Y 2018 Earnings Call

Company Participants

- Carlos Sarquis, Head of Rent-a-Car Division
- Jose Antonio de Sousa Azevedo, New Business Director and Investor Relations Officer
- Luis Fernando Memoria Porto, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Lucas Marquiori, Analyst
- Pedro Bruno, Analyst
- Victor Mizusaki, Analyst

Presentation

Operator

Welcome you all to the Unidas conference which the results for quarter four in 2018. All participants are now in listen-only mode, and we're going to have a Q&A session later, and then you will be able to participate. In this quarter, Unidas -- we will accept questions from the press also soon after the market analysts. (Operator Instructions) This teleconference is being recorded and the recording will be available at the Company's website in 24 hours. And if you want the release, you can also visit ri.unidas.com.br for a copy. This conference and its slide presentation is being transmitted online and you can access it via the Company website.

There may be statements during this presentation on the prospects of the Company's businesses, forecasts, operating and financial goals, relating to its growth potential, but they are all based on the management's expectations towards the future of the Company. And these all depend on the general performance of the industry and the economic scenario of both the country and the national/international scenarios, so they are all subject to change. We have today Luis Fernando Porto, CEO; and Jose Azevedo, Director for Investor Relations and New Business.

Luis Fernando, over to you now.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Good afternoon, everyone. It's a great pleasure to present the results for quarter four in 22 [ph] and for the whole year for the company, the most important in our history. In this presentation, all data and information related to 2018 consider the results of Unidas S.A. from quarter two '18, plus its equity method results for the period from March 19 to 31st.

For information on 2017, we considered results from Auto Ricci for quarter three '17, combined with its results from May 11 to May 30 by the equity method.

In order to assist our investors and analysts, we have included in our materials also a track record of Unidas S.A. for the Rent-a-Car segment for better compatibility. We did so because we didn't operate in this segment until quarter one '18. Starting on Slide 4, and the next three slides, we are going to talk about some special achievements we had at Unidas, and they represent the Company's focuses on its three competitive pillars; return to shareholders, our employees, and customer satisfaction.

Beginning with the generation of value for our shareholders, 2018 was Unidas' year -- the year. We continued in our consolidation of the market with the Locamerica-Unidas merger and our latest acquisition NTC, with a focus on Agribusiness. It's their expertise. We are now the absolute leader in fleet management, both in revenue and in fleet size. We've entered the prosperous Rent-a-Car market and our operating results have been surprising as we'll mention later. Our shareholders also enjoyed the partnership with Enterprise, one of our largest car rental companies in the world. We reached the national presence after this merger with Unidas and we are now ready to further expand both in rental and in used car sales. We launched our Level 1 ADR program to increase the Company's visibility in the capital market, expanding the shareholder base, and opening access to actions -- to shares by foreign investors.

Our shareholders and the market in general witnessed the success of our follow-on, the most successful IPO in the last 10 years in Brazil, and it was proven by the minute generation of liquidity of the shares by depreciation of our shares in two digits only between the announcement of the IPO and its settlement. Of course, the returns to our shareholders are absolutely in line with the Company's expectations.

On Slide 5, we want to show you the diligent work done by the Company to intensify its relationship with the shareholders, investors, and the capital market in general. Our high level of transparency, governance, delivery of results, a high degree of alignment with the market, and the proven quality of our administration, innovative executions allowed our stocks to have a price increase of 96.4% in 2018, and we are now the car rental company with the most appreciation worldwide, considering all companies in this sector.

As to increased investor interest and the successful follow-on at the end of the year, we could diversify our shareholder base and increase the participation of institutional investors to 91.6% of our free float. Not only that, but the follow-on and the consequent increasing liquidity of the shares opened the Company to local and global investors, and global Investors are now one-third of our shares circulating nowadays. The great interest in our industry and our ability to transform our business also brought us a big increase in the coverage of our shares, which are today covered by 12 equity research institutions. So, I really thank our sell-side analyst for that.

