4Q22 RESULTS CONFERENCE CALL

Operator:

Good morning, and welcome to the conference call of Movida to discuss the earnings regarding the 4Q and full year of 2022. Today with us, we have Mr. Renato Franklin, CEO; and Mr. Gustavo Moscatelli, CFO and IR Officer.

Right now, all participants are in listen-only mode. Later on, we are going to start the Q&A session, when further instructions will be provided. Should any of you need assistance during the conference call, please reach the operator by pressing *0.

Before moving on, we would like to let you know that any statements made during this conference call relative to the Company's business outlooks, projections, operating and financial goals are based on Movida's management assumptions and beliefs and rely on information currently available to the Company. Forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions since they refer to future events, and therefore, depend on circumstances that may or may not occur. General economic conditions, industry conditions and other operating factors may affect the Company's future results and lead to results that will materially differ from the forward-looking statements.

We will now turn the floor to Mr. Renato Franklin. Please, Mr. Franklin, you may go on.

Renato Franklin:

Good morning, everyone, and welcome to our earnings release for the 4Q and full year of 2022. Today, in the room, we have our new CFO, Gustavo Moscatelli that many of you know for years at Vamos. Certainly, it will be great to have his energy adding to the team and setting a new phase of Movida of value generation.

The results we will show reinforce the scale reached by the Company setting the beginning of this new phase. I invite you all to slide 3, where we bring the main highlights for the year, consolidating important transformation for Movida. I will start with consolidated figures.

We exceeded of R$10 billion net gross revenue, an expansion of 79% compared to 2021. It's important to notice that extension shows in all business lines. Our fleet increased by 20% year-on-year, reaching 224 thousand cars. Movida's EBITDA evolved 71% in 2022 compared to 2021, reaching R$3.6 billion. EBIT was R$2.4 billion in the year.

The execution of our strategy brought us to new levels in the rent-a-car segment in the 2Q, the newest fleet in Brazil with 112 thousand cars. Net revenue of R$2.8 billion in the year, a growth of 61%. EBITDA increased even more, showing our commitment with gains of efficiency and margin, 87%, supporting new levels of profitability.

We continue investing in infrastructure, adding 34 new stores and expanding our coverage to 100 cities. We have the infrastructure ready to reap the fruit of value creation.

As of this quarter, we are going to consolidate also the numbers of Drive on Holidays from Portugal in the rent-a-car segment, which are included here. Fleet management and outsourcing, we also expanded our fleet, capturing the resumption of the corporate market, reaching also 112 thousand cars. I reinforce that, that was part of our strategy, and we have mentioned that before, us having a 50%-50% in the rent-a-car and GTF segment, increasing Company profitability.

Net revenue, R$1.8 billion, up 79.2% year-on-year. And this business unit had R$1.3 billion EBITDA, 85.9% above last year. With the contracts that we have, not counting on extensions, our backlog for future revenues reached R$2.6 billion.

In the Seminovos segment, we extended volume on prices, selling more than 72 thousand cars in the year. We sold the car with higher prices, changing the profile of used car sales, leading to R$5 billion in net revenues in 2022, growth of 93% year-on-year with an average ticket 19% higher than previous year.

The new structure of stores that we opened throughout the year has been efficient in the turnover of cars even at new price lines. And we have 11 new facilities this year.

In ESG, we continue with a strong structured agenda. For the fourth year in a row, we are going to have the ISE B3. We are the only rent-a-car company that is part of this index. We also joined the efficient carbon index of B3, which is ICO2, showing the commitment and transparency of emissions. Our initiatives have been recognized by different agencies and awards in the ESG scale. And some examples, we have in MSCI with AA and S&P with 63, the best ratings amongst the companies in the sector.

Now we are going to slide 4, where we are going to show the evolution of our fleet. The key takeaway message here is that we transformed scale. In the end of 2022, we reached 224 thousand cars, more than double the size of the fleet since 2019. Most of the growth was after 2020. In the last year alone, we grew 37 thousand cars. It's important to reinforce that we executed our strategy and accomplished a different position in the market.

