Tegma Gestão Logística SA
Valuation guide

- ❖ **This document does not intend to show how the company will behave in the future, but only the pattern of how it behaved on the past, so it can help analysts and investors make their projections.**
- ❖ **The Historical Series file, clicking here, can serve as the basis for valuation.**
- ❖ **The suggestions mentioned here will be for projections in real terms, i.e. without inflation.**

In case of doubts, contact the IR:

Ian Nunes – ian.nunes@tegma.com.br

Heloïse Sanchez heloise.sanchez@tegma.com.br

Summary

1. ABOUT TEGMA

A Tegma is a logistics operator with operations throughout Brazil in transportation, warehousing and supply chain management services for various sectors of the national economy.

The company is divided into two divisions, automotive logistics (which currently consists only of vehicle logistics) and integrated logistics. Vehicle logistics is the core operation of the company (which was founded in 1969) and consists of vehicle management between assemblers and ports until dealerships or ports, including not only transportation but inventory management, tracking and PDI (Pre delivery inspection).

Integrated logistics is divided into two services: industrial logistics and warehouse. The industrial logistics consists the service of inbound management between the suppliers of chemical factories (mainly glassmakers and factories of powder soap) and of home appliances and their respective production lines. The service consists of the storage and shipping of solid bulk for chemicals or the management of packaging for handling parts for home appliances. The warehouse service consists offering inventory management, labeling and assembly of kits.

The company has a business strategy that is essentially asset light, that is, little capital intensive, because a large part of its transportation capacity is outsourced and its warehouses and yards are rented.

2. INCOME STATEMENT ASSUMPTIONS

2.1 Gross Revenue

2.1.1 Automotive division

Revenues from the automotive division currently consists only in the vehicle logistics operation and its revenue depends mainly on the transportation service, but also on PDI (Pre delivery inspection)[1], vehicle transfers between automakers and yard management. The transportation revenue comes from a tariff charged per kilometer traveled by each vehicle transported, and the revenues from PDI and yard management depend on the customers' demand for those services.

Indicator - vehicles transported: The number of vehicles transported by Tegma in the last five years (2014-2018) corresponded to an average of 27% of the number of light and light commercial vehicles sold as wholesale sales in Brazil (an indicator that we believe reflects the best proxy of our market). We transport vehicles for domestic deliveries (domestically produced or imported) and for export (which can be by road to Mercosur countries or by port).

(thousand)	2014	2015	2016	2017	2018
A - Estimated wholesale sales	**3,541**	**2,711**	**2,342**	**2,829**	**3,102**
(+) Production of vehicles and light commercial [1]	2,973	2,333	2,078	2,596	2,747
(+) Importation of vehicles [2]	589	393	237	253	356
(-) OEM's inventories change [3]	21	16	-27	20	1
B - Vehicles transported	**1,026**	**766**	**681**	**754**	**781**
Market share (B / A) %	*29%*	*28%*	*29%*	*27%*	*25%*

** Source: ANFAVEA letter- light and comercial light vehicles (http://www.anfavea.com.br/carta-da-anfavea.html) or statistics (http://www.anfavea.com.br/estatisticas.html)*
*** Source: Automobile industry and imports of cars (http://www.bcb.gov.br/?INDECO) or ANFAVEA letter- light and commercial light vehicles (http://www.anfavea.com.br/carta.html)*
**** Source: Industry performance - ANFAVEA (http://www.automotivebusiness.com.br/abinteligencia/Anfavea.html)*

Indicator - Average distance: The average distance is an indicator published in our results and reflects the distribution radius of our deliveries. It is calculated by dividing the total number of kilometers traveled of total vehicles transported by the number of vehicles transported. The variation of this indicator depends on the national sales share of the different regions served by Tegma throughout the country. The history of this indicator is shown in the table below:

[1] Inspection, preparation, installation of components and tropicalization of vehicles, which receive instruction labels and manuals in Portuguese, in addition to all items and accessories required by Brazilian legislation

