

# WEBCAST

## 4Q19 & 2019



# *IFRS 16 and reclassification of PIS/COFINS credits*

## **IFRS 16**

As of January 1, 2019, the new accounting rules of IFRS 16 were implemented, and the major impact we had was on the real estate lease agreements of our locations and stores.

The present value of the leasing payments for existing contracts were accounted as Assets and Liabilities. Instead of registering as leasing expenses (before EBITDA), now we account the depreciation of the right-of-use of the asset that was created and the interest expense on the new lease liability created.

In the beginning of any leasing contracts, the impact of financial expenses and interest is higher than at the end, so the impact of IFRS 16 is negative on net income when the contracts are newer (and now, at the beginning of its adoption) and this reverts as the contracts age. Throughout the life of the contract, the impacts on P&L is neutral.

## **Reclassification of comparative balances - PIS / COFINS credits**

In order to better reflect the nature of its operating costs, Localiza reclassified PIS and COFINS credits on the acquisition of inputs for the year ended December 31, 2019. The credits were reclassified in the income statement, from sales tax line to the cost line. The reclassification of credits for the year 2019 totaled R\$ 357.9 million and was recorded fully in the 4<sup>th</sup> quarter, with R\$ 113.0 million referring to 4Q19.

# IFRS 16 and reclassification of PIS/COFINS credits

The reclassification does not affect EBITDA, EBIT and net income, but positively impacts margins on net revenue, as shown in the table below:

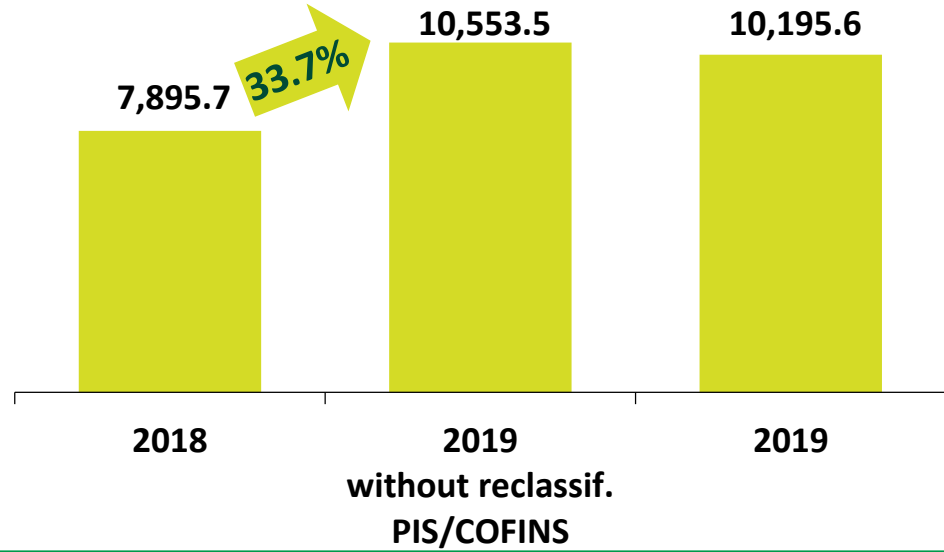
Before reclassification of PIS/COFINS credits	Effect of the adjustment	After reclassification of PIS/COFINS credits
Gross Revenues	≡	Gross Revenues remains unchanged
Tax on Revenues	↑	Tax by the full aliquot
Net Revenues	↓	Net Revenues decreases
Costs and SG&A	↓	PIS/COFINS credits reduce costs
EBITDA	≡	EBITDA remains unchanged
EBIT	≡	EBIT remains unchanged
Net Income	≡	Net Income remains unchanged
EBITDA Margin	↑	EBITDA Margin increases

The following table shows the impacts related to the IFRS16 and reclassification of the PIS and COFINS credits:

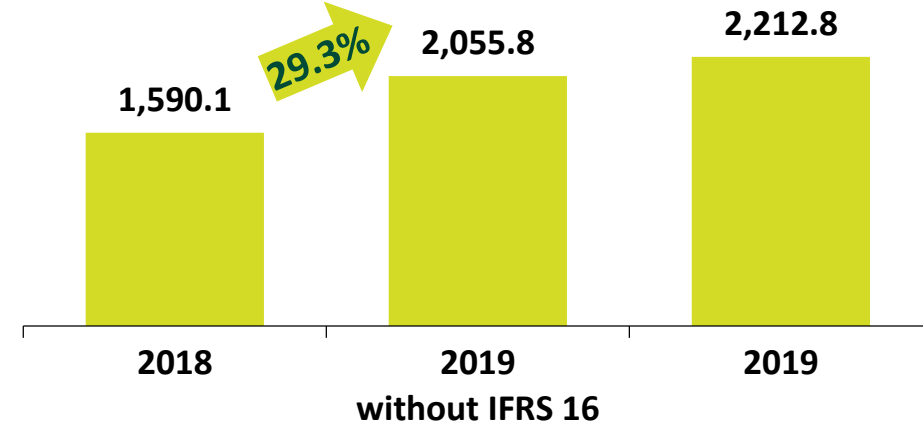
Consolidated results	2019 without IFRS 16 and without reclassification of PIS/COFINS credits					4T19 without IFRS 16 and without reclassification of PIS/COFINS credits				
	2019	Adjustment IFRS 16	2019 with IFRS 16	Adjustment PIS/COFINS	2019	Adjustment IFRS 16	4Q19 com IFRS 16	Adjustment PIS/COFINS	4Q19	
<b>Gross revenues</b>	<b>10,628.5</b>	-	<b>10,628.5</b>	-	<b>10,628.5</b>	<b>3,066.7</b>	-	<b>3,066.7</b>	-	<b>3,066.7</b>
Taxes on revenues	(432.9)	-	(432.9)	-	(432.9)	(371.3)	-	(371.3)	-	(371.3)
PIS and COFINS credits	357.9	-	357.9	(357.9)	-	357.9	-	357.9	(357.9)	-
<b>Net revenues</b>	<b>10,553.5</b>	-	<b>10,553.5</b>	<b>(357.9)</b>	<b>10,195.6</b>	<b>3,053.3</b>	-	<b>3,053.3</b>	<b>(357.9)</b>	<b>2,695.4</b>
Costs	(7,479.3)	101.0	(7,378.3)	-	(7,378.3)	(2,155.6)	26.2	(2,129.4)	-	(2,129.4)
PIS and COFINS credits	-	-	-	357.9	357.9	-	-	-	357.9	357.9
SG&A	(1,018.4)	56.0	(962.4)	-	(962.4)	(309.2)	14.9	(294.3)	-	(294.3)
<b>EBITDA</b>	<b>2,055.8</b>	<b>157.0</b>	<b>2,212.8</b>	-	<b>2,212.8</b>	<b>588.5</b>	<b>41.1</b>	<b>629.6</b>	-	<b>629.6</b>
<i>EBITDA Margin</i>	<i>19.5%</i>	<i>1.5 p.p.</i>	<i>21.0%</i>	<i>0.7 p.p.</i>	<i>21.7%</i>	<i>19.3%</i>	<i>1.3 p.p.</i>	<i>20.6%</i>	<i>2.7 p.p.</i>	<i>23.4%</i>
Depreciation	(597.8)	(125.4)	(723.2)	-	(723.2)	(183.2)	(34.2)	(217.4)	-	(217.4)
<b>EBIT</b>	<b>1,458.0</b>	<b>31.60</b>	<b>1,489.6</b>	-	<b>1,489.6</b>	<b>405.3</b>	<b>6.9</b>	<b>412.2</b>	-	<b>412.2</b>
<i>EBIT Margin</i>	<i>13.8%</i>	<i>0.3 p.p.</i>	<i>14.1%</i>	<i>0.5 p.p.</i>	<i>14.6%</i>	<i>13.3%</i>	<i>0.2 p.p.</i>	<i>13.5%</i>	<i>1.8 p.p.</i>	<i>15.3%</i>
Financial expenses, net	(360.6)	(49.2)	(409.8)	-	(409.8)	(98.2)	(14.3)	(112.5)	-	(112.5)
Income tax and social contribution	(249.9)	4.0	(245.9)	-	(245.9)	(73.1)	1.8	(71.3)	-	(71.3)
<b>Net income</b>	<b>847.5</b>	<b>(13.6)</b>	<b>833.9</b>	-	<b>833.9</b>	<b>234.0</b>	<b>(5.6)</b>	<b>228.4</b>	-	<b>228.4</b>

# 2019 FINANCIAL HIGHLIGHTS

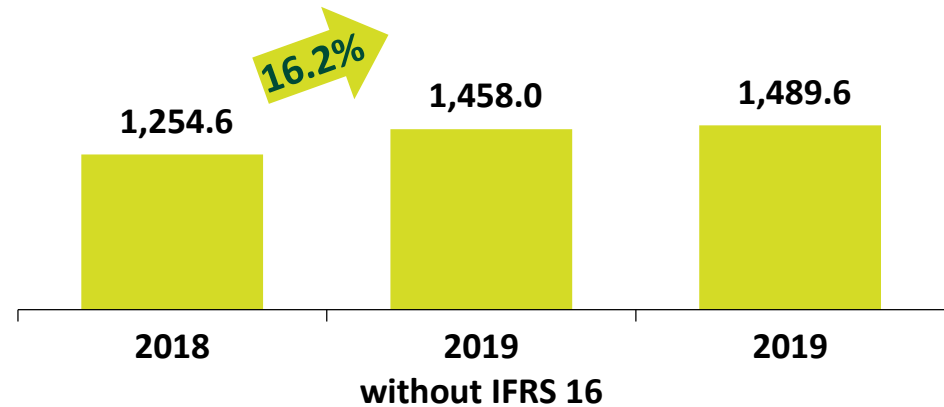
## Net revenues (R\$ million)