In Slide 6, we present some of our achievements in 2018, and they conveyed how much we can take care of -- we do take care of our employees and our customers, and this is fundamental as part of our values. This attests our commitment to our employees and they work in a healthy environment where they can develop their careers. Researches show that Unidas is loved by those who are part of it and this directly reflect on the quality of our services to our customers. These customers, based on research, are also satisfied that we know that when they choose Unidas, and we are proud of that. So I would like to use this slide to thank our 2,601 employees, our 2,327 fleet management customers, and our 2.9 million rental car customers, and over 45,000 customers in the Used Cars segment.

Moving to Slide 8, I'd like to talk about some of our operational highlights. This quarter, we grew in all our segments. We highlight the Company's records in daily rental volumes in quarter four and 2018 as a whole, both for Fleet Management and the RAC segment. From the marketing viewpoint, we still have a very strong demand on our RAC operations, coming from all types of customers. This results from the acculturation of the Brazilian population on the benefits of car rental, the important investments made by the Company in its brand, and the renewal of its fleet including higher value-added vehicles, the increase in vehicle offer, the improvement in system and processes that already allow us to have initial gains in efficiency of price management, and capturing sales through the commercial synergies between RAC, and our leading position in the market in Fleet Management.

In Fleet Management, our competitive unique factors developed over more than 25 years allowed us to go beyond our expectations for this year in terms of results. In the segment of Used Car sales, the Company was successful in following its schedule of sale vehicles, and we sold a record number of 40,000 vehicles in 2018. If we consider the total pro-forma sales with Unidas from January 1, these sales were even more expressive, i.e 49,000 [ph] vehicles in the year. This robust volume was achieved because we further accelerated our retail sales percentage. This is going to be our focus even more intensely in 2019, when we are going to launch new stores in regions we are not yet present. As a result, our total fleet in late December had 131,099 vehicles of which 74,704 were in the Fleet Management segment, and this places us as the absolute leader of this segment in the country. And we also had 56,395 vehicles -- 56,000 in RAC, including the fleet of our franchises. We're going to highlight some of these aspects later in this presentation.

In the next slide, number nine, we are going to talk about the financial highlights of quarter four '18. In the chart above, we show the evolution of consolidated net revenue, which in Q4 was BRL896.6 million, 178.8% higher than Q4 '17. In 2018, the net revenue totaled BRL2,810.7 million, were 168.2% more than in 2017. Both results reflect the expansion of our segments, Fleet Management, Rent-a-Car, and Used Car sales, and also, the inorganic growth with income coming from Unidas S.A., and including the consequent entry of the Company in the RAC segment.

In the chart below, we show the evolution of the recurring EBITDA, which in this quarter amounted to BRL260 million, i.e. an increase of 143.7% reaching an EBITDA of 56.9%. In 2018 [ph] recurring EBITDA totaled BRL833.3 million or 141.5% over the EBITDA margin which was 49.4% [ph]. This margin reduction results mainly from the entry of the Company in the RAC segment, where intrinsically profitability is lower if compared to Fleet Management.

On Slide 10, above, we -- at the top, we can see the recurring net income performance. This quarter, we had consecutive increases in net income as compared to net revenue growth in the last 12 months both in quarter four '18 and in the whole year, which resulted in an annual expansion of net margins of 1.1 p.p. in Q4 '18, and 1.6 p.p. in 2018 as a whole. This shows the Company is growing with profitability.

In addition, net income in Q4 is the largest in one single quarter in the Company and it includes comparable basis and the value is BRL69 million. In terms of return, the good financial performance this quarter allowed the ROE annualized for Q4 reached the level of 20.9% even with the impact of the increase in shareholders' equity with the entry of the follow-on funds at the December '18. Without this impact, the Company's ROE would be even a higher record of 25.4%. The ROIC in turn in Q4 '18, if annualized was 12.3%, 0.6 percentage points lower than 2017, due to our exposure on the RAC market in 2018. However, this has been compensated by the decent reduction in our cost of debt, which permitted -- allowing the spread of the ROIC in relation to the average cost of debt to 5.6 percentage points.

In Slide 12, we can briefly see the scenario of brand new and used car sales. As you can see at the top chart, the sales of brand new vehicles in Q4 '18, increasing 16.7% compared to the same period last year over a total of 700,000 units sold. In 2018, sold 2.5 million vehicles -- brand new vehicles, an annual increase of 13.6%. The used car sales market was stable in the comparison of 12 months with a total of 2.8 million vehicles sold in Q4 '18, and 10.8 million in 2018.