	2014	2015	2016	2017	2018
Average km per vehicle transported	**1,103**	**1,081**	**948**	**946**	**1,013**
Domestic	1,164	1,192	1,106	1,149	1,171
Exportations	138	127	132	196	202

The best way to project the revenue from the vehicle logistics operation (**considering that the fee per vehicle per kilometer we charge would be the same as the current [real or non-inflation projection]**) would be as follows:

1: calculating the average revenue per kilometer of the last 12 months:

Annual automotive logistics revenue (in R$ thousand)
/
(annual average distance
*
Annual number of vehicles transported
*
1.000)

2: multiply this indicator by the number of vehicles and by the expected average distance in the future period to be projected.

* Note.: We remind that the vehicle logistics' revenue disclosed includes services other than transportation, which can vary differently. **So the estimate is not 100% accurate, but since the majority of the revenue comes from transportation, it should be a very close assumption.**

** Note2.: although the guide contains instructions for actual projections, readjustments are made each year based on logistics inflation and negotiations with customers and suppliers affect the average revenue per kilometer mentioned above.

2.1.1 Integrated logistics division

The division is currently composed by two operations: warehousing and industrial logistics.

Warehouse operation's revenues depends mainly on the demand for inventory management and the company's commercial strategy. The charge is made from the volume handled by the customers in a certain period.

Industrial logistics' revenue depends on the volume / quantity of chemicals / parts moved between the various customers in sectors such as chemicals and home appliances and their respective suppliers. The revenue stems from several ways, and can be through tonnage stored and transported, amount of journeys made or administration fee on investments made in operations.

2.2 Taxes and deductions

Taxes and deductions on the company's revenue correspond to PIS / Cofins, ISS, ICMS and Social Security Contribution over revenues, which together corresponded to 15% of gross revenue.

Deductions, commercial discounts, tolls and others accounted for an average of 4% of gross revenue. Together, they correspond to an average of 19% of gross revenue, as shown in the table below.

(R$ million)	2014	2015	2016	2017	2018
Gross revenue	1,787	1,392	1,140	1,330	1,539
(-) taxes and deductions	-348	-269	-216	-246	-285
Gross revenue %	-20%	-19%	-19%	-19%	-19%

2.3 Cost of services provided and expenses (without depreciation)

2.3.1 Automotive division

The CSP of the division (without depreciation) corresponds mainly to the freight that Tegma passes through the third-party truckers responsible for the delivery of the vehicles. Additionally, we have operating personnel costs (mainly those responsible for handling vehicles in consolidation yards), rent (from the yards we use to consolidate the vehicles received from the automakers) and other costs such as surveillance, insurance, fuel (used by our own fleet, which represents about 7% of the total fleet), among others. The variable costs (freight, PIS / Cofins credits and other variable costs) corresponded to an average of 81% of the CSP (without depreciation) of the last two years. Fixed costs (personnel, rent and other fixed costs) corresponded to the rest of the CSP (without depreciation) in the period.

The expenses of the division (which include general and administrative expenses and other revenues and expenses) corresponded to an average of 13% of net revenue in the last three years.

(R$ million)	2014	2015	2016	2017	2018
Net revenue	1,253	925	759	908	1,101
(-) Costs of services provided*	-988	-752	-618	-699	-859
CSP (Net revenue %)*	-79%	-81%	-81%	-77%	-78%
(-) Expenses*	-91	-80	-78	-103	-103
Expenses (net revenue %)*	9%	11%	13%	15%	12%
EBITDA	173	93	78	121	162
(+) Non-recurring events	2	4	0	-3	10
adjusted EBITDA	175	97	78	118	172
Adjusted EBITDA margin %	*14%*	*10%*	*10%*	*13%*	*16%*

* Without depreciation

Depreciation

The depreciation of the division reflects the depreciation mainly of land improvements and own transportation equipment.

