

JSL

February 13, 2015

4Q14 Results and Company Update: higher margins and increased outlook

JSL's 4Q14 was positive due to improvements across indicators mainly the operating margins in logistics segment the company's core business. We highlight the factors that were crucial to these robust numbers and detail most relevant points:

(a) The reduction in operating costs and expenses in the core Logistics Services division, boosting EBITDA margin by 280 bps YoY; and

(b) The strong contribution of Movida to consolidated operating margins proving that the acquired business has been paid off.

On the other hand, increased financial expenses exerted a negative pull on results, offsetting positives from the operating results, leading to flat Net Margin.

Reshaping the workforce structure continues to benefit results. Efficiency gains in the logistics division emanated from the reduction in SG&A, mainly personnel expenses, reflecting the outsourcing strategy. A proof of this is the increase in labor contingency provisions in quarter.

RMC revenue has grown at a high level. We consider it important to evaluate the RMC (agreements with more than one year) which rose 8.2% YoY on a consolidated basis, driven by "passenger transport" with +15.0% growth YoY, "dedicated services" with +9.7% expansion YoY, "general cargo" with +5.0%, and "management and outsourcing" with +3.7%. However, "other RMC" dropped 2.4% YoY.

Company Update: Price revision and upgraded recommendation. The challenging environment in 2015 might favor the logistics sector, especially companies such as JSL, which focus on inbound and outbound services. In the Logistics unit, the company experience added to the favorable scenario might bring ahead important gains of revenue.

In the Concessionárias (car dealership) unit, the return of IPI to normal level could benefit used vehicle sales as well as depreciation costs, however it is early to affirm its impact on sales performance.

In the Movida unit, company has made heavy investments to impulse this business which we consider positive due to JSL's scale gains capacity that might turn Movida into a strong competitor to Localiza and Locamerica in the long term.

In our valuation model we have considered some pressure in the Working Capital mainly due to the more difficult scenario of negotiations with customers and suppliers. We believe revenues might increase mainly from Logistics unit and we have not considered sensible effects from JSL Leasing until we have more consistent numbers.

Expectation has been improved expectations, but caution prevails. We have a favorable outlook for JSL in the long-term, as we believe that the recovery in the car dealership division will continue to support consolidated profitability, whereas an eventual resumption of economic growth next year could also benefit upcoming results.

Our valuation assumptions include an elevation in market premium added to the changes in some company's fundamentals, so we have reduced JSLG3 target price to BRL 13.50 (from BRL 15.00) for YE2015, but we have upgraded our recommendation to Outperform (from Market Perform) considering the 28% potential upside in the period.

BRL Million	4Q14	QoQ	YoY	2014	YoY
Net Revenue	1,434.9	-0.3%	11.1%	5,539.2	16.7%
Gross Profit	271.2	-5.1%	33.7%	992.8	30.5%
Gross Margin (%)	18.9%	-097bps	320bps	17.9%	190bps
EBITDA-A	386.8	4.5%	19.8%	1,373.7	22.6%
EBITDA-A Margin (%)	27.0%	001bps	196bps	24.8%	119bps
EBITDA	239.8	-3.5%	36.1%	869.0	23.3%
EBITDA Margin (%)	16.7%	-056bps	307bps	15.7%	084bps
Net Income	24.0	-9.8%	37.1%	72.4	-22.6%
Net Margin (%)	1.7%	-018bps	032bps	1.3%	-066bps

Source: JSL and BB Investimentos

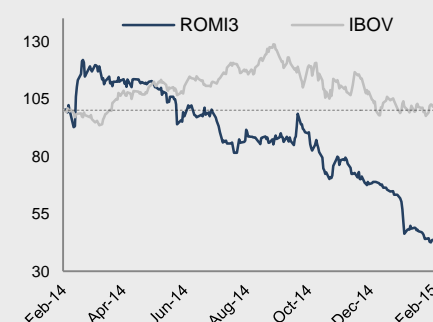
Transportation – Logistics

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JSLG3	Outperform
Last Price 02/12/2015 (BRL)	10.55
Target-Price 12/2015 (BRL)	13.50
Upside	28%
Market Cap (BRL million)	2,240
1 Month Change	-7.5%
LTM Change	-23.6%
YTD Change	-17.9%
52w Low (BRL)	10.20
52w High (BRL)	14.96

Valuation	BRL Million
Firm Value 2015e	4,680
Net Debt 2015e	(1,816)
Equity Value 2015e	2,864
Shares (# million)	212.4
WACC	13.6%
Growth in Perpetuity (g)	3.5%

Multiples	2015e	2016e	2017e
EV/EBITDA	4.2	3.2	3.0
P/E	22.4	16.1	15.7
EPS (BRL)	0.5	0.7	0.8



Source: Bloomberg and BB Investimentos

Main Estimates

Economic Indexes (BRL thousand)	2013	2014	2015 (E)	2016 (E)
EBITDA	705	869	963	1,262
Gross Margin (%)	16.0%	17.9%	17.3%	18.6%
EBITDA Margin (%)	14.9%	15.7%	16.2%	19.0%
Net Margin (%)	2.0%	1.3%	1.7%	2.1%
ROE (%)	3.5%	2.0%	9.9%	12.6%
EV/EBITDA	5.4	5.3	4.2	3.2

Income Statement	2013	2014	2015 (E)	2016 (E)
Net Operating Revenue	4,746	5,539	5,939	6,628
(-) COGS	-3,986	-4,546	-4,912	-5,394
Gross Profit	761	993	1,027	1,234
SG&A	-406	-533	-461	-634
EBIT	355	460	566	600
(+) Financial Results	-218	-349	-414	-389
EBT	137	111	152	210
(-) Taxes	-43	-39	-52	-71
Net Income	94	72	100	139

Balance Sheet	2013	2014	2015 (E)	2016 (E)
ASSETS	5,830	7,513	5,783	6,129
Current Assets	2,092	2,875	1,992	2,322
Cash and cash equivalents	745	1,206	1,138	1,373
Accounts receivable	666	944	247	276
Inventories	277	294	256	281
Recoverable Taxes	111	156	165	184
Other	293	276	186	208
Long-term Assets	209	298	310	323
Other LT	209	298	310	323
PP&E	3,530	4,339	3,480	3,484
Property	3,208	4,007	3,185	3,190
Intangible	322	332	294	294
LIABILITIES AND SHAREHOLDERS' EQUITY	5,830	5,067	5,783	6,129
Current Liabilities	1,428	1,895	1,886	2,082
Loans and Financing	531	704	1,026	1,128
Account Payables	433	695	274	301
Taxes and Contributions	39	41	69	77
Salaries and Holiday Payable	147	164	212	237
Advances from Customers	180	230	160	178
Other	98	61	145	162
Long-term Liabilities	3,388	4,573	2,848	2,894
Loans and Financing	2,958	4,138	2,381	2,408
Other LT	429	574	467	486
Shareholders' Equity	1,015	1,045	1,049	1,153

Source: JSL and BB Investimentos Estimates

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