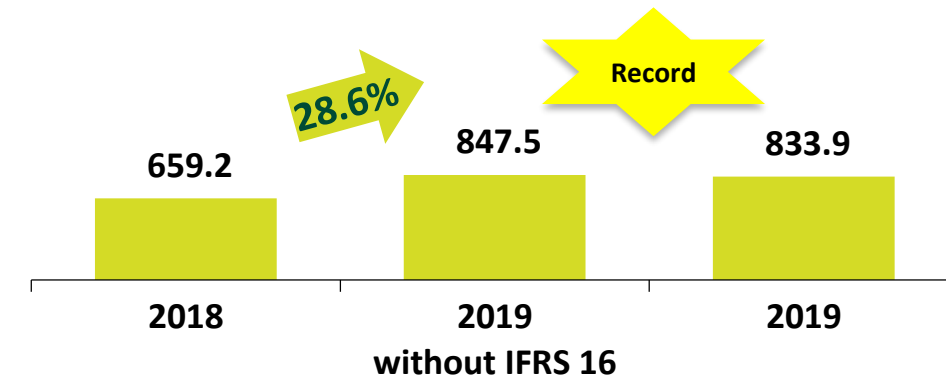
## EBITDA (R\$ million)



## EBIT (R\$ million)

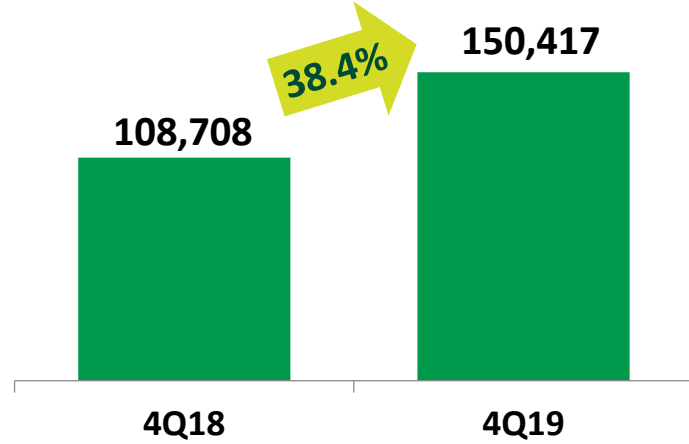


## Net income (R\$ million)

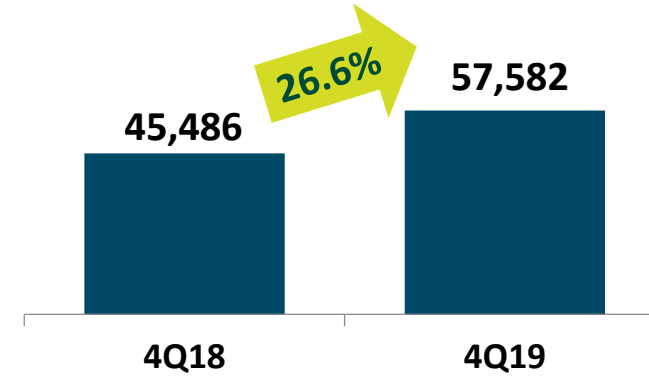


# 4Q19 OPERATING HIGHLIGHTS

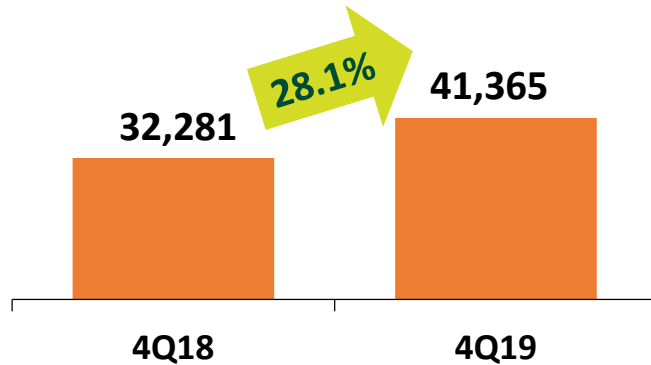
Average rented fleet – Car Rental



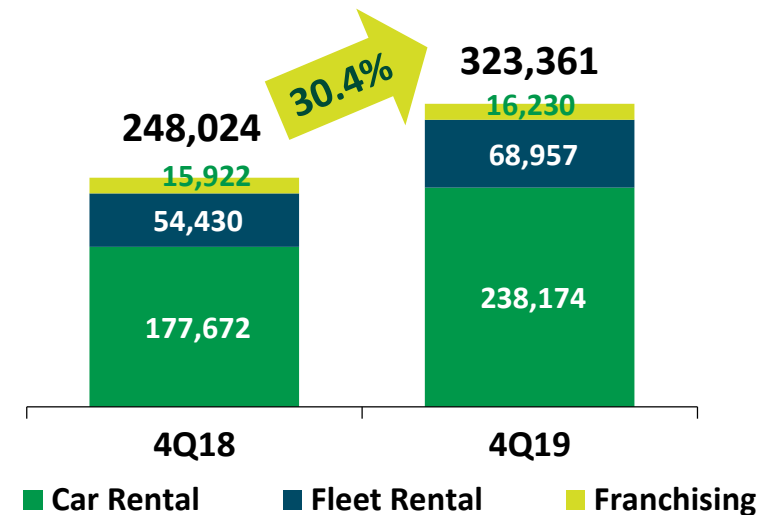
Average rented fleet – Fleet Rental



# of cars sold

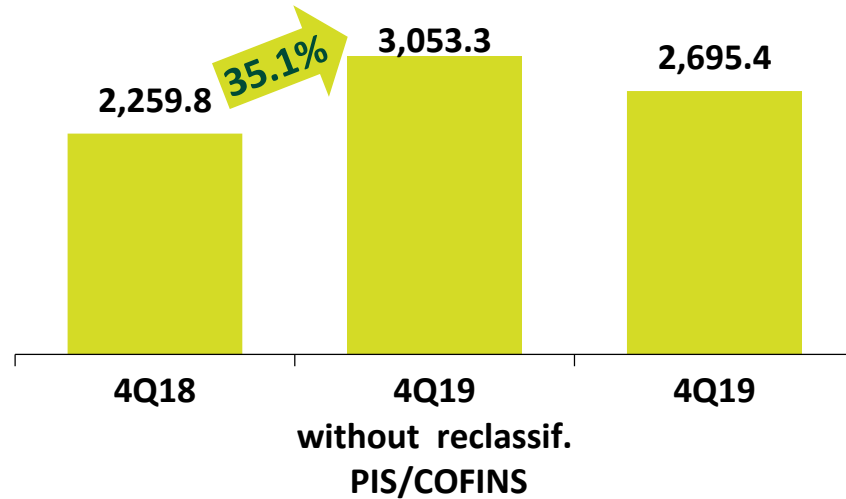


End of the period fleet

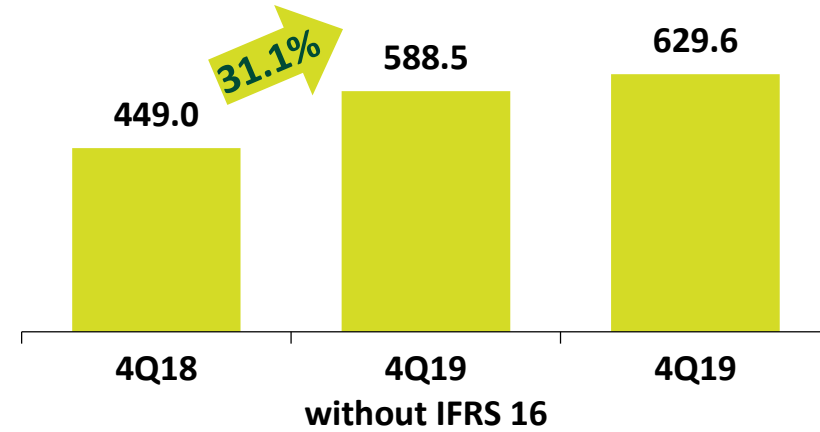


# 4Q19 FINANCIAL HIGHLIGHTS

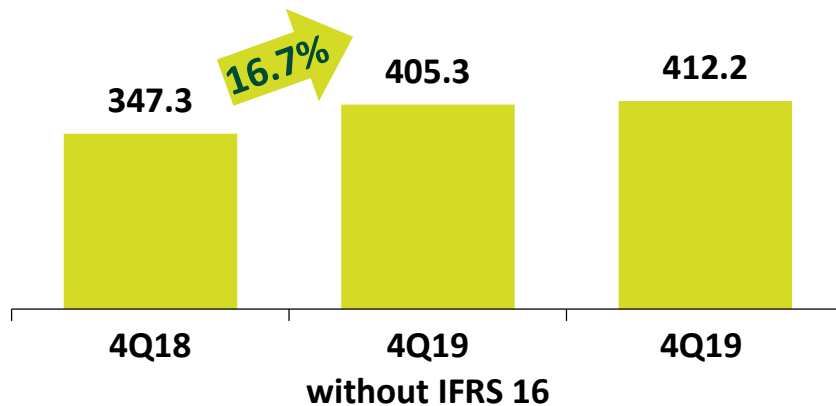
## Net revenues (R\$ million)