2.3.2 Integraded logistics division

The CSP (without depreciation) of the division corresponds to: (i) transfer of freight cost from outsourced logistics operators in industrial logistics operations; (ii) the cost of renting warehouses, and (iii) other fixed costs such as maintenance of real estate, surveillance, among others. On average, in 2017 and 2018 the variable costs (freight, PIS / Cofins credits and other variable costs) accounted for 42% of the CSP (without depreciation) of the division.

Fixed costs (personnel, rent and other fixed costs) corresponded to the rest of the CSP (without depreciation) in the period.

The expenses of the division (including general and administrative expenses and other revenues and expenses) include personnel expense and consulting expenses.

(R$ million)	**2014**	**2015**	**2016**	**2017**	**2018**
Net revenue	187	197	165	165	153
(-) Costs of services provided*	-189	-198	-164	-164	-137
CSP (Net revenue %)*	-101%	-101%	-99%	-99%	-90%
(-) Expenses*	6	-20	-6	-6	-6
Expenses (net revenue %)*	0%	-1%	-4%	-4%	5%
EBITDA	4	-21	11	17	21
(+) Non-recurring events	9	25	0	-0,1	8
adjusted EBITDA	13	4	11	0	28
Adjusted EBITDA margin %	7%	2%	7%	0%	18%
(+) Depreciation	-14	-15	-16	17	-11
Operating income	-10	-36	-5	33	9

* Without depreciation

Depreciation

The depreciation of the division reflects depreciation mainly of improvements in warehouses and own transportation equipment.

2.4 Consolidated financial results

Financial expenses arise from debts and financial investments that are detailed in the Cash / investments and financial debts section below

Financial revenues derive from the Company's cash investments in first-tier banks, which pay an average of 99% of the CDI.

2.5 Equity equivalence

Equity equivalence correspond to 49% of the net income of the jointly controlled subsidiary Catlog but inactivated and from 2018 onwards of the new Joint Venture GDL (general and bonded warehouse operations in Espírito Santo-ES).

2.6 Income before tax

Nominal income tax rate is 34%. Typically, we exclude from taxable base: equity, tax benefit of payment of interest on equity and the income from ICMS tax credit. In 2018 those items reduced income tax rates in 8 p.p.

3. BALANCE SHEET ASSUMPTIONS

3.1 Working capital

Tegma's working capital is concentrated in the accounts receivable from customers, deducted from the suppliers / freight payable, since, by the company operation's characteristic, the inventory account is irrelevant. Historically, the company's working capital corresponds to an average of 11% of the last 12 months gross revenue.

(R$ million)	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**	**4Q18**
A - Working Capital (end of period)[1]	93	100	111	139	121	151	163	189
B - Gross revenue (TTM)	1,152	1,186	1,249	1,330	1,390	1,434	1,494	1,539
A / B	*8%*	*8%*	*9%*	*10%*	*9%*	*11%*	*11%*	*12%*

[1] Accounts receivables – suppliers and freight payable

The company accounts receivable has a history of 43 days to receipt and the suppliers and freight payable an average term of 11 days to pay, resulting in an average cash cycle of 36 days, as per the table below:

(R$ million, except days)	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**	**4Q18**
Accounts receivables	116	123	137	171	149	176	190	226
B - Quarter revenue /90	2	3	3	4	3	4	4	4
Days to receive (A / B)	**49**	**41**	**41**	**45**	**49**	**50**	**47**	**52**
A - Suppliers and freight payable	23	23	27	32	28	25	28	37
B - Quarterly CSP / 90	-2	-2	-3	-2	-2	-3	-3	-3
Days to payment (A / B)	**-12**	**-10**	**-11**	**-13**	**-12**	**-10**	**-10**	**-12**
Cash cycle	**37**	**31**	**30**	**32**	**37**	**41**	**37**	**40**

