



Localiza (B3: RENT3) (OTC: LZRFY)

Recommendation: Long | 124% upside | Target Price: R\$103.47

Current Price: R\$46.27

April 30th, 2026

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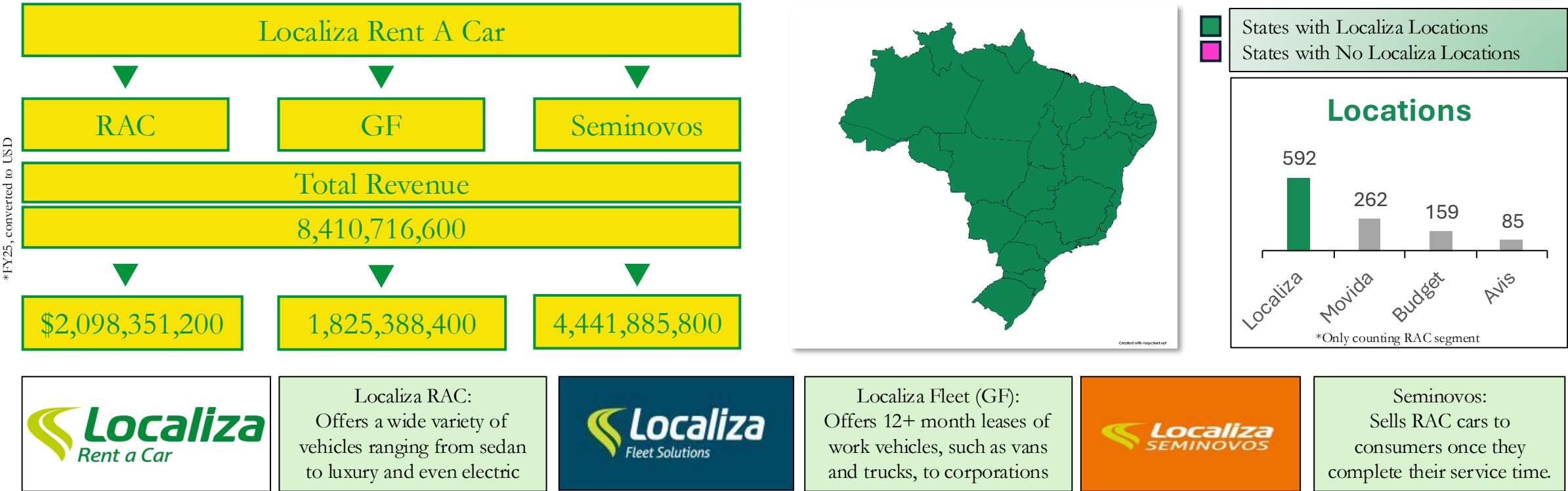
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Company Overview of Localiza (LZRFY)

Understanding What Localiza Is and Their Different Segments.

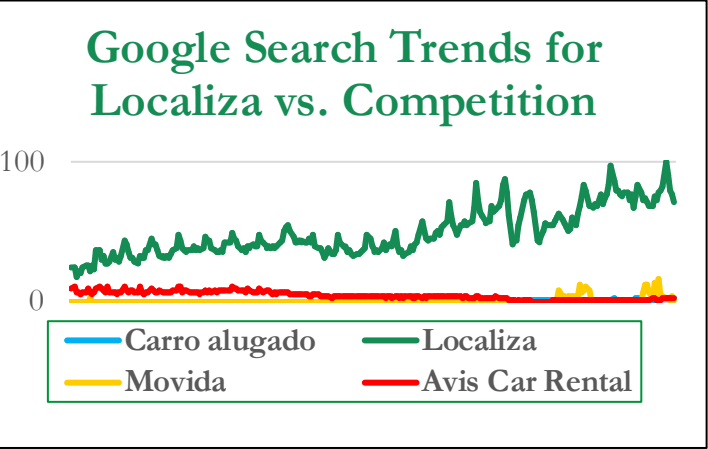
Localiza Rent A Car is a Brazilian car rental brand, like Hertz, Avis or Enterprise. Their headquarters are in Belo Horizonte, Brazil. They have 691 locations across Brazil, Latin America, and Mexico, with an additional 263 Seminovos stores in 138 Brazilian cities. Localiza is starting to heavily branch into Mexico as their new growth strategy. They were founded in 1973 with 6 Volkswagen Beetles and have since grown to 659,000 vehicles, split between fleet rentals and normal rentals. Their inventory consists of vehicles ranging from sedans to minivans to commercial-grade trucks. In their fleet, they have hybrid, electric, gas, and luxury vehicles. What sets them apart is that they combine rental income with used car disposal, allowing capital to be recycled through the fleet and support returns on both utilization and resale execution.



