah. It was actually, demobilization. And we received the new cars obviously when we had -- when the pandemic started in March lockdown started, some contracts of new cars rather than are receiving in March, we received in April, so there is a mismatch.

Nothing that justifies what you're asking. What I'm saying is when the cars started to be left in the Rent a Car stores, over March, we took cars from the operational IC and we sold the cars. That's it. Okay. So that was the dynamic.

Q - Regis Cardoso {BIO 20098524 <GO>}

Okay, understand.

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

So why, because if we wouldn't know how long they would remain dead to recover, and we had cars arriving in April, why should I just keep cars waiting at Rent a Car. I take them, and then in April, I replace them.

Q - Regis Cardoso {BIO 20098524 <GO>}

Super clear. Thank you. Congratulations on your results. Have a good day. Thank you very much. Greetings.

Operator

Our next question comes from Pedro Bruno from XP.

Q - Pedro Bruno {BIO 19082978 <GO>}

Good afternoon. Thank you for the space. Luis, I would like to ask you if you could comment please a bit on the dynamics of implementation of subscription car and Unidas live video or free Unidas, not only from the standpoint of growth and cost, because this is a relatively new car. Since, you've been pioneers in this product, it's quite new, and I understand its grows at a high percentage on a base at a smaller compared to other parts of the mix of your GTF. But you've had quite significant growth, as it has been said, along with the margin increase. So, it was just to understand whether in fact, it makes sense to imagine that it doesn't have a cost impact that is relevant or representative result of this big growth in the beginning of the product?

Just to understand if there is reasoning make sense, and if you could make comments on this line.

A - Unidentified Speaker

Thank you. Pedro, your analysis is perfect. The free (inaudible) is a product that has no cost especially when it's implemented. Usually, customers that use this kind of car are individuals that drive less than the average of businesses and Rent a Car product. So in our experience, this product is not a product that impacts costs. Much on the contrary, it is a product of light use. So you're correct in your analysis. When you think that we have no cost pressure, margin gain, there is no doubt, our business model always seeking operational leverage when you managed to grow 35% huge growth.

We obviously have new obligation when they need us to capturing this operational leverage. That's what you've seen in the margin. More a fantastic than growing 35%, is to grow 35% and increase the margin to 68% EBITDA, because we were around 65%, 64%. And so it's growth with margin result of the operational leverage. Does not bring cost or the short term, it is the product equal or even better to the fleet product.

Q - Pedro Bruno {BIO 19082978 <GO>}

Okay, perfect, Luis. Thank you.

Operator

Thank you, Pedro. Since there are no more questions, we're going to move on to the webcast Q&A session.

Q - Unidentified Participant

Good afternoon, everyone. We're going to start the Q&A from the webcast. The first question is from Fabiano Vaz from Nord Research. She -- he asks the following. How do you see the market at the RAC front, and also GTF after restrictions imposed by the pandemic in the first quarter 2021?

A - Unidentified Speaker

Thank you, Fabiano. We have noticed in Rent a Car, while we had the lockdown, almost all large cities in Brazil, we had a drop of approximately 15% cars [ph] and fest, GTF was not impacted neither on sales or as dynamics worsens is, unfortunately, the logistics. You had, for example, some places for preparations to deliver cars and the truck would not arrive, would not be able to go out, so we have an impact of delivery, and the delay in delivery of cars that we've been living of at this time. So lots of things in the backstage of the business they're, unfortunately, not shown in the numbers and are disrupting us greatly. Like this, when you stop a city compass, truck cannot go in, cannot go out, so you have a car stopped at the automaker already with a licensed plate. So we have an impact in logistics and RACs dropped about 15% and quickly when we had the lockdown. The good news is that also, as we had the reopening in early April, we resumed quite -- recovered quite fast. If this lockdown -- it drops quickly, if it is open, it grows fastly, that's what you've seen over the past quarters.

We don't have great novelty to us because we had -- we have structure to work and home office to have distance delivery to sell at a distance, we know how it operates. But of course, there is this drop. The drop last year, let me remind you during the pandemic when we had the same thing as this year was a drop of 60%. So now we're talking about 25% of the drop compared to what we had last year, nothing that hurts us, of course, we could have grown a bit more made a bit more money, but it is not something that helps us.

Q - Unidentified Participant

So, thank you very much Fabiano for your question.

Operator

We move onto the next question from Joaquin from BCI.

Q - Unidentified Participant

He asks two questions regarding the average purchase price last year and we just had of an average price second semester 55,000 for RAC, 65,000 for GTF. Now if you repurchase 71,000 and 69,000 respectively, what can we expect the whole year. Are those the new purchase levels for RAC entity?

Have a second question, how do you explain the difference regarding Movida, they reported average price close to 70%, Unidas is buy car models that are more expensive or what is happening to RAC specifically Rent a Car? Thank you.

A - Unidentified Speaker

Good afternoon, Joaquin. Thank you for your question. Okay. If we imagine that the cars over this period, must have had price is raised about 10% part of the investment is obviously related to the price increase and the brand new cars, Rent a Car. This is justified and obviously, there is a demand that is higher.

