RESULTS PRESENTATION 1Q20

May/2020

Audio Replay

Transcript

TEGMA Gestão Logística

DISCLAIMER FOWARD LOOKING STATEMENTS

This communication contains forward-looking statements based on the current expectations and beliefs of Tegma's management. The ongoing COVID-19 pandemic imposes significant risks and uncertainties on the statements, including those discussed below. Unless indicated, Tegma is providing this information as of the date of this communication and does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.

No forward-looking statement can be guaranteed and actual results may differ materially from those we project.

TEGMA Gestão Logística

RESPONSES TO COVID-19 OUTBREAK

AUTOMOTIVE LOGISTICS DIVISION AND CORPORATE

. Our transportation operations were gradually interrupted due to COVID-19 outbreak and are operating intermittently and marginally.

. Our logistics service operations, which include yard management, PDI and vehicle storage, have suffered due to the drop in production and vehicle purchases by automakers.

. Much of the vehicle logistics operation costs are made up of variable costs.

. In the first half of April we carried out some measures to adjust our structures to adapt to the pandemic scenario, mainly:

- reduction of working hours and suspension of the employment contract of operational and corporate employees for two months or three months.
- Operational workers layoff

INTEGRATED LOGISTICS DIVISION

. The industrial logistics operation for the chemical segment that serves personal care and glassware clients has continued its activities.

. The operation for the home appliance segment was interrupted on April 6 but has already resumed its activities in the week of April 28.

. Warehousing operations in São Paulo and Rio de Janeiro have operated normal volumes in their activities.

BALANCE SHEET, CASH AND INDEBTNESS

The liquidity situation can be summarized with the items below:

- The March/20 cash balance was positively impacted by the raising of R$ 90 million at the beginning of April, totaling R$ 215.9 million;
- Tegma's monthly OPEX in 1Q20 was around R$ 26 million. If we consider the corporate and automotive division's OPEX that was interrupted, it was around R$ 22 million, before the reductions implemented;
- Gross profit from integrated logistics without depreciation and amortization and adding rental costs in 1Q20 was R$ 10.4 million;
- Debts falling due to 2Q20 and 3Q20 amounting R$ 78.6 million. The management is conducting stress tests on our liquidity to assess the need to roll over these debts;
- The expected CAPEX from April until December 2020 is R$ 9.6 million;

QUARTER HIGHLIGHTS

CHANGE IN OPERATIONAL EFFICIENCY INDICATOR (EBITDA → OPERATING INCOME/EBIT)

As is generally known, according to IFRS 16, the EBITDA indicator no longer represents a proxy for operating cash generation, as it no longer includes most of the rental costs and expenses, which are now accounted for amortization of the right to use. As a result, and after extensive research with investors, Tegma decided to focus its explanations regarding operating efficiency on operating income/EBIT, including the option of “adjusted” operating income.

Despite this, we will continue to reconcile the EBITDA in the annex to the Earnings release, as well as in our historical series in the Attachment tab

REAFFIRMATION OF TEGMA’S RATING BY FITCH

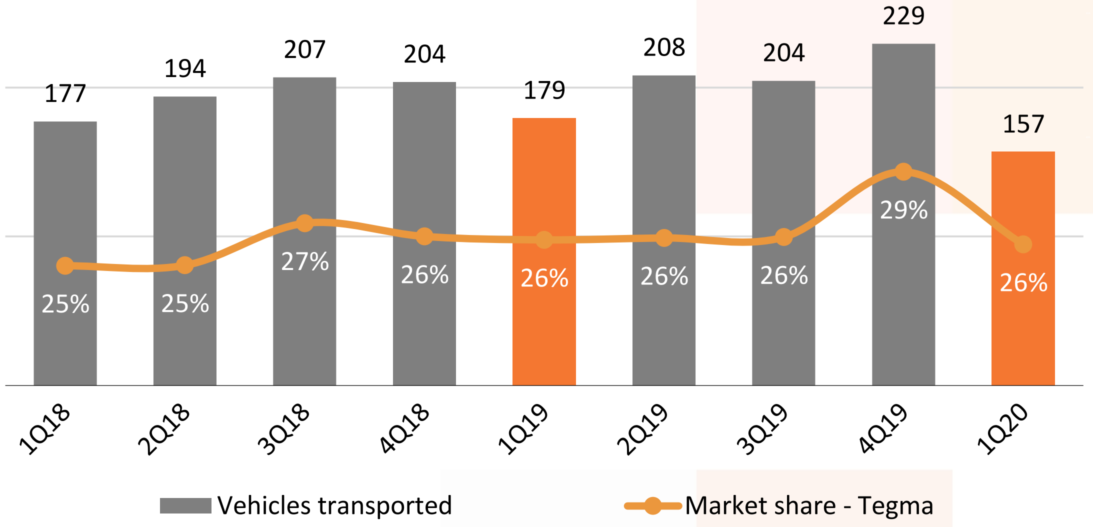
On May 4, 2020, Fitch released a report communicating the reaffirmation of local corporate rating A (bra) on the Brazilian national scale, with stable outlook.