The average age in the rent-a-car segment is the newest 10 months old, showing the renewal that we had in past quarters. We got to have the fleet in GTF with long-term contracts, which brings more stability to our results. With these accomplished, we can be selective in buying, focusing on operational efficiency and value creation.

Now I am going to turn to Moscatelli, who will give us more color in this new phase. Once again, welcome Moscatelli, and you have the floor.

Gustavo Moscatelli:

Thanks, Renato. Good morning, everyone. It's a huge pleasure to be part of Movida's conference call for the first time. Before starting the presentation, I would like to thank Renato and the Movida team for the warm welcome. Thank you.

Now I am going to start on slide 5 with our consolidated results. Net revenue in the quarter reached a record number of R$2.7 billion, growth of 56% compared to the 4Q21. In the year, we grew 80% in revenue with R$9.6 billion due to the growth of our fleet and all of our average tickets by car as we are going to see further EBITDA reached R$858 million in the quarter, R$3.5 billion in 2022, growth of more than 70% year-on-year.

I would like to highlight that the expansion of EBITDA in the rent-a-car and GTF alone was 86% in the year. The net revenue grew 68%, showing an important gain of more than 6 p.p. in our March. EBIT in the quarter was R$477 million, down 21% compared to the same quarter 2021, mostly impacted by the increased depreciation due to the cycle of our fleet and the normalization of the used car market. I am going to give you more color on that in next slide. And still we grew 45% in EBIT compared to 2021, reaching R$2.4 billion.

Net income was R$18 million in the 4Q and R$556 million in the year in 2022, in addition to higher interest rates that effect base line, we also had the increase of depreciation rates in the 4Q, as we mentioned before.

Now I am going to go to slide 6, where you see more granularity in the fleet profile depending on time of purchase. As you can see, the Company today has 50%, 50% for the GTF segment and for the rent-a-car segment.

In GTF, we have 112 thousand cars. And we worked very hard to renegotiate contracts with the main customers that had a low profitability. And we are very successful in most negotiations. With that, we have a contract portfolio with average time of 29 months and average yield of 2.8% per month, which is very good profitability for the segment.

The other half is in the rent-a-car with 111,632 cars. And here, you see the type of purchase and average ticket. We have 2 takeaway messages here. First, the purchases of the last 2 quarters, the third and 4Q22 already has a suitable average ticket for the segment.

Second, the cars that are in our fleet. But in the 2Q22, as you can see in orange, are 54 thousand cars, only 24% of the total fleet of the Company. The fleet, we are going to extend their useful life without obviously losing quality for our customers and therefore, minimize the depreciation of these cars. As you can see, we are going to start having a much more detailed management to improve assertiveness in decision-making and therefore, improving value generation for our shareholders.

On slide 5, we bring the evolution of purchase and sales prices. As you can see, we are in a time of transition, especially in the rent-a-car segment. In the first chart, you see purchase volumes that are below sales volumes, which improved our cash flow and also brings a new sight of profitability with the right fleet mix.

This quarter, the sale price went at the purchase price by more than 6,000 cars into tax that takes a little longer to show because you have a longer cycle for the access. But we are still going to have more cars to be sold before the appreciation that we had in the industry in recent months.

Now I am going to slide 8 where we show the evolution of depreciation rates with the breakdown between rent-a-car and GTF. We closed the year with a depreciation rate of 10.3% in the rent-a-car segment and 4.8% in GTF. The increase, especially in the rent-a-car, is because of the transition cycle and the fleet mix and also the normalization of the market of used car sales.

As I mentioned before, it's important to show that depreciation rates for the rent-a-car can benefit from the extension of used life of our fleet and better commercial terms for the last purchases that we had in 2020.