Bottom left, you can see the information on car sales by age, and it includes heavy commercial vehicles and motorcycles, important note on that. The chart shows that the market consisting of vehicle with up to three years of use, had an annual reduction of 27.1% in Q4. Despite this reduction, Unidas sold 134.2% more in 12 months, resulting in a total volume of 12,337 vehicles sold, which allow the Company's market share in the sale of used cars in the country to increase 0.66% in Q4 '17, and it improved to 2.47% in Q4 '18. For 2018, the Company sold 42.3 -- 42,386 cars considering Unidas sales as of March 9th, resulting in a market share of 1.77%, while the pro forma volume for the same period totaled 49,044 vehicles sold or 2% of the total market. This shows that Unidas has a great competitive advantage over the majority of other used cars sellers in Brazil. On Slide 8 --14, we show the evolution of our fleet, one of our operational highlights, the first one. At the end of December '18, the Company had a consolidated fleet of 131,099 vehicles, an increase of 181% as compared to December '17. This is due to organic expansion of the business and the addition of the Unidas fleet. The decommissioning fleet totaled 10,000 vehicles in 2018, and corresponded to a total of 7.7% [ph] of the total fleet, an increase of 3.5% -- 3.5 percentage points compared to '17. So, as said before, we wanted to work with a stock of 75 -- stock of 7.5% to 8.5% of the total value. That was the aim, and we met that successfully in 2018.

On the last chart, you see the average age of the Fleet Management that closed in quarter four '18 is 16.6 months, an annual decrease of 2.9% due to the large volumes of cost contracted in quarter four. In RAC, excluding franchises, there was a decrease of 10.5% compared to '17, and we closed in Q4 '18 in 6.9 months, renewing the lowest minimal average age in more than 10 years for the second consecutive quarter, and surpassing the barrier of seven months. This result is due to the large volume of purchases made by -- in the -- by the company in this quarter and the second semester of '18, as a strategy to intensify growth in this segment. Not only RAC, but also Fleet Management are going to keep the same strategy of accelerating fleet renewal, so that we can have more cost savings with maintenance and depreciation.

Now, moving to Slide 15, investments in fleet in Q4 '18 went beyond the relevant mark of BRL1 billion, an annual growth of 284%. Considering the revenue from the sale of Used Cars of BRL439.3 million, net investments resulted in the amount of BRL573 million in Q4 '18 or 453.6% higher than in Q4 '17. In terms of quantity, we bought 22,894 vehicles in Q4 '18, which results in 10,557 vehicles more in the same period and this was boosted by the current scenario of strong expansion of the rental segment in our country. As to 2018, we bought over 68,000 vehicles or a net addition of 26,316 vehicles in 12 months, totaling a gross investment of BRL2.5 billion, and a net investment of BRL1.5 billion. Considering the pro forma results of Unidas S.A. since January 1st, '18, the company bought 72,849 vehicles, while we sold 49,012 vehicles. In 2019, we are going to buy even more vehicles to meet the growing demand for rental without lowering the levels of our -- of the quality of our services to customers. For this, we count on our robust operating cash generation, and it'a healthy capital structure, strengthened by the entry of the follow-on resources.

On Slide 16, we'll talk about the performance in Fleet Management. At the top, we can see the pipeline of opportunities renewed the highest level ever registered by the Company with top -- 2.1% in the evolution in relation to Q4 '18 totaling 39,500 cars in Q1 '19. On the side, we can see our commercial activity in Q4 '18, we grew 64.8% in the number of vehicles contracted as compared to Q4 2017. The total value of new lease agreements signed in Q4 '18 increased 45% year-on-year to BRL96.4 million. In 2018, 12,759 vehicles were contracted, an increase of 81.4%, which represents an overall total of BRL575 million or 85.7% higher than '17. These performances are due to the relevant contracts we entered into both in '18 and in Q4 '18 in particular. At the bottom, on the left, we can see an annual reduction of 2.9% of the average age of our fleet. We closed Q4 in 16.6%, benefiting from the Company's initiative in its renewal and the recent commercial advances as mentioned.