OPERATIONAL HIGHLIGHTS

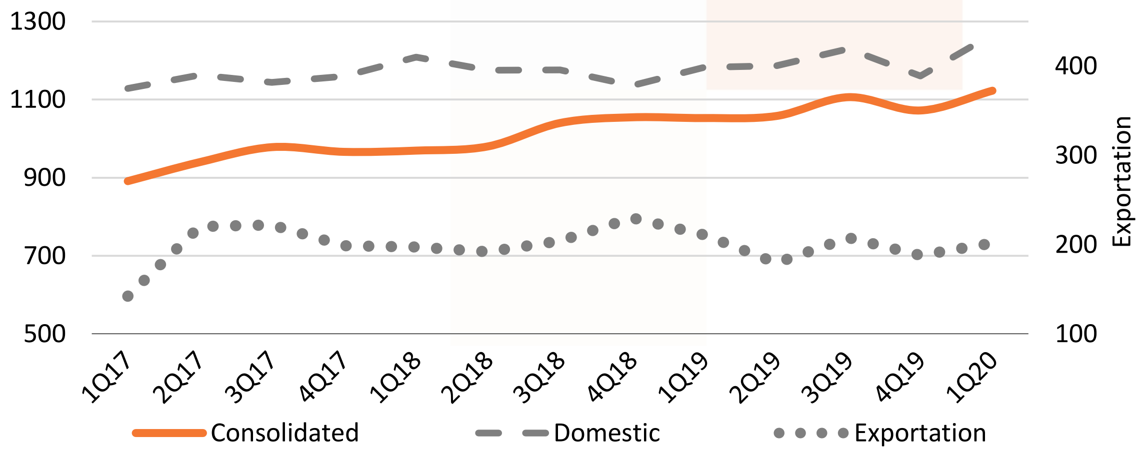
MAIN INDICATORS

	1Q20	Chg % vs 1Q19	1Q19
Vehicles and light commercial vehicles sales	**619.0**	**-9.2%**	**681.4**
Domestic	533.8	-8.2%	581.5
Exportations	85.2	-14.7%	100.0
Estimated wholesale sales	**610.2**	**-12.0%**	**693.3**
(+) Production of vehicles and light commercial	555.2	-16.8%	667.0
(+) Importation of vehicles and light commercial	60.4	-12.3%	68.8
(-) OEM's inventories change	5.4	N/A	42.5
Invetories (In OEM and dealers in thousand)	266.6	-10.1%	296.4
Invetories (In OEM and dealers in days)	26.4	-8.5%	28.9
Domestic Sales	**533.8**	**-8.2%**	**581.5**
Direct Sales	236.7	-4.1%	246.7
Retail Sales	297.1	-11.3%	334.8
Vehicles transported (thousand)	**156.7**	**-12.6%**	**179.3**
Domestic	135.5	-12.8%	155.3
Exportations	21.2	-11.6%	24.0
*Market share (B / A) %**	*25.7%*	*-0.2 p.p.*	*25.9%*
Average km per vehicle transported (km)	**1,122.6**	**6.7%**	**1,052.5**
Domestic	1,267.0	7.1%	1,182.8
Exportations	201.7	-4.5%	211.1
Total km (million km)	**175.9**	**-6.8%**	**188.7**
Domestic total km	171.6	-6.6%	183.7
Exportations total km	4.3	-15.6%	5.1