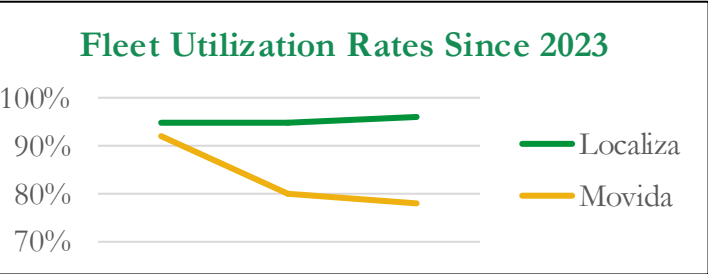
Company Overview of Localiza (LZRFY)

What makes Localiza unique amongst their competitors.

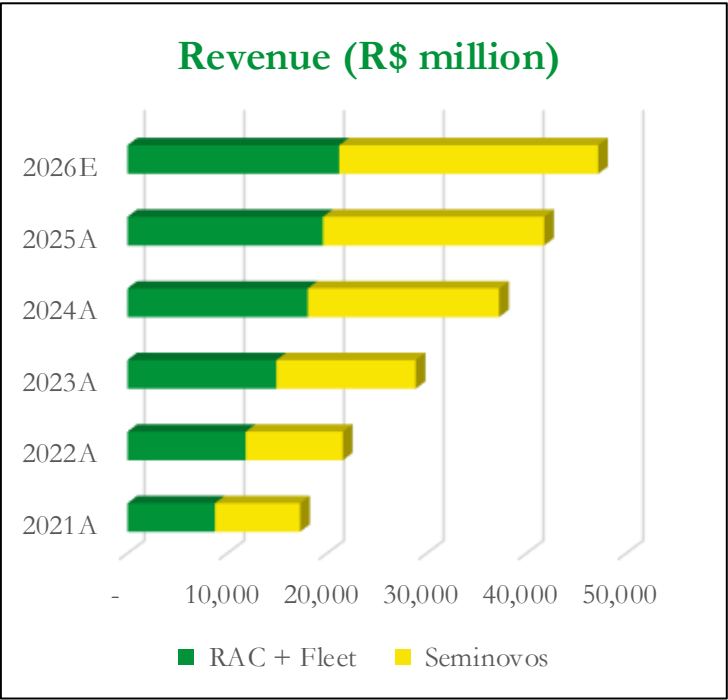
Google Trends suggests that Localiza dominates the competition in searches. Additionally, people tend not to search “rental cars”, but search for Localiza by name instead.



Utilization Rate is a crucial KPI in the rental car industry; here is a head-to-head comparison of Localiza’s and Movida’s fleet segments.



Localiza has more than doubled revenue since 2021, growing from R\$17.3B to R\$41.8B in 2025. RAC and Fleet combined grew 2.2x while Seminovos grew 2.6x, Thanks to the massive growth for Seminovos over the past half-decade, they have nearly surpassed both RAC and Fleet combined in terms of total revenue.

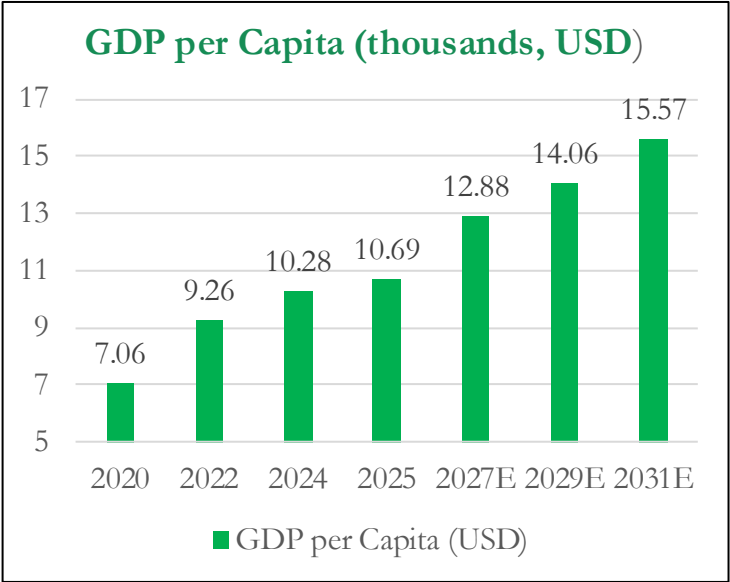


Financial Data (millions, BRL)	
Share Price	46.27
Shares Outstanding	1,095
Market Cap	53,970
(-) Cash	10,584
(+) Debt	45,324
Enterprise Value	88,710
EBIDTA	8,143
Net Income	1,875
EV/EBIDTA	10.9x
Forward P/E	12.1x

Locations by Region				
(Includes locations for all segments as of Q4 2025) (Revenue figures are in millions, BRL)				
	Region	Brazil	Mexico	Other
	Locations	855	34	70
	Revenue	~38,415	222	~3,145

The Brazilian economy sets Localiza up for success

How does the market set up Localiza for success.