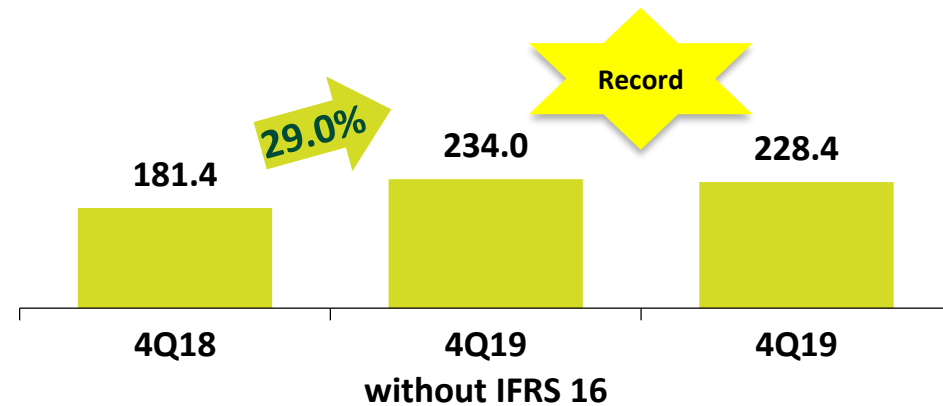
## EBITDA (R\$ million)



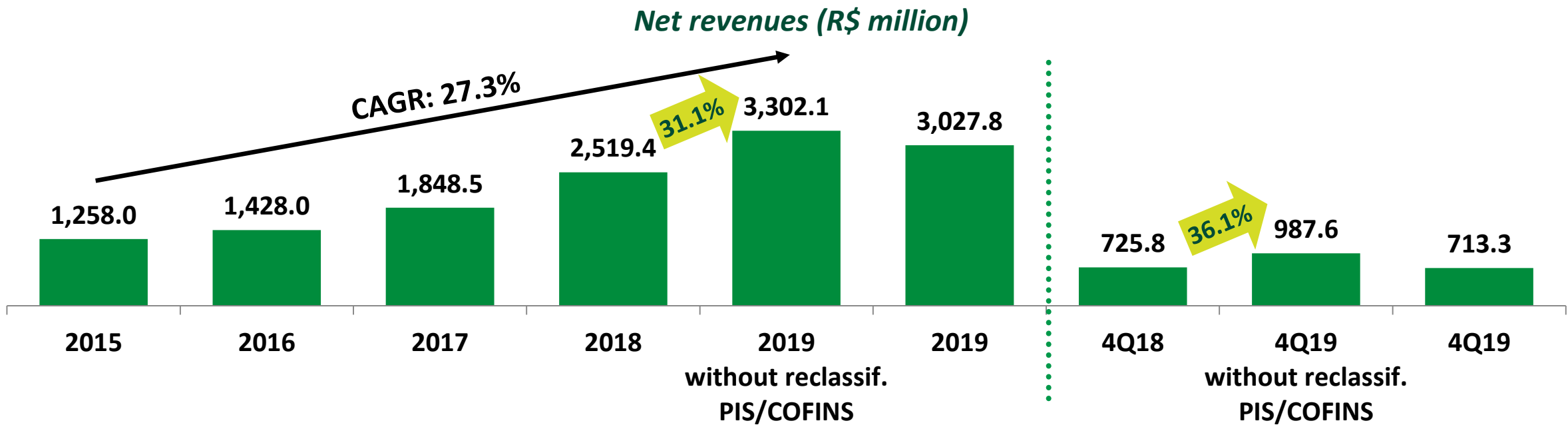
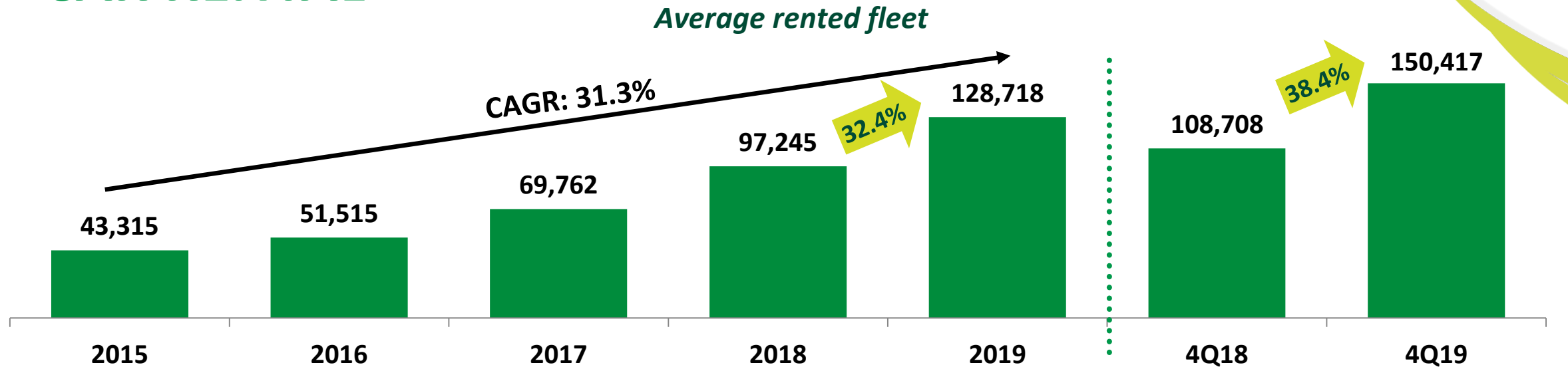
## EBIT (R\$ million)



## Net income (R\$ million)



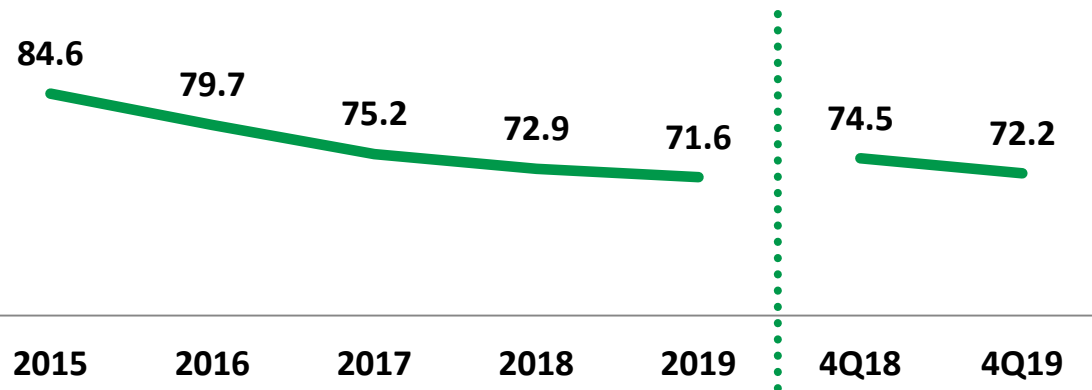
# CAR RENTAL



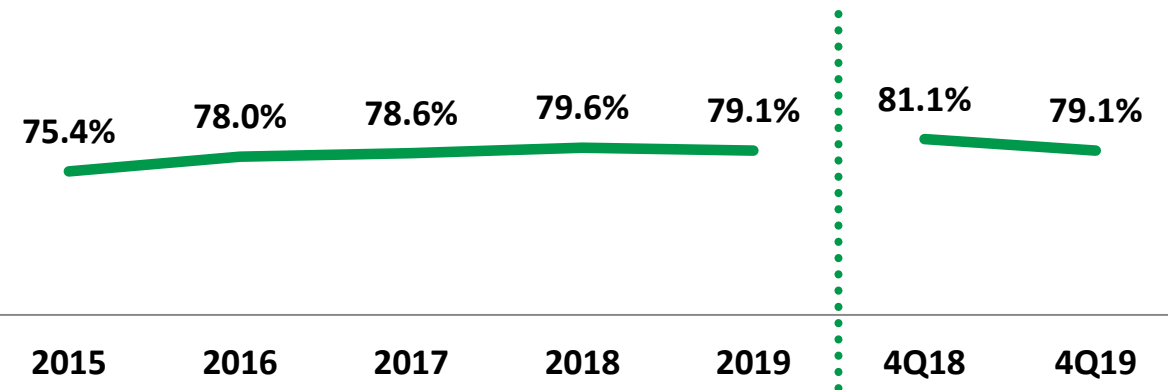
**IN 4Q19 THERE WAS AN ACCELERATION OF GROWTH PACE TO 38.4% AND ADDING APPROXIMATELY 42 THOUSAND CARS TO THE AVERAGE RENTED FLEET COMPARED TO 4Q18**

