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Financial statements analysis: A study of fundamental indicators of a car rental company

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ABSTRACT
Car rental companies are part of a constantly growing market in Brazil, given the increasing supply and demand for services offered by the sector. In the context of the post covid-19 pandemic, fundamental analysis is essential to evaluate the performance of any entity. In light of this, this study aimed to verify the growth expectations of Localiza Rent a Car S.A. by evaluating its fundamental indicators and standardized financial statements published on the B3 website for the years between 2021 and 2023. For this purpose, analysis of liquidity, capital structure, and profitability ratios were applied, as well as vertical and horizontal analysis of the company's balance sheet. The study sought to examine possible impacts on Localiza's financial statements due to pandemic period, and the results were compared with companies in the same sector through the creation of standard indexes, and with previous studies that evaluated the company. This is an applied researsh, with a mixed approach, documentary and bibliographic in its procedures, and descriptive in its objectives, with non-probabilistic sampling. It was found that liquidy and profitability indicators showed a reduction over the years, generally due to the long-term effects caused by the pandemic. Meanwhile, the capital structure indicators remained below the sector average. Understanding the macroeconomic context was crucial for interpreting the analyses. It was conclued that, even amid economic adversities, Localiza remains in significant expansion, generating value and investing heavily in its financial leverage process, an essential factor for its operational continuity.

Keywords: Financial statements, Financial indicators, Car rental companies, Localiza.

INTRODUCTION

Faced with the constant competitiveness in the economic scenario, companies seek to adapt their management practices to deal with the volatility of the markets, in order not only to ensure the success of the business, but also to stand out from the competition (Passos, 2010). From this perspective, accounting practices are indispensable in the organizational routine, because by providing information about the economic, financial and equity situation of the entities, it allows the evaluation of the performance obtained, the inference of trends and the implementation of strategic control and improvement plans (Oliveira; Amorim, 2023).

The analyses extracted from the financial statements can be of interest to several users, both internal and external to the organization, and depending on the particular objectives of each one (Iudicibus, 2012). Such statements are the main source of data from which pertinent information can

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be captured to guide decision-makers, including with regard to existing business risk (Diniz, 2015; Matarazzo, 2010). Therefore, understanding the economic and financial factors related to the firm is essential for any organization, regardless of the size or segment to which it belongs (Oliveira; Feltrin; Benedeti, 2018).

A market that has attracted attention for showing more and more promise is that of car rental companies. In Brazil, the demand for the services offered by companies in this sector has been widely recurrent over the years, as pointed out by Quintella (2023). At the same time, the number of points of offer of car rental services has expanded successively throughout the country. Recent data released by the Brazilian Association of Car Rental Companies (ABLA) indicate that the number of active rental companies permeates 26,420 companies, of which about 20,250 provide car rental services and 6170 correspond to rental companies of other types of transportation.

The operation of car rental companies demands a high volume of the fleet. ABLA computed, in its yearbook for 2023, that companies in the sector registered 590,870 zero-kilometer models, which is equivalent to 27.1% of all new commercial cars registered in the country. The demand for the services was also quite heated, as 75.8 million car rental users were registered in the period, corresponding to an increase of 9.4% compared to 69.3 million in 2022.

According to Sarkissian (2022), car rental companies have two main markets: one aimed at the general public – with a focus on tourists and business travelers – and the other aimed at providing spare cars to insurance companies. In the wake of this, it can also be mentioned that these organizations fall into the cyclical consumption sector classified by Brasil, Bolsa, Balcão (B3), which is characterized by offering products and services of seasonal profitability, and, therefore, are sensitive to fluctuations, such as, for example, interest rates and inflation (Albuquerque, 2022; Sarkissian, 2022).

With the advent of the Covid-19 pandemic, in addition to the rapid increase in the inflation rate, the reduction in the production of auto parts and raw materials made access to these materials too expensive, which added to the cost of production, and generated a drastic increase in the acquisition value of automobiles, according to an analysis prepared by Jato *Dynamic* (Gama, 2023). The disruption of the logistics chain associated with fluctuating inflation had a strong impact on *commodity* prices (Sobrinho; Malachi, 2023). From this perspective, the adoption of new strategies and innovation were essential to ensure business continuity without incurring considerable or irreversible losses. Sakissian (2022), in his study, observed that rental companies composed of a larger fleet tend to dominate the industry, and acquire large quantities of vehicles at a lower cost.

The post-pandemic scenario still brings several prerogatives in the economic-financial sphere, configuring itself as an instigating period to examine. In view of the above, we arrive at the question that surrounds this research: how has the performance of a potential representative among the car rental companies operating in Brazil been shown in recent years? To answer this question, this study sought to verify the growth expectations of Localiza *Rent a Car* S.A. based on the evaluation of its fundamental indicators and its standardized financial statements published on the B3 website for the period between the last three years. To this end, the following specific objectives were taken as a basis: (i**)** To measure whether there was any impact on Localiza's financial statements due to the pandemic period; (ii) Compare Localiza's performance with companies in the same segment; and (iii) Compare the results obtained with previous research.

Although recent studies show that, in general, the largest car rental companies resiliently withstand periods of imminent financial crisis (Albuquerque, 2022; Sarkissian, 2022), even so, it is interesting to assess the possible impacts likely to arise in the long term, in which it is worth highlighting the context preceding covid-19. In this sense, the analysis of financial statements is an essential tool, since it provides a detailed understanding of the organization's real financial situation, enables the correct decision-making and makes it possible to apply corrections to what is pertinent (Palma; Gomes; Camargo, 2017).

In order to organize the work, and thus provide a better understanding of the study, the ongoing research was distributed in six sections. The first includes a brief introduction about the topic covered and the relevance of the subject. The objective of the work is reiterated in the second section. In the third, the methodological procedures used to achieve the research proposal are presented, whose development was presented in a more explicit way in the two subsequent sections. The fourth section presents the main topics that supported the construction of the study through a literature review, mentioning several authors and their contributions. In the fifth, the results of the applied analyses are portrayed as well as the main interpretations extracted from them. Finally, the last part of the study alludes to the conclusions drawn from the results, as well as recommendations for future guidelines; The outcome was the references that guided the preparation of this study.

OBJECTIVE

To verify the growth expectations of Localiza *Rent a Car* S.A. based on the evaluation of its fundamental indicators and its standardized financial statements published on the B3 website for the period between 2021 and 2023.

METHODOLOGY

The following subsections will list in more detail the method used to develop this research, and are arranged as follows: research framework; population and sample; and data collection and processing.

RESEARCH FRAMEWORK

This study is characterized by being of an applied nature, since its interest goes beyond generating a theoretical contribution on the subject addressed, but also – above all – fostering the practical use and application of the knowledge acquired in a given circumstance of reality (Gil, 2008).

From the point of view of the objectives, the research is classified as descriptive, since it contemplates "[...] the description of the characteristics of a given population or phenomenon or the establishment of relationships between variables" (Gil, 2008, p. 28).

As for the technical procedures, the work is entitled as documentary due to the origin of the data comprising "[...] materials that have not yet received an analytical treatment, or that can still be reworked according to the objectives of the research" (Gil, 2008, p. 51). On the other hand, articles and books that make up the literature were explored to support the study, which is why it can also be described as bibliographic (Gil, 2008). For Fonseca (2002, p. 32), "any scientific work begins with bibliographic research, which allows the researcher to know what has already been studied on the subject".