VEHICLES TRANSPORTED & MARKET SHARE



AVERAGE KM PER VEHICLE TRANSPORTATED

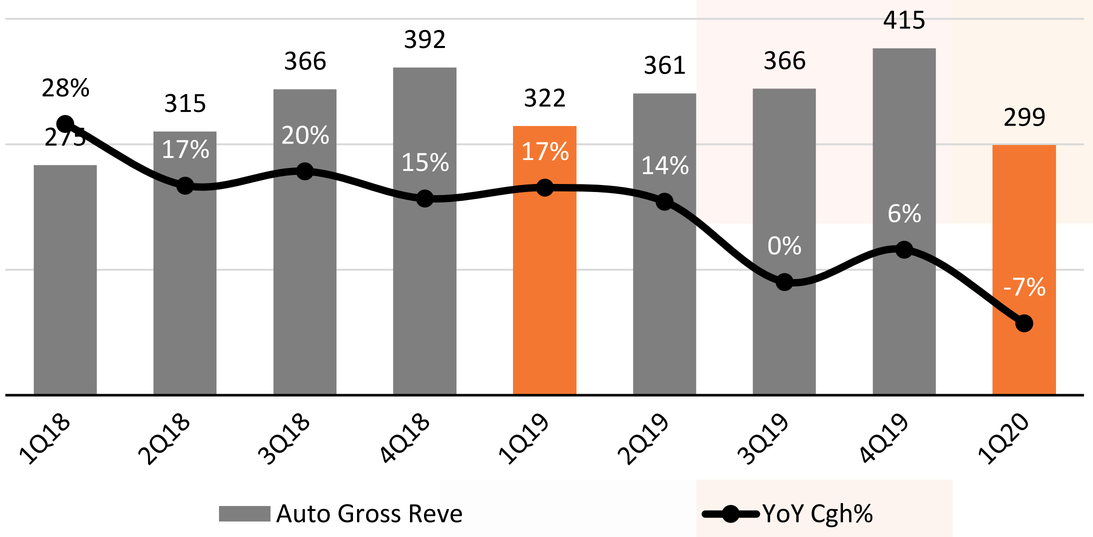


RESULTS – AUTOMOTIVE LOGISTICS

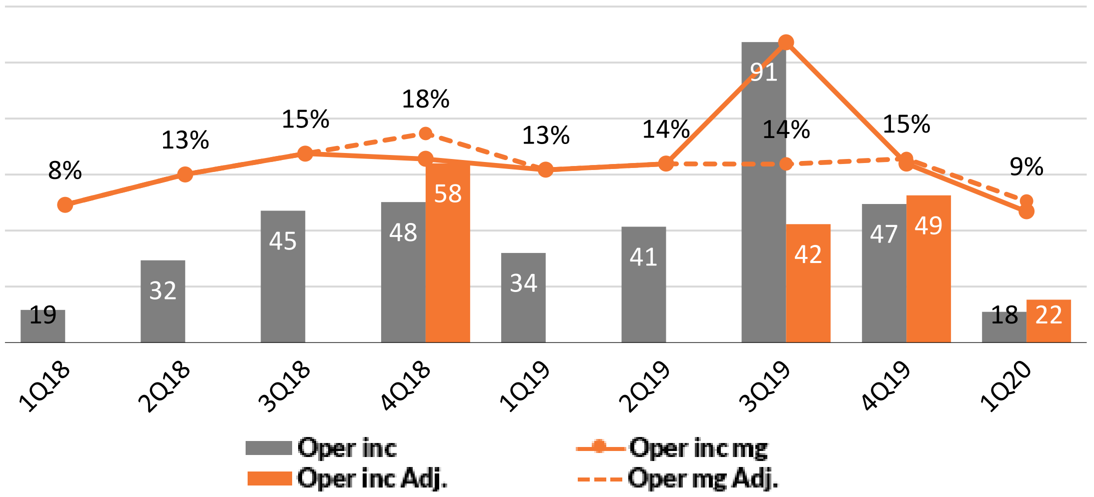
INCOME STATEMENT

Automotive logistics division	1Q20	Chg % vs 1Q19	1Q19
Gross revenue	**298.7**	**-7.2%**	**321.7**
Taxes and deductions	(57.9)	-7.8%	(62.8)
Net revenue	**240.8**	**-7.0%**	**258.9**
Cost of services	(190.6)	-5.8%	(202.4)
Gross profit	**50.2**	**-11.2%**	**56.5**
Gross margin	*20.8%*	*-1.0 p.p.*	*21.8%*
Expenses	(32.0)	42.3%	(22.5)
Operating income	**18.2**	**-46.5%**	**34.1**
Operating margin%	*7.6%*	*-5.6 p.p.*	*13.2%*
(+) Non-recurring	3.3	-	-
Operating income/EBIT adjusted	**21.5**	**-36.7%**	**34.1**
Operating margin/EBIT adjusted %	*8.9%*	*-4.2 p.p.*	*13.2%*

NET REVENUE



OPERATING INCOME



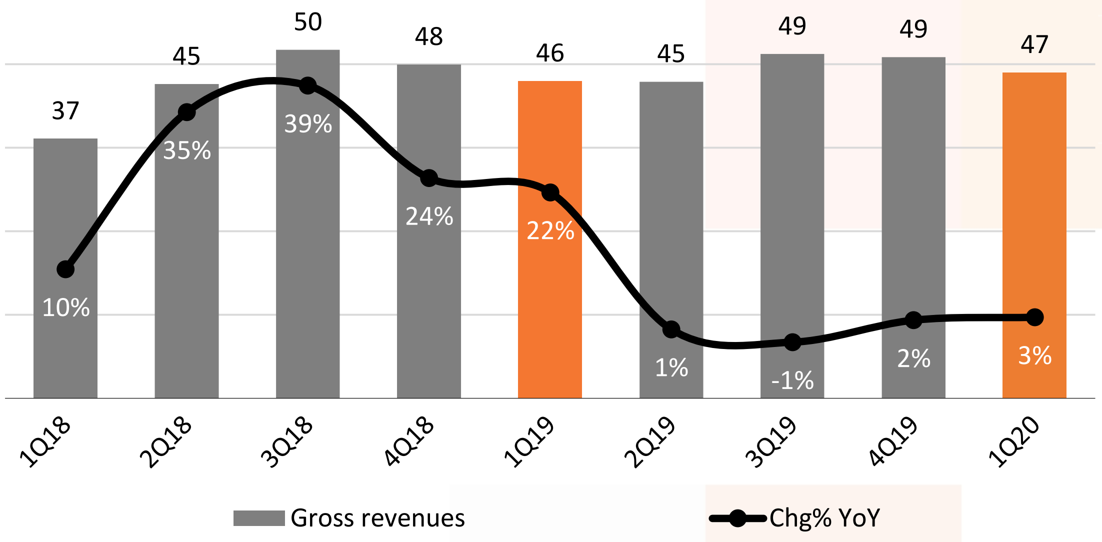
- Automotive logistics division **gross revenue** fell **7.2%** in 1Q20, in yearly comparison due to the reduction of 12.6% in 1Q20 in the volume of transported vehicles.
- The division's **gross margin** was 20.8%, **1.0 p.p.** below last year, mainly due to the drop in revenue in the second half of March without the counterpart in personnel and fixed costs.
- The division's **operating margin** was 7.6%, **5.6 p.p** below 1Q20, mainly due to attorney's fees expenses, audit company change expenses, provision for legal contingencies, termination of the company's executive and a sharp drop in revenue in the second half of March.
- **Adjusted operating margin** was 8.9% (adjusted by R$ 3.3 million related to expenses with Operação Pacto).