# CAR RENTAL

*Average rental rate (in R\$)*



*Utilization rate (%)*



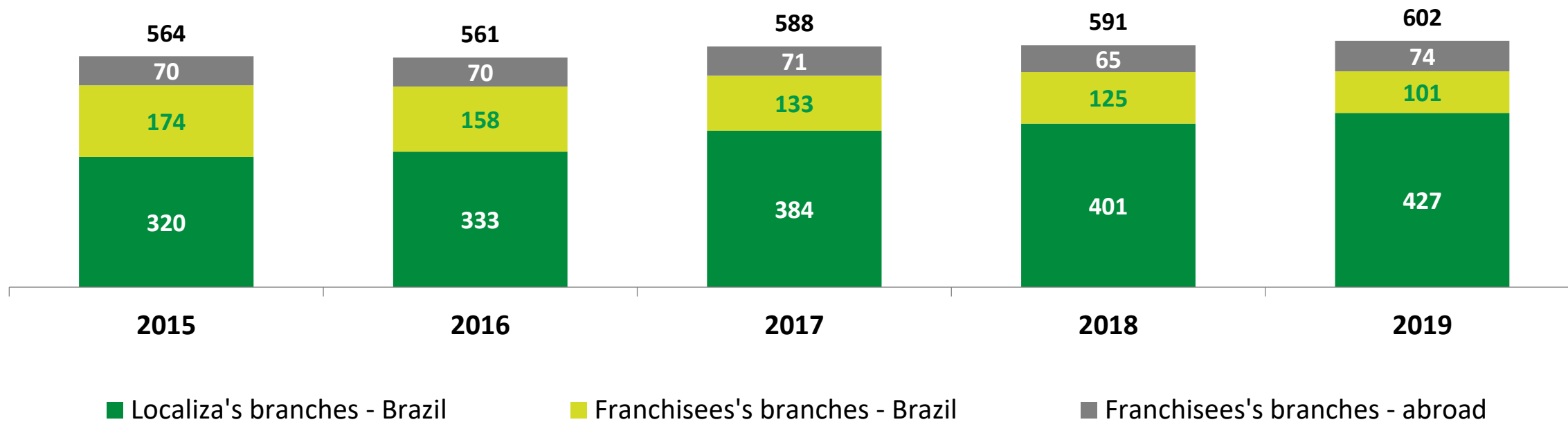
**AVERAGE RENTAL RATE REFLECTING THE MIX OF SEGMENTS, COMPETITIVE ENVIRONMENT AND LOWER INTEREST RATE**

**UTILIZATION STABLE IN THE YEAR AND WITHIN THE LIMITS EXPECTED IN 4Q19, REFLECTING THE FLEET GROWTH**



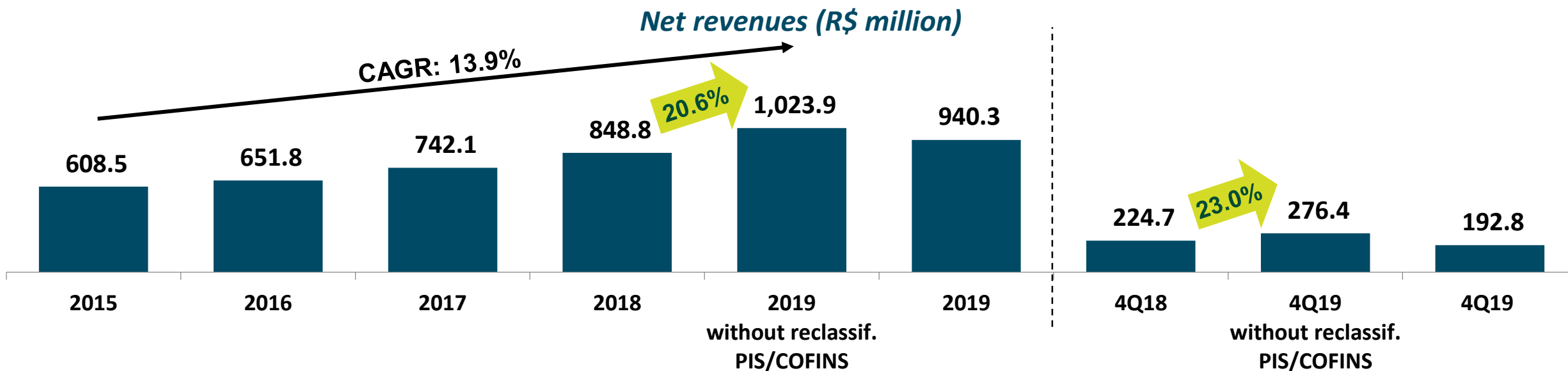
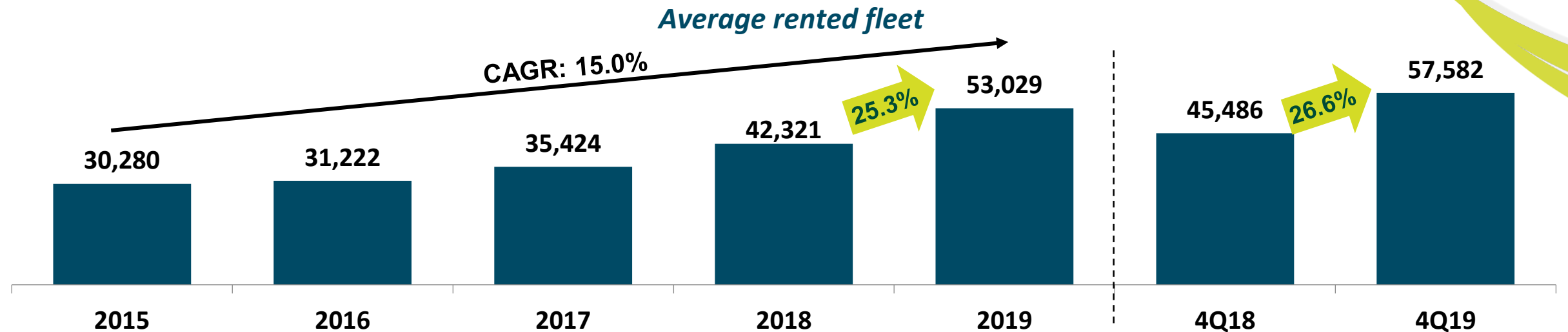
# CAR RENTAL NETWORK EVOLUTION