Now I am going to give you more color by business segment. I am going to start with rent-a-car on slide 10, and the main operational results. We grew our fleet by more than 20%, closing 2022 with 111 thousand cars, 23% above 2021. We increased capillarity with 34 new stores in 2022, closing the year with 241 stores throughout Brazil. We had an important evolution in daily ticket closed the 4Q with R$144 and in the year with an average of R$134, 41% above that of 2021.

On slide 11, we have the financial highlights for the rent-a-car segment. Net revenue was R$788 million in the quarter, growth of 41% compared to 4Q21. In the year 2022, we had an increase of 61% with R$2.8 billion because of a higher average ticket and more daily rentals in the period. We have a consecutive record of revenue per car in the year of 2022, growth of 29% compared to 2021.

EBITDA in the 4Q was R$417 million, up 25% year-on-year. In 2022, the expansion was 86%, exceeding the R$1.6 billion mark. EBITDA by car grew by 50% on 2022 vis-a-vis 2021. In the 4Q, we had a reduction of 3% because of the transition of tax credit in these countries and also the retirement of more expensive cars for used cars Sales.

On slide 13, I am going to talk about fleet management and outsourcing. We closed the year with over 112 thousand cars, up 16% vis-a-vis 2021 with a daily volume of 32 thousand, plus 40% or 50% over 2022 and with a backlog that is 44% higher than 2021, showing the profitability and scale of the segment at the Company.

On slide 14, the financial results for GTF. As I mentioned, we reached a new level of revenue, R$518 million in the quarter, R$1.8 billion in the growth of 79% over 2021. In addition to the increasing volume that we talked about, we had a significant increase of revenue per car of 21% year-on-year, 16.8% quarter-on-quarter, reaching 2,000 cars per car on average.

We have extensive work of renegotiation contracts recently, at readjusting needs to be compatible to the macroeconomic scenario and bringing the portfolio to a new level of profitability. EBITDA in the quarter was R$336 million, up 28% compared to 4Q21. And in the year, R$1.3 billion, growth of 86% compared to 2021.

Now we are going to go to slide 16 with the main used car sales indicators, an important increase in the number of used cars, reaching 72 thousand cars in the year, 62%, up 2021, 18,600 in the 4Q. That improved the efficiency in our infrastructure that is prepared for the new cycle of assets for 2023. In the last quarter, we had a reduction of expenses in 4Q22with 11 new points of sales that are prepared to sell our cars.

Now on slide 17, I am going to talk about some financial indicators for this line. It's clear to see the new level of scale of the Company. We closed with R$5 billion with a growth of 92% in the sale of cars in the 4Q, 1,400 cars sold. We are in a transition for our fleet, as you can see in the EBITDA for the quarter.

This effect comes from the rent-a-car segment. We are changing our fleet for an average sales ticket. With that, we had another ticket of more than 75 thousand in the quarter. We expect this line to go back to normal as we can see in the last chart of this slide.

Going to slide 19, I am going to talk about our capital structure. We closed the year with R$10.8 billion in net debt, down 6.4% in the 3Q22. That's mainly due for the true sale of our receivables portfolio in the GTF in the amount of R$800 million in the 4Q. With that, our leverage went from 3.1x to 2.8x.

On slide 20, we have our cash and debt amortization schedule. We have a very strong cash position, R$6.8 billion in December 2022, enough to cover our debt into 2025. In my view, we have a cost that is above our credit risk. And we are going to use our cash to manage our liabilities from growth in the quarter.

We already repurchased R$25 million of bonds that were issued abroad, and we prepaid R$1.1 billion with debt to mature in 2023, 2024, optimizing our cash and decrease in carrying cash.

In slide 21, we have the evolution of the return on invested capital. And you see that we have a new level of returns. We are going to really manage things and close to benefit from scale and increase a value creation for our shareholders.

Thank you very much. And I will turn it back to Renato.