Finally, the average utilization rate is at its highest historical level of 1.1 percentage points in 12 months, totaling 98.3% in Q4. The performances benefit from the improvement of processes and technology implemented by our operational area by our operating synergies between Fleet Management and RAC, and the organic increase in this rate by the Company.

On the following slide and closing the Fleet Management segment, Unidas renewed its historical record for the quarterly numbers of daily rate -- rentals, which we -- which totaled 5.8 million in Q4 or an annual growth of 65% in relation to Q4 '17. In 2018, the Company had an annual growth of 84.7% going to 20.6 million daily record -- and not a record even on a comparable basis. This strong performance reflects the solid position of the Company as a market leader in this segment, and this is supported by our proven expertise and know-how that enable us to conquer new clients, including those who outsource their fleets for the first time, as well as the high rate of contract renewal backed by the high level of quality delivered to existing customers, who are already in our base -- client base.

The monthly average rates for 4Q for '18 was BRL1,523, which is stable in a 12-month period, even if you consider the annual drop of 14.3% in the CDI rate. In 2018, the average rate fell 3.7% year-on-year in a lower proportion to the reduction of the basic interest rate in the period. Both performance show that the Company can renew existing contracts without passing all such discounts, and this is backed by Unidas' long experience as a leader in this segment.

In the chart at the bottom, Fleet Management shows net revenue totaled BRL264.8 million in Q4 or an increase of 64%, which is due to an increase of -- 64.2% increase in the number of daily rentals, and the stabilization of the average tariff in this period. In 2018, net revenue was BRL930.6 million, an increase of 78% compared to 2017, mainly due to 84.7% increase in the number of daily subscriptions.

Now, I'll give the floor to Carlos Sarquis, the Head of our Rent-a-Car division, and he is going to present some more details on the Company's results in this segment.

Carlos Sarquis {BIO 20060508 <GO>}

Thank you, Luis. Good morning, everyone. So let's go now to Slide 18. On the upper left hand chart, the average age of car rental vehicles dropped from 10.4% to 6.9 months. So, consecutively renewing the lowest age in more than 10 years and exceeding the age of seven months for the first time in this period. Although this result benefited from the acceleration of the volume of purchases, it's also the results of the Company's efforts to reduce the average age of the fleet thus improving maintenance and depreciation costs as well as maintaining a new fleet for our customers.

As to the occupancy rate for Q4 '18, it's the same level we had before of 76.6%. It's in accordance with the planned levels, because we wanted to improve the availability of vehicles in Rent-a-Car. This reduction does not mean lower demand and shown by all the records and number of daily rentals we had, and this is compared to the same taxes we had in the same period. The Company will move on offering more vehicles to meet the demands in coming quarters, ensuring the quality levels to our clients -- customers.

At the end of December, 2018, our RAC service network had 210 stores.121 were our own stores, and 89 were franchises. We are present in all 26 states in Brazil and the Federal District. Comparing to 2017, the total number of stores decreased by six stores, due to the closure of 23 franchised stores, a result of the Company's diligent work to maintain stores that have positive results and therefore justify their maintenance. On the other hand, our own stores, increasing 15 in the same period and we opened five net stores absorbing 10 other franchised stores in strategically important regions, and this is in line with the Company's expansion strategy for stores in this segment.

In Slide 19, we show a stronger annual expansion of 46% in the volume of RAC rates in Q4 '18, consecutively renewing the Company's historical record and totaling 2.6 million per day. In '18, another record, a total of 8.6 million per day, an expansion of 31.9% over 2017. I emphasize here that in both comparisons, the growth rate has been higher than the growth annual average -- the weighted growth annual average for the last year.

In addition to delivering records in volume, we also managed to deliver the increasing average daily rate in Q4 was 3.4% before 3.6% in '18, totaling BRL76.7 million and BRL74.3 million, respectively, which should be noted that we had annual growth in all quarters, proving we are prepared to grow with maintenance and are increasing margins. However, such performances do not surprise us given the great confidence of us in the company in this segment, we believe we are going to renew the fleet. We are positive for 2018. We're going to have an increase in the mix of cars including luxury vehicles, improvement in dynamic prices, brand strengthening, increased loyalty program performance, and advances in systems and processes to improve customer initiatives. As a result of these initiatives, the net revenue of the RAC segment was BRL184.5 million in Q4, an annual growth of 51%.