*Number of car rental locations - Brazil and abroad*



**ADDITION OF 26 OWNED LOCATIONS IN BRAZIL**

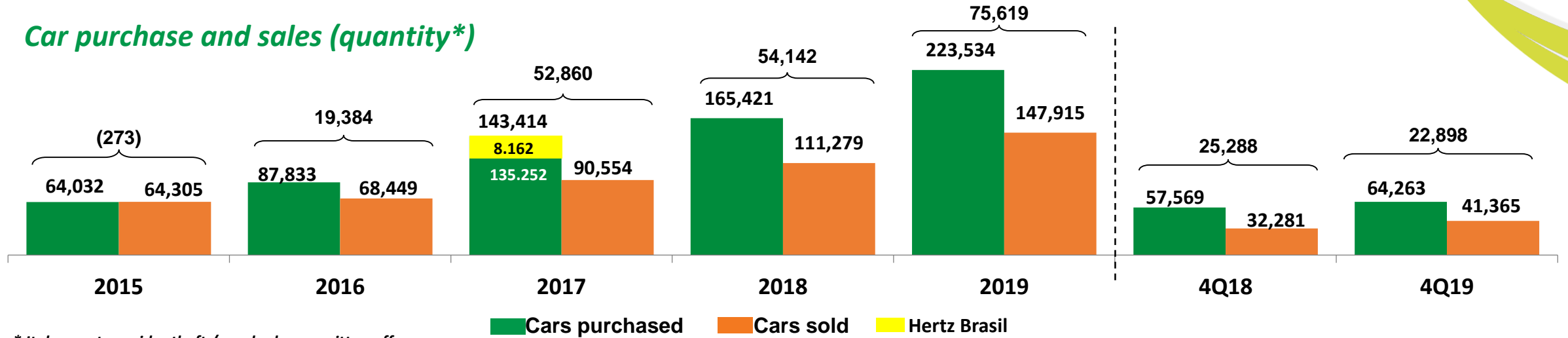
# FLEET RENTAL



**ACCELERATED GROWTH EVEN IN A HIGHLY COMPETITIVE SCENARIO**

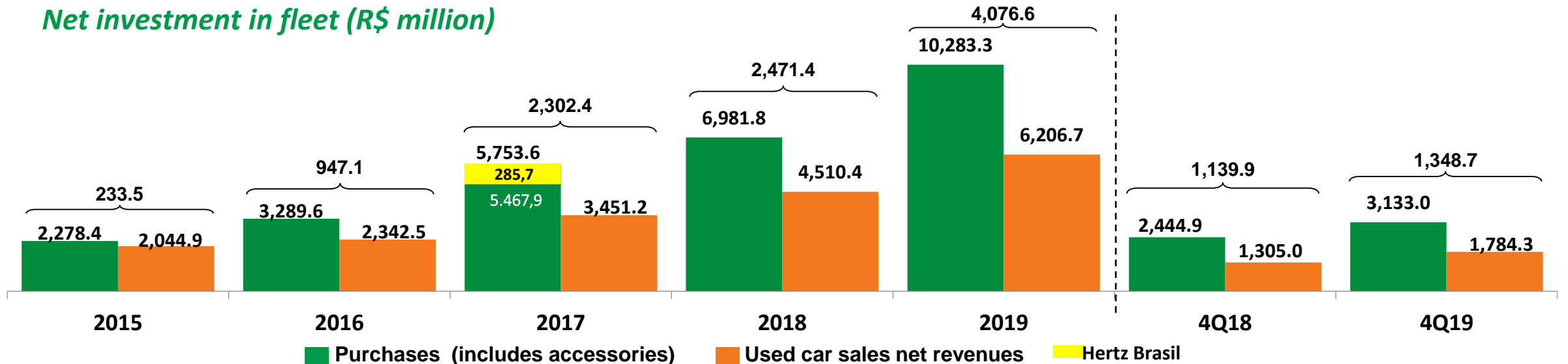
# NET INVESTMENT

## Car purchase and sales (quantity\*)



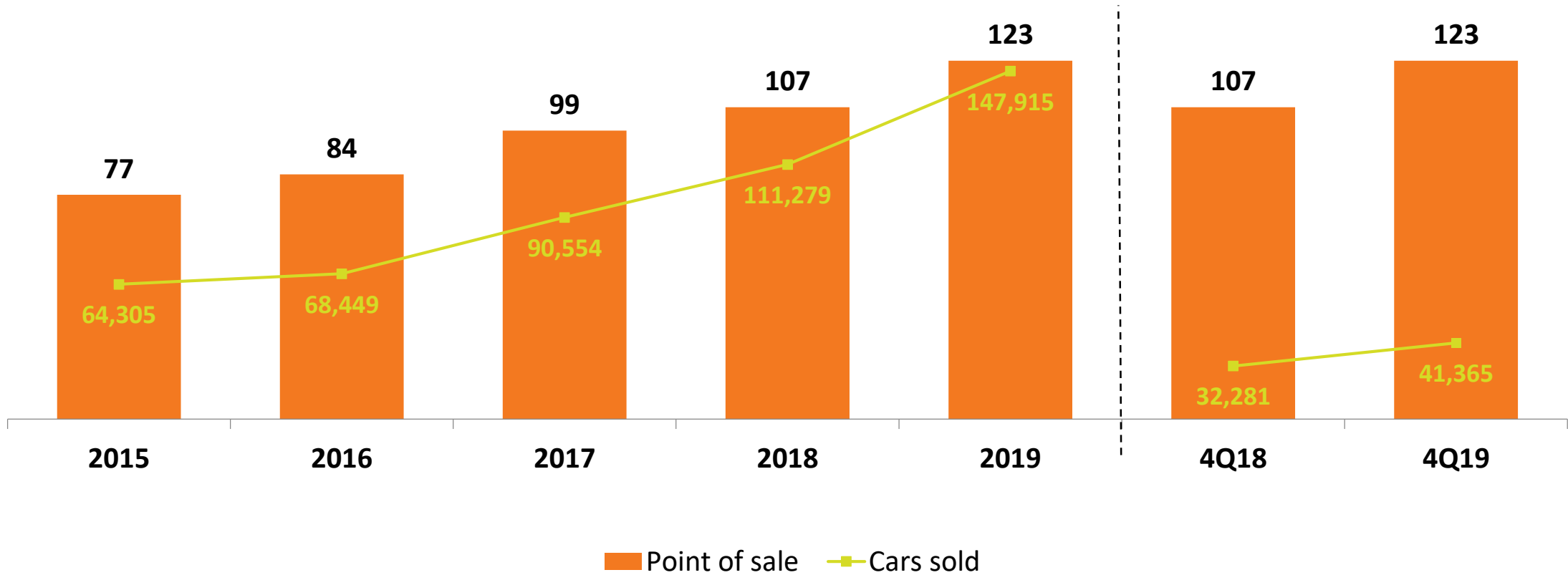
\* It does not consider theft / crashed cars written off.

## Net investment in fleet (R\$ million)



**MORE THAN 75 THOUSAND CARS ADDED TO THE FLEET IN 2019 WITH A NET INVESTMENT OF R\$4.1 BILLION**

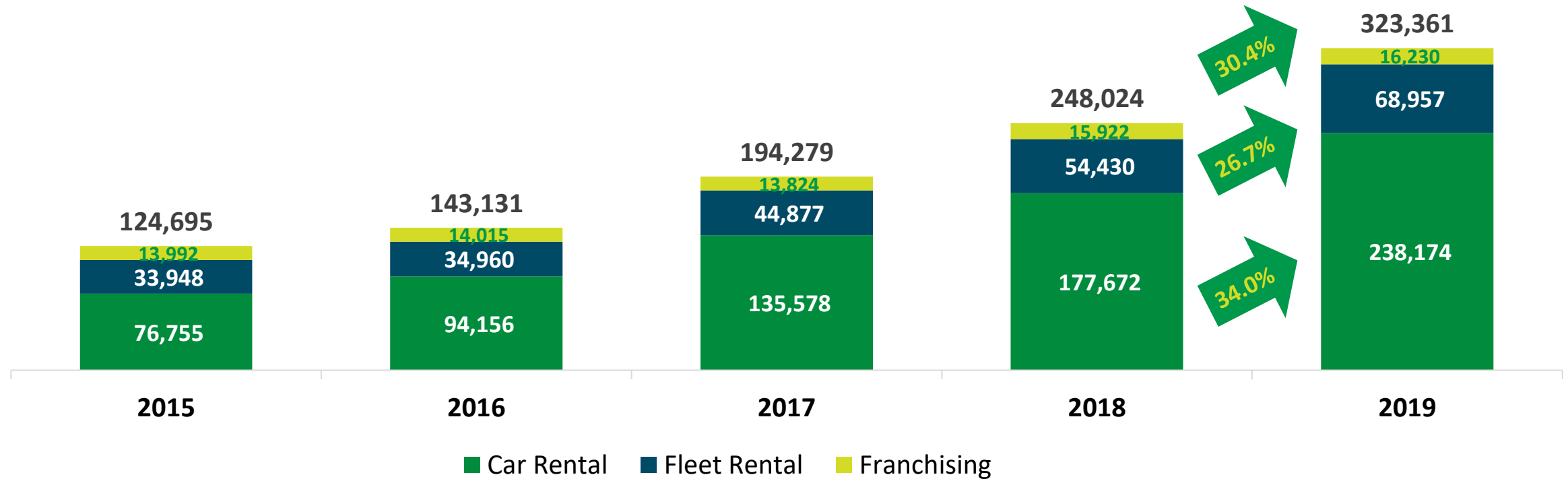
# NUMBER OF USED CARS POINTS OF SALE



**147,915 CARS SOLD IN 2019, 32,9% INCREASE COMPARED TO 2018**

# END OF PERIOD FLEET

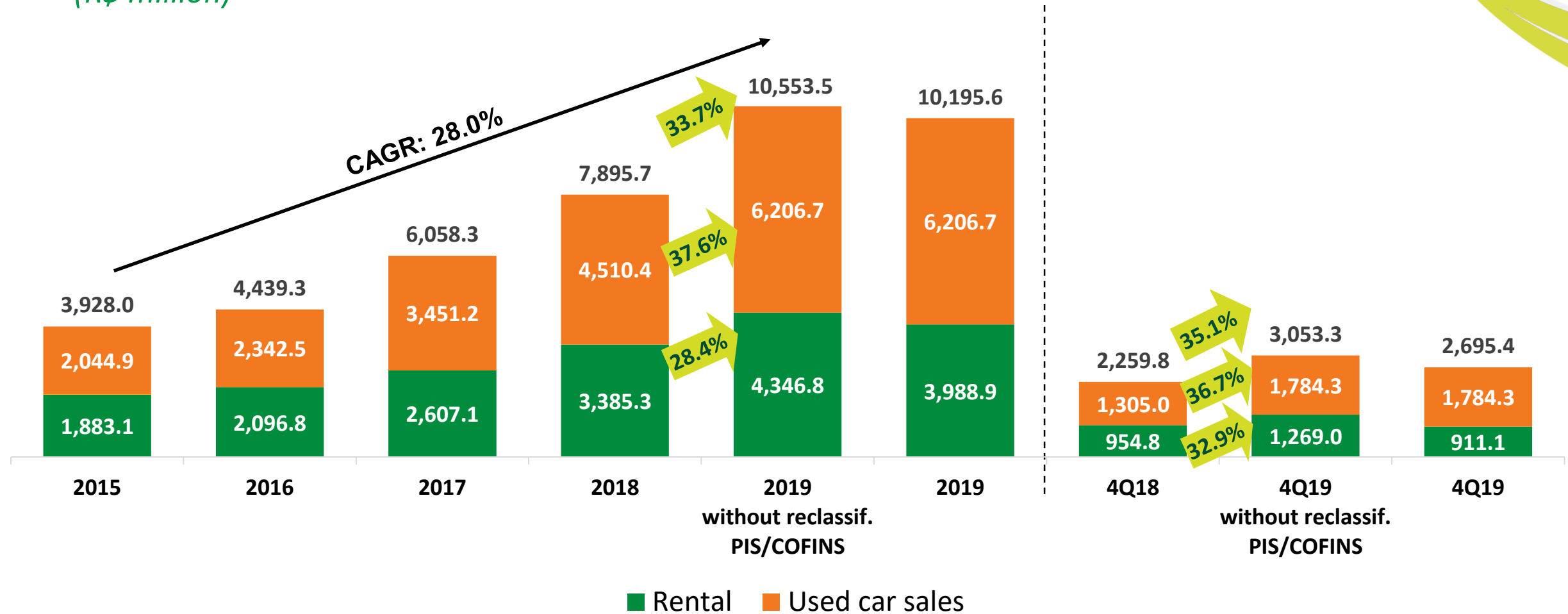
(Quantity)