With regard to the approach, it was presented in a mixed way, since the interpretation of the analyses of the financial statements, as well as of the fundamental indicators, was observed from a quantitative perspective, as questions that allowed the understanding of the macroeconomic scenario, sectoral information expressed by ABLA and obtained through consultations, both to the explanatory notes and to the management reports published on the company's website. succeeded in a qualitative way.

POPULATION AND SAMPLE

The research population was adopted as the car rental sector, limiting itself to Localiza *Rent a Car* S.A. as a sample. The sample was selected in a non-probabilistic manner due to accessibility (or convenience) to the information, since it is understood that the chosen company represents the population universe of car rental companies. This translates into the fact that the company covers significantly more than half of the national market share of the operating segment.

Founded as a small car rental agency consisting of six used VW Beetles purchased on credit, Localiza *Rent a Car* S.A., owner of the Localiza brand, has become a publicly traded corporation with the highest level of corporate governance in the domestic market, being a reference in its segment. As part of the Localiza&Co ecosystem, the company operates through the Car Rental and Fleet Management divisions, which correspond more precisely to the company's initial proposal: to offer car rental services.

The company, which was already seen as the largest car rental company not only in Brazil, but in all of South America, after completing the business combination process with Companhia de Locação das Américas (Locamerica), owner of the Unidas brand, further increased its market power. In the 2023 fiscal year, the company received several highlights and recognitions, among which it is worth highlighting the achievement of the Company of the Year award in *the ranking* of the Biggest and Best of the Year promoted by Exame magazine (Localiza, 2024).

DATA COLLECTION AND PROCESSING

Data collection was carried out by consulting the consolidated and audited financial statements of Localiza *Rent a Car* S.A. in the public domain available on the B3 website, for the years 2021, 2022 and 2023. To treat them, the data tabulation program *Microssoft Excel® was used, in which the Balance Sheet and the Income Statement for the Fiscal Year corresponding to the period evaluated were arranged.*

For analysis purposes, the statements have been simplified and standardized. Thus, the most representative groups of accounts and those that were understood as relevant to the analysis were displayed, and those with zero balances and those with inexpressive values were therefore removed. Once prepared, the percentages on which the vertical and horizontal analyses were based were calculated, as well as the values related to the ratios used for the liquidity, capital structure and profitability analyses.

The information communicated by the company's management, the explanatory notes related to the financial statements published in the period under study, sectoral information released by ABLA, among other relevant facts related to the macroeconomic context to complement the interpretations arising from the analyses, were evaluated.

The analysis of indicators also made it possible to involve performance comparisons between Localiza and companies in the same segment registered on the stock exchange in exchange for the application of the standard index technique.

Standard Index

The standard index is configured as a benchmark for comparison, indicating whether the company under analysis assumes more or less satisfactory results among its peers in relation to the segment in which it operates (Diniz, 2015; Mendes; Gonçalves, 2021).

To create the standard index, the financial statements of three other companies in the car rental segment listed on B3 were taken: Maestro Locadora de Veículos S.A., Movida Participações S.A. and Vamos Locação de Caminhões, Máquinas e Equip. S.A. The data was collected and processed using the same procedures applied to the financial statements of Localiza *Rent a Car* S.A. described above, except for the calculation of the percentages for the vertical and horizontal analyses.

Therefore, the indicators of these companies were computed and paired with those of Localiza. From this, an average was calculated between the indices of the four companies for the three corresponding years, and then the values obtained were used in addition to the analysis of the indicators.

LITERATURE REVIEW

To support the construction of the research, we searched the literature for studies that discussed the analysis of financial statements and indexes, as well as some of the related studies that, in some aspect, proposed contributions to achieve the intended objective. Thus, this section has been divided into three parts: financial statements; analysis of indicators; and related works.

FINANCIAL STATEMENTS

Accounting practices make it possible to capture, organize and compile the economic and financial facts arising from the continued activity of a given company, recording them through accounting reports (Matarazzo, 2010). As set out in Technical Pronouncement CPC 26 (R1) – Presentation of Financial Statements (CPC, 2011), the financial statements, also called financial statements, constitute "[...] a structured representation of the entity's equity and financial position and performance."

Financial statements can be understood as essential data sources to observe past events, in order to understand the present, and with a view to projecting the future (Diniz, 2015). According to Ross *et al.* (2015, p. 47), "[...] A good working knowledge of the financial statements is desirable, simply because they, and the figures drawn from them, are the primary means of communicating financial information both inside and outside the company."

In view of this, Iudicibus (2012) refers to the fact that financial reports are useful to several users, such as creditors, government agencies, investors, shareholders and especially the entity's management. The process of analyzing these documents, therefore, allows the analyst to observe, under various metrics, the performance of the business and define guidelines for decision-making (Diniz, 2015; Olive tree; Feltrin; Benedeti, 2018).

The information obtained from the analyses is indispensable for management, since it allows the coordination of activities, defining in a more appropriate way the application of economic resources to improve production processes, minimize operating costs and contain indebtedness, in order to better take advantage of growth opportunities in the market in which it operates. This implies that the introduction of planning and control practices, in addition to being fundamental for the company's operational continuity, also enables the manager to find ways to obtain ways to generate greater profits (Oliveira; Amorim, 2023).

An organization that proves to be profitable certainly attracts the attention of investors, who, according to Diniz (2015), seek to investigate aspects related to value generation and profitability. In addition, the evaluation of financial statements can be used to make them aware of the economic and financial reality of the institution that sells the assets in which they are interested, enabling them to assess financial products and the risks associated with them (Klem, 2022).

In order for the verification of the information from the analyses to be able to report adequate comparison parameters, the financial reports must be prepared in a standardized manner. While, as stipulated by the Federal Accounting Council (CFC), Technical Pronouncement CPC 00 (R2) – Conceptual Framework for Financial Reporting (CPC, 2019) aims to provide the conceptual basis that underlies the standardization of financial statements, CPC 26 (R1) establishes the practical and specific criteria for presenting them. Together, both are delivered in convergence with the International Accounting Standards (IFRS) issued by the *International Accounting Standards Board* (IASB).

According to Montoto (2015 *apud* Ferreira, 2018, p. 2), financial statements in Brazil "are required by the Corporations Law, the CFC, the CVM [Securities and Exchange Commission] and the Income Tax Regulation. However, these bodies or legislation do not require the same demonstrations." Ferreira (2018) observed that the complete set of statements specified in CPC 26 (R1) includes all the obligations required by the bodies and laws that regulate Brazilian accounting. In this sense, such reports include, for the respective fiscal period: (i) balance sheet; (ii) income statement for the year; (iii) statement of comprehensive income; (iv) statement of changes in shareholders' equity; (v) cash flow statement; (vi) statement of added value; (vii) explanatory notes; and (viii) older balance sheet, when applicable[3].

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[3] if "comparatively presented when the entity applies an accounting policy retroactively or restates items in the financial statements, or when it reclassifies items in its financial statements.", as mentioned in Technical Pronouncement CPC 26 (R1) (CPC, 2011).

In this study, for the analysis of the selected sample, the Balance Sheet and the Income Statement for the Fiscal Year were used. According to Luiz (2018) and Ross *et al*. (2015), the balance sheet exposes the financial and equity position of a company at a given point in time, stating what it actually owns and how it is financed. On the other hand, the income statement for the year shows the performance obtained over a specific period of activities; That is why it reflects aspects of an economic nature. The simultaneous study of these two statements makes it possible, therefore, to assess a general overview of the organization's economic and financial situation.