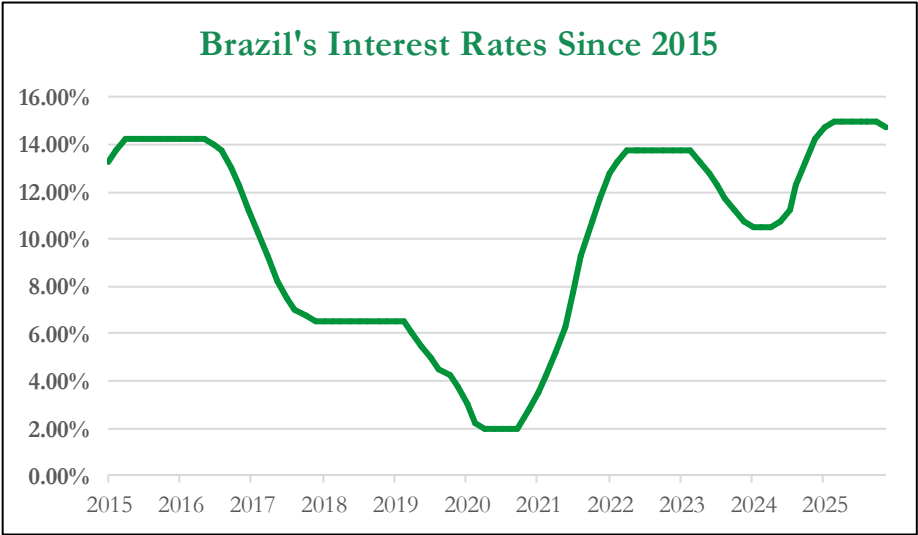


The International Monetary Fund (IMF) has the GDP per capita of Brazil reaching \$15,570 by 2031. This would imply an 6.62% CAGR in the GDP per capita for the next five years.

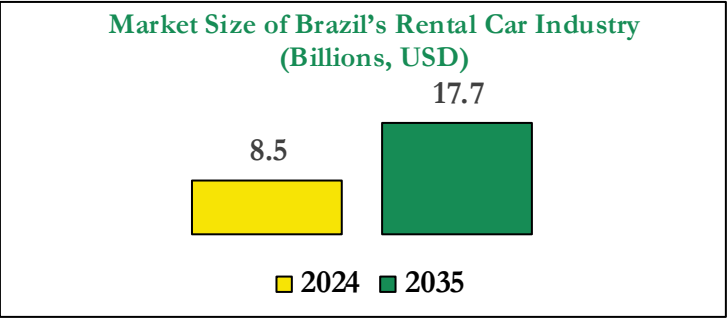
6.62% CAGR

Brazilian GDP per capita growth for the next five years according to the IMF

Brazil’s interest rates in the past year are above any level seen in the last ten years, as you can see with the graph below. They lowered the rate by 25bps in March of 2026; making rates 14.75% as of today. Recent projections have interest rates reaching 12.25% by EOY and getting to 10.5% by the end of 2027.

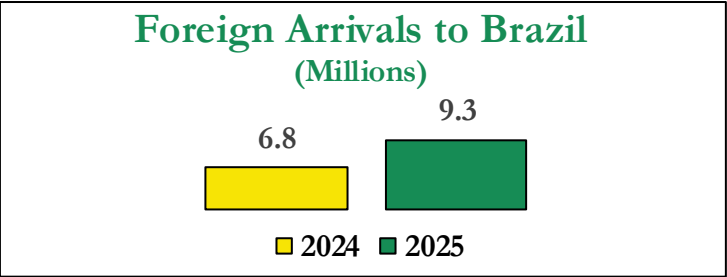


“[Rates] at elevated levels for longer than expected could lead to lower returns for the company and to a reduction in EPS growth.” – J.P. Morgan (2026)



As seen with the graph above, the market size for the Brazilian Car Rental Industry is projected to double in the 11-year timespan between 2024-2035. These projections would lead to a 6.9% annual CAGR.

