

Turbi Business Case

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COMPANY OVERVIEW

Digital Car Rental Company

Turbi is an **100% digital car rental** company, with operations currently focused on São Paulo metropolitan area with its **3,7 thousands vehicles** and aiming to achieve 5 thousands with the recent investment.

It started as an asset light company in 2016 (similar to Zipcar) with vehicles leased from other rental companies to focus on the customer experience and digitalization. Already made 6 investment rounds (equity and debt) with the last two focusing the investment **to buy cars and moving towards subscription** and resell strategy which is a big revenue drivers for the big rental companies

Distribution

It already have more than **400 hubs and parking** where customers can pick-up/return the car 24h, which increase capillary and boost daily/hourly rentals

Rental period

Its launched its **subscription program 6 months ago and already has 25% of the fleet** within this modality, but its original ideal was to focus on hourly and daily rentals. Focus on direct to consumer and does **not allows for ridesharing drivers**, due to higher usage and costs

No Human Factor

1. **Technology:** It uses AI features (and partnerships) that enables facial and damage recognition by image and IOT devices to unlock the car
2. **Fuel:** For hourly/driver usage, it has a fuel reimbursement policy done by a specific fuel card inside the vehicle or by the owners credit card and it's changes customers based on kilometers driven
3. **Insurance:** It also includes insurance on its price



MARKET ANALYSIS

OVERALL RENT A CAR

- Strong growth with last year revenue reaching R\$ 36,8 billions, **representing an increase of 56% YoY** , and 68% higher than 2019. 68 millions of users in 2022 vs to 50.1 millions in 2021 and 49,6 in 2019.
- High capital intensity, with a **relevant share of revenue due to reselling** of vehicles (50% of 2023Q1 revenues due to reselling)
- **1.5 million of vehicles** as fleet size in 2022 with 46% YoY growth
- Car subscription as the fastest segment with current 106k fleet size and projections to reach 400k by 2023 (accordingly to BTG), due to the financial and effort benefits from annual contracts

PORTER'S FIVE FORCES ANALYSIS

New Entrants	Substitutes	Supplier Bargaining	Buyer Bargaining	Industry Rivalry
MEDIUM	VERY-HIGH	LOW-MEDIUM	HIGH	HIGH
The industry is extremely capital intensive due to car ownerships costs and brand recognition difficult to build.	Higher penetration of ride-hailing companies (Uber, 99) , improvements on public transportation and new car subsidies	low differentiation between car models so far, weak PF demand lowers the supplier power	New vehicles sales strongly dependent on rental companies, especially top players (Localiza and Movida)	Consolidation on the industry in the last years, made big players with competitive advantages

BUSINESS MODEL

DESCRIPTION

Turbi seems to have been grown with a profitability mindset, focusing on the best geography first, reduced team and trying to control the mix of customers with AI. The strategy that it seems to have pursuing to rapidly growing market share is focusing on long term contracts and keeping its operational costs low while enjoying the highly advantage dynamics of tax conjunction in Brazil to rental companies which there is room to grow for the next years.

SOURCES OF REVENUE

1. **Frequent users:** This model assumes a high occupancy rate to be profitable and easier to obtain with frequent users especially in São Paulo and exploring the rotation in the city
2. **Reselling:** Usage periods average lower than 24 months in the industry, big part of revenue is to resell the vehicle
3. **Tax and Discounts:** Tax benefits due to lower ICMS and IPVA to rental companies vs regular customers

ADVANTAGES / DIFERENTIALS

1. **Lower operational costs:** lack of physical presence and reduced team contributes to higher margin
2. **Higher penetration:** 400+ locations which increases the range of customers within a short distance
3. **Digital experience and technology:** Already tested and functioning with low fiction and fast check in to rent a car, reducing CAC

RISKS

1. **Difficult to expand beyond São Paulo:** Rotating plate policy and higher density in SP, makes it hourly/daily model difficult to replicate in other regions. Many other digital rental companies already failed due to this challenge
2. **New entrants:** Startups (like Kovi) and supplier subsidies beginning to enter the market especially with long time contracts
3. **Execution Risks:** Operational, fraud levels and judicial tax policies highly influence the profit



FINAL CONSIDERATIONS AND RECOMMENDATIONS

CONSIDERATIONS

- The high interest rate and this challenge season for startups has forced the companies to be even more cautious from where to spend every dollar. I didn't have any look at internal numbers, and those would be key to evaluate if the strategy are really improving on a cohort base and as the operations gets more matured and can improve with further data points.
- The recent investment costing CDI + 6%, even considering that's higher than the main competitors can take, will be essential to the scale the business on a profitable way if spent wisely and not increasing its operations costs.
- There are relevant risks ahead but from a product perspective, I was impressed with the development of the product with such a reduced team.

RECOMMENDATIONS

- The team should focus on trim the experience on São Paulo state with, growing slowly so it can reach the **best mix of customers**, with lower probability of risk, car crashes and usage of vehicle. To do that, the thresholds within their risk models should hold firmly even if that cost the growth levels to reduce
- To fully capture the potential of the market opportunity and it should focus also on the reselling of the vehicles that it recently bought and focusing on longer term contracts which is increasing the most with a good level of profitability and lower execution risk



Appendix

1. [Revista Fator Brasil](#) - 80 Milhões de investimento da ETX
2. [Crunch Base](#) - Turbi
3. [Ceo Diego Lira LinkedIn](#)
4. [Brazil Journal](#) - 2016 Mattar talk
5. [Localiza IR](#) - Last quarter results
6. [PAN Rotas](#) - Comentários sobre o Anuário do setor de locação de veículos e endereço do mesmo
7. [FGV](#) - Comentários sobre o Anuário do setor de locação de veículos
8. [XP](#) - Conteúdo sobre Localiza
9. [Movida](#) - Central de resultados
10. [Kearney](#) - Demystification of car sharing
11. [Delloite](#) - Car sharing in Europe
12. [motorshow](#) - Carro por assinatura economics
13. [trademap](#) - ICMS analysis
14. [Sinfazfisco](#) - Tax analysis for rental companies
15. [Kovi crunchbase](#) - Startup competitor