In possession of the balance sheet and income statement for the last three years, index analyses were applied – which will be described in more detail in the next subsection – and vertical and horizontal analyses. Diniz (2015) explains that vertical analysis is based on percentage values expressed by each account, all of which have been fractioned by a base account, and thus aims to individually verify the representativeness of each one on the referred base account. The horizontal analysis, in parallel, is based on the comparison between the values of a given account or group of accounts, in order to make it possible to determine, also in the form of percentages, the evolution of these over different fiscal years. Both analyses should be practiced together, while one admits complementing the other (Matarazzo, 2010).

The analyses, in general, are conducted in a comparative manner, taking into account previous periods and companies in the same sector of activity (Ross *et al*., 2015). This strategy, together with the observation of the external factors to which the company is subjected, such as interest rate fluctuations, inflation, sectoral conjuncture, and other variables that make up the macro and microeconomic environment, can be described as fundamental analysis (Albuquerque, 2022).

ANALYSIS OF INDICATORS

The use of indexes as an instrument for the analysis of financial statements, in addition to composing several investigations in the academic environment, is presented as a technique commonly used by analysts in the business sphere (Beuren; Saints; Cantieri, 2020). At this juncture, for the construction of any fundamental analysis of a given entity, it is essential to use indices. According to Matarazzo (2010, p. 81), index is understood as "[...] the relationship between accounts or group of accounts in the financial statements, which aims to show a certain aspect of a company's economic or financial situation."

In view of the above, Matarazzo (2010) states that the financial situation can be made explicit through liquidity and capital structure indicators, while the economic condition can be elucidated by profitability indicators. Thus, the evaluation of the quotients together makes it possible to obtain a global view of the economic and financial scenario of the organization (Ribeiro, 2009).

According to Diniz (2015), liquidity ratios aim to measure the company's ability to meet its obligations in the long, short and very short term. At the same time, the capital structure ratios examine the entity's indebtedness, i.e., the means by which it obtains resources to finance its activities; whether by own capital or by third parties. Profitability indicators, on the other hand, serve as a basis for defining the attractiveness of the business, since they measure the returns earned.

Indices are best interpreted when they are subjected to benchmarks. According to Ross *et al.* (2015), there are basically two ways of investigating economic-financial indicators: trend analysis over time and group analysis in pairs. The first reflects the variation of the indicators in a given period of time, while the second allows the comparison of companies in the same sector, without compromising the results of the investigation due to discrepancies regarding the size of each one.

The selection of indicators should be subordinated to the purpose of the analysis, since using them in large quantities does not imply providing quality to the information extracted (Matarazzo, 2010; Ribeiro, 2009). In addition, the one that should be paid attention to concerns the calculation of each indicator, because, according to Ross *et al.* (2015) and Beuren; Saints; According to Cantieri (2020), there is a wide range of indices present in the literature, which, although they present the same nomenclature in the analyses conducted by various authors, are based on different formulas and, therefore, may generate divergent interpretations.

To this end, Chart 1 presents the fundamental indicators used in this research, followed by their respective formulas and interpretations, as well as the authors' sources that justified and proposed them.

Table 1 – Fundamental Indicators used in the survey

Index	Formula	Interpretation	Source
Current Liquidity Ratio (LC)	$\frac{\text{Current assets}}{\text{Current Liabilities}}$	It demonstrates the ability to generate resources to pay off debts in the short term, due by the end of the next fiscal year. Ideal: greater than 1.	Diniz (2015); Matarazzo (2010).
Índice de Liquidez Imediata (LI)	$\frac{\text{Available}}{\text{Current Liabilities}}$	It evaluates the competence to pay off short-term debts with the resources that are immediately available. Ideal: the bigger, the better.	Albuquerque (2022); Diniz (2015).

General Liquidity Ratio (LG)	$\frac{(\text{Current assets} + \text{Achievable in the Long Term})}{\text{Current Liabilities} + \text{Non} - \text{Current Liabilities})}$	It indicates the ability to pay short- and long-term debts, that is, it measures how much the company will have available for each dollar owed. Ideal: greater than 1.	Albuquerque (2022); Matarazzo, (2010).
Liquid Working Capital (LCC)	$\text{Current assets} - \text{Current liabilities}$	It shows the company's ability to repay its debts in the short term. Ideal: the bigger, the better.	Diniz (2015); Ross *et al*. (2015).
General Indebtedness (EG)	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	It relates the company's total assets to the commitment to third-party capital. Ideal: the smaller, the better.	Albuquerque, (2022).
Third-Party Capital Participation (PCT)	$\frac{\text{Total Liabilities}}{\text{Net worth}} \times 100$	It provides the capital lent by third parties to the company's equity. Ideal: the smaller, the better.	Diniz (2015).
Fixed Assets Ratio (IPL)	$\frac{\text{Active permanent}}{\text{Net worth}} \times 100$	It reveals how much of the shareholders' equity is invested in the company's permanent assets. Ideal: the smaller, the better.	Diniz (2015); Matarazzo (2010).
Interest Coverage Ratio (ICJ)	$\frac{\text{Ebit}}{\text{Financial expenses}}$	It assesses the organization's ability to meet its interest payment obligations. Ideal: the bigger, the better.	Ross *et al*. (2015).
Return on Capital Employed (ROCE)	$\frac{\text{Ebit}}{(\text{Total Assets} - \text{Current liabilities})}$	It determines the level of operational efficiency from the capital invested in the company. Ideal: the bigger, the better.	Sarkissian (2022).
Return on Equity (ROE)	$\frac{\text{Net profit}}{\text{Net worth Average}} \times 100$	It shows the ratio of the profit earned to the value of the entity's equity. Ideal: the bigger, the better.	Diniz (2015); Matarazzo (2010).
Operating Profit Margin (MO)	$\frac{\text{Operating profit}}{\text{Net Revenue}} \times 100$	It points out the percentage of profitability after deducting operating costs and expenses. Ideal: the bigger, the better.	Sarkissian (2022).
Net Margin (ML)	$\frac{\text{Net profit}}{\text{Net Revenue}} \times 100$	It indicates how much profit the company generates for every \$100.00 sold. Recommended: the bigger, the better.	Matarazzo (2010); Luiz (2018).

Source: Prepared by the authors (2024)

The choice of indicators was based on studies with approaches correlated to the theme of this study and in adequacy to the relevant aspects to be evaluated in companies in the car rental segment. In the wake of this, the following subsection will contemplate some of the studies used to support the research.

RELATED STUDIES

In order to better support the present study and to adequately define the methodological procedures to be employed, correlated studies in the literature were scrutinized. To map these, searches were carried out in the databases of the *Spell* and *Google Scholar* platforms through the keywords "financial statements", "analysis of statements", "financial statements", "economic and financial indicators", "fundamental indicators and "car rental companies".

Chart 2 refers to five studies selected from among those found and links the objective of the authors of each study to the synthesis of the respective results achieved through the methodology used.