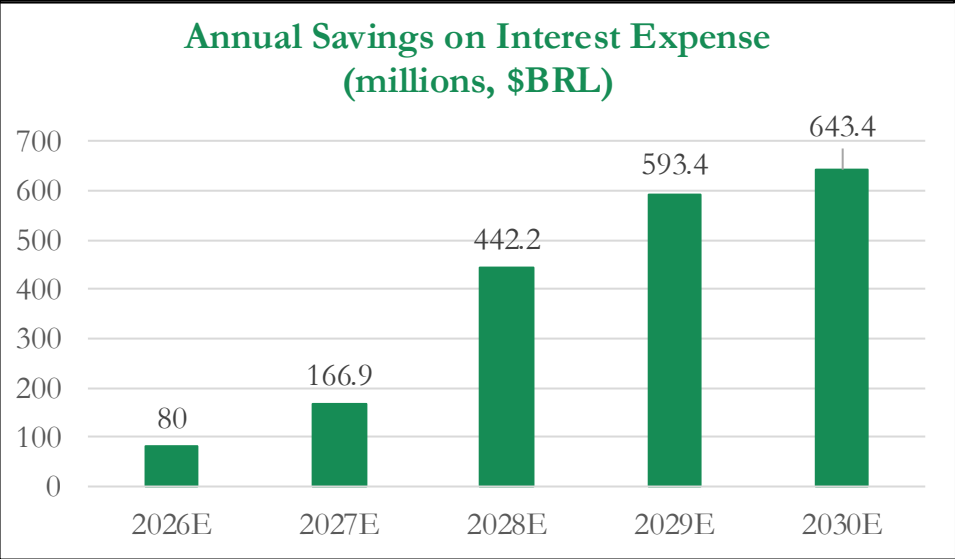
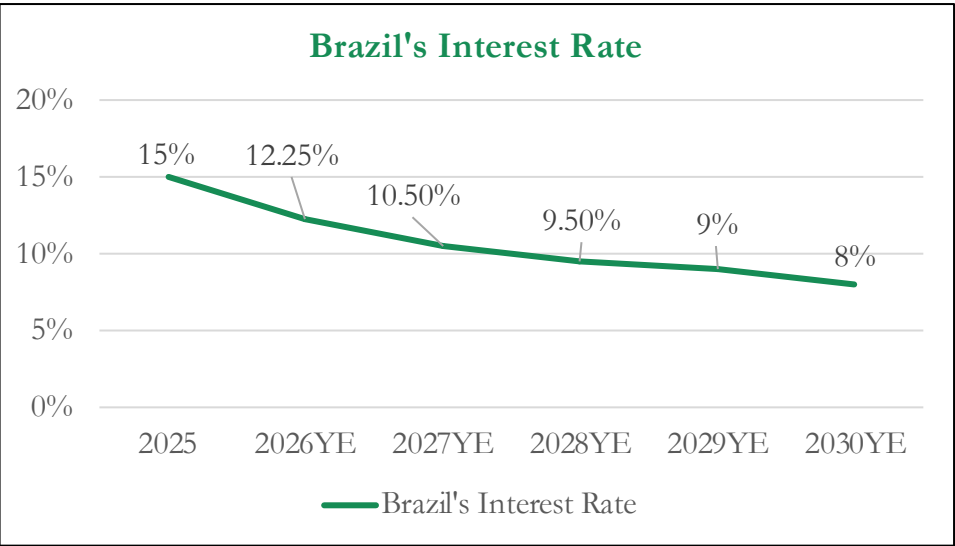
“No destination recorded a larger year-on-year increase than Brazil, which posted a 37% rise in international arrivals in 2025.”
–BBC



“Brazil is the country with the fastest growth in international tourism in the world” –UN Tourism (2026)

Localiza to benefit from the lowering of rates

With the expectation being that interest rates will go down, Localiza will stand to benefit.



Current SELIC

14.75%

Highest since 2006 (first cut March 2026)

Target Rate (2030E)