**STRONG FLEET GROWTH IN ALL BUSINESS DIVISIONS**

# CONSOLIDATED NET REVENUES

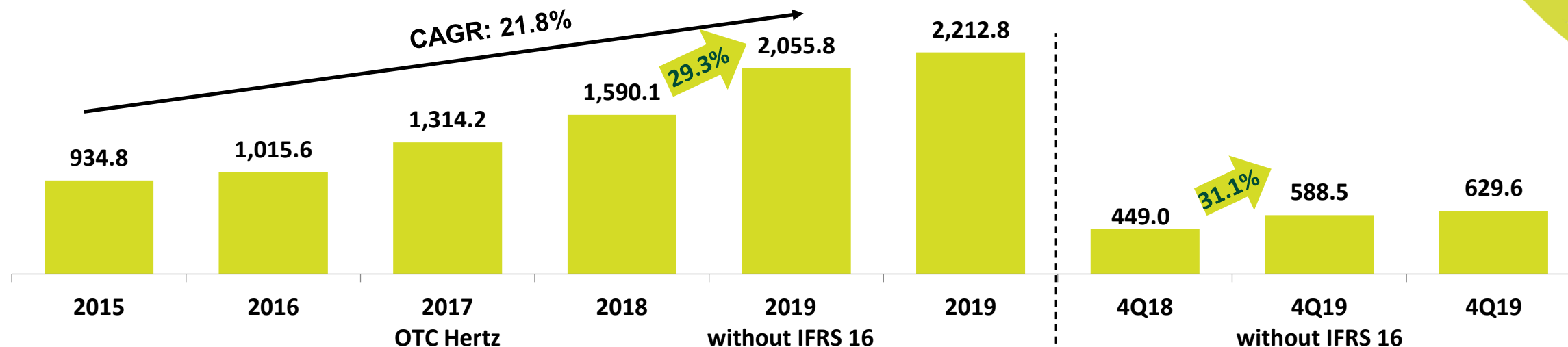
(R\$ million)



**35.1% GROWTH IN 4Q19 NET REVENUES**

# CONSOLIDATED EBITDA

(R\$ million)



## EBITDA margin:

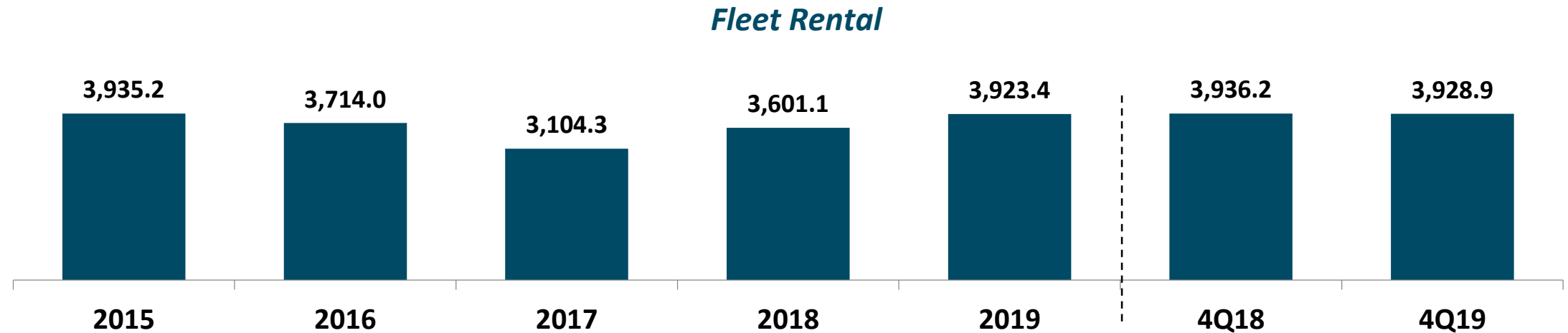
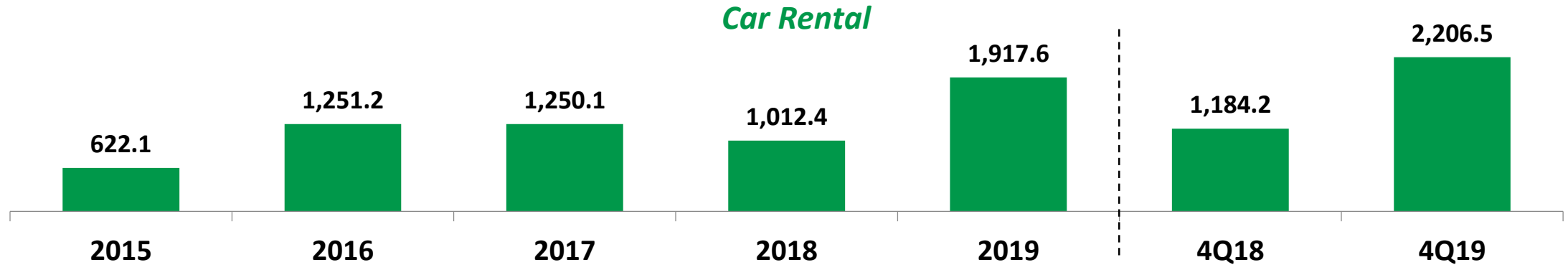
Activities	2015	2016	2017*	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	4Q18	4Q19 without IFRS 16 and without reclassification of PIS/COFINS credits	4Q19
Car Rental	31.8%	32.3%	34.9%	35.9%	38.8%	45.5%	39.7%	39.6%	58.4%
Fleet Rental	62.2%	64.5%	61.9%	64.0%	62.1%	67.7%	63.3%	61.1%	87.8%
Rental Consolidated	41.7%	42.3%	42.6%	43.0%	44.4%	50.9%	45.2%	44.4%	64.7%
Used Car Sales	7.3%	5.5%	5.9%	3.0%	2.0%	3.0%	1.3%	1.4%	2.3%

(\*) 2017 adjusted by the one-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation(\*\*)

**MARGIN GAIN IN CAR RENTAL, EVEN WITH STRONG INVESTMENTS IN INNOVATION AND EXPANSION IN THE YEAR**

# AVERAGE ANNUALIZED DEPRECIATION PER CAR

(In R\$)

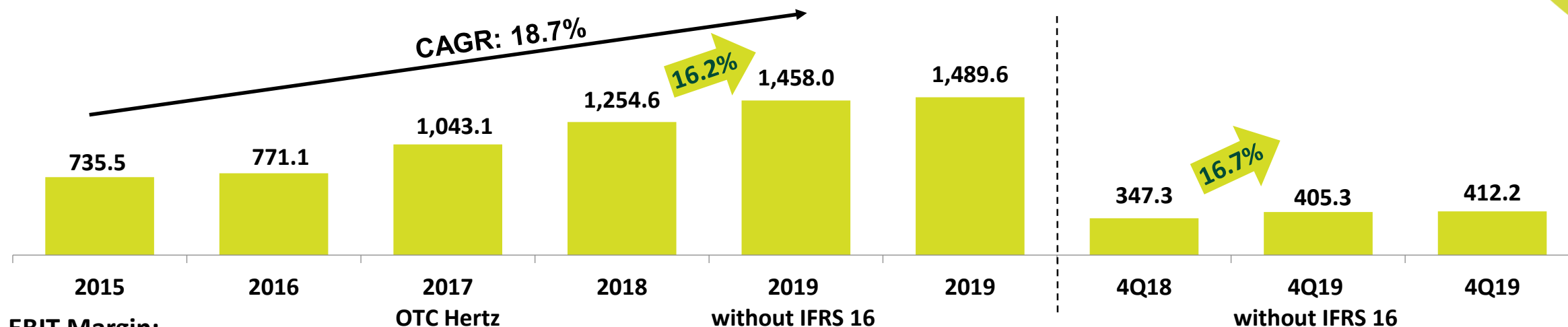


**INCREASED DEPRECIATION DUE TO CAR SALES MARKET IN 2019**



# CONSOLIDATED EBIT

(R\$ million)



EBIT Margin:

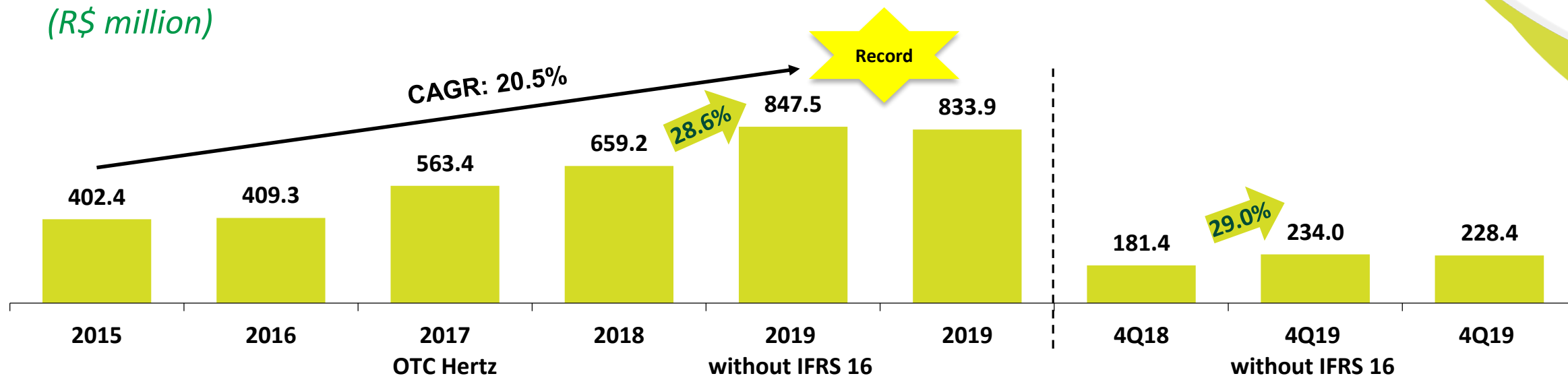
Activities	2015	2016	2017*	2018	2019 without IFRS 16 and without reclassification of PIS/COFINS credits	2019	4Q18	4Q19 without IFRS 16 and without reclassification of PIS/COFINS credits	4Q19
Car Rental	34.3%	30.2%	35.5%	33.2%	29.9%	33.6%	33.9%	28.5%	40.3%
Fleet Rental	48.9%	51.2%	51.4%	48.6%	44.9%	49.1%	44.8%	43.8%	63.1%
Consolidated	39.1%	36.8%	40.0%	37.1%	33.5%	37.3%	36.4%	31.9%	45.2%