In 2018, the net revenue was BRL578.7 million an increase of 36.4% over 2017. Both these expansions were above the weighted annual average of -- growth of 20.7% between 2014 and 2018, and this confirms the assertiveness of the Company and its strategies to accelerate its growth in line with profitability.

Back to Luis, now.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Thank you, Sarquis.

Now, talking about Used Cars on Slide 20. Our network has 85 stores now, an increase of 58 stores in 12 months. 56 stores were directed to the retail segment and to the wholesale segment. In relation to Q3 '18, 15 own stores were opened in Q4 of 2018. This is again in line with what we disclosed in our last results announcement. With this move, the Company is now present in all regions of Brazil. This initiative was possible due to the scale of this Company in these regions with the merger between Locamerica-Unidas, and we aimed bringing improvements in the return of stock and logistics of vehicle in demobilization. So, now we are present where we were not before and we can sell cars in places we couldn't sell before. In the same period, the Company closed five stores due to overlapping in certain regions and also we don't want to maintain operations that do not meet our required profitability levels. In 2018, we expected to open 15 new stores in cities we are still not present.

The number of vehicles sold increased 134.2% in Q4 '18, compared to Q4 '17, totaling 12,337 vehicles. In 2018, 22,386 [ph] vehicles were sold, an annual increase of 153.7%. Considering the total pro forma result for Unidas, the amount was 49,044 vehicles. The average selling price was BRL35,600 in Q4 '18, and BRL33,200 in 2018, an annual growth of 17.1%, and 5.7% respectively, due to the mix of vehicles sold in the periods, and lower consolidated average age of vehicles sold, given the Company's entry in the RAC segment.

In Slide 21, the revenues from Used Car sales in Q4 was BRL440.3 million, an increase of 175% over the revenue from Q4 '17. In 2018, the revenue was BRL1.4 billion, 168.2% higher than that -- than what we had in 2017. In both cases, the explanation is the same, an increase in the number of vehicles sold in parallel with the higher average selling price. In addition, the Company has succeeded in further increasing its shares in the retail market and our gross revenue was 72.5% in Q4 '18, and 69.5% in 2018 as a whole. This is the highest we've ever been in these periods.

The Used Car sales gross profit was BRL44.9 million in Q4 '18, and BRL156.5 million in 2018, while the gross margin reached levels of 10.2% and 11.1% in the respective periods. Although the reductions in gross margins reflect the impact of the brand new vehicles at a price lower than what the Company expected, we are comfortable with this margin, because it supports the positive EBITDA in these divisions as shown in all quarters in 2018.

I'll now turn to Jose Azevedo, our New Business Director and Investor Relations Officer to talk about our financial results.

Jose Antonio de Sousa Azevedo {BIO 21349724 <GO>}

Thank you, Luis. Good morning, everyone. Before moving on, I would like to say the information about 2018, show the results of Unidas S.A. from the quarter 2018 [ph], in addition to its results by equity method for the period from March 9 to 31. For the information in 2017, we consider the results of Auto Ricci for quarter three '17 and also its results between 11 May and 30th of June by equity method.

Moving to Slide 23 [ph], the Company's consolidated net revenue in Q4 '18, was BRL896.6 million, 178.8% higher than Q4 '17. In 2018, the net revenue totaled BRL2,810.7 million, 168.2% higher than in 2017. Both results reflect the expansion in similar proportions of revenues in -- in spite of -- for all the segments of the Company. For both periods, the organic growth reflects increases in daily rental volume targets and vehicle sales showing the Company's ability to maintain a strong growth without reducing prices.

Now, in Slide 24, we show the evolution of EBITDA and margins. Consolidated recurring EBITDA totaled BRL260 million in Q4 '18, and BRL833.3 million in 2018, which means annual growth of 143.7%, and 141.5% respectively. Consolidated EBITDA margins were 56.9% in Q4 '18%, and 59.4% in 2018 on net rental revenues. And their annual reductions basically reflect the Company's entry in the RAC segment, where intrinsically profitability is lower if compared to Fleet Management.