Table 2 – Related studies

Author (year)	Objective	Result	Methodological Framework
Moral; Souza; Vendruscolo (2020)	"Analyze the accounting and regulatory changes in the electricity sector by the evolution of the economic and financial situation in Eletrobras' statements, between the years 1998 and 2015." (Morais; Souza; Vendruscolo, 2020, p. 42).	Moral; Souza; Vendruscolo (2020, p. 51) observed that "[...] changes in the sector's accounting, such as the creation and changes in the MCSE, did not cause significant impacts on the indicators." The authors also concluded that the analysis of the indicators showed a reduction in liquidity and an increase in indebtedness, so that the company increasingly needs third-party capital.	Descriptive research, with a mixed approach, of documentary origin in terms of technique; the study population comprises the electricity sector, with Eletrobras as a sample. Data collection was secondary, based on the entity's balance sheet and income statement. Then, vertical, horizontal and economic-financial indicator analyses were performed (Morais; Souza; Vendruscolo, 2020, p. 45-46).
Marques; Wanderley (2021)	"To assess whether the Brazilian private higher education segment operating at B3 S.A. has been consolidating from an economic and financial point of view." (Marques; Wanderley, 2021, p. 58).	"By reading the calculated indexes, it is possible to conclude that all HEIs have solidity in their respective management, a fact corroborated by the acquisition movements that involved the use of their own resources and not those of third parties." (Marques, Wanderley, 2021, p. 73).	This is a descriptive study, of an applied nature, with a quantitative and documentary approach regarding technical procedures. Data collection was carried out through the *CVM homepage*, based on the entities' balance sheets and consolidated income statements for the years 2015 to 2019. Therefore, comparative and index analysis was applied to the companies studied. (Marques, Wanderley, 2021, p. 63-65).

Mendes; Gonçalves (2021)	"Analyze the economic and financial performance of football clubs with the twenty highest revenues in the world and apply the techniques of analysis of the financial statements of standard index and solvency model." (Mendes; Gonçalves, 2021, p. 1).	In general, the clubs had liquidity levels below those recommended by the literature; its activities are mostly financed by third-party capital; have higher proportions of short-term debt; As for profitability, even though they are clubs with large revenue collection, only a small part of this was transformed into profit, which demonstrates a great structure of costs and expenses. (Mendes, Gonçalves, 2021, p. 18-19).	Descriptive research; quantitative approach and, from the point of view of technical procedures, it is configured as bibliographic and documentary; liquidity, indebtedness and profitability indicators were applied to the financial statements evaluated; construction of the standard index - the indicators were distributed in the decile percentile class, generating individual results and interpretations (Mendes; Gonçalves, 2021, p. 6-7).
Sarkissian (2022)	Evaluate which of the three car rental companies listed on B3 (Localiza Rent a Car S.A., Movida Participações S.A. and Companhia de Locação das Américas) had a better overall performance for the 2015-2017 financial years. (Sarkissian, 2022, p. 1).	"The results showed that Localiza Rent a Car S.A. presented the best performance, even though, for its operation, the company faces high capital costs due to the maintenance and repairs of its fleet, which, in turn, is relatively larger than that of its competitors, which gives prominence to the rental company." (Sarkissian, 2022, p. 1).	This is a descriptive study; empirical-analytical due to the mixed approach; the source of the data included the accounting and financial information in the public domain disclosed on *the websites* of B3 and the investor relations of the companies evaluated; with the support of the explanatory notes. Therefore, vertical and liquidity (LC, LG, CCL), indebtedness (General and ICJ) and profitability (ROE, RAO, MO, ML) analyses were applied (Sarkissian, 2022, p. 3).
Klem (2022)	The study aimed to "[...] analyze the Financial Statements and Fundamental Indicators of AMBEV S.A. to support investors' decision-making." (Klem, 2022, p. 14).	Klem (2022, p. 43) found that AMBEV S.A.'s positive accounting results provided greater security to investors; Having appreciated its shares by 50% in relation to the drop evidenced in the advent of the Covid-19 pandemic. "In general, it is concluded that the analysis of the financial statements as well as the fundamental indicators can help investors in decision-making so that they choose financially healthy companies that have an easier time going through periods of strong crises and uncertainties." (Klem, 2022, p. 44).	Klem (2022, p. 30-31), classified the work as qualitative; document structure; whose data were extracted from the website of the company under analysis and itemized; after that, "[...] the collection of the company's fundamental indicators for the period analyzed with the help of the *investment* website *Statusinvest*. The indicators collected were: Price to Earnings, *Enterprise Value* to *Earnings Before Interest, Taxes, Depreciation & Amortization*, Net Debt to Equity, Current Ratio, and *Return On Equity*. (Klem, 2022, p. 30-31). The author also compared the results with four other retail companies.

Source: Prepared by the authors, based on the analysis of the works mentioned above in Table 2 (2024)

In general, the authors used especially the documentary research technique, since they were based on the reports and financial statements in the public domain disclosed by the respective entities evaluated. With regard to the approach, with the exception of Klem (2022), who conducted an exclusively qualitative study, the majority preferred – in essence – the quantitative one, despite Morais; Souza; Vendruscolo (2020) and Sarkissian (2022) have been structured by a mixed approach.

Among the studies observed, the one that best fits the proposal and focus of this research is that of Sarkissian (2022). The author, in addition to conducting a study that included companies in the car rental segment, also sought to evaluate their performance in a period of economic recession, in the years between 2015 and 2017. Thus, it is similar to the present study since it comprises the population universe of car rental companies, and addresses a period marked by the exit from the financial crisis.

Moral; Souza; Vendruscolo (2020) and Klem (2022) took only one company as the object of study, making a more in-depth analysis feasible from an individualistic perspective. The first authors selected Eletrobras as a sample of the study in a non-probabilistic manner, as they understood that this company was the largest in the sector in the national area of operation, and that, in some way, it represented the others in the respective sector. Klem (2022), on the other hand, evaluated AMBEV S.A., which has enormous expressiveness in the market in which it operates and is a leader in the segment to which it belongs, comparing it with four other retail companies. Such studies are associated with this study, considering that Localiza has similar characteristics, and that comparing it with other companies in the same segment is an interesting approach.

Mendes; Gonçalves (2021), in turn, in order to compare the economic and financial performance of the companies evaluated in their study, opted for the construction of a standard index, on which the results of the fundamental indicators used by the authors were distributed, and structured in a class of percentile deciles. For the present research, such structuring is not attractive due to the size of the sample, although establishing a standard index will be of great value to compare Localiza's performance with competing companies.

Marques; Wanderley (2021) used the Fixed Assets Index in their study, and observed proportions that were not so appropriate for the companies evaluated. However, this indicator can be useful in this study to try to measure how much of the acquisition of a new fleet comes from investments financed by the company's own capital.

In a comprehensive way, the fundamental analysis by means of economic and financial indicators allowed the authors to conduct their studies adequately, in order to reach relevant information and interpretations about the companies evaluated. This confirms the notes of Diniz (2015), who attests that the analysis of financial statements is a fundamental part of investigating organizational performance.

ANALYSIS AND DISCUSSION OF RESULTS

Based on the application of the methodology presented above, this section will present the results of the analyses, as well as the discussions about what could be inferred from them. The development was divided as follows: vertical and horizontal analyses; creation of the standard index; and analysis of indicators.

The analysis subsections aimed to measure whether there were possible long-term impacts on the financial statements due to the pandemic period, as well as to relate the observed numbers with previous studies that evaluated the rental segment, such as those of Luiz (2018), Sarkissian (2022) and Albuquerque (2022). In addition, the analysis of the indicators made it possible to compare the performance obtained by Localiza with companies in the same segment through the use of standard indexes.