Renato Franklin:

Thanks, Moscatelli. Finally, on slide 22, we summarize the main takeaway messages that we want to have for you to have. 2022, we closed the cycle of growth with gains on profitability in the rent-a-car and GTF. And we are starting a new phase for fleet efficiency, optimizing our site and creating value.

The scale that we achieved, 224 thousand cars with the newest fleet to enter rent-a-car market, enables us the optionality to choose when to buy and when to grow, favoring the dynamics of our cash flow, an important point.

Our market continues to be healthy with heated demand and very strong foundations. The under penetration and creation of new products is a scenario for high potential for the rental business. In the used car market, we have the structure ready for the volume we have to set ready to respond to optimization of our assets.

The transition of our fleet to a lower price/mix benefits the depreciation dynamics and cash flow, leaving us in a more comfortable position than previous year or than other players that will have to renew their fleet in a tighter credit market. We are a strategic positioning GTF to meet different demands in this vast market and that will bring further stability to our consolidated results.

Finally, our size, balance sheet and liquidity give us the comfort to execute to discipline our capital allocation, structure in cars and the management of liabilities to create the most value to our shareholders.

Once again, thank you, Moscatelli for accepting the challenge and joining Movida in this promising phase that is yet to come. I also thank Edmar that built all of this with us and is now taking on new challenges in Simpar Group. And thanks to our creditors, employees, investors, suppliers and other stakeholders to be with us and supporting us.

We are very proud of what we have done so far, but even more encouraged for the future to come with unique positioning and execution of a strategy so far that put us in the space to capture the benefits of scale and our commitment with value creation. Thank you very much.

And now we are going to open for your questions.

Pedro Bruno, XP:

Good morning. Thanks for taking my question. I would like to know about your receivables. Moscatelli did mention during the presentation, and I have just to confirm my understanding. We had also this observation in another of the Group’s company, Vamos where Moscatelli comes from. So I would like to know if it's any different from the structure that we already know in Vamos or if it's exactly the same structure, so it is an off-balance receivable that impacts the reported leverage, as you mentioned. And obviously, it helps when you think of covenants and other things. So it is off balance debt. So I would like to know us the correct understanding of the true sale?

And do you have room for more of such operations? That's my second question. And third and last, cost, what is the ballpark of costs. When we compare to the operation that we know in Vamos, it's probably a lower term. So I would like to know what it means in terms of costs, average costs, I do not know?

Gustavo Moscatelli:

Pedro, thanks for your question. The operation in Movida was very similar to that of Vamos. I think that one thing that was positive is that we operate it with a different financial institution. And it was also a bilateral operation, which shows opportunities for other financial players. It shows that we have the means of doing more and perhaps in better terms, almost R$780 million at present value.

This is not an off-balance operation. It is in the Company liabilities. So you have the full disclosure of the operation, but it does not go into leverage indicators as it did not in trends as you mentioned. The cost was CDI plus 2.30 a little better than Vamos that was CDI plus 2.5, but it was also a pre-fixed operation to protect from now on the profitability of GTF contracts. All receivables were in GTF contracts, so we already had R$780 million prefixed in the GTF structure. I think these were your questions. If not, please let me know.

Pedro Bruno:

No, thanks for the correction. And yes, I was thinking of offset and not off-balance. I understand. These were the points. Thank you very much, Moscatelli. I have very quick follow-up. The prefixed rate, does it imply any change in your policy? Because we understand that Movida's policy in hedging prefixed rates, you did not do that because of costs probably in the past. Is it an alternative for you to have some kind of hedge? So I would just like to understand Movida's position with regards to the hedge Vamos had?

Gustavo Moscatelli:

Pedro, we still do not have a defined policy on that. But this is going to be a point for discussion in the next Board meeting. The idea is to have some kind of policy to protect GTF contracts, similar to what you saw in Vamos in recent years. So we have the idea to have that, but it has not been approved by the Board of Directors. So this is going to be our agenda for the next meeting.

Pedro Bruno:

Thank you very much. These were my questions. And again, thanks for taking my questions.