RESULTS – INTEGRATED LOGISTICS

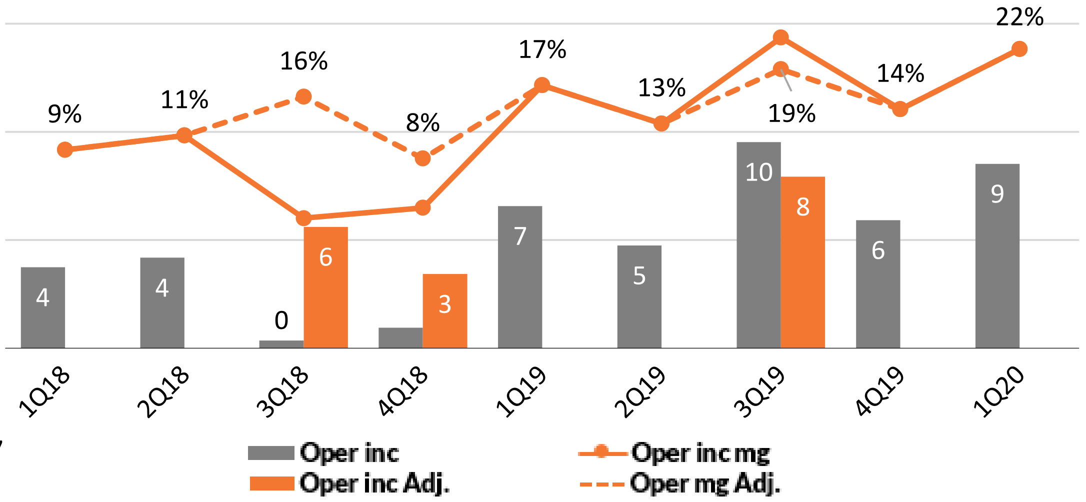
INCOME STATEMENT

Integrated logistics division	1Q20	Chg % vs 1Q19	1Q19
Gross revenue	**46.8**	**2.7%**	**45.6**
Warehouse	8.7	2.1%	8.5
Industrial logistics	38.1	2.8%	37.1
Gross revenue deductions	(7.8)	0.1%	(7.8)
Net revenue	**39.0**	**3.2%**	**37.8**
Cost of services	(30.3)	-4.5%	(31.7)
Gross profit	**8.7**	**43.8%**	**6.0**
Gross margin %	*22.2%*	*6.3 p.p.*	*16.0%*
Expenses	(0.2)	-	0.5
Operating income	**8.5**	**29.6%**	**6.6**
Operating margin%	*21.9%*	*4.5 p.p.*	*17.4%*
(+) Non-recurring	-	-	-
Operating income/EBIT adjusted	**8.5**	**29.6%**	**6.6**
Operating margin/EBIT adjusted %	*21.9%*	*4.5 p.p.*	*17.4%*

NET REVENUE



OPERATING INCOME



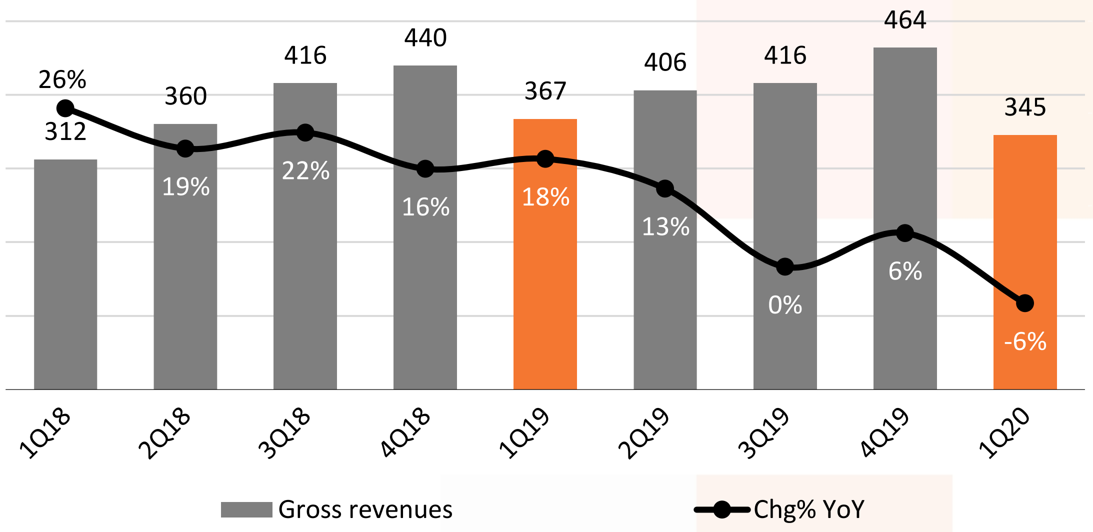
- **Gross revenue** of **warehouse operation** grew **2.1%** in the annual comparison. Revenue from the **industrial logistics** operation in 1Q20 grew **2.8%** compared to the previous year due to the good performance in chemical and home-appliances operation.
- The division's **gross margin** was 22.2%, **6.3 p.p** higher in the annual comparison, in the annual comparison due to the business profile improvement in industrial logistics.
- The division's **operating margin** was 21.9%, **4.5 p.p** higher in annual comparison mainly due to the same reasons for the gross margin gains. Due to the reduction in the recovery of expenses that positively affect the division's expenses and which have a negative counterpart in costs, there was an increase in expenses in the period.