8%

Expect – 700 bps across 2026-2030 cycle



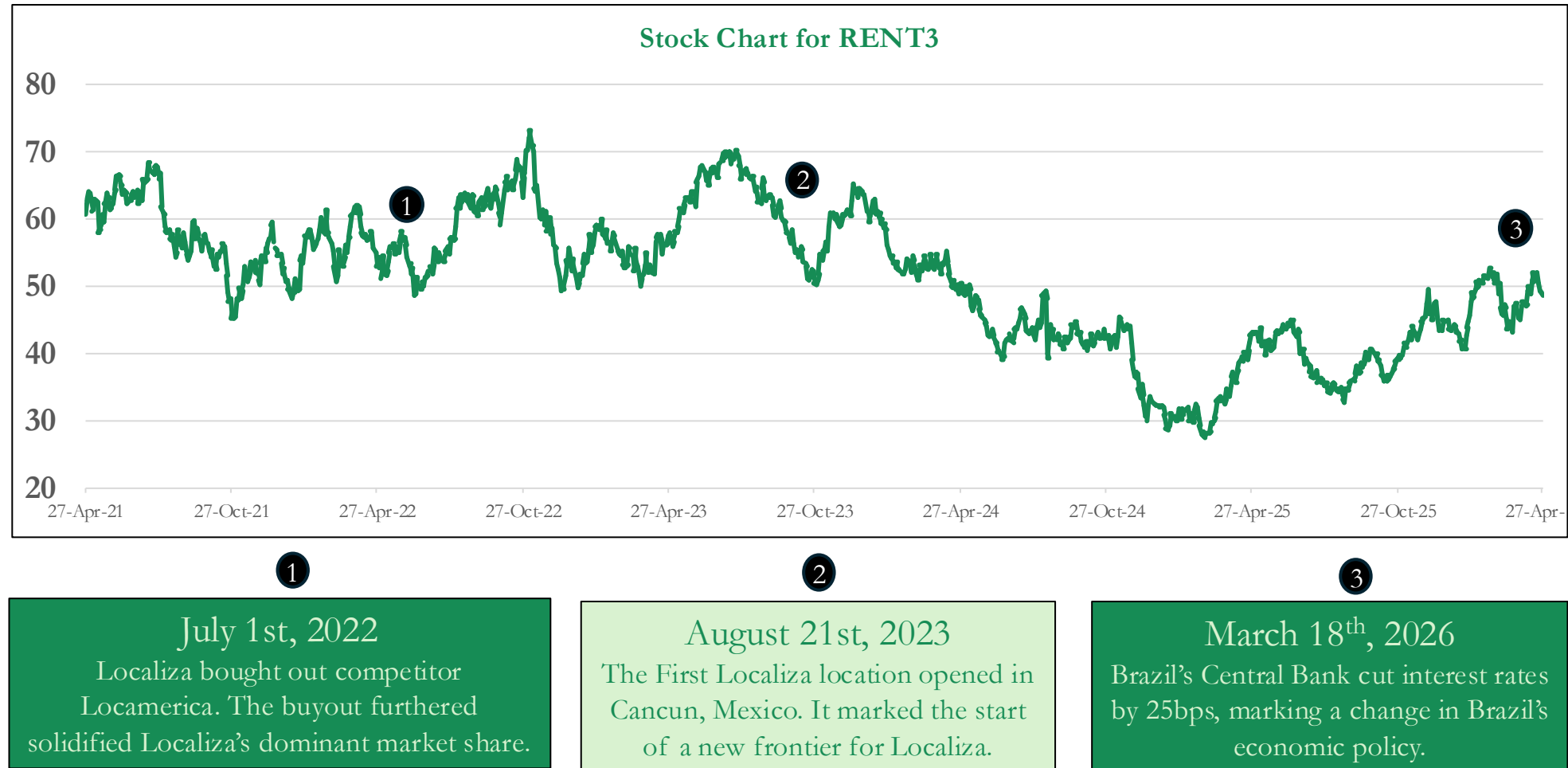
TAILWIND 1: Cumulative Interest Savings of R\$1.93B
Floating-rate debentures (CDI-linked) automatically reprice lower as SELIC falls from 14.75% to ~8% by 2030.

TAILWIND 2: COMPRESSED VALUATION of 10.9x
Below the 5-year historical average. Multiple compression driven by macro fears, not fundamentals, creating a re-rating opportunity.

TAILWIND 3: AGGRESSIVE BUYBACK of ~7%
Authorized to purchase up to 72M shares through July 2027. Management continues to buy back stock, signaling confidence.

Localiza has undergone catalysts that have not been priced in

Numerous positive catalysts have occurred in the last five years; however, shares haven't seen the true impact yet.