In addition, the business combination signed with Locamerica proved to be a relevant fact to be considered in this study. In the second half of 2022, the agreement between the parties, which had been initiated in 2020, was finalized. After complying with the requirements stipulated by the Administrative Council for Economic Defense (CADE), Locamerica's shares were merged into Localiza, which now holds the title of direct controller of the merged company.

Sima (2020) considers that this transaction is expected to generate operational and financial synergies, especially the economies of scale conceived and the introduction of Localiza's expertise in relation to Locamerica's operations; meeting the estimation of those involved in the negotiation: value generation. In view of this, the study will also seek to observe the implications of this transaction on Localiza's economic and financial performance.

VERTICAL AND HORIZONTAL ANALYSIS

The vertical and horizontal analyses allowed us to observe the evolutionary panorama of Localiza's organizational structure between the years 2021 and 2023. The calculation for the analyses was calculated and presented in percentages, while the account balances were displayed in thousands of reais – R$.

The vertical analysis revealed the expressiveness of each account in the group to which it belongs, based on Total Assets – for the accounts shown in Table 1 – and Total Liabilities – for the accounts ordered in Table 2. The horizontal analysis, in turn, proceeded in a chained manner, since the most previous year fixed in the study – 2021 – was used as the point of origin to observe the individual progression of the balances of the respective accounts that composed them over the two subsequent periods.

Table 1 – Vertical and horizontal analysis of Localiza *Rent a Car* S.A.'s Assets

Description of Accounts	31/12/2021	OF. %	31/12/2022	OF. %	AH. %	31/12/2023	OF. %	AH. %
Total Assets	25.312.056	100,0%	65.652.017	100,0%	259,4%	80.947.084	100,0%	319,8%
Current Assets	6.942.865	27,4%	11.615.182	17,7%	167,3%	17.764.403	21,9%	255,9%
Cash and Cash Equivalents	444.139	1,8%	1.505.623	2,3%	339,0%	2.000.897	2,5%	450,5%
Financial Investments	4.565.393	18,0%	4.053.777	6,2%	88,8%	8.321.252	10,3%	182,3%
Accounts Receivable	1.310.359	5,2%	2.480.213	3,8%	189,3%	3.681.632	4,5%	281,0%
Other Current Assets	476.964	1,9%	3.263.104	5,0%	684,1%	3.132.250	3,9%	656,7%
Vehicles decommissioned for fleet renewal	181.999	0,7%	1.976.087	3,0%	1085,8%	2.531.398	3,1%	1390,9%
Non-Current Assets	18.369.191	72,6%	54.036.835	82,3%	294,2%	63.182.681	78,1%	344,0%
Long-Term Achievable Asset	932.308	3,7%	2.178.124	3,3%	233,6%	2.215.077	2,7%	237,6%
Investments	-	0,0%	1.171	0,002%	117100%	-	0,0%	0,0%
Asset	17.293.854	68,3%	43.020.498	65,5%	248,8%	52.116.268	64,4%	301,4%
Intangible	143.029	0,6%	8.837.042	13,5%	6178,5%	8.851.336	10,9%	6188,5%

Source: Prepared by the authors, based on the standardized financial statements of Localiza *Rent a Car* S.A. published on the B3 website (2024)

When looking at Localiza's Assets shown in Table 1, one aspect that initially captures interest concerns its composition. Current Assets showed successive increases of 67.3% and 155.9% in 2022 and 2023, respectively, and held the Financial Investments account, albeit in a varied way, as the most representative of the group in the three years. However, it is possible to clearly show that there is a greater concentration of the amounts arranged in Non-Current Assets, which made up an average of 77.65% of the total assets in the years evaluated, with a greater accumulation in fixed assets, with a respective average of approximately 66%. This is explained by the fact that fixed assets comprise the company's fleet, and are therefore the main pillar that supports the operational activity of companies in this segment, as mentioned by Sarkissian (2022).

Another point that draws attention refers to the progression of the value of Total Assets over the three years. From 2021 to 2022, the balance more than doubled, with a significant increase of 159.4% recorded, which was surpassed by 219.8% compared to 2023. It is notorious that, in general, all accounts record projections higher than the values demarcated for the year ended 2021, however, this increase in total assets is mostly associated with the increase in the company's permanent assets, in which the Fixed Assets and Intangible accounts stand out.

This variation can be understood based on a few assumptions. The increase observed in 2022, in large part, is justified by the conclusion of the business combination between Localiza and Locamerica, so that the latter's equity became part of Localiza's consolidated balance sheet. In this sense, Locamerica's permanent assets were incorporated into those of the parent company, and a goodwill resulting from the transaction was also recorded, which considerably increased the company's consolidated intangible assets; An episode that contributed to making it the third most representative account of total assets, making it up 13.5%.

In addition to the addition of new intangible assets and the generation of goodwill, the merger between the companies had a significant impact on fixed assets, especially with regard to the increase in the number of vehicles in operation. In addition to this fact, Localiza and its subsidiaries once again acquired new vehicles for fleet renewal on a larger scale, a practice that until then had been curbed due to the high costs set in the market. As explained in the explanatory notes, it was only from the middle of the first half of 2022 that the market demonstrated the gradual resumption of production and supply levels of vehicles, among other supplies whose prices had been impacted in greater proportions by the effects of the pandemic.

The practice of fleet rejuvenation was also perpetuated in 2023, so much so that it influenced the growth of the fixed assets account by 208%. In fact, it could be noted that the number of vehicles destined for sale for fleet renewal happened in an analogous way, showing significant increases in their respective constant account in current assets at the rate of 985.8% in 2022, followed by 1290.9% in 2023, compared to 2021.

With regard to the investment account, although it has a zero balance in two periods and little representation in assets in 2022, this was due to the balance sheet consolidation process. It was decided to keep it in Table 1 to refer to the fact that Localiza has several subsidiaries, over which it exercises direct or indirect control of 100% of the voting capital, with the exception of one, whose control is 64.6%.

Table 2 – Vertical and horizontal analysis of Localiza *Rent a Car* S.A.'s Liabilities

Description of Accounts	31/12/2021	OF. %	31/12/2022	OF. %	AH. %	31/12/2023	OF. %	AH. %
Total Liabilities	25.312.056	100,0%	65.652.017	100,0%	259,4%	80.947.084	100,0%	319,8%
Current liabilities	4.984.500	19,7%	11.236.806	17,1%	225,4%	18.417.023	22,8%	369,5%
Social and Labor Obligations	276.128	1,1%	333.671	0,5%	120,8%	399.196	0,5%	144,6%
Suppliers	2.059.296	8,1%	6.177.751	9,4%	300,0%	8.881.381	11,0%	431,3%
Loans and Financing	673.472	2,7%	884.974	1,3%	131,4%	2.673.592	3,3%	397,0%
Debentures	1.211.286	4,8%	2.468.536	3,8%	203,8%	4.552.943	5,6%	375,9%
Other Obligations	755.352	3,0%	1.360.199	2,1%	180,1%	1.790.802	2,2%	237,1%

