

Q2 2020 Earnings Call

Company Participants

- Carlos Horacio Sarquis, Head Officer - Rent a Car
- Luis Fernando Memoria Porto, Chief Executive Officer
- Marco Tulio de Carvalho Oliveira, Chief Financial Officer and Investor Relations Officer
- Rodrigo Faria, Investor Relations Manager

Other Participants

- Regis Cardoso, Analyst
- Victor Mizusaki, Analyst

Presentation

Operator

Good afternoon, and welcome to the Unidas Second Quarter 2020 Results Conference Call. At this moment, all participants are connected in listen-only mode. Ensuing this, we will go on to the question-and-answer session when further instructions will be given for you to participate. Unidas will also allow press professionals to also ask their questions after the market analysts. (Operator Instructions)

This conference has simultaneous translation and questions can be asked normally by the participants that are connected abroad. You can also post questions through Internet through the webcast platform, we would like to remind you that this conference is being recorded and the audio will be available in up to 24 hours. Should any of you not have a copy of the release, you can obtain it at the site ri.unidas.com.br.

This conference call is also accompanied with a presentation and is being broadcast simultaneously through Internet with access through the Company's site. Before proceeding, we would like to clarify that forward-looking statements made during this conference call, referring to the Company's business outlook, projections and financial and other goals referring to its growth potential are based on forecast that the Company has regarding the future of Unidas. These forward-looking statements depend on the sector performance, the general performance of the country and the domestic and international markets. They are, therefore, subject to change.

With us today we have Luis Fernando Porto, the Company's CEO; Marco Tulio Oliveira, the CFO and IRO; and Carlos Sarquis, Head of the Rent a Car.

I would now like to turn the floor over to Mr. Luis Porto. You may proceed, sir.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Hey, good afternoon to all of you and welcome to Unidas Second Quarter '20 Results Conference Call. I have here with me today, Carlos Sarquis, our Head of Rent a Car; and Marco Tulio Oliveira, the CFO and IRO. In addition to presenting the data for the second quarter, we will share with you an update of the unaudited preliminary operating data for the month of July. At the end of the presentation, we will be very happy to answer any questions through the conference call or through the webcast.

At 4 o'clock, we will be in a live and info money, participating and inside the results, we hope to cover the entire capital market to thus convey our strategy to all of our business divisions.

We will begin the presentation on Slide number 2, where we show you the fleet evolution. At the end of the quarter, the Company's consolidated fleet had a final balance of 165,300 vehicles an annual growth of 8.4%, explained by the expansion of both businesses. Due to COVID-19, the used car sales volume was affected and represented 9.9% of the total fleet in the second quarter '20, with a strong recovery of used car sales in June and July, as we will present later. We intend to return to the representativeness of vehicles in stock to the normal level of 7.5% to 8.5% of the total fleet in coming quarters.

We go on to Slide number 3, in 2020, we carried out vehicle purchases for the Fleet Management as the business volume had evolved. And because the Company had more than sufficient financial strength to close these new deals. We virtually did not carry out vehicle purchases for the Car Rental division.

In Slide 4, we will speak about the Fleet Management segment which before the pre-COVID conditions accounted for 65% of Unidas EBITDA. In the first graph, the global value of the new lease contract signed in the second quarter '20 had a growth of 36.8% vis-a-vis the second quarter '19, amounting to BRL242.8 million due to the higher value per car hired and the longer duration of the contracts.

I would like to highlight that between May and June, we were already operating the volume of new hires at pre-COVID levels. The recovery was more intense in July, when we broke the Company's historical record totaling 3,145 vehicles, an increase of 240% vis-a-vis July 2019 and 142.5% compared to the monthly average in the second quarter '20. Another proof of the positive commercial moment experienced by Unidas is an increase of 10% in the pipeline, reaching 50,000 cars and an absolute record for this indicator. This important advance is only possible because Unidas has a privileged position in terms of liquidity enough to absorb all the increased demand for Fleet Management in the country, both by customers who were already outsourcing of those who began to do so for the first time.

Pointing to the importance of this solution for the balance sheets of companies and for reduction of their operating costs, especially liquidity crisis such as the one of this pandemic. The Company's continued investments in diversifying its services and

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accessing new markets, such as agri business through Unidas Agro and adapted vehicles through Unidas (inaudible) both resulting from M&A movements.