RESULTS - CONSOLIDATED

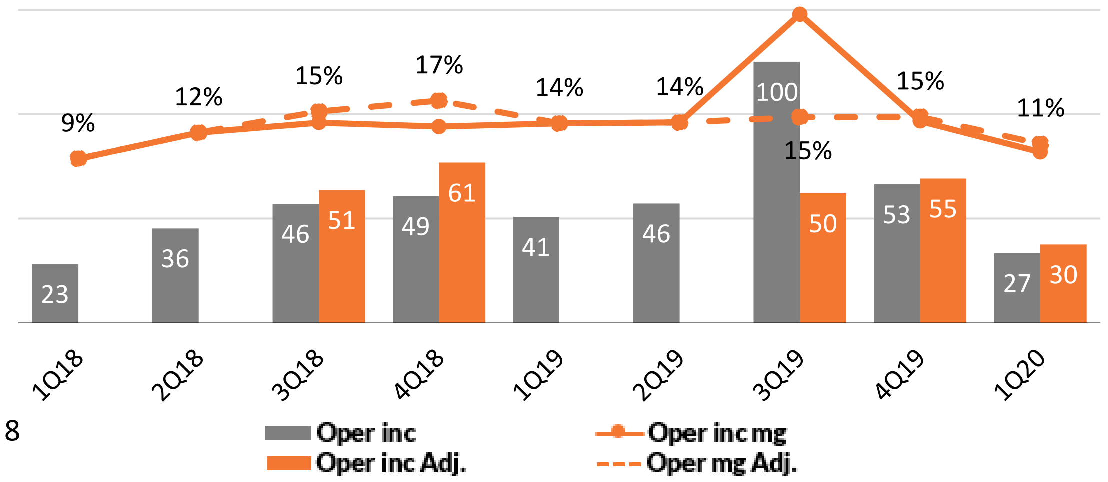
INCOME STATEMENT

Consolidated	1Q20	Chg % vs 1Q19	1Q19
Gross revenue	**345.5**	**-5.9%**	**367.3**
Gross revenue deductions	(65.7)	-6.9%	(70.6)
Net revenue	**279.7**	**-5.7%**	**296.7**
Cost of services	(220.9)	-5.7%	(234.1)
Gross profit	**58.9**	**-5.9%**	**62.5**
Gross margin %	21.0%	-	21.1%
Expenses	(32.1)	46.5%	(21.9)
Operating income	**26.8**	**-34.2%**	**40.6**
Operating margin%	9.6%	*-4.1 p.p.*	13.7%
(+) Non-recurring	3.3	-	-
Operating income/EBIT adjusted	**30.1**	**-26.0%**	**40.6**
Operating margin/EBIT adjusted %	*10.7%*	*-2.9 p.p.*	*13.7%*