Lucas Marquiori, BTG Pactual:

Good morning. Moscatelli, good luck on your new position. Two questions. First, the planning for your rent-a-car fleet, when you show the difference between 2021 and 2022 and just to expand the life cycle of your cars. I would like to know if you are still going up the mountain to the fixed depreciation. You showed 10% depreciation on gross assets. If you expand the cycle, will you have to further adjust depreciation for the coming quarters? Just for me to understand the depreciation for the beginning of the year and if there are adjustments to make?

Second question, you mentioned that you already started reviewing some GTF contract pricing. I would like to know what percentage of the portfolio you have adjusted if there's too many contracts to be adjusted. So the final balance of the adjustment, do you have the level of returns for older contracts similar to what you have in new contracts? So basically, these are the 2 points I have. Thank you very much.

Gustavo Moscatelli:

Lucas, I will start with the fleet. We said that our strategy for the fleet of 54,700 cars is to expand to the cycle because we believe this is going to be a benefit for depreciation rates. The depreciation rate that we have for the fleet specifically is higher than what we expect prices to go down in the next 18 months. So that will benefit the depreciation rates that you saw in the 4Q.

So that's the reason again for us to keep the level of some of our clients, but adjust that. And we have almost 33 thousand cars already bought at the right ticket and with depreciation below 10%, which is our view for this market. So closer to 8%, between 6% and 8%.

Now in GTF, we had a huge effort in the last quarter and beginning of this year, the average unit of the contract in-house was about 2.3%. We increased this to 2.8%, which already delivers a year between '18 and '19. So it is, in my view, very suitable profitability. What we have to negotiate from now on is more marginal. But we have to really manage the new contract to have the right yield from start. So what I see that the correction that we had in previous contracts has already happened. And from now on, you are going to see a contract with the right yield.

Lucas Marquiori:

Thank you very much, Moscatelli. Have a good day.

Victor Mizusaki, Bradesco BBI:

Good morning. I have 2 questions. The first, if you may talk a bit about margins. In the rent-a-car and GTF segments we saw a bit of pressure if we make the comparison to previous periods. The drop of margin, is it related to more funding because of a faster pace in the purchase of cars? And also thinking of Movida's structure was done when you talked about pricing internally, have you changed positions in purchase of cars?

Renato Franklin:

Victor, thanks for your question. First, I am going to talk about the Rent-a-car and GTF business. If you take a look at the operating margin and our business today, margin is still evolving. We have demand and operating efficiency. So margins are still very positive. The results you see in the 4Q is impacted by the provisions that we made because the excess credit of PIS/COFINS taxes, but that reverted about R$60 million, which impacts the margin. So we see the operation growing, gaining scale, and we have much to capture.

A little impact that we had is because we advance some purchases because of the opportunity of buying good mix at good prices. You see that operational efficiency is a bit impacted because we have a higher non-operating fleet. We are going to work to improve this number and improve return and reducing financial expenses and depreciation that impact the business.

As for price, Moscatelli's arrival is just is a landmark of this new phase. And we have governance and a stronger role for the financial department and Moscatelli in pricing for us to establish minimum returns per line of business and per asset that is rented.

Gustavo Moscatelli:

Victor, just adding to what Renato said, just to give you a bit more color on the reversal of tax credit that was mostly for the rent-a-car business. Of the R$60 million, R$43 million was in rent-a-car and R$17 million in TGF. Just for you to understand the breakdown per business in the quarter.

And as for governance, as Renato mentioned, the idea is indeed to start including more in decision-making and that will have a difference in the reporting of some areas so that we have a bit higher diligence in capital allocation from now on.

Victor Mizusaki:

Just a follow-on. In addition to pricing, is this also true for the purchase of cars and assets?