In Slide number 5, in the upper graph we show an annual growth of 1.4% in the volume of daily rate in the second quarter '20, despite the commercial slow down in March and April. With the resumption of commercial activity in June and July, the continued reduction of backlog, the number of daily rates for July has already grown 5.5% vis-a-vis July last year and 4.4% compared to the second quarter '20 monthly average, a record level of BRL2.3 million daily rentals.

The Company has opted for special discounts due to its pro-customer policy, totaling BRL4.5 million in the quarter's gross revenue, resulting in a slight annual drop of 1.8% in the average tariff for the quarter. Without this impact, the average rate would have remained stable despite the continuous drop in the basic interest rate. Additionally to the discounts with the pandemic approximately 1,500 vehicles were returned in the quarter.

To the lower left, the utilization rate reached 0.4 percentage points in 12 months, reaching 98.2%. This occupation remains stable today. In the graph beside, the net revenue for Fleet Management was BRL311 million in the second quarter, despite all the impacts mentioned. Finally, I highlight that the revenue of this division grew 6% vis-a-vis the first quarter this year. The acquisition of Zetta Frotas concluded on June 12, contributed with only 18 billing days for the quarter. Therefore, there is still much more to come in the coming quarters.

In the next slide, we speak about the Used Cars, starting with the sector analysis. The upper graph shows that the market for used vehicles was up to three years of use, had a reduction of 62.6% when compared to the second quarter '19.

Now when compared to the month of July, the drop in this market had a strong recovery, having a fall of only 4.5%. We believe that the used car market will remain heated at least during the entire year of 2020, sustained by the increase in prices and scarcity of zero-kilometer vehicles and the reduction of the populations income. Based on this perception, the Company spent the entire quarter without applying discounts on its Used Cars, which means that the annual drop of 4.3% in the average sales price in 2020 uniquely reflects the change in the mix of sales channels for the quarter.

As in April and May, retail sales were more affected due to the lockdown in some cities. We show that 11,229 vehicles were sold in the second quarter '20, 29.2% less than in the second quarter '19 due to the pandemic, especially in the retail channel sales. To offset this effect, we operate with a 100% online and delivery vehicle sales, ensuring that the division would not stop selling vehicles on any day of the quarter. It is important to highlight that the recovery of sales took place in May and gained strength in June, when we reached the sales volume, in line with the budgeting of the Company before the pandemic. In July, the excellent market moment allowed us to reach a record level in a single month with the sale of 9,632 vehicles, a 157.3% above the monthly average of sales in the second quarter and 62% above the volume of vehicles sold in July 2019.

As a result of the strong sales volume in July and the correct decision of not granting discounts, I would like to give you the news that the Used Car segment in July already operates with a positive EBITDA margin.

On Page number 7, the revenues from used cars in the second quarter was BRL426.9 million, down 32.3% vis-a-vis the second quarter '19. To speak about our used car network, 17 of our own retail stores and six wholesale stores were added in the last 12 months. And the store was -- excuse me, the network was expanded by 21 stores or 21% compared to the second quarter '19, as part of our national expansion plan. The stores opened in the three months of the second quarter '20 refer to the stores that were already in the opening process before the impacts of COVID-19.

I would now like to turn the floor over to Carlos Sarquis, Head of Rent a Car.

Carlos Horacio Sarquis {BIO 20060508 <GO>}

Thank you, Luis. Good afternoon to all of you.

We go on to Slide number 6, as everyone knows the pandemic affected the entire car rental market in Brazil. First of all, there was a reduction in the volume of daily rates especially in short-term rentals for individuals and corporations and for application drivers. To combat this movement, we took some initiatives. We have more flexible mileage packages for application drivers. Before they were 6,000 kilometers, now there are 2,000 kilometers or 3,000 kilometers. Thus, customers have greater accessibility in times of low demand. We intensified the care with our fleet, both in hygiene and in the installation of acrylic protections for application drivers.

We reduced prices and we're very diligent in yield management to take advantage of any improvement in rental demand. We performed a delivery vehicle service and we enhanced communication of products and services from Rent a Car, that would meet the needs of customers during the pandemic with a monthly rental of Unidas Mensal Mais. With these initiatives in April, we had a decent amount of cars being rented, including by application drivers and in subsequent months, there was a consistent increase in the size of the rented fleet. During the period, we had a huge demand for monthly rent by individuals who understand that this is the best way to continue to move around in detriment of public transportation. And they only use their cars when they're covering large distances.