3.2 Fixed assets and investments (CAPEX)

The company is essentially asset light, due to the outsourced transportation business model. However, some strategic investments are important in order to maintain our competitive advantages. Some yards need to be close to the automakers that we are suppliers, as well as improvements in third-party yards that we use for vehicle operations, as well as warehouse improvements that we use in integrated logistics operations. Finally, we need to detain some equipment for transportation operations for industrial logistics and vehicle logistics for economic and strategic reasons. The opening of the fixed asset is shown in the table below:

(R$ million)	Net balance on December 31st, 2017	Net balance on December 31st, 2018	Average composition %
Land	60	60	30%
Buildings	64	63	31%
Computers and peripherals	3	4	2%
Facilities	9	9	2%
Vehicles	36	36	18%
Machinery and equipment/ tools	5	5	2%
Leasehold improvements	8	8	4%
Furniture and fixtures and packaging and other	10	10	5%
Construction in progress	9	9	4%
Total	***203***	***203***	***100%***

The consolidated history of acquisition of fixed assets (CAPEX) for the last four years is shown in the following table:

(R$ million)	**2015**	**2016**	**2017**	**2018**
Land improvements	33	18	-	17
New operations	20	5	-	-
Maintenance	15	8	9	6
General improvements	-	-	3	3
IT	-	-	5	7
Contract renewal	-	-	8	-
Total	**68**	**31**	**25**	**33**
Gross revenue %	**5%**	**3%**	**2%**	**2%**

3.3 Free cash flow

The company's free cash flow has been positive in the last four years as a result of the cost control carried out in the crisis years and additionally by the lower working capital given the decrease in revenue.

(R$ million)	**2014**	**2015**	**2016**	**2017**	**2018**
Net cash generated by (used in) operating activities	-123	112	84	85	105
(+) discontinued operations effects	194	-8	-	-	-
(=) Net cash generated by (used in) operating activities (without discontinued)	71	104	84	85	105
(+) CAPEX	-42	-69	-33	-22	-33
(=) Free cash flow	**29**	**35**	**51**	**63**	**72**

3.4 Dividends/Interest on own capital

The company has an indicative policy of distributing at least 50% of net income for the year. Below is the history of our distribution of earning.

Year	**Amount per share (R$)**	**Amount (R$ thousand)**	**% Dividends**	**% Interest on own Capital**	**Payout**	**Div Yld**
2018	0.99	64,949	75.0%	25.0%	60.0%	4.3%
2017	0.93	61,249	75.0%	25.0%	60.0%	4.9%
2016	0.12	8,000	100.0%	-	61.0%	0.9%
2015	0.08	5,000	100.0%	-	53.0%	1.4%
2014	-	-	-	-	-	-
2013	0.71	46,982	72.2%	27.8%	100.0%	3.4%
2012	0.97	64,000	70.3%	29.7%	81.0%	3.2%
2011	1.00	66,000	72.7%	27.3%	71.0%	4.2%
2010	0.95	62,562	36.1%	63.9%	59.0%	4.7%
2009	0.91	60,000	100.0%	-	83.0%	7.4%
2008	0.82	54,317	100.0%	-	100.0%	14.1%
2007	0.62	42,060	100.0%	-	100.0%	3.9%

3.5 Cash/financial investments, debts and leverage

The company's leverage over the last 4 years has been reduced as a result of positive free cash flow for the period.

(R$ million)	**2014**	**2015**	**2016**	**2017**	**2018**
Gross debt	493	364	292	223	159
Cash and equivalents	228	214	193	149	84
Net debt	265	150	99	74	75
Adujsted EBITDA LTM	189	99	89	135	200
Net debt / adjusted EBITDA LTM	**1.4**	**1.5**	**1.1**	**0.6**	**0.4**

The financial debt is composed of two debentures issuance, two export credit notes and FINAME. The average cost for the debt at December 31, 2018 was CDI + 1.38%. The maturity of the principal of the debt is as follows on December 31, 2018:

Date	R$ million
2019	53
2020	78
2021	25
TOTAL	**157**