For cars, smaller cars and automakers are delivering a mix. This says a bit, it was the price increase and the other one, the other effect is the mix, the car mix in GTF, where you can imagine that this level will be the new one, but why? Because it's a product mix. As you realized in other questions and answers, you have a new channel before me that have a higher ticket. And with a higher ticket we can invest more so in GTF, it's a product mix and RAC it is part to increase in the price of new or brand new cars, and also product mix. As to your comparison to Movida, I'd rather not comment on it, because I don't have enough information to allow us to -- or allows us to compare ourselves to Movida at this point. I'd rather not make a wild guess, otherwise I would be inducing to some kind of (inaudible). So this is our conclusion on your questions. Thank you very much, Joaquin.

Q - Unidentified Participant

Moving on to third question of Bruno (inaudible) Could you inform us on the delayed time -- current delayed time into deliveries of the automakers? Thank you.

A - Unidentified Speaker

If you talk about delay time, I cannot answer you that, because what happens, you may face problems happening, you may face problems due to lockdowns, so some automakers delayed production, others have stopped or shut down production. As you've seen in the press, the delayed time is not what we measure. What we have is a number of brand new cars to receive every month. And obviously, this is a partnership. It's not set in stone that we have to receive thousands of used [ph] cars from X-automaker.

Sometimes there is a bit more, there's a bit less or fewer. What, I may say is that, the four first months of the year, we received on average everything that we had in terms of commitment, with all the automakers. In other words, we have no delay in the delivery of cars in the first four months, everything that we had estimated, we have received.

So what's been happening is that, the car delivery timeline of the automakers is from 90 to 120 days. In some cases, being even six months. But when you ask for a car now, we have contracts that we signed in the past. So the time varies according to market dynamics. So, up to now we have the joy of receiving the average of cars programs for the first four months. This is what reassures us to say that our fleet should improve in terms of growth and renewal for the forthcoming quarters, because this is how it's been projected with the contracts that we bought, that we signed for the purchase of cars last year, once again, I thank you for your question.

Q - Unidentified Participant

Moving on to the next question, I believe, Luis has already answered part what Fabiano asked again in the second question of his. So, I'm going to move to Joy Mora's [ph] question from Oceania. He asks two questions. The first is the following. Fiat has been gaining a market share in the new car market. Do you believe that when the pandemic normalizes, Volkswagen and GM, we will have a great incentive to get to the third shift and recover our market share?

And the second question is, I assume, that the Unidas delivery sales structure is more advanced than the competition because they have launched the product before, and thus avoid you from having pressure and (inaudible) compared to your peers. Is this trend should -- should this trend continue in the future? Do you have other investments and other impacts should impact your margin further ahead? Thank you. Congratulations on your results.

A - Unidentified Speaker

Thank you, Joy. This answer -- the first question, sorry, I do not have an answer to give you, I have never asked this to the automakers. But as you see in the numbers, it is clear that there is a strategy on the part of Fiat, that is quite strong in the first months of the year. I believe that the move and dynamics in the second semester should be easier for all carmakers. And you have a better performance for all. For us, waiting for the increase in the number of cars provided for the rental market. And for also the automaking, for all OEMs, we should have a much better scenario in the second semester. This is what they say, if they're going to accelerate to add a shift, I do not know. I do not have this information.

On the free DB [ph] structure, you've identified it quite well. We've been investing in this business for quite some time. What I may say is that, at no time does it make sense to us to increase our SG&A more than the product growth. We've always make a early investment this is normal in the car rental business, but to us, now, this product is already a stable product, product that we have been operating for quite some time. Now we are reaping the fruits of being pioneers in this business in our perception. So, we do not believe that we need to have SG&A pressure, neither in the short, mid or long-term in this Unidas delivery [ph] product.

Q - Unidentified Participant

Thank you once again, Joe.

Moving again and to another question from Joaquin. Assuming automakers can get back in good shape. What is the expectation of the council this year level similar to 2019?

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

Joaquin, unfortunately, the company -- we cannot give you an accurate number for that. But our expectation is of acquisitions that will be quite strong as of second semester. And it's the shame that if they had the cars we would buy many cars now, because we have a backlog to deliver to our customers. Backlog to renew our fleet, you have to understand that we have maintenance costs that is much higher than we should have because cars are postponing licenses and with -- this is all very hard to our business. So we believe that when we reestablish the supply, we will have gains in the operational leverage and also maintenance costs that today are quite hard and high to us. But unfortunately, I cannot give you this guidance because this is Unidas' policy.

Q - Unidentified Participant

Moving to the next -- last question for Rodrigo Faria from -- some of the automakers think they should actually sell value-added cars and not cheaper cars, more economical cars. So, do you believe that the accessibility of the population, two brand new cars will be more restricted if they change the model of the cars?

A - Unidentified Speaker

Rodrigo. Thank you for your question, I believe so. This is a demand, a market demand. I believe therefore that if we have this move, undoubtedly, it will help us, because then we can have an outreach to people that are unable to buy a more expensive car. And I think your conclusion is correct.

Operator

Since there are no more questions, the Q&A session via webcast is closed. We're going to start the question-and-answer session with media professionals. (Operator Instructions) Since there are no more questions, the Unidas's results conference call is now closed. Thank you all for your participation and have a good day. Thank you.