Non-Current Liabilities	12.710.466	50,2%	33.844.606	51,6%	266,3%	37.132.246	45,9%	292,1%
Loans and Financing	2.375.219	9,4%	4.915.671	7,5%	207,0%	6.282.709	7,8%	264,5%
Debentures	8.173.118	32,3%	25.001.932	38,1%	305,9%	27.098.389	33,5%	331,6%
Other Obligations	850.580	3,4%	1.243.584	1,9%	146,2%	1.446.278	1,8%	170,0%
Deferred Taxes	1.147.902	4,5%	2.010.851	3,1%	175,2%	1.700.585	2,1%	148,1%
Equity	7.617.090	30,1%	20.570.605	31,3%	270,1%	25.397.815	31,4%	333,4%
Paid-up share capital	3.956.889	15,6%	12.107.587	18,4%	306,0%	17.258.095	21,3%	436,2%
Capital Reserves	40.890	0,2%	3.944.525	6,0%	9646,7%	3.697.955	4,6%	9043,7%
Profit Reserves	3.618.430	14,3%	4.516.260	6,9%	124,8%	4.756.830	5,9%	131,5%

Source: Prepared by the authors, based on the standardized financial statements of Localiza *Rent a Car* S.A. published on the B3 website (2024)

In general, as well as assets, it is noticeable that all accounts, both liabilities and shareholders' equity, showed considerable increases in the period evaluated. In addition, it is observed that the company's Total Liabilities, on average, are composed of about 31% of own equity and 69% of obligations to be settled with third parties. It can also be seen that Non-Current Liabilities hold the largest accumulation of these obligations, so that, with the exception of 2023, it encompassed more than half of all liabilities plus the company's shareholders' equity. In it, the presence of the Debentures account is noted, which proves to be the most prominent not only of the group, but of the Total Liabilities.

Debentures are diffused between Current and Non-Current Liabilities, being predominantly more expressive in the latter, as many of the securities comprise a maturity date higher than the end date of the next fiscal year of the respective year. According to the explanatory notes, several debentures were issued as of 2022 not only by Localiza, but also by its subsidiaries Localiza *Fleet* S.A., Locamerica *Rent a Car* S.A. and Locamerica. The fact is that the balance of the account in current liabilities tripled from 2021 to 2022, registering an increase of 205.9%, and of 231.6% if related to 2023.

In this context, it is worth mentioning that, along with the debentures, the company takes out loans and financing in order to use them to complement its cash needs, enabling it to manage its activities and have a greater line of credit for fleet renewal. On average, the balances of the Debentures and Loans and Financing accounts, when added together, accounted for 7.2% in Current Liabilities and 43% in Non-Current Liabilities.

This attests that the company invests highly in its long-term financial leverage process, that is, to foster its capital structure, as well as increase its profitability, it uses third-party resources through long-term agreements, as found by Albuquerque (2022) and Sarkissian (2022). In fact, it can be inferred that long-term leverage has proven to be an efficient and indispensable strategy for car rental companies when properly managed.

Another point to analyze is related to the Suppliers account. From 2021 to 2022, the balance tripled, marking a growth of 200%, followed by 331.3% in 2023. Broadly speaking, this alludes to the more intense resumption process of fleet renewal, since, as specified in the explanatory notes, the balance due to suppliers was mostly derived from the acquisition of new vehicles.

Regarding the company's Shareholders' Equity, although it has maintained a practically invariable average throughout the years in evidence, there is a substantial increase in its balance, increasing at the rate of 170.1% for 2022 and 233.4% for 2023. This was mainly due to the increases in the paid-up capital stock in these two years, which was divided into new registered common shares.

CREATING THE STANDARD INDEX

From the Balance Sheet and the Income Statement of the companies Localiza, Maestroloc, Movidas and Vamos[4], the fundamental indicators of each company for the three years included in the study were calculated, and served as the basis for the calculation of the standard indexes. It was decided not to calculate the standard index for the Net Working Capital indicator, considering that its composition is intrinsically particular to each company; therefore, it being best to compare your totals individually. In fact, Table 3 was prepared in order to better explain the values that constituted this calculation.

Table 3 – Composition of the values of the standard indices

Indexes	Year	Maestroloc	Movidas	Vamos	Localiza	Standard Table of Contents
Current liquidity	2021	0,37	2,44	4,09	1,39	2,07
	2022	0,51	1,60	0,97	1,03	1,03
	2023	0,52	0,73	1,75	0,96	0,99
Immediate liquidity	2021	0,24	2,08	3,21	1,01	1,64
	2022	0,24	1,16	0,40	0,49	0,57
	2023	0,20	0,40	0,67	0,56	0,46
General Liquidity	2021	0,31	0,51	0,66	0,45	0,48
	2022	0,31	0,43	0,34	0,31	0,35
	2023	0,31	0,27	0,43	0,36	0,34
General Indebtedness	2021	78,66%	84,88%	74,08%	69,91%	76,88%
	2022	74,10%	89,45%	78,18%	68,67%	77,60%
	2023	72,50%	89,96%	77,24%	68,62%	77,08%

[4] Nomenclatures used according to the trading session referenced on B3.

Participation of Third-Party Capital	2021	368,59%	561,17%	285,79%	232,31%	361,97%
	2022	286,08%	848,06%	358,26%	219,15%	427,89%
	2023	263,60%	895,96%	339,44%	218,72%	429,43%
Fixed Assets	2021	353,37%	374,98%	196,72%	228,92%	288,50%
	2022	296,85%	582,63%	336,66%	252,10%	367,06%
	2023	282,54%	752,33%	293,28%	240,05%	392,05%
Interest Coverage	2021	1,62	3,44	4,34	10,05	4,86
	2022	1,54	1,42	1,94	2,15	1,76
	2023	1,58	0,6	1,32	1,47	1,24
ROCE	2021	21,65%	9,28%	8,38%	15,86%	13,79%
	2022	27,48%	11,87%	13,05%	8,32%	15,18%
	2023	23,64%	7,14%	11,98%	9,43%	13,05%
ROE	2021	12,81%	24,95%	15,24%	26,83%	19,96%
	2022	16,69%	18,38%	21,30%	13,06%	17,36%
	2023	14,56%	-24,60%	14,02%	7,84%	2,95%
Operating Margin	2021	32,16%	31,26%	26,69%	29,57%	29,92%
	2022	42,85%	25,99%	32,79%	25,47%	31,78%
	2023	24,26%	12,20%	34,24%	20,41%	22,78%
Net Margin	2021	8,00%	15,37%	14,25%	18,75%	14,09%
	2022	9,62%	5,98%	13,61%	10,35%	9,89%
	2023	5,79%	-6,29%	9,65%	6,24%	3,85%

Source: Prepared by the authors (2024)

ANALYSIS OF INDICATORS

After determining the values of the standard ratios, the analysis of Localiza's liquidity, capital structure and profitability ratios was carried out. For each index presented by the company, the standard index corresponding to it was provided below, serving as a parameter for sectoral comparison with the indicators related to Localiza.

Liquidity Ratios

Liquidity indicators reflect the company's ability to meet its commitments over time. In most cases, Localiza's liquidity ratios remained close to the industry standard, sometimes below, sometimes above, sometimes even aligned. Table 4 shows the quotients obtained in relation to the respective standard index in the period.

Table 4 – Results presented by the Liquidity Ratios

Index by year	Order	2021	2022	2023
Current liquidity	Located	1,39	1,03	0,96
	Standard Table of Contents	2,07	1,03	0,99
Liquidez Imediata	Located	1,01	0,49	0,56
	Standard Table of Contents	1,64	0,57	0,46
General Liquidity	Located	0,45	0,31	0,36
	Standard Table of Contents	0,48	0,35	0,34

Source: Prepared by the authors (2024)

It should be noted that the company's Current Ratio has decreased over the years, even being below 1 in 2023. From it, it is understood that, for every R$1.00 of the debt allocated to current liabilities, the company had R$1.39, R$1.03 and R$0.96 in current assets to settle it in 2021, 2022 and 2023, respectively. Luiz (2018), Sarkissian (2022) and Albuquerque (2022) calculated the current ratio for Localiza in their studies, and, among all the periods evaluated, the lowest value obtained was 1.22.