(\* ) 2017 adjusted by the one-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation

**EBIT OF R\$405.3 MILLION IN THE QUARTER, 16,7% HIGHER THAN 4Q18**

# CONSOLIDATED NET INCOME

(R\$ million)



Reconciliation EBITDA x Net income	2015	2016	2017*	2018	2019 without IFRS 16	Var. R\$	Var. %	2019	4Q18	4Q19 without IFRS 16	Var. R\$	Var. %	4Q19
Consolidated EBITDA	934.8	1,015.6	1,314.2	1,590.1	2,055.8	465.7	29.3%	2,212.8	449.0	588.5	139.5	31.1%	629.6
Cars depreciation	(163.6)	(206.3)	(232.0)	(291.6)	(551.5)	(259.9)	89.1%	(551.5)	(90.3)	(171.2)	(80.9)	89.6%	(171.2)
Other property depreciation and amortization	(35.7)	(38.2)	(39.1)	(43.9)	(46.3)	(2.4)	5.5%	(171.7)	(11.4)	(12.0)	(0.6)	5.3%	(46.2)
EBIT	735.5	771.1	1,043.1	1,254.6	1,458.0	203.4	16.2%	1,489.6	347.3	405.3	58.0	16.7%	412.2
Financial expenses, net	(202.7)	(243.5)	(315.0)	(368.9)	(360.6)	8.3	-2.2%	(409.8)	(107.5)	(98.2)	9.3	-8.7%	(112.5)
Income tax and social contribution	(130.4)	(118.3)	(164.7)	(226.5)	(249.9)	(23.4)	10.3%	(245.9)	(58.4)	(73.1)	(14.7)	25.2%	(71.3)
<b>Net income of the period</b>	<b>402.4</b>	<b>409.3</b>	<b>563.4</b>	<b>659.2</b>	<b>847.5</b>	<b>188.3</b>	<b>28.6%</b>	<b>833.9</b>	<b>181.4</b>	<b>234.0</b>	<b>52.6</b>	<b>29.0%</b>	<b>228.4</b>

(\*) 2017 adjusted by the one-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation

**NET INCOME GROWTH OF 29.0% IN 4Q19**

# FREE CASH FLOW

Free cash flow - R\$ million		2014	2015	2016	2017	2018	2019
Operations	EBITDA	969.8	934.8	1,015.7	1,314.2 <sup>*</sup>	1590.1	2,212.8
	Used car sale revenue, net from taxes	(2,018.2)	(2,044.9)	(2,342.6)	(3,451.2)	(4,510.4)	(6,206.7)
	Depreciated cost of cars sold	1,777.0	1,769.1	2,102.5	3,106.6	4,198.5	5,863.6
	(-) Income tax and social contribution	(113.1)	(110.7)	(93.3)	(108.3)	(131.2)	(146.1)
	Change in working capital	(27.1)	(30.0)	(40.8)	(47.9)	(117.4)	(268.9)
Cash generated by rental operations		588.4	518.3	641.5	813.4	1,029.6	1,454.7
Capex - renewal	Used car sale revenue, net from taxes – fleet renewal	2,018.2	2,036.3	2,342.6	3,451.2	4,510.4	6,206.7
	Fleet renewal investment	(2,197.7)	(2,278.4)	(2,563.6)	(3,660.9)	(4,696.7)	(6,804.6)
	Change in accounts payable to car suppliers for fleet renewal	120.0	(25.4)	219.8	227.6	250.1	468.7
	Net investment for fleet renewal	(59.5)	(267.5)	(1.2)	17.9	63.8	(129.2)
Fleet renewal – quantity		70,621	64,032	68,449	90,554	111,279	147,915
Investment, property and intangible		(46.3)	(29.7)	(40.9)	(28.8)	(42.8)	(70.0)
Free cash flow from operations, before growth		482.6	221.1	599.4	802.5	1,050.6	1,255.5
Capex - Growth	(Investment) / Divestment in cars for fleet growth	(286.8)	8.6	(726.0)	(1,807.0)	(2,285.1)	(3,478.7)
	Change in accounts payable to car suppliers for fleet growth	214.4	(23.9)	26.8	168.7	509.4	23.6
	Acquisition of Hertz and franchisees (fleet value)	-	-	-	(285.7)	-	(105.5)
	Net investment for fleet growth	(72.4)	(15.3)	(699.2)	(1,924.0)	(1,775.7)	(3,560.6)
Fleet increase / (reduction) – quantity		9,183	(273)	19,384	52,860	54,142	75,619
Free cash flow after growth		410.2	205.8	(99.8)	(1,121.5)	(725.1)	(2,305.0)
Capex - non-recurring	Acquisition of Hertz and franchisees (except fleet value)	-	-	-	(121.5)	-	(18.2)
	New headquarters construction and furniture	(148.3)	(30.7)	(85.7)	(146.2)	-	-
Free cash generated before the cash effects of discounts and anticipation of payables to suppliers		261.9	175.1	(185.5)	(1,389.2)	(725.1)	(2,323.2)
Cash effects of receivables and anticipation of payables to suppliers (**)		-	(71.9)	98.0	88.3	(113.2)	(131.8)
Free cash flow before interest		261.9	103.2	(87.5)	(1,300.9)	(838.3)	(2,455.0)

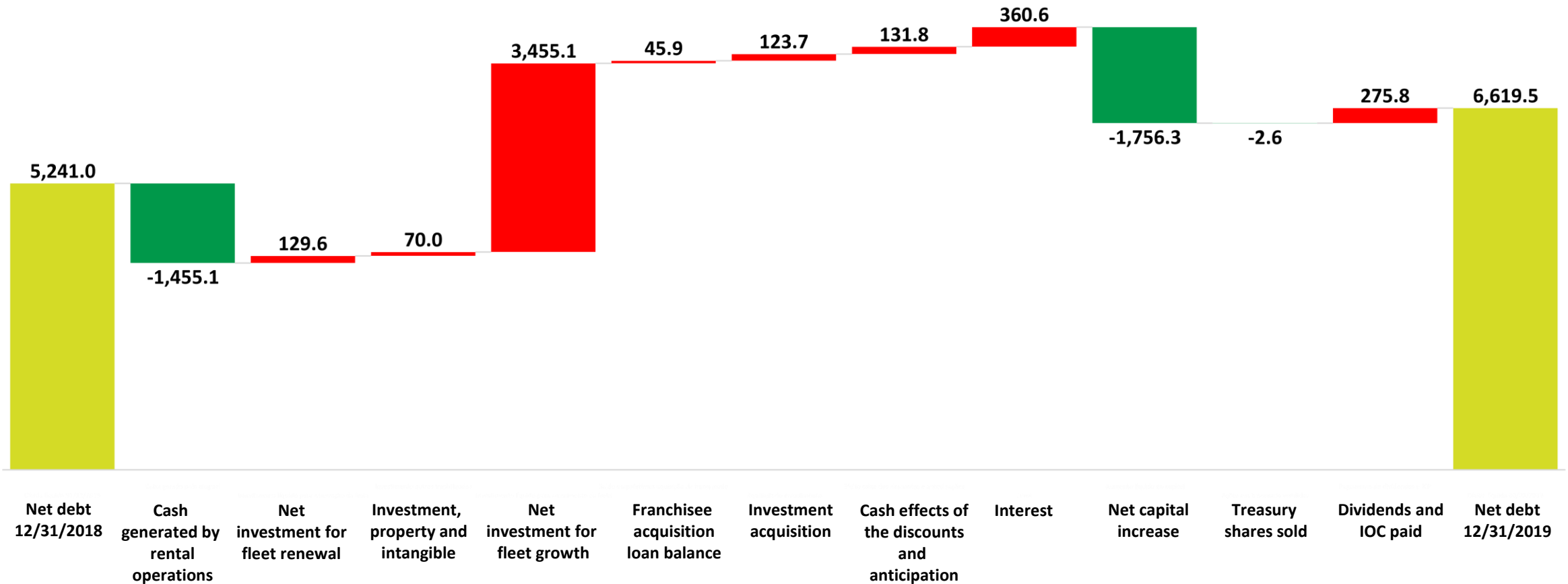
In the free cash flow, short-term financial assets were considered as cash equivalents since they have immediately liquidity

(\*) 2017 adjusted by one-time costs incurred -Hertz Brasil acquisition and franchisees incorporation

(\*\*) Discount of credit card receivables and anticipation of accounts payable were demonstrated in a different line so that the Free Cash Flow From Operations considered only the contractual terms, reflecting the Company's operation

# CHANGE IN NET DEBT

(R\$ million)