NET REVENUE

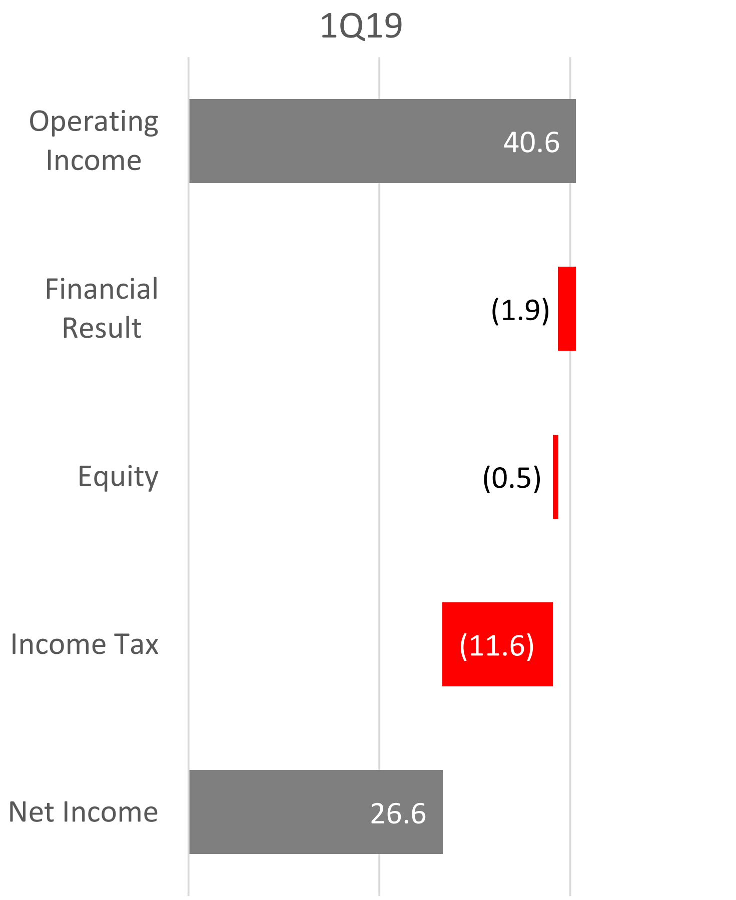


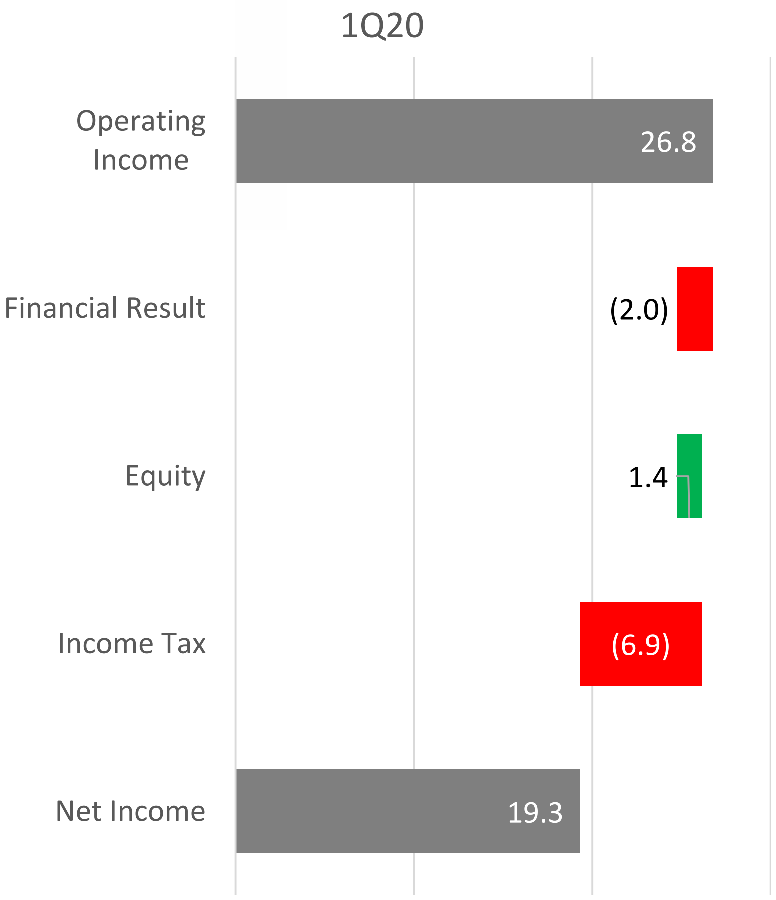
OPERATING INCOME



- The consolidated **gross revenue** as mentioned in slide 6**,** was impacted by the retraction in the number of vehicles transported.
- Consolidated **gross margin** was 21.0%, a stability vs. previous year, mainly due to the sharp drop in revenue in March 2020 related to COVID-19 pandemic and the growth in the margin of the integrated logistics division.
- **Expenses** were R$ 32.1 million, **46.5%** higher in the yearly comparison due to attorney's fees, audit company change expenses, provision for legal contingencies and the termination of a Company's executive.
- **Operating income** was 10.7%, **2.9 p.p** lower 1Q19 due to the above mentioned expenses, added to the impact of the sharply drop in automotive logistics revenue in second half of March, without reducing personnel and fixed costs.

NET INCOME





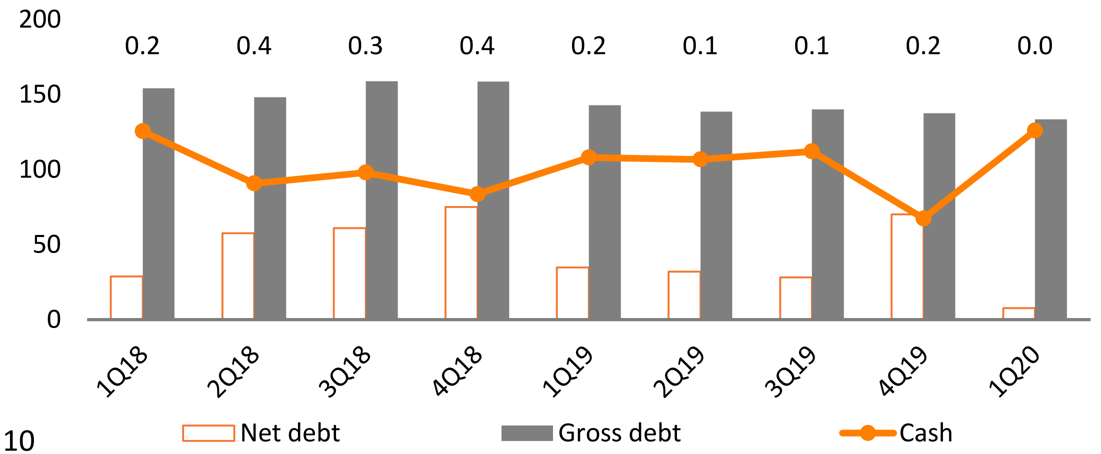
- The **financial result** was a negative R$ 2.0 million, a stability vs. previous year.
- **Equity** was R$1.4 million positive due to the volume increase in GDL (Espirito Santo state bounded and general warehousing).
- The **income tax** was -26.2% mainly due to the exclusion of ICMS tax credit from the income tax calculation base, which reduced the rate by 5.7 p.p.
- **Net income** fell 27.6% compared to the previous year due to the sharply drop in automotive logistics revenue in second half of March, without reducing in the same proportion of fixed and personnel costs and other non-recurring expenses (R$ 3.3 million regarding Operação Pacto) mentioned in previous slides.