The EBITDA coming from Fleet Management in Q4 '18 from the outsource increased 0.6 percentage points in the last 12 months, while in 2018, the annual expansion was 1.1 p.p. These results reflect improvement in customers mix with the Locamerica-Unidas merger, and the positive operation leverage generated by the gain in scale more than offsetting the effect of reduction of basic interest rate in the pricing of new and renewed contract.

In the RAC division, the EBITDA margin was 42.2%, practically stable in relation to Q4 '17, as a result of offsetting the higher gross profitability due to margin commercial -- to higher commercial expenses, especially advertising and marketing. For 2018, the margin of this segment increased 1.1 p.p. reaching a record level of 40.9%, as a result of the Company's focus on monetizing this operation.

In Used Cars, the EBITDA was 2%, that was the margin in Q4, a reduction of 0.7 p.p., reflecting the reduction in gross margin, as explained before. However, we highlight that as compared to Q3 '18, there was an improvement of 0.8 p.p., reflecting the greater exposure to retail sales. In relation to 2018, the EBITDA was 3%, an increase of 0.7 p.p., that was the margin and it's also explained by the higher retail sales.

On Slide 25, I'll talk about the net financial expenses. The total was BRL88 million in Q4, an increase of 149.3% as compared to '17 the same period. The explanation is that we increased the net debt resulting from the financing for the fleet, so the increase in payment of BRL398 million related to the merger with Unidas partially offset by the reduction of basic interest rate in this period.

In 2018, there was a non-recurring expenses BRL3.9 million, basically referring to BRL3.8 million of the cost of debt used for the Locamerica-Unidas merger. It is important to highlight that considering the recurring data, the representativeness of the net financial result on net rental income presented an annual reduction of 3.1 p.p. in Q4 '18, and of 3.2 p.p. in 2018 as a whole. The other one was Q4. This is explained by the lower debt costs on the last issues of debentures. We also note that the Company's net financial results will still benefit the Company in the future with the refinancing of approximately 75% of the net debt at lower rate, and future financial revenues to be generated by the entry of the follow-on resources at the end of December '18.

The chart at the bottom, shows the evolution of consolidated recurring net income with -- in Q4 '18, was BRL69 million, and grew 205.3% in 12 months, while in 2018, the total was BRL203.4 million, an annual increase of 200.4%. Both cases are historical records for the Company for the respective periods, as well as growth in excess of the expansion of net revenue resulting record net margins 15.1% in Q4 2018, and 14.5% in 2018. This is a (inaudible) expansion of 1.1 p.p. and 1.6 percentage points respectively.

On the next slide, we show the evolution of our profitability indices. In the top -- upper left corner of Slide 26, we show the ROE evolution. As we can see, the evolution was positive quarter-after-quarter, closing the annualized Q4 '18, at 20.9%. If we disregard the effect of the entry of the follow-on resources, ROE would be even higher with 25.4%, and the Company's new historical record.

We should note that the annualized ROE is calculated on the tangible shareholders' equity in which the effect of the goodwill arising from the valuation between the signing date and the closing date of the shares issued for the payment of the merger with Unidas is excluded. So, we -- the annual ROC -- ROIC for the same period was 12.3% consolidated for the quarter, the level of profitability expected for the Company, even with the Company's entry in the RAC. As a consequent, the ROC -- ROIC's spread in relation to the cost of debt was 5.6 p.p. It's important to note that for the next quarters, this spread will still benefit the value of synergy gains and the expectation of reducing the cost of debt with refinancing at lower rates.

Moving to Slide 27, we show the Company's consolidated gross debt of BRL3.9 billion at the end of December 2018 of which 91.6% are due or maturing in the long-term, reflecting the conservative policy of extending the profile of debt. We also highlight the cash position of BRL2 billion including follow-on funds, which is sufficient to cover all outstanding debt maturing in 2021, and 61.7% [ph] by 2022. Our debt is currently comprised of more than 90% in debentures and the rest distributed among promissory notes leasing working capital and FINAME financing. As already mentioned, at the end of 2018, the Company was able to successfully complete the issue of new common shares in the gross amount of BRL992 million, that's attesting to the Company's ability to access the capital market, and to foster more growth in coming years.