Finally, the prices of all types of customers are now at the same price levels that we had before COVID-19. Regarding the second quarter '20 as a whole, these movements made by the Company and the continuous recovery of demand for car rentals allowed us to have an excellent annual growth of 8.8% in the number of daily rates. Despite the worst crisis this sector has ever experienced in its history. When we look at July 2020 versus 2019, the expansion is even greater 16.7%. The occupancy rate started at 55.9% in April this year as disclosed in the material for the first quarter '20 to 61.7% in the second quarter '20 and 75.1% in July. Although the occupancy in the second quarter reflects a reduction of 13.7 percentage points in 12 months, the month of July has already recovered

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a 100% of the occupancy rate that we had in July 2019 reaching 75.1%. This evolution continues as we see with the occupancy rate of the last day of July were reached 79.2%, 4.1 percentage points above July.

Our goal is to accelerate the Rent a Car fleet renewal by optimizing maintenance and depreciation costs. While we continue to raise the occupancy rate to recover the profitability. The average daily tariff in the second quarter '20 was BRL50.4, 28.4% lower than the second quarter '19, mainly due to the change in the mix of leases with a highest exposure to monthly rentals and the mix of application drivers mileage, which previously was 100% exposed to the 6,000 kilometer packages. And now has a certain relevance because of the packages of 2,000 and 3,000 kilometer packages.

At the end of July 2020, the average tariff had already reached BRL57.9. For the rest of the year, we will continue the recovery stage divided in three phases. First, increase the occupation to then recover the average price, which is in cars and will depend on the mix of leases. And finally, we will grow again in this segment, back to the pre-COVID levels.

In the next slide, we see the evolution of net revenue for Rent a Car without franchises totaling BRL165 million in the second quarter '20, 21.9% lower than in the second quarter '19, a performance better than the tariff reduction average. Since we were successful in achieving annual growth in the lower graph, service network grew by 10 stores in 12 months. The increase in own stores reflects the expansion plan for Rent a Car scheduled for this year and is due to the incorporation of franchises by the Company. In the three months of the second quarter '20, seven owned stores were opened, which were already underway before the pandemic.

Now I'll turn the floor over to Marco, our CFO and IRO to speak about the financial results.

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

Hey, good afternoon to all of you and thank you Sarquis.

Before we begin on Slide 10, the management has decided to carry out an impairment of BRL24.5 million in the used cars inventory in the second quarter, an amount equivalent to 6% of the stock balance on April 1 of this year. We want to balance the effects of the operational deleveraging generated by the lower sales volume in the quarter. And to withstand the rapid resumption, the administration outlined a strategy to be used during the pandemic. Among the several decisions, we highlight those that are essential to prepare us to absorb the maximum demands for rental and used cars. First to maintain our stores. Second, keep as much of our people as possible. And three, take advantage of the low demand to carry out maintenance and overhaul of our fleet to have the maximum number of vehicles available for rentals and sales when the demand returns.

The pandemic also generated non-recurring expenses with COVID-19 prevention initiatives with donations. Together, they represent a total of BRL4.6 million in the quarter. As an obvious results, we had margins under pressure for the quarter, especially in car rentals, but strictly in line with what the Company had imagined. We are ready for a

second semester that has also begun with the historical record in July, as shown, and we continue with our long-term fundamentals intact.

We go on to Slide number 10, to speak about EBITDA and margin. Consolidated recurring EBITDA in the second quarter '20 reached a record level of BRL208.6 million, an annual drop of 34.1% in 12 months, explained by the retractions of EBITDA by 94.1% in car rentals 14.7% in used cars and 2.7% in Fleet Management. If we consider the accumulated result in the last six months of 2020, the consolidated recurring EBITDA decreased by 14.0% reaching BRL521.8 million. Recurring EBITDA margin for Fleet Management decreased by 2.7 percentage points reaching 62.3% due to the BRL4.5 million discounts granted to customers, the return of a 1,500 vehicles, and an increase for the provision of default, the impact on the segment was 2% to 3%.

Regarding the Car Rental segment, recurring EBITDA margin was 3.7% impacted by COVID-19 and the occupancy rate, the average ticket and the provision for default. Besides the Company's effort of not to make strategic cut cost [ph] that would interfere in our medium and long-term planning and non-recurring expenses. In used cars, EBITDA margin was positive by 2% or 0.4 percentage points above the second quarter of '19 explained by the impairment adjustments.