CASH & INDEBTEDNESS

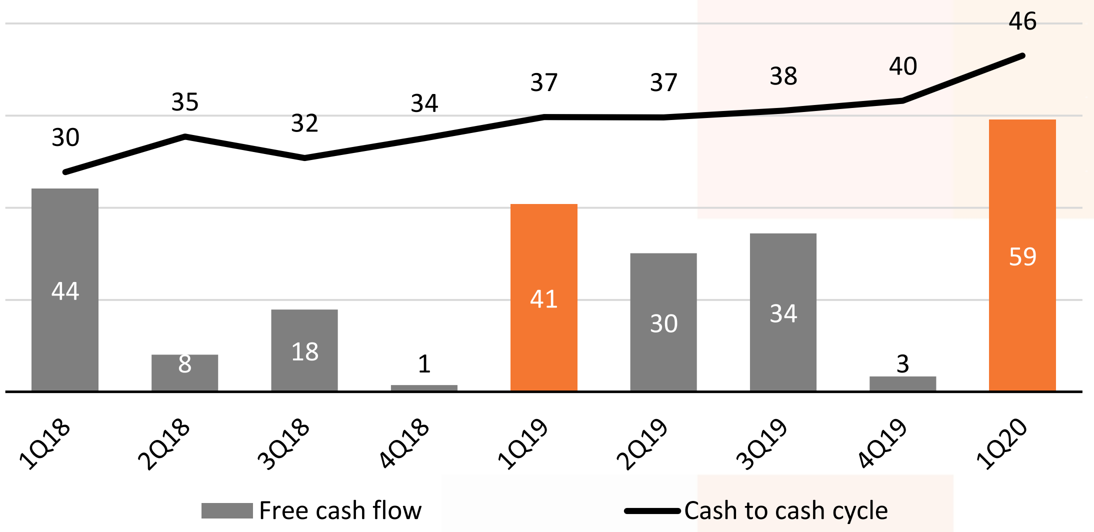
CASH FLOW

	1Q20	1Q19
A - Cash at beginning of period	**67.3**	**83.5**
1- Net cash generated by operating activities	73.0	55.6
2 - Capital expenditures "cash"	(5.5)	(9.4)
3 - Payment of leasing	(8.3)	(5.5)
Free cash flow (1 + 2 + 3)	59.2	40.8
4 - Net cash generated by investing activities (ex cash CAPEX)	0.0	0.4
5 - Net cash from financing activities	0.0	0.4
(=) Cash at end of period (A + 1 + 2 + 4 + 5)	**125.9**	**108.0**