Although the value presented in 2023 was below ideal (1), it is not much lower, and is close to the sectoral average. In addition, it does not necessarily mean that the company will not be able to meet its short-term obligations, as vehicles are periodically made available for fleet renewal, the sale of which can compensate for the need for cash, in addition to the services provided. However, it is worth paying attention to the expiration dates, both of rights and obligations, especially with suppliers, among which are vehicle manufacturers to be paid in an average period of 103 days, according to the explanatory notes. This attention should be taken into account since the suppliers account is the most expressive of current liabilities, as seen in Table 2.

With regard to the Quick Ratio, it was possible to capture attractive values for the entire segment in 2021, indicating the ability to meet their very short-term obligations, if necessary. However, the same was not true for the subsequent years, so that, on average, it was evident that only part of the obligations could be discharged imminently.

In turn, Localiza's General Liquidity ratio showed the lowest quotients, indicating that the company, based on its current assets and its long-term realizable assets, enjoys R$0.45, R$0.31 and R$0.36 – respectively for 2021, 2022 and 2023 – for each R$1.00 of obligations entered into with third parties. The segment followed the same pace, confirming that this is not an abnormal pattern, given that car rental companies hold a large part of their resources in permanent assets, and that they require third-party capital to remain leveraged, especially in the long term.

Net Working Capital portrays more clearly the difference between the highly liquid resources available and the commitments to be settled, both in the short term. It is worth remembering that this ratio is directly related to the current ratio indicator, since it uses the same variables (current assets and liabilities). In this sense, Table 5 allows us to compare the resulting value presented by the four companies.

Table 5 – Net Working Capital of the companies Maestroloc, Movidas, Vamos and Localiza between the years 2021 and 2023, in thousands of reais – R$.

Companies	2021	2022	2023
Maestroloc	(84.682)	(42.535)	(42.363)
Movidas	5.395.766	3.544.226	(2.025.700)
Vamos	3.678.642	(135.701)	2.545.384
Localiza	1.958.365	378.376	(652.620)

Source: Prepared by the authors (2024)

Despite having had time off in 2021 and 2022, in the last year Localiza showed a negative value for this index, which means that it would lack R$652,620 thousand reais to pay off its short-term debts. It is also observed that for all companies, at some point, Net Working Capital was negative, and more often in 2023.

In general, the company's low liquidity can be explained, in large part, by the initiative to rejuvenate the fleet that has been more pronounced in the last two years, a factor that is closely associated with the need to borrow and finance higher rates and the issuance of debt securities in large quantities. Given that this whole process involves, above all, the increase in the accounts of liabilities and assets for permanent use of the company, the effects have an unfavorable impact on liquidity indicators, as they do not consider in their calculations, for example, fixed assets, in which the value of the fleet is allocated.

Capital Structure Ratios

The capital structure indicators make it possible to assess the level of indebtedness to which the company is subjected, highlighting the aspects aimed at obtaining resources to finance its operating activities, as well as the enforceability of these resources over time; whether in the long or short term, and in what proportions. Table 6 shows the indices applied in this study, with the respective values referring to the Localiza and the standard index. In theory, Localiza demonstrated a lower need for third-party capital among its peers, since it had lower debt ratios in all years, associated with higher interest coverage when compared to the segment.

Table 6 – Results presented by the Capital Structure Indices

Index by year	Order	2021	2022	2023
General Indebtedness	Located	69,91%	68,67%	68,62%
	Standard Table of Contents	76,88%	77,60%	77,08%
Participation of Third-Party Capital	Located	232,31%	219,15%	218,72%
	Standard Table of Contents	361,97%	427,89%	429,43%
Fixed Assets	Located	228,92%	252,10%	240,05%
	Standard Table of Contents	288,50%	367,06%	392,05%
Interest Coverage Ratio	Located	10,05	2,15	1,47
	Standard Table of Contents	4,86	1,76	1,24

Source: Prepared by the authors (2024)

It is observed that Localiza's General Indebtedness ratio has presented very similar values in the three years evaluated, indicating only a subtle reduction from one period to the next. It is interpreted that, on an approximate average, for all the resources made available in the asset, 69%

correspond to obligations to be paid both in the short and long term. In general, it is common for leasing companies to boast high values in this indicator, considering that they are engaged in long-term leverage processes, which are financed by third-party capital. The same pattern was observed in the studies by Albuquerque (2022) and Sarkissian (2022), in which the company recorded an average debt ratio of approximately 70.5% and 71.5%, respectively.

The Third-Party Capital Participation indicator correlates how much third-party capital represents in relation to invested equity. It should be noted that Localiza has a somewhat high financial dependence, characterizing 232.31%, 219.15% and 218.72% of equity in the years 2021, 2022 and 2023, in an orderly manner. That is, it implies that for every R$100.00 in the company's shareholders' equity, about R$232.00, R$219.00 and R$219.00 are composed of resources financed by third parties. This reiterates what has already been observed about the need for capital to remain leveraged.

Regarding the definition of the portion of equity invested in the company's permanent assets, the Asset Assets of Shareholders' Equity (IPL) allows for the assignment of a metric for this. As shown in Table 6, in addition to 100% of its own capital, the company used third-party capital in the proportion of 128.92%, 152.10% and 140.05% during the years 2021, 2022 and 2023, in due order, to finance its permanent assets. Such values were close to or even higher than those observed by Passos (2018), in which the highest IPL presented by Localiza corresponded to 232.31% in 2016.

The Interest Coverage Ratio, in turn, makes it possible to quantify the company's ability to pay its financial expenses incurred by interest. To do this, it is considered how much the financial expenses represented the profit obtained before calculating them. It can be observed that, in 2021, Localiza was able to pay its interest expenses by up to 10 times the amount represented, while this capacity decreased in the other periods, increasing this capacity to 2.15 and 1.47 times in 2022 and 2023, respectively. According to the company's income statement, it is stated that the (negative) financial result represented, in 2022, around 47% of profit before considering interest and taxes, with this percentage rising even more in 2023, when it skyrocketed to 68%.

In principle, the capital structure indicators, together with the liquidity ratios, made it possible to explain the effects of the leverage strategies adopted by the company on its quotients. The need for third-party capital, although it provides cash to finance the acquisition of a new fleet, incurs considerable financial expenses, the effects of which are manifested in the reduction of liquidity. The profitability ratios discussed below may make this point more clear.

Profitability Ratios

The results achieved by the entity's operating activity can be measured by means of profitability ratios. Given this, Table 7 shows the quotients analyzed in this study, referring to Localiza and the sectoral standard. In general, although Localiza presented good results in these indicators, it was possible to see that 2021 proved to be the most favorable year for the company, while the percentages of the indices decreased in subsequent years.