In Slide 11, the recurrent consolidated EBIT totaled BRL60.8 million, in the second quarter, 68.9% lower in the 12 months, due to a lower EBITDA and increased depreciation of Rent a Car and Fleet Management vehicles and depreciation of other assets. The recurring EBIT margin reached 12.7% in the second quarter.

In Slide number 12, the recurring net financial expense totaled BRL71.5 million in the second quarter, an annual drop of 23.4% while its representativeness regarding net revenue reached 14.9%, 16.3% lower than the 17.8% in the second quarter '19. The result was possible, thanks to the intense work carried out in the last two years to reduce the Company debt spreads and the contribution of the lower interest rate. And we also show you the consolidated recurring net income, that reached BRL4 million with a net margin of 0.8%. Reductions are due to the impact of COVID-19 and the increase in depreciation. Offset by the improvement in the debt cost accumulated for the second quarter '20, the consolidated recurring net income is BRL94.4 million. The representativeness of ROIC in relation to the cost of debt after income tax in the second quarter was up 2.2 times, allowing the spread to be positive by 4.5 percentage points despite the effects of COVID-19.

We go on to the last slide where we show you the largest financial highlight for the quarter, the strong cash generation the Company had during the pandemic. We left a pro forma cash position of BRL1.5 billion on March 21 to add a robust amount of BRL127.3 million from rental operations, benefited by the strong resiliency of Fleet Management, and BRL324.3 million with a net result of used cars sales against zero-kilometer vehicles. We amortized BRL90.8 million in debt and paid Zetta Frotas, totaling a final cash balance of BRL1.8 billion on June 30.

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We will update you about July where we continued with a positive cash generation. The balance of July was even higher of BRL2.2 billion, showing how a well-managed car retail company can generate a great deal of cash even in moments of a serious crisis. Regarding covenants, we remain comfortable as we remain below the 3.0 times line of net debt, recurring EBITDA for the last 12 months. As a result of the Company's efforts to lengthen its debt profile and strengthen the level of availability, the cash of BRL1.8 billion was equivalent to 93.1% of the debt that will mature until 2022. We would like to remind you that the robust strength of our capital structure and the resiliency of Unidas in times of crisis, allows us to maintain our rating in the highest level, AAA.

I now return the floor to Luis.

Luis Fernando Memoria Porto {BIO 17590082 <GO>}

Thank you, Marco. Before we go on to the question-and-answer session. I would like to make my final remarks. I would like to tell everybody who is listening to us that we are in the worst crisis that has ever happened, and that Unidas is a Company forged by the experience of various crisis and a high level of competition in its sector for more than 35 years. What we will see going forward is the Company accelerating its market share in all of the segments of operation, and we have a full package for this to occur. We have a strong cash position, we are deleveraged, we have maintained our structure in all divisions, and we have a strong resumption of growth that we are absorbing. To conclude, we are also aligned with the best practices to protect our employees, and we are streamlining our ways of working. That is why, I officially announce that Unidas will permanently adopt the home office policy. Besides allowing greater satisfaction for our employees, it will generate fixed cost savings for the Company.

I would like to thank our 3,435 employees who have kept Unidas 100% operational throughout this troubled moment. We count on each of them to capture the countless opportunities that have been inaugurated with this crisis. For those who need it, myself, Sarquis and Marco and the entire investor team are at the disposal of the market.

I would now like to open the question-and-answer session. Thank you very much.

Questions And Answers

Operator

Ladies and gentlemen, we will now go on to the question-and-answer session. (Operator Instructions) Our first question comes from Victor Mizusaki from Bradesco BBI.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Hey, good afternoon, and I have two questions. The first, in your results release where you spoke about your business pipeline for the third quarter, we see a steady growth of 10% during the pandemic. If you could remark on what is happening with the clients? Are they changing because of the pandemic?

The second question, and Sarquis mentioned, and was honing on the topic that they're trying to sell the best product for the client and this is what leads to growth. If you could speak about what is happening with you? You need a strategy to truly foster this market? And how do you know that the product makes sense for a specific client? How can you adapt the product to the needs of the client? So which will be the Unidas strategy, therefore in terms of communication?