CASH & INDEBTEDNESS



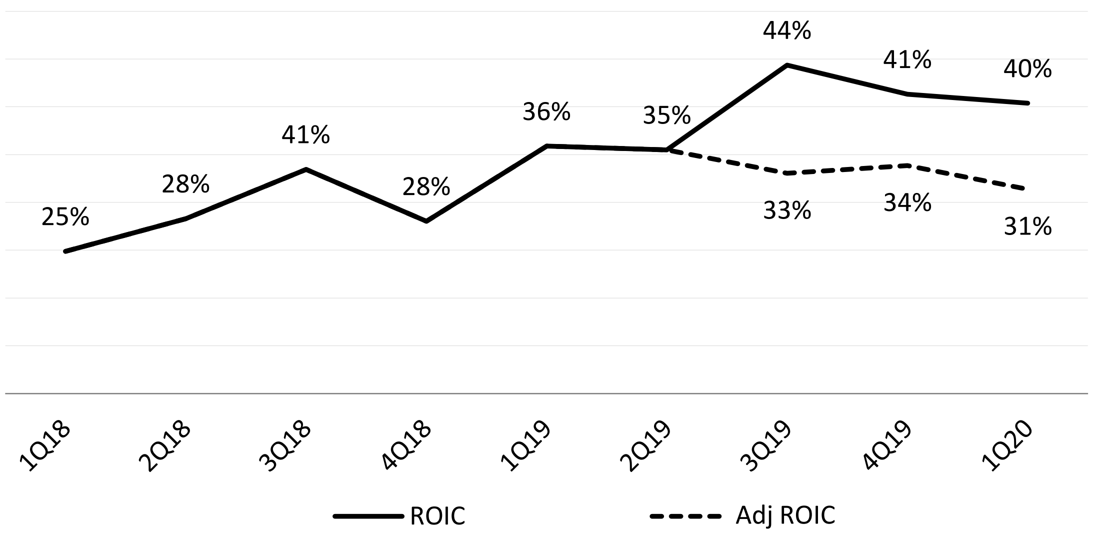
FREE CASH FLOW & CASH TO CASH CYCLE



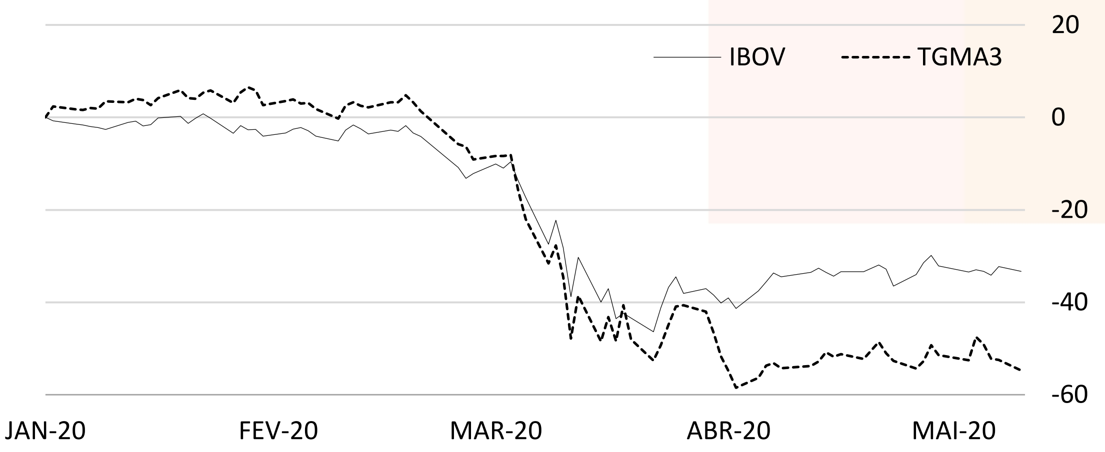
- 1Q20 **free cash flow** was R$ 59.2 million vs R$40.8 million in 1Q19. The operating flow in 1Q20 was impacted by the use of the PIS COFINS credit (R$ 18 million net of tax income). The net credit balance for offsetting federal taxes in March 2020 is R$ 52.8 million, net of income tax.
- The **net debt** in March 2020 was R$ 7.6 million vs R$ 70.1 million in December 2019.
- At the beginning of April, the Company contracted two debts: i) R$ 50 million of Export Credit Notes with Banco Itaú for a period of two years at a rate of CDI+3.8% and ii) R$ 40 million with Santander in Res. 4.131 for a period of one year at a rate of CDI+4.0%, an operation 100% swapped to R$, without exchange risk.

MAIN INDICATORS

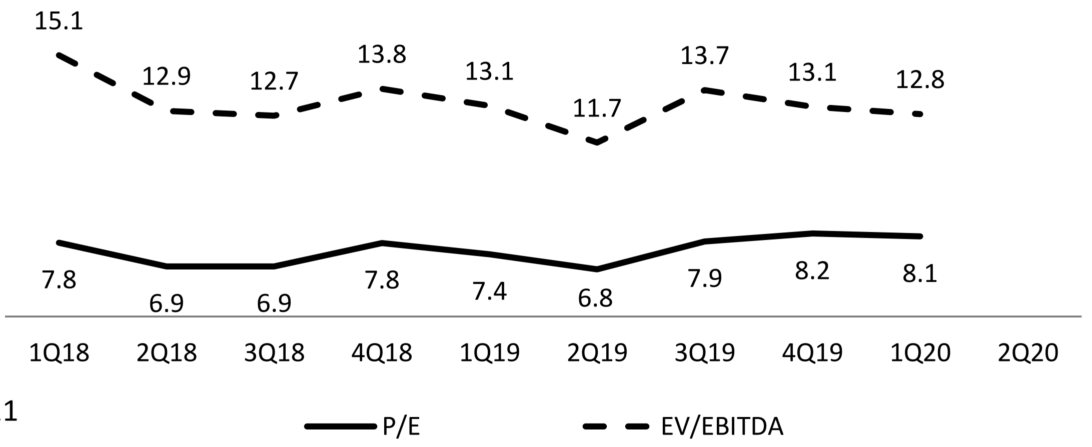
ROIC – RETURN ON INVESTED CAPITAL



CAPITAL MARKETS



MULTIPLES TGMA3



- **ROIC** in 1Q20 was 40.4%, however if we disregarded the tax credit that was recognized in 3Q19, which impacted NOPAT by R$ 50.4 million, ROIC would have been 32.1%.
- Tegma's shares in early 2020 have performed below the IBOV due to uncertainties about the automotive market and those of COVID-19 in the automotive market. The company's market cap is around R$ 1.2 billion (R$ 17.51 per share).
- Due to the COVID-19 outbreak, recent sell side earnings estimates do not reflect reality and 2Q20 multiples are not applicable.

Q&A SECTION

Marcos Medeiros – CEO
Ramón Pérez – CFO & DRI

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