Table 7 – Results presented by the Profitability Indices

Index by year	Order	2021	2022	2023
ROCE	Located	15,86%	8,32%	9,43%
	Standard Table of Contents	13,79%	15,18%	13,05%
ROE	Located	26,83%	13,06%	7,84%
	Standard Table of Contents	19,96%	17,36%	2,95%
Operating Margin	Located	29,57%	25,47%	20,41%
	Standard Table of Contents	29,92%	31,78%	22,78%
Net Margin	Located	18,75%	10,35%	6,24%
	Standard Table of Contents	14,09%	9,89%	3,85%

Source: Prepared by the authors (2024)

The Return on Capital Employed (ROCE) allows you to evaluate the company's level of efficiency, associating the operational performance obtained with its degree of leverage. It should be noted that the years 2022 and 2023 show an apparent reduction in the company's efficiency to, respectively, 8.32% and 9.43%. This can be explained, once again, by the effects of fleet renewal, as well as higher costs related to fleet aging. In addition, the costs incurred with aspects related to the incorporation process of Locamerica may have contributed to the reduction of the EBIT margin, by reducing operating profit mainly in 2022.

The Return on Equity (ROE) aims to explain how much of the net income was generated for every R$100.00 invested in the company. There is a considerable decrease from 26.83% marked in 2021 to 8.95% in 2022 and 7.10% in 2023. However, it is important to take into account the successive increases in capital stock portrayed by the horizontal analysis in Table 2 (from 206% to 336.2% in 2022 and 2023, in that order, compared to 2021). This is because the calculation of ROE assigns shareholders' equity as a divisor of net income for the period, that is, with the increase in capital stock increasing the company's shareholders' equity, the lower this indicator appears.

It is worth noting that both the ROCE and ROE indicators, in general, had relatively discrepant values between the companies, implying the standard index quotients, as shown in Table 3. As an example, we highlight the result of 2.95% referring to the sectoral ROE for 2023, presented due to the negative value expressed by the company Movidas.

As for the Operating Margin, it is possible to determine in what proportion the profit, after deducting operating costs, represents the net revenue. It can be observed that Localiza's margin was slightly below the sectoral average in the three fiscal years, and that it tended to decrease almost linearly over time. It is important to note that the company's net revenue grew significantly in the years evaluated, but, on the other hand, operating costs were also quite high, assuming growth proportions even higher than revenue.

In agreement with Sarkissian (2022), the Operating Margin allows for a better elucidate of the influence of macroeconomic effects on the profitability of rental companies. In view of this, the effects of the shortage of raw materials in the automotive market stand out, which was perpetuated until the second half of 2022, a factor that was directly reflected in Localiza's operating costs. Added to this, with the acquisition of Locamerica, the company incurred several costs with the integration of systems, teams and operations, which together contributed even more to the deduction of revenue. Although this transaction will generate future synergies, as pointed out by Sima (2020), the costs are felt in the year in which they were incurred, retracting the company's operating margin.

Additionally, there is a point to consider in the year 2023. In the middle of the first half of the year, the Federal Government instituted Provisional Measure No. 1175/2023, which reduced the price of new popular cars, whose impact extended to used cars. In this context, as informed by the Management Report, the need to lower the prices charged in the sales of used cars was seen, and this fact corroborated both the reduction in net revenue and the increase in depreciation.

With regard to Net Margin, it covers financial results and taxes in its calculation, associating how much of the net revenue is composed of the net income for the period. It is evident, therefore, that Localiza presented a net margin higher than its peers in the three years, although it is also noted that the financial effects greatly reduced the net income generated when related to net revenue. This means that the profit for the period represented 18.75%, 10.35%, and 6.24% of net revenue in the years 2021, 2022, and 2023, respectively. These results are explained by the interest paid to debenture holders and related to the high amounts contracted from loans and financing.

Albuquerque (2022), in his study that contemplated Localiza's performance in the period between 2019 and 2021, did not find similar results regarding the company's profitability, on the contrary, it showed better performances. This measures the magnitude of the impacts generated by the pandemic period in the long term.

Comprehensively, Localiza's profitability indicators did not prove to be so attractive at first glance, considering its constant reductions over the years. However, understanding the economic and financial situation of the company made it possible to better understand the results obtained and consider the factors that influenced the decrease of each one. In fact, it was also possible to grasp understandings that, in fact, went against what the indices represented.

FINAL CONSIDERATIONS

The objective of this study was to verify the growth expectations of Localiza *Rent a Car* S.A. based on the evaluation of its fundamental indicators and its standardized financial statements published on the B3 website for the period between 2021 and 2023.

Based on the results presented, it was possible to verify that Localiza presented a remarkable growth in its assets, investing markedly in its long-term financial leverage and in the renewal of the fleet, aiming at generating value. Despite this, as of 2022, it was found that the company began to feel more intensely the long-term effects resulting from the covid-19 pandemic, with the due repercussions reflected in its profitability and the need for third-party capital to complement the financing of its resources.

The vertical and horizontal analyses, in addition to making it possible to assess the distribution of the company's organizational and financial structure over time, were essential to support the analysis of the indicators, which, at first glance, suggested a retraction in the company's operational efficiency when compared to the quotients for the year ended 2021. Explanatory notes, management reports, and an understanding of the macroeconomic context were also essential.

The liquidity ratios, together with the capital structure ratios, made it possible to explain the effects of the leverage strategies adopted by the company on its quotients. The need for third-party capital, although it provides cash to finance the acquisition of a new fleet, incurs considerable financial expenses, the effects of which are manifested in the reduction of profitability and liquidity.

The profitability indicators were the ones that best represented the aspects of the macroeconomic situation, portraying the long-term impacts caused by the pandemic on the company's results. It was observed that, due to the increase in vehicle acquisition costs, the retraction of fleet renewal incurred high maintenance and depreciation costs, which was a major factor in reducing the company's profitability. In addition, the incorporation process of Locamerica involved relevant costs that, in 2022, contributed to the reduction in net income.

High interest rates and credit restrictions also contributed to a considerably higher result with financial expenses in 2022 and 2023, taking into account the high contraction of loans and financing and issuance of debentures by Localiza in the aforementioned years. This is in line with the attestation of Albuquerque (2022) and Sarkissian (2022), when they refer to the fact that car rental companies are sensitive to interest rate volatility.

Albuquerque (2022), although observing Localiza's performance in a pre- and post-pandemic scenario, obtained more attractive results in its indicators, since the period did not yet understand the long-term implications. On the other hand, the results obtained by the liquidity and profitability ratios showed a similar behavior, although more pronounced, to the work of Luiz (2018) and Sarkissian

(2022), who contemplated the evaluation of the company's performance in the period around the economic crisis of 2015, and could observe a reduction in these indicators, with the impacts being exhibited in the short and medium term, and to a lesser extent.

In general, Localiza is prone to growth, given that, even in periods full of economic adversity, the company has still been able to manage the continuity of its operations, earning profit and generating value. In addition, the union with Locamerica promoted the meeting between reference shareholders with long experience in the sector, which brings good estimates for the future of the company.

The present study, in addition to complying with the proposal of comparing the results presented by the analyses with investigations of previous studies on Localiza and the car rental segment, also made use of the comparison between the evaluated company and its peers. However, there are caveats. The metric used to create the sectoral standard indices was based on the calculation of the average represented by each indicator among the four companies in the car rental segment listed on B3, relative to the respective year evaluated. It was observed that some indices behaved similarly to *outliers*, presenting very divergent results, sometimes for more, sometimes for less; a factor that may have compromised the accuracy of the comparison between Localiza's performance and the sector.

For future research, it is recommended to apply statistical metrics that aim to retract the significance of marked disparities in the calculations of standard indices. In addition, there is a suggestion to expand the sample to include companies from other countries that are also a reference in the car rental segment, such as, for example, *United Rent-A-Car* and *Hertz Car Rental*.

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