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

Thank you, Victor. It is a pleasure to speak to you, and thank you for the question. I will speak about Fleet Management and then Sarquis will speak about Rent a Car. First of all, we, in all of our leasing products, we're experiencing a very strong cycle of growth before the pandemic. And what we believe is that, this will intensify as it has already. Obviously, we lost a significant volume, especially in car rentals in terms of our invoicing for obvious reasons. But in the Fleet Management, what we perceive is a considerable increase of small- and medium-sized companies, moving towards a Fleet Management model.

Of course, this model will be of aid because companies have little cash, especially the small- and medium-sized businesses, there are restrictions at banks as well. And this moment is important for them to perceive that. Besides liquidity, they could also improve their balance by doing Fleet Management, and they can improve their operating costs and productivity, which is so important at the moment. So we believe that there is the intensification of a movement that was already in place, and we are capturing this movement very strongly because the balance allows for this. And we haven't stopped even a single day when it comes to maintaining our sales force active.

We can expect strong growth, therefore, in the coming months. And logistics, of course, were a problem until the month of May and June. At present, everything is returning to normalcy, and cars will be implemented at a greater speed. And we have a very good expectation for our business going forward. I will now give the floor to Sarquis to respond to your question.

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

Hello, Victor. Good afternoon and thank you for the question. First of all, as you know, when the pandemic began, there was this fear of people of interacting with other people. At the beginning, our great focus was, first of all, to guarantee the safety and the health of our employees and for our clients. And we prepared our team, we spoke about the proper cleaning habit. The second relevant step was to communicate this to clients and to focus our marketing and social media to communicate to the clients that, in fact, we were guaranteeing a very safe interaction when leasing a car, not only in terms of the hygiene, but in the way that we deliver the cars.

Thirdly, we have launched our application for some time now. And clients that reserve cars through the app can get the car with a QR code without going through the stores. And of course, this is a way of offering to our clients a lease with practically no interaction. We're investing strongly in technology, so that this modality will be available for all types of Unidas clients. At present, it is focused on a single segment.

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Now when it comes to Mensal Mais, the monthly product, there was a great deal of search for this product. Several people are rather hesitant in terms of using public transportation. So all of our marketing channels are speaking about this product, and we're investing heavily in technology. So the relationship with the client will be more efficient, more friendly and more digital, of course. We will maintain the traditional channels. But we know how important it is to offer to the clients a relationship that is fully digital. And we want to make sure that the use of our app is very simple. And when doing this, we're eliminating that test barrier that is quite relevant. Our focus is to communicate the product and through investments in technology to improve the relationship of the client with our company.

Q - Victor Mizusaki {BIO 4087162 <GO>}

Excellent. Thank you very much.

Operator

Our next question comes from Regis Cardoso from Credit Suisse.

Q - Regis Cardoso {BIO 20098524 <GO>}

Good afternoon and thank you for taking the questions. Two topics here on my part. One, about your strategy when it comes to cost, I think that you have embraced a strategy of being somewhat more aggressive. And you're not reproducing the cost structure or using your fleet to close the gap. Compared to what is happening in the sector, you have continued to grow. I would like to check if this is the strategy that you adopted to continue expanding despite the crisis.

Now the second topic is the following. In the context post-pandemic, at the worst point of the pandemic, it will still take some time for the airport rentals and other rentals to come back to normal. And perhaps the strategy of Rent a Car will be to -- go to the fringe of the credit profiles, especially for application drivers. And I would like to understand if this would represent an alternative to replace the volume that was lost at airports and in the other rental counters. You have already spoken about the monthly leases and much more. Thank you.

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

Thank you, Regis, and I will answer the first question. Sarquis will answer the second one. In terms of our strategy, it's not that we didn't do any cost cutting. What happened was the following: we realized that things would get much more complicated at the end of March, around March 22. It was very difficult to forecast a resumption. The impacts that this could have on the business were highly complex. And all of this happened very strongly, especially in the Rent a Car and the Used Car businesses.

Our strategy, and it has always been our strategy, is to look upon crisis as opportunities. There is no crisis that doesn't end. We simply don't know the intensity and the impact it will have on our business but they do end. So we spent 20 to 30 days trying to understand what was happening. We used surveys of countries that had already finished

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with COVID, Italy, for example. And our strategy was to use an economic rationale and not one of cutting costs at any price. I'll give you an example in numbers. To build one of our stores, a medium-sized store of Rent a Car and Used Cars, requires BRL500,000. There is a reduction in CapEx in a five-year period, which is the period of the contract now.