Localiza is positioned for huge upside due to several key factors

There are four factors that set Localiza up for massive success

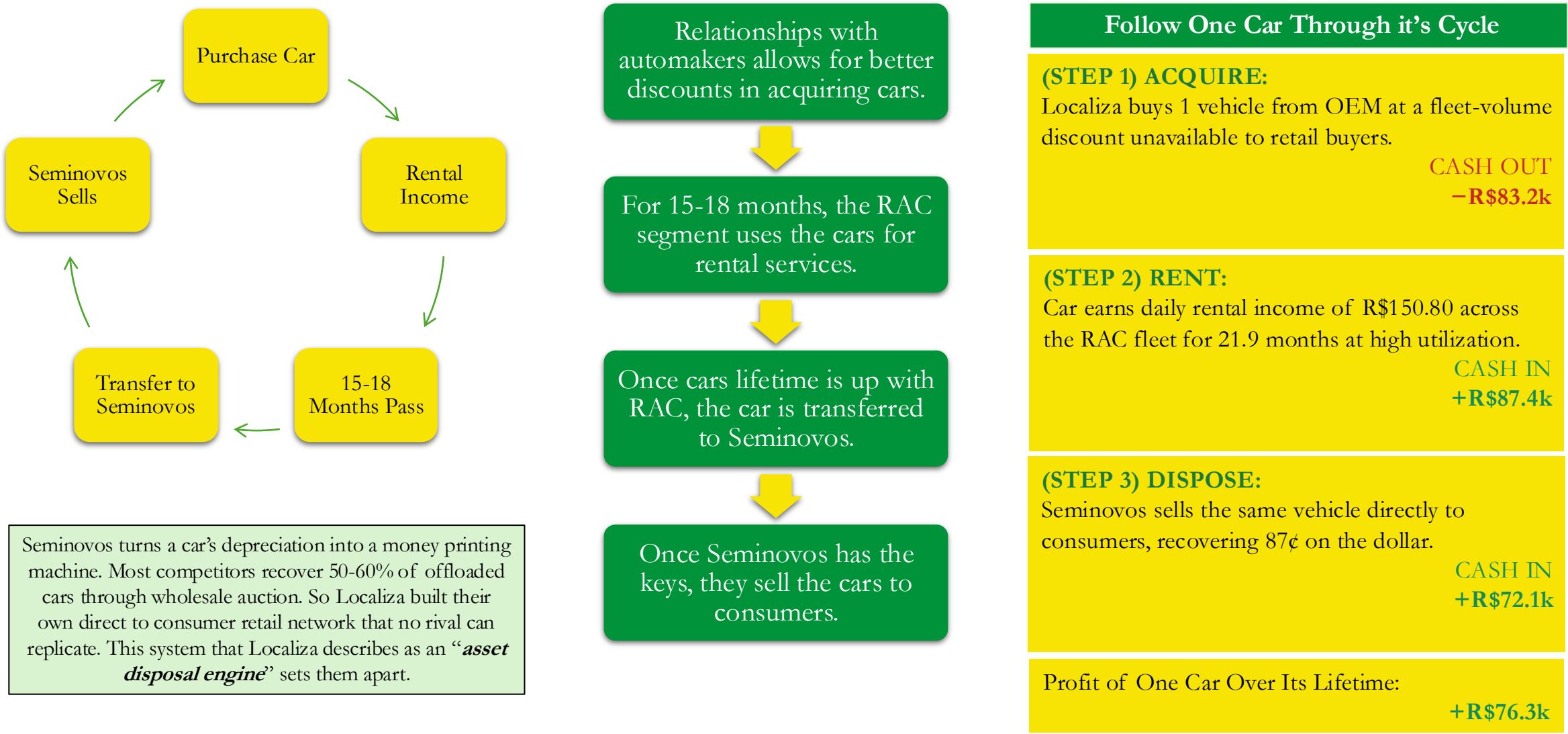
We believe Localiza will see significant upside in the next 3 to 5 years due to their superior business model, expansions and new services and their incredible efficiency as a company.

Investment Timeline: 3-5 years

Localiza’s Business Model What truly helps Localiza stand out amongst its peers is the way all three of its segments work together cohesively to better their return on the cars they own. By having all three segments work hand-in-hand, they can better ensure efficiency, gather more data on customers and get better returns out of their assets.	Localiza’s Expansion into Mexico Localiza created and executed a successful long-term plan in Brazil using all three of their segments. Now, Localiza is looking to copy the same winning formula into a new market in Mexico. Mexico’s rental car space is packed full of competitors with no clear leader, but it is clearly the country that will see an explosion in rental car usage for the foreseeable future.
Localiza’s Newer Service Lines Localiza has established itself firmly in the Brazilian market thanks to its three segments, which each serve a different market in Brazil. However, as a part of the RAC segment, Localiza has two new ventures. Both Meoo and Zarp have promising prospects and have shown enticing results in their short existence.	Localiza’s Unmatched Efficiency In recent years, management has taken the concept of efficiency very seriously and has made numerous steps in trying to make the company as lean as possible. Even though the business has been through an incredibly high period of interest rates and the closing of numerous locations, the business still reached record profitability in FY2025.

Localiza’s “Asset Disposal Engine” and the Circle of Life

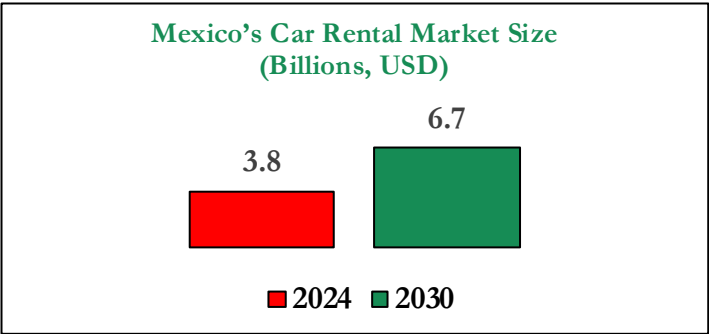
Localiza’s different segments work hand-in-hand, which makes for a steady income machine