Gustavo Moscatelli:

When we talk about car purchases, we are not talking about negotiations with OEMs. We are talking about having additional intelligence in choosing cars. So that indeed at the time of purchase, we know where the car is going to, what region, what is the right model that we need given the fleet's diversification and also the return on invested capital per purchased car. This is what we call purchase intelligence, which is disciplined under the financial department.

Renato Franklin:

Yes, more than changing reporting is changing governance. Governance is going to be more robust with the intelligence, that Moscatelli mentioned. We created an area for asset allocation that is return per business per asset that will influence the purchase decision. This is obviously a financial analysis that is going to give its inputs, let's fight this or that. So we are creating a more robust governance rather than just changing report lines.

Victor Mizusaki:

I understood. Very clear. Thank you very much.

Daniel Gasparete, Itaú BBA:

I have 2 questions on my side. A follow-up of the first question in terms of volumes. I do not think Moscatelli mentioned that; if not, I missed it. Moscatelli, what do you think you could have of volumes in the portfolio that you have? And at what recurrence rates for you to have this kind of operation?

Second question, how are the competition and daily rates? Just for us to know how you are positioned in the market? And how easily are you increasing prices?

Gustavo Moscatelli:

Good morning, Gasparete. Thanks for your questions. I am going to start with the portfolio, and then I will turn to Renato. With the portfolio that we have in December, we would have a potential of another R$800 million to R$900 million. But remember, we generate new contracts every month in GTF. So the R$800 million, R$900 million tend to expand since we did not do anything in January, February or March. So this portfolio, in my view, will get to the end of the year, between R$1.7 billion to R$1.9 billion potential.

Renato Franklin:

As for your second question about competition, Gasparete, we always report that the foundations of the market continues on it. We see strong demand people wanting to rent cars for the first time inclusively. So Movida is gaining market share, but that's not our main strategy to grow.

We are growing digital to bring new customers. The market is greater than excess. So as prices go up, they dictate the speed of growth, but the price goes up faster, growth is a little lower. If we hold price increases and capture operational efficiency and return margins based on other levers, we attract more customers.

All that said, competition is in the same scenario since we signed the beginning of Movida, clients for all players with a positive scenario for the industry as a whole when we think of operation, demand, customers and cash generation. That's it. In all businesses, rent-a-car, corporate fleet, the market is very heated, subscription costs with lots of demand and room to grow, we control growth, and also public corporate fleets.

Daniel Gasparete:

Thank you very much. Have a good day.

Guilherme Mendes, JPMorgan:

Good morning. Moscatelli, welcome. Good luck in your new challenge. Two questions. First, a follow-up about the automotive market. You talked about the purchase of cars. Can you give us a bit more color what are OEMs like compared to the pandemic period and the cycle we had in 2022?

And also, as for growth that Renato mentioned in the last question and competition, how do you see the breakdown between gross and leverage? What are your main metrics in the management of liabilities that can enable you to have more accelerated growth?

Renato Franklin:

Okay, Guilherme, I am going to start with the market, the industry. The 4Q brought more opportunities, and we are increasing discounts, not as much just pre-pandemic times but better than 2022. Some purchases very close to pre-pandemic times in terms of discount and volumes, which did not happen in the second half of 2022.

In 2023, discounts and prices are still lower than the pre-pandemic, better than 2021 and 2022, but not yet at pre-pandemic times. We are close to that but not yet. So we believe that this year, we are going to have more offer for direct sales. Retail is very much affected by the macroeconomic scenario, which helps us and generate more offers. Our discipline and positioning of having a newer fleet enables us to be selective and wait for opportunities forcing the industry to get to terms that we want that are closer to pre-pandemic, but we are not there yet.

Gustavo Moscatelli:

And just to add to what Renato mentioned and also even having a different view on what he said. With the level of discounts that we have today and with what we consider the ideal depreciation rate, the rent-a-car business is already delivering a return on invested capital between 14 and 20. But that's for the fleet that we bought in third and 4Qs.