If you understand that closing a store for whatever reason, will mean that you will remain with the store for a very long period, it makes sense. Otherwise, it doesn't make any sense whatsoever because you have already spent the CapEx. And in three months or six months or in a year, once again, you will be investing another BRL500,000 with a relevant cash and accounting impact. And you have to understand that in Brazil, the cost of laying-off a person, if they have been working for a reasonable period of time, will cost two or three months. Now if you realize that, in fact, you're going to lay-off people now, and in another two or three months, you will be looking for new people, you're going to be spending on training, on the hiring and the time for that person to understand the company culture. And I gave you two examples of what we understand to be rational cost cutting, economic that don't depend on cash or on a herd that is stampeding and you're in the middle of the herd.

So what we have done as a strategy is to maintain the structure and the people in the Company. Of course, we cut down on costs, we use the government initiatives to cut down on costs. Unfortunately, some people did leave the Company during this period, and we had several other initiatives that will have an impact in the medium and long term. Now what we had imagined and while this was happening day after day, we still had an important business, which is our asset. So at present, we're bought out in terms of cars. And this asset has to have a benchmark, which is a zero-kilometer car. Now normally, the cars come out of our asset with two or three years of use.

At the very beginning, we realized and we indicated to the market that what we expected was that these totally new cars would have to have a significant price increase. If this were to happen, naturally, the used cars would also have an increase, certainly not a price drop. In a scenario such as this one, what did we decide to do? We sold a number of cars that we could at the fair price for those cars because the renewal or replenishment of the cars will be more costly now, because there has been an increase of 5% to 15% in zero-kilometer cars, depending on the category and the assembly plant. So the cost of replenishment will be higher. Why sell a car, therefore offering discounts at that moment. When the problem is not the price, the problem is a demand that is lower than the supply. We did protect our fleet, and we now have the certainty and clarity that our strategy was the right one. We don't need cash. We did not deleverage the Company, quite the contrary. We used the tool of not buying new cars. And at present, I can state to the entire market that without a doubt, the price of used cars will increase during the coming months. They already are.

And for those who have more cars, with the old cars, we'll make more money than those who do not have a stock. And the asset, the car has become very powerful for the resumption. We're moving -- we're going through a moment of demand, and this is very positive for us. Now what is it that we expect that the resumption exists and that we will very quickly gain operating leverage? We're very well structured in terms of the brick-and-mortar stores, people that are trained and engaged with a business and a fleet that is

perfectly adequate in the month of July and August without a surplus of cars, neither in Rent a Car or otherwise. And the Company working with a lower administrative cost.

Now the operating cost, you will have greater clarity going forward, that our cost will be lower in the coming quarters. Because the fleet is being renewed at great speed, the average age of the fleet will drop, the average mileage of the fleet will also drop. And additionally to this, we have anticipated maintenance and the preparation of cars for sale. When the market began to reoperate, our stores were jam packed. There were all cars that were prepared. We have two or three additional inventory sites, but all the cars were ready for the resumption. 9,600 cars sold in July, an absolute record for the Company. The most that we had ever sold was 6,800 cars, almost 50% more sales for the month. Now to do this, we transported and prepared cars. And of course, this has a cost. But going forward, things will go back to normal, and we will see a flat administrative cost, perhaps somewhat lower and the operating costs, and especially the maintenance costs dropping with revenues increasing. So this is an excellent equation for our business. And the good news is that we have a situation today that allows me to say to you that Unidas will reduce its depreciation rate. For two years, we have been very conservative in this. And this is the right time for that.

When a crisis comes, you don't have to do adjustments on depreciation. With this new scenario with new vehicles, we can reduce things and return these funds to the company cash, which is what you will observe a positive EBITDA margin the coming quarter, and significant gains in terms of depreciation costs. Thanks to a reduction in these rates because the equation is playing in our favor already now in the second quarter.

This is our strategy, and I'll now turn the floor over to Sarquis.

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

Thank you. Now regarding your comment about the airports, I would like to say the following, we have observed, and this also happened at the beginning of the pandemic where we believed that the recovery of demand in the airports will be higher than the number of passengers on an airplane. And a person that travels for tourism has some options to move around the city where they're going to spend vacation, cabs, apps, public transfer -- public transportation or renting a car.