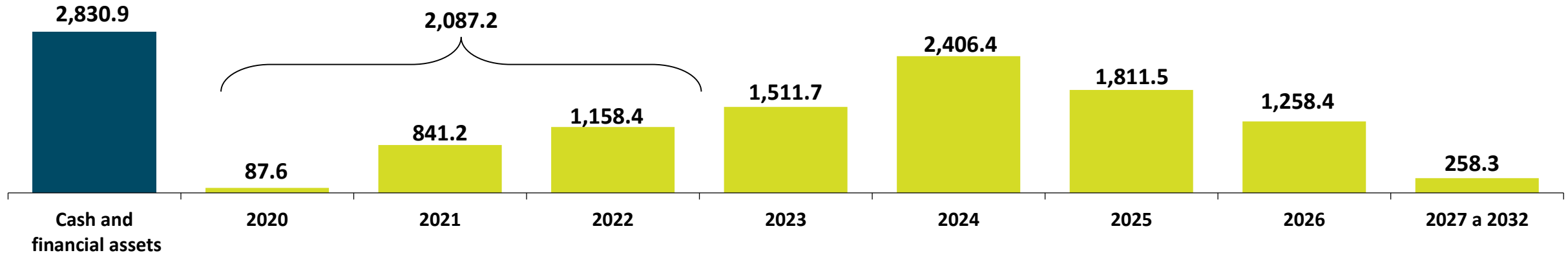


**R\$1.4 BILLION INCREASE IN NET DEBT AS A RESULT OF THE STRONG EXPANSION PACE**

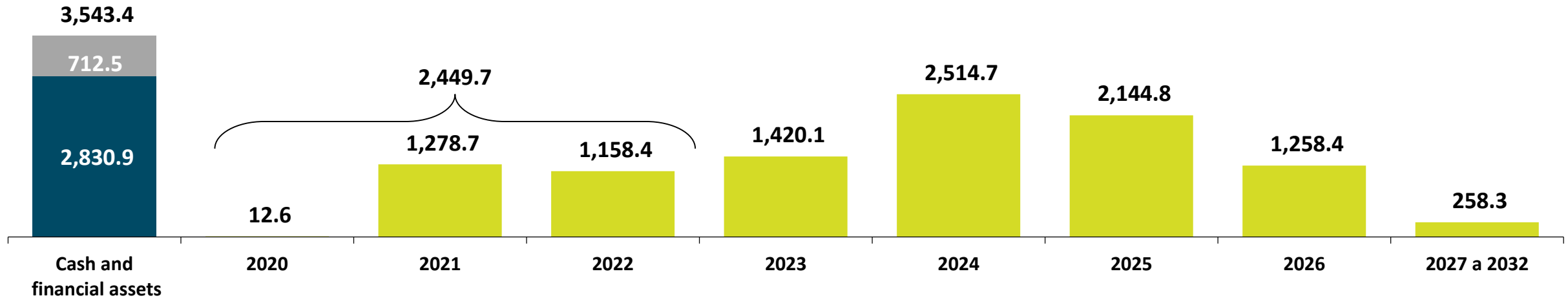
# DEBT MATURITY PROFILE (PRINCIPAL)

(R\$ million)

As of December 31, 2019



Proforma with new issuances and redemptions after 12/31/2019

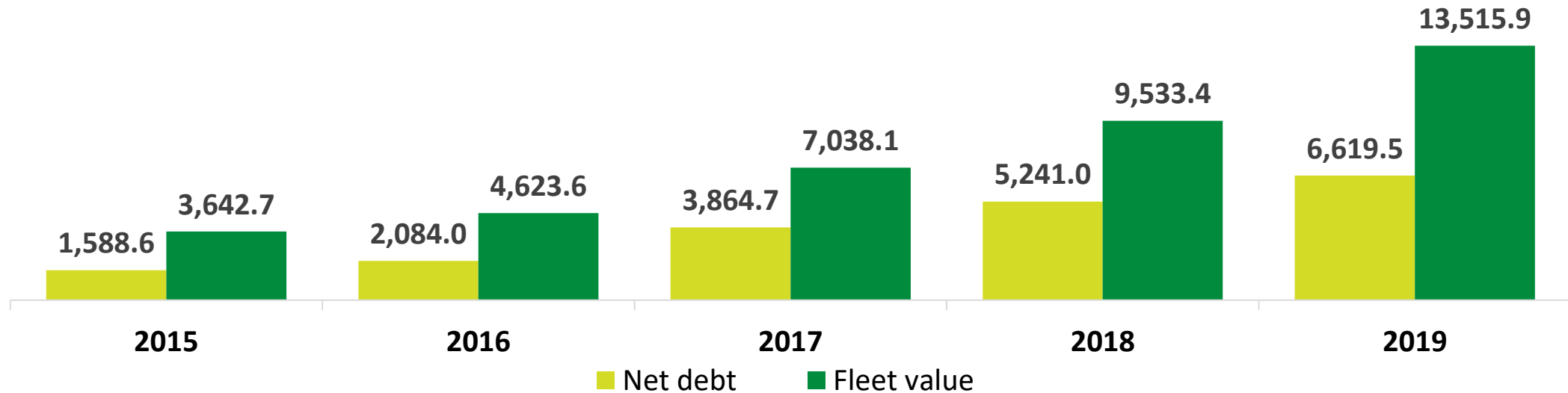


COMFORTABLE DEBT PROFILE AFTER THE NEW ISSUANCES

# DEBT RATIOS

(R\$ million)

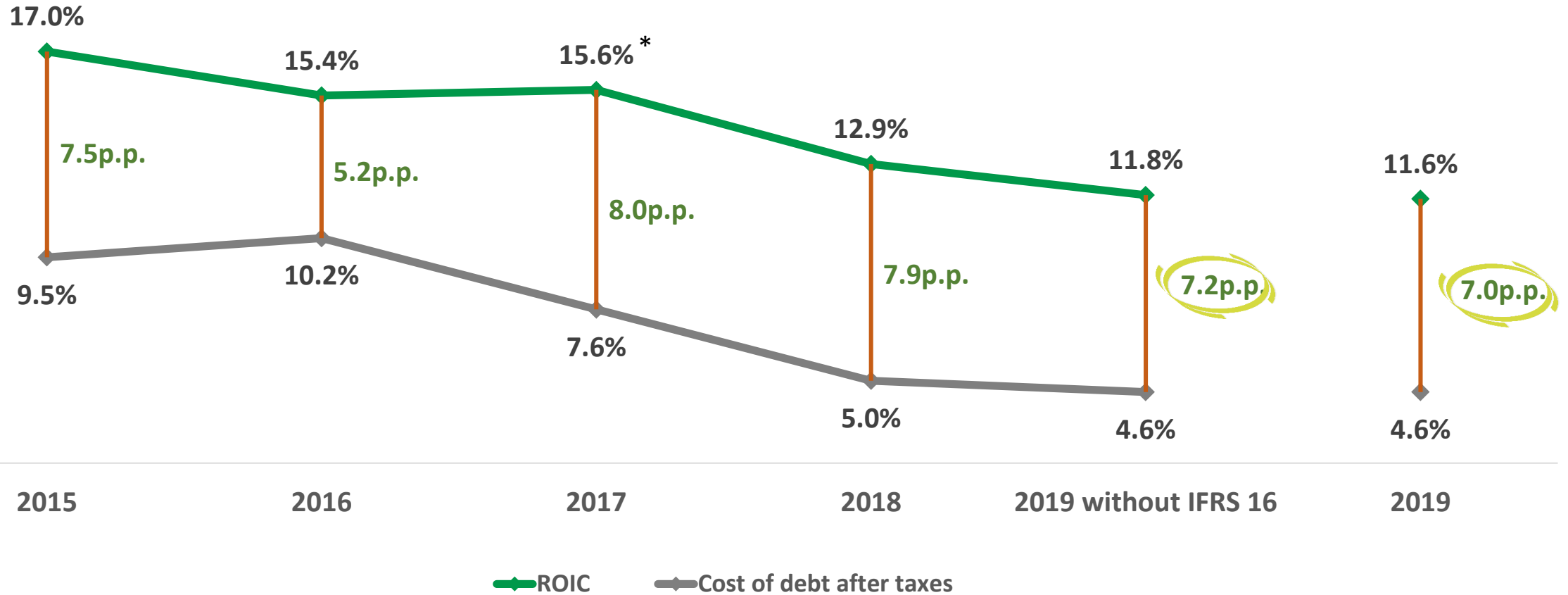
Net debt versus fleet value



BALANCE AT THE END OF PERIOD	2015	2016	2017	2018	2019 without IFRS 16	2019 with IFRS 16
Net debt / Fleet value	44%	45%	55%	55%	49%	49%
Net debt / annualized EBITDA	1.7x	2.1x	2.9x	3.3x	3.2x	3.0x
Net debt / Equity	0.8x	0.9x	1.5x	1.7x	1.2x	1.2x
EBITDA / Net financial expenses	4.6x	4.2x	4.2x	4.3x	5.7x	5.4x

**DEBT RATIOS REFLECT STRONG GROWTH AND LOWER INTEREST RATES**

# ROIC *VERSUS* COST OF DEBT AFTER TAXES



(\*) 2017 adjusted by the one-time costs incurred - Hertz Brasil acquisition and Franchisees incorporation  
 ROIC considered each year's effective income tax and social contribution rate

**STRONG GROWTH AND VALUE GENERATION IN A HIGHLY COMPETITIVE ENVIRONMENT**

# Thank You!

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