In addition, after the completion of the merger and the successful follow-on at the end of 2018, we got a AAA maximum score for the Company's credit rating by Standard & Poor's, resulting in an improvement of five scores in early two years. This achievement should benefit the Company to access new issues at the best rates in relation to the current average cost of debt. Based on the consolidated indebtedness and combined indicators for the last 12 months, the net debt/EBITDA ratio reached the level of 2.02 times at the end of Q4 '18, lower than in recent years mainly due to the inflow of follow-on funds and the performance of EBITDA.

Now, over to Luis Fernando.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Thank you, Azevedo. I would now like to open for Q&A.

Questions And Answers

Operator

Ladies and gentlemen, we are going to start the Q&A session. (Operator Instructions) We have the first question from Lucas Marquiori, Banco Safra.

Q - Lucas Marquiori {BIO 17907247 <GO>}

Good morning, everyone. Thank you for the call. I would like to ask two questions, one on RAC, and the other about Fleet Management. So Porto and Azevedo, can you explain why the average tariff went up? What was the composition, seasonality at the end of the year, or bigger fleet or what are differences in average rate? This is just concerning RAC. As to fleet, you had 2,000 more vehicles, but lower than Q3. So how do you see new contracts for 2019? Is the level going to be the same, it's going to be the same, what's your view of all of the that?

A - Carlos Sarquis {BIO 20060508 <GO>}

Lucas -- Carlos Sarquis is answering your question. So I'll answer about RAC. This scenario is healthier as far as prices are concerned. So part of decrease -- increase in average tariff is due to that, and the other part comes from the mix. But to reinforce the first point, we are talking about mix of clients and mix of vehicles. Within each vehicle group, we have four groups, economic, intermediate, luxury and utility cost. We are having a higher average ticket in all these categories. So part came from the improve -- of mixing channels, part from the bigger fleet, and the good part comes from this improvement in the competitive scenario.

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

Thank you, Sarquis. As to fleet, and what I can say is that the difference between Q3 and Q4 was one only. We had in Q3 a very big client, who used over 2,000 vehicles, that was the largest impact. Apart from that, the pace is the same.

Operator

Next question, Pedro Bruno from Santander.

Q - Pedro Bruno {BIO 19082978 <GO>}

Good afternoon, everyone. Thank you for the question. The first is a follow-up to the first question as to the improvement in the competitive scenario. Luis Fernando, and Sarquis, if you think about the volume for the future, our competitor had very similar results too. It's an improvement in average ticket and this is a much better than the previous four years. So, now, we have these positive surprises, but now, we have this competitive scenario, we can put tariffs higher. So, what's your view in general about these dynamics, both concerning volume and price, and looking into the future? This is my first question.

A - Unidentified Speaker

Pedro, thank you for your question. We had already noticed that this -- it wouldn't make any sense to put tariffs down in Rent-a-Car. We needed to be reasonable and we needed to seek higher profitability. We maintained that in the four quarters, all our growth, where growth in terms of daily rentals combined with higher tariffs, and we want to keep that from now on.

Profitability is an important pillar for us, perhaps the most important in our business. And there is a very high demand, so, it wouldn't make any sense for us to put prices down. How can I put it? The market flows are more logical now and it's easier than for us to make decisions and as you said, one of our competitors have already published their results and their prices also went up in Q4, and we've been doing that for three or four quarters, and we're going to keep that, and of course we're going to keep that if we do not affect our profitability. We want to have a profitable company in the long-term. We know the business, we know how capital intensive it is. So, if you don't have a solid cash flow, you cannot have sustainable profitability, and this is our aim.

Q - Pedro Bruno {BIO 19082978 <GO>}

My second question -- thank you, Luis Fernando for the first one. If you allow me, I have a second question. It's about the cost of your debt. Can it grow as a result of the merger? Do you still have debt grace periods, set-offs et cetera, when are you going to have this set-offs, and what's your position as to this consolidate debt?