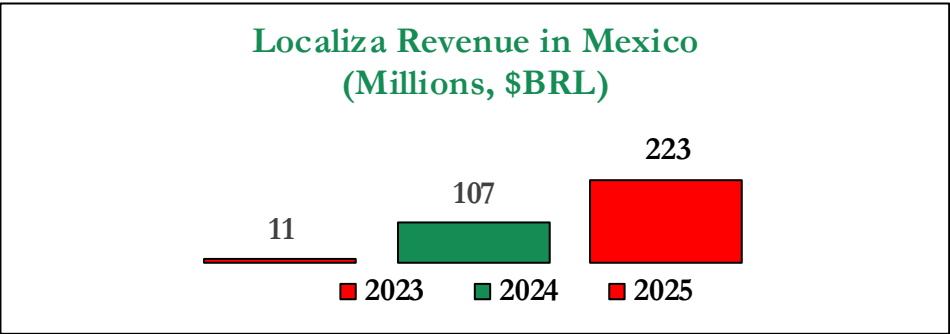
Localiza is set up for success in Mexico



Localiza is expanding into Brazil and looking to replicate their success in Brazil

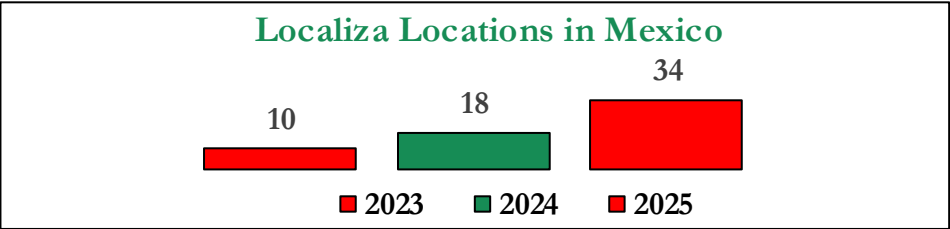


It is worth noting that Localiza’s footprint into Mexico was very minimal until 2025. Only then did they launch their first 5 Seminovos Locations and started up the Fleet segment in Mexico. As each of those segments begin to operate with more locations; the revenue should continue to see a dramatic rise even quicker than what we have already seen.



9.6% CAGR
Growth Rate for the Mexican Car Rental Market According to Grand View Research

7 out of 10 Tourists
To Cancun, Mexico rent a car while on vacation according to the Cancun Sun



Localiza’s management is making a concerted effort into expanding into the Mexican market. The Mexican Car Rental market is expected to have a 9.6% CAGR in the next five years, far outpacing Brazil’s growth rate.

To jumpstart their venture into Mexico, management has strategically placed locations in high-tourism destinations such as Cancun, Mexico City and Tulum. By doing so, they are largely following their blueprint of their success in Brazil.

Mexican culture is a lot less reliant on car ownership than other more developed nations such as the United States. Some consumers find no need to buy a vehicle, and only just rent a car in the rare instance when a vehicle is necessary for them.

“We have users who rent at least three times per month due to work commitments but find no need to own a vehicle the rest of the time.” (CEO of a Mexican Car Rental Competitor)

Sizing Up The Rental Car Competitors in Mexico

	Revenue	Locations	Revenue/# of Locations
Localiza	44	34	1.29
AVIS	60	79	.76
Europcar	~17.5	120	.15
Hertz	59	190	.31

(Europcar figure is an estimate based off available sources; they do not report based off geography)
(Figures include numbers in USD, millions)

Up and coming services for the future

Localiza has both Zarp and Meoo, up and coming products with promising futures

Zarp: Passive Income for Consumers but Heavy Profits for Localiza

Launched in 2021, one of Localiza's growth engines is a service called Zarp. Using RAC's assortment of cars, people can rent a car for a day or even up to a month. Through the rental, they can use the car for gig jobs such as delivering food or hailing rides.



Win-Win for Localiza + Profits from Deal with Uber + No Fees to Uber From Deal

Localiza gets weekly income from each user of Zarp. Zarp connects to the users Uber account and automatically withdraws the weekly rent charge from the user. This allows for an effective way of receiving income with little hassle and potential fraud.

Localiza's Partnership with Uber



Localiza signed an agreement with Uber which allows for customers to rent one of Localiza's cars for the purpose of using it for hailing rides as an Uber driver. What makes the deal great is that Localiza pays nothing to Uber to allow for this partnership continue.

Meoo: Leasing Brand New Cars to Consumers

Launched in 2020, Meoo offers car leases to consumers who want a brand-new car but cannot afford the price of buying one outright.