We believe we have important improvements to mix, especially in the asset turnover. We have high ideal fleet, we are going to work on that, which should further improve the profitability of cars that are in the Company. And the new cars, as we mentioned, in our view today, already delivered a very appealing return on invested capital, perhaps not as the full potential, but already appealed.

And secondly, about growth, we do not have a pressure peripheral this year. We want value creation. We already have good scale. And if we understand that's the best for the Company is to reduce the debt, we will. So we are committed to value creation, operating levers and others to maximize operational efficiency and value creation. And that's what we are going to do, because cash flow is positive. Cash generation is positive. We continue with good market foundations. The structure is ready, so there is no pressure to build infrastructure. And now it's just to capture the benefits of the accomplished scale.

Guilherme Mendes:

Very clear. Thank you very much.

Rogério Araújo, Bank of America:

Good morning. Moscatelli, good luck for this new challenge. I have 2 questions on my side. The first is about the history of purchase of sales in the rent-a-car business. If we compare the average sales price to 4, 5 months quarters ago, we see a negative number even with the increase in new car prices.

My question is this versus spread? Is it because of the purchase of the lower discount that you had them prior 14 months ago? Or is it related to a weaker demand for used cars? Or is it both? If you could give me a bit more color on that, I would appreciate that because I think that the problem of the first one, you are talking about some different purchase mix. But the second perhaps would be more of a problem in the midterm. That's the first question. I am going to ask my second one later.

Renato Franklin:

Thanks, Rogério. To answer your question, the plan of purchase of sale, if you look at the rent-a-car is positive. We have better results, R$6,600 per car. If you see the price on the car sold and purchased. When you take a look at the margin of used cars, the residual cars, this has been normalized in line with our strategic plan, perhaps faster than expected, but we knew that process would normalize.

And we are performing and we are reducing discount gaining market share and performing well with a growth of 19% year-on-year and selling cars that we are going to sell. This is part of our strategy. It is in the results, and that's the spread that we have today. I do not know if I answered your question.

Rogério Araújo:

The spread I mentioned is because I compared the purchase price 12, 14 months ago and the price of sale today. We see Movida close to 0, selling cars at similar prices, and now it's down, but the price of purchased cars is going up. It should have helped. From what I understood from your answer, it seems that it's more related to the purchase because you are talking about less discount from the fleet table, you do not see a problem in demand. Is it right?

Renato Franklin:

Yes, very true. There are some purchases that we had of more expensive cars. But if you see the approved average, you are going to have a more real result than seeing quarters isolatedly. Remember, for each type of car, we are doing the most to know what cycle will optimize return from that car. So I am not necessarily selling cars that have the same time of purchase. And combining spreads because of the different cycles of the different cars. But of course, we did buy more expensive cars, and Moscatelli mentioned that in the presentation.

Rogério Araújo:

Very clear. So my second question, about costs. First, PIS/COFINS credits, you had this reversal of R$60 million, 4% of the rental revenue. From what we see in the breakdown of the ITR, we see a net of 9%. So can we say that the recurring PIS/COFINS credit is 3% of the gross rent-a-car revenue? Is that what we should continue to see further on? Or is it closer to net, which is 9%?

And still in past, if I may, we did see an increase of cars in the sale of RAC car and also provision for bad debt. Could you talk a bit about that?

Renato Franklin:

Thank you. Second question, PIS/COFINS credit, should be in line with the net of the 4Q. And the other lines of cost. When you take a look at the 4Q provision for bad debt, we had the delay in payment of some customers, which generate provision. Some we received in 1Q, recovering a bit and one or another, not yet, but we are within a very controllable level in provision for net debt and according to what has been priced and according to plan. That is the most important thing.

As for RAC costs, it's increased because the car has an average ticket. It's not that the loss ratio is going up. It is just that it is proportional to the price of the car.

Rogério Araújo:

OK. I understand. And how about the cost of RAC cars, which almost doubled in your revenue, is it because of the sales mix? Or is it something that we should see more recurrently?