Now if the client wants to preserve his or her health, the preference will be a car. And that is why we insisted on concentrating our investments not only on marketing but also on technology to offer greater comfort to the client and communicating this to the client, ensuring that the lease will be much safer in this scenario of a pandemic. And we're beginning to roll out a partnership with a company, in the application sector, Uber, in this case. And we're beginning to offer a lease, retaining what the driver receives. We have a platform prepared, it has been rolled out, and it allows us to make strides with drivers who have bad credit, but doing this in a safe way. We think that this market will recover week after week, and there is no need to take on relevant credit risks to offset the eventual loss of revenues in the airport channel. We can do this in a very safe and secure way.

Q - Regis Cardoso {BIO 20098524 <GO>}

Very good. Thank you. It's very good to hear those answers. Thank you.

Operator

(Operator Instructions)

A - Rodrigo Faria {BIO 16684331 <GO>}

Good afternoon. This -- we have some questions from the webcast and I would like to share with you. The first from Mauro (inaudible) who says, good afternoon, congratulations for your results. Have you verified a new trend for purchase of vehicles? Thank you.

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

Thank you, Mauro. In truth, what we have perceived is a significant demand for all of the products as a sector observed in July and the evolution between April and July shows a significant growth in the Used Cars and the car rental business and the Fleet Management business. It's very difficult for the entire country or for the entire region or people to migrate to one or another product.

Now Unidas has the most complete platform or vehicles in the country, we have cars and trucks and any company that wants to Rent a Car or truck, we do have a product that can fulfill their needs. And we're expanding the places where we keep these vehicles, but we haven't identified any trend. And there is a strong trend to buy our products, people who do not want to use public transportation and want to protect themselves by purchasing a car or renting a car or people who need liquidity, who want to be more competitive. So they use our Fleet Management. The trend in our vision will help us with all of the products that we hold. And that is why we have this resumption that is quite different from what we expected.

A - Rodrigo Faria {BIO 16684331 <GO>}

Thank you, Luis. We now have a second question from Mauro. The ease when renting a car is very important for the market growth. Is Unidas thinking of expanding the number of sites where they service clients, shopping malls and others?

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

Sarquis, would you like to answer this question? Mauro, it seems Sarquis had a problem in Sao Paulo, so I will answer your question. We truly believe that to have several points of sales and to have a store very close to the clients, we'll increase the market. We truly believe in this. And without a doubt, throughout these coming months and coming years, you will see more and more points of sales of Unidas close to our clients. Especially in shopping malls as well as other venues, places with a considerable movement of people. This is part of our strategy, and we believe in this and we are going to follow that path. Doubtlessly, this will bring in more clients and will increase our market.

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A - Rodrigo Faria {BIO 16684331 <GO>}

Thank you. We now have a question of Felipe Santos from One Partners. Good afternoon and I have two questions. Which is the company expectation for fleets at the end of 2020? And do you think that the maintenance expenses will be lower in the second semester as they have already been anticipated?

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

Thank you very much, Felipe. Once again, thank you very much, Felipe for the question. My apologies, Felipe. To answer the question, the Company does not offer guidance in terms of volumes or operating information throughout the year. What I can say is that we have grown again. As you were able to see, there is a significant demand. And obviously, this means a higher purchase of vehicles, and this means a larger fleet. Our expectation at present is for growth for the coming months. And until the end of the year as we mentioned during the presentation, I think that the worst is behind us for Unidas.

And about maintenance, you can expect a reduction in the costs in the coming quarters, considering that we anticipated several maintenance and preparation of the cars for sale. And this shouldn't be necessary in the coming months, and we have also reduced the average mileage of the fleet. We will be doing this in coming months, and this means lower maintenance costs as well.

A - Rodrigo Faria {BIO 16684331 <GO>}

Thank you, Felipe. Thank you, Luis. We have one more question from Ricardo from Banco Plural [ph].

Good afternoon. Could you give us an idea of your outlook in used cars?

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

Good afternoon, Ricardo, and thank you for the question. And also a question about impairment. The impairment done by the Company I mentioned in the call, took place because of what the Company expected at the beginning of the quarter, a reduction in the volume of cars during the quarter. As you can see, the volume of the quarter is 11,000 cars sold, much lower than that of previous quarters and that volume reduction in a quarter where you don't have the speed to reduce your costs, as was mentioned. We therefore made the decision to have the impairment to maintain a positive margin in used cars according to the good accounting practices. And regarding the month of July, we have already disseminated these sales figures for July. And with the resumption of used cars, there will be no impact for the Company in the future.