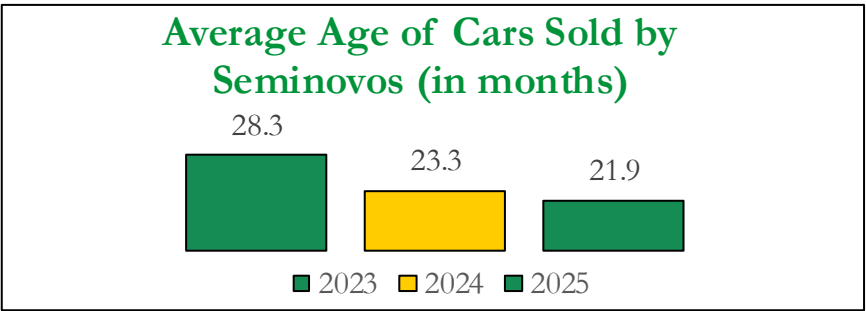
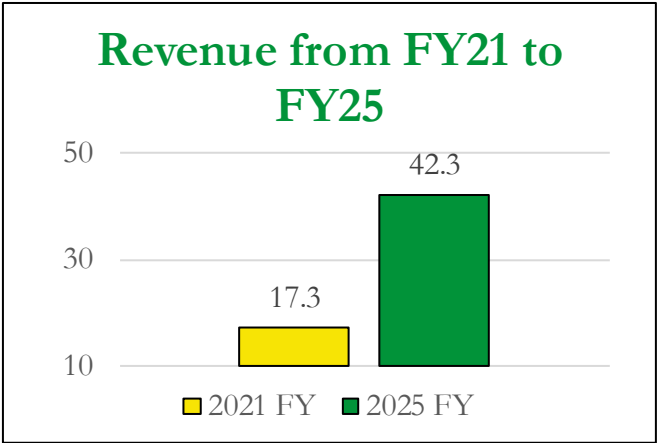
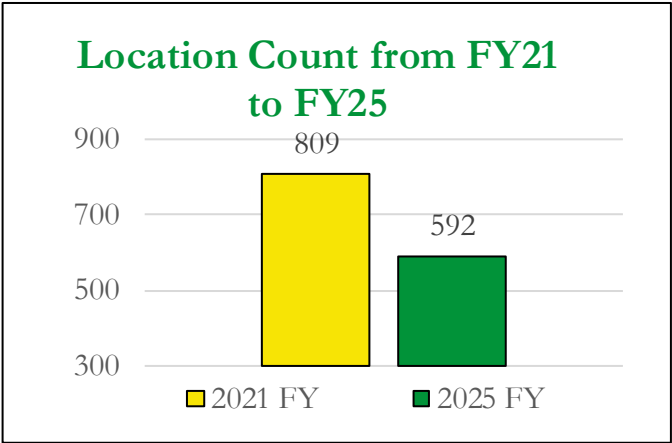
The Meoo Service acts as a gateway to car ownership, which makes it tempting for younger people without the money to purchase a brand-new car.

Signing a contract for a car with Zarp comes with flexibility because obligations such as number of months and mileage are negotiable on the Meoo App. Additionally, the cars can be serviced at any of Localiza's partnered locations.

Once the customer completes its contract with Meoo, the car is returned back to Localiza and the keys are handed to Seminovos, where they sell the car.

Localiza has shown itself to be incredibly efficient

Localiza’s unmatched efficiency makes it near impossible for competitors to compete.



Localiza’s has expressed their goal to get this number to 15-18 months over time, which certainly feels attainable given the trend.

From 2021 to 2025:
Location Count Decreased by 27%
Revenue Increased by 145%

Higher Asset Turnover:
Seminovos revenue share rising from 49% to 54% of revenue signals more revenue per dollar of fleet invested.

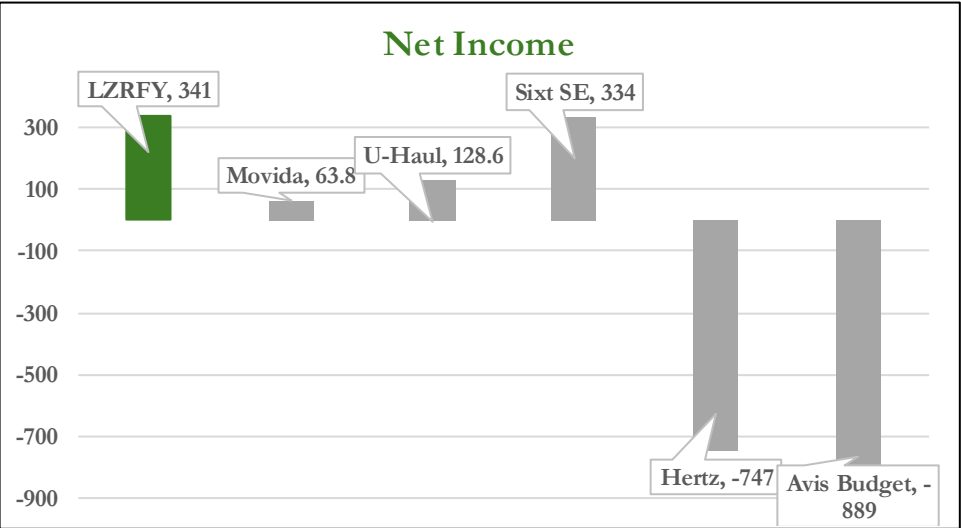