Renato Franklin:

It is the sale mix of these more expensive cars, and that's why it's higher. When we sell the 24,000 cars Moscatelli mentioned, it's going to be closer to the revenue that we have.

Rogério Araújo:

Very clear. I have just one follow-up in the previous question, just to see if I understood correctly. Moscatelli mentioned an average yield of 2.3% to 2.8%. That is an increase in

daily rates of 22%. Did they negotiate that? When, and when is it going to show in your results? Just need to calculate what is to come in the next quarters or if this is passed.

Renato Franklin:

This has been done since the 2Q22. Some have already been captured and some we are changing for new content. So this is already embedded, but we also have new contracts and renewed contracts. So the increase that you see, if you go back 2 years ago, you have an increase that is higher than this. Part is adjustment on prices and part is new customers adjusted by mix.

Remember, you have contracts with lighter vehicles and others with heavier vehicles, which also affects the prices. Most of it is already recognized, yes.

Rogério Araújo:

Thank you very much once again, and have a good day.

Rodrigo Faria, SulAmérica (via webcast):

Good morning, Moscatelli, and congratulations on your new challenge. Could you talk a bit about occupancy rates and daily rates for the beginning of the year, particularly in Carnival? What is going to be the behavior of PIS/COFINS credits for 2023?

Renato Franklin:

Thanks for your question. On occupancy, one thing that's nice is that January was very strong. So generally, even stronger than December, so reinforcing that the market has still solid foundation because we advanced the purchase of the 1Q 203 to the 4Q, occupancy is ahead. But if you think of volume of revenue and paying rates, it shows a very strong market. Carnival was very strong, very good.

The period between January and carnival not as good, but as usual, but compared to previous year, even pre-pandemic times and seasonality period, January was very strong. And occupancy rates are going to be a bit penalized because we advance purchases as you saw in the 4Q. So, nothing different, business as usual, growing and evolving.

As for PIS/COFINS credit, I think we have already answered in the previous question.

Gustavo Moscatelli:

Yes. Rodrigo, just to be very clear, you can think on the average of the year as a recurring rate from now on.

Lucas Esteves, Santander:

Just a quick follow-up. I think that we understand well the purchase of cars and their effects on depreciation. I just would like to understand what do you expect in the sale of used cars for the future, just for us to understand the dynamics?

Gustavo Moscatelli:

Lucas, I think this is one of the changes that we are going through. In the past, we were a bit more general with depreciation rates and expectations. Now we are going very granular. So we are considering how to better communicate that to you.

But with the present granularity it's hard to give you a number because we have cars that are depreciating at 4% or 5% and as I said, 12%. So I think that from now on, we are going to improve our communication to be clearer. But most importantly, it is a new look on that, very granular for us not to use an average that applies to all the cars.

Lucas Esteves:

Very clear. Moscatelli. Thank you very much.

Operator:

Ladies and gentlemen, since there are no further questions, we are going to turn the call to the Company management for their final considerations. You may go on.

Renato Franklin:

Once again, thank you very much. I would like to reinforce the takeaway message. We had a very strong cycle of growth that was part of our strategic plan. If you think of 1.5 years ago, 2 years ago, we have built what we wanted, we had decision of bringing more than 1 million customers year-on-year.

For our base, we have the infrastructure. We are the best purchases. But our focus is not one quarter. Thinking of the long term, now we can buy a better mix. We have the infrastructure ready, a strong customer portfolio, a very positive cash flow and a very strong balance sheet. We understand that in the mid to long term, we are positioned in a very positive differentiated manner compared to other players.

So this is a year with a challenging macroeconomic scenario, but we have lots to capture to have Movida as a reference in the market in the midterm. This is our commitment and plan. We are starting a new phase and you are going to see Movida very different in the future. Thanks for your trust, and thanks for joining us.

Operator:

Movida's conference call is now closed. We thank you very much for joining us and wish you a good day.

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