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

As to the debt, we have low cap debt; one of them maturing in April, it's between BRL300 million and BRL350 million. At the end of the year -- from quarter three to four, we are going to have another lockup of BRL200 million. These are our highest debts. These are the first that Unidas captured in the past, and if we think about the last cost of capture, it would make a lot of sense to look at cost only. Your comment would make sense if you did that, but we have to look at advanced payment fees and all the processes we have in place. So, in our release, we said that we still have 75% of our debt at higher costs as compared to the last capture of debt. But after the capture, we're upgraded to AAA, we haven't captured anything. So in order to be precise about this eventual reduction, I would need to know a little more about the next capture. We are optimistic it's going to be lower than the previous one because we are now rated at AAA. So our expectation is that today our spread is 125% of the CDI, and in the last capture, we were at a 110%. So I think, at least 50% of the CDI will be captured over the next two years. We just couldn't do that before because of the lock-up or because of the economic advantage we needed to refinance that.

We have had offers for new debts, and we believe in the next two years we are going to refinance the 75%, and we're going to have a reduction of about 50% of the CDI over the same period. It can be above or below 50%, depend on market dynamics, of course, and depending on the macro scenario, but our expectations are very positive and we think that in the short-term, we are going to improve this cost of debt for the Company.

Q - Pedro Bruno {BIO 19082978 <GO>}

Thank you very much.

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

Thank you, Pedro.

Operator

Next question, Victor Mizusaki, Bradesco Bank.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Good afternoon. Congrats on your results. And I have two questions. The first has to do with what Sarquis said on RAC utilization rate is ranging from 76% to 77%, but I would like to know your opinion for 2018. Will the utilization rate be close to that, stable, close to 2018, or do you expect a growth in this? And also concerning RAC and the mix you have for RAC, where is your largest market share, where are you gaining market share in this segment?

A - Carlos Sarquis {BIO 20060508 <GO>}

Thank you, Victor. As to occupancy rate, if we go on growing at a 50% et cetera, we want to keep a occupancy rate that we will be close to the quarter four or even above Q4 or even above. Q4 is our basis, but we think it's going to grow because the market is growing in a robust -- at a robust rate. These figures are not public - channel-by-channel, I cannot tell you how much each segment is growing individually. I think, the three largest car rental companies are gaining very robust market share. This consolidating has been speeding up because it's gradually more and more and difficult to compete at this scale. So -- and also I think, that the growth is due to the general growth in the market both for individuals and for the apps -- transportation apps, so these are the two segments that are growing. The market is growing markedly. We have an organic consolidation that I believe will continue in the coming years.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Sarquis, when we talked about Q3, you talked about the corporate segment. Did the same happen in Q4, and probably this helped you have this higher average ticket?

A - Carlos Sarquis {BIO 20060508 <GO>}

Yes, the corporate sector is growing. We didn't use to focus on that segment. We didn't have the adequate mix to operate in that segment. And to win this segment, we didn't have a loyalty program, but from now on or from a -- in recent months, we have grown. We are gaining market share, but the corporate segment does not change markedly from one quarter to the next. We have to negotiate with each individual client, so in the short term, we're going to have a few changes, but this is a slow process.

Operator

(Operator Instructions) If there are no more questions, so this is the end of the Q&A session for analysts. Now, the press can ask questions, but before that I'm going to invite Luis for his closing remarks.

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

We are all -- we're very happy with 2018. It was spectacular for our company. And we hope 2019 will be even better. The path we went through, the decisions made, the commitment we have and value generation for our shareholders allowed us to multiply our results, breaking record after record, supported by the great quality of the markets where we operate. We are poised for even greater growth, taking advantage of the opportunities of the fleet management and RAC market, and also of our great competitive advantage over most of the market. We remain confident on the results we are going to generate from our three competitive pillars, return to our shareholders, our people and customer satisfaction.

Finally, I'd like to thank again our employees and customers for -- and more than 300 financial institutions, assets and research houses for their interest in contacting our Company in 2018. And finally, I'd like to thank our 2,170 shareholders for believing in the -- in our execution and delivery of results. We reaffirm our commitment to generate value, both from the viewpoint of results delivery, and total transparency at the highest level of relationship with investors, and the market in general. If you feel you needed, I, the Board and our Investor Relations are available to the market. Thank you, and good afternoon to everyone.

Operator

Now, we start the Q&A session with the press. (Operator Instructions) If there are no questions, we are going to close this teleconference. Thank you very much for your participation and thank you for using Chorus Call.