Now let's speak a bit about the future of the market. What we foresee for the next three or six months is a considerable search for our products, our vehicles because the assembly plans will make adjustments in their production only at the end of the year or beginning of 2021. And despite all of this opening of the cities and an improvement in the labor environment, when this will return, it will come back with very difficult demands. And to resume works in plants, it will take some time until it reaches its peak. And therefore, the environment will be very similar to what we have today. We have a great deal of

expectation for the used vehicles, especially in this second semester with a potential for volume and margin for our business at a time where this is very important. The rental car is recovering significantly. The used vehicles will become important players. And this will give us a new solidity in the company balance and bring in profit and profitability, which is what is of interest. And this is our expectation for used cars going forward.

A - Rodrigo Faria {BIO 16684331 <GO>}

We now have a question of Marcos Carneiro from (inaudible) Capital. Good afternoon and congratulations for your results. Now is this a natural movement of companies seeking for Fleet Management? Or is it the result of leads -- of active leads from the Company?

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

Thank you for the question, and I think it is both. More companies have thought of the possibility of changing to Fleet Management. But Unidas must have been one of the few companies that during this period of pandemic maintained all of its channels, its pricing and all of its sales channels active during the entire period. Unidas did not take away its sales force from the streets, quite the contrary. We intensified the online sales, the distribution channels also grew. We developed new products. And all of this gives us a very positive expectation for growth, not only of the pipeline, but of Unidas business. So it was the addition of both things. Thank you for the question once again.

A - Rodrigo Faria {BIO 16684331 <GO>}

Thank you, Luis. We have one more question from Marcelo Sandri. Good afternoon. A very quick question on the permanent home office issue, if this is mandatory optional? And which is your expectation that this will reduce cost? And how can you keep your teams working together in terms of the Company culture?

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

Thank you for the question, Marcelo. In these 90 days, we carried out an in-depth study of this model. And what I can say is the following, our model is going to be mandatory for those areas that are possible to work in home office. It should reach 33% of our employees, most of which are employees who are not at the front in the stores. And for these, it will be mandatory. Now why mandatory? The first survey that we carried out among our employees was done a fortnight after the entire company was working at home. 93% of the people said that they like that, and they prefer to remain in home office. 90 days later, we carried out another survey and this percentage rose to 97%. So 97% of the people approve and request this model. Therefore, it doesn't necessarily have to be mandatory.

Of course, these people will have to come by -- the company one or two days a week. And this will also happen with the follow-up of the new process, the feedback process, the integration process and other processes, so that we can maintain the corporate culture that is so strong at Unidas at present. I don't know if you know, Marcelo, but Unidas disseminates that the most important pillar for us are our associates, our employees. More important that the clients and the results, we think that satisfied and engaged people, are very good with the clients. Clients will remain longer in the Company, and this

will bring us long-term results always. So with this, we truly believe in listening to people to see what they want. And additionally, to all of this, we estimate savings of BRL7 million per year when all of the processes and everything else has been put in place. BRL7 million based on what we do at present.

A Company such as ours that will be growing considerably in coming years, all of this will be leveraged. So it's very important for us to have this project and to adapt to this and to focus on what is more important, having a happy and engaged employee, maintaining the corporate culture and making money for the Company. This is the model that we have put in place very generally. We already have indicators for productivity and other indicators for most of the people. People are being trained according to this model. And this is how things are going to operate. In our view, they're operating very well, and we're quite satisfied in adopting home offices as a permanent model.

Operator

(Operator Instructions) As we have no further questions, we will now end the question-and-answer session with analysts. Before going on to the question-and-answer session with press professionals, I will return the floor to Luis for his closing remarks.

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

Thank you very much to all for your participation in our second quarter conference call. As you have observed during this last hour, we are at your entire disposal, in the case you have an additional doubt. Our message is one of a great deal of tranquility with the processes that we have put in place. And we're extremely satisfied to be able to say that Unidas is going back to a cycle of growth of investment with a focus to gaining more markets and clients without forgetting the protection of our employees and clients. The pandemic is still out there, and this is a reality. So we truly respect protection standards. But Unidas is working full team [ph], seeking a market that is very important for us as well as client satisfaction. Thank you very much.

Operator

We will now go on to the question-and-answer session with the professionals from the press. (Operator Instructions) As we have no further questions, the Unidas' conference call ends here. We would like to thank all of you for your participation. Have a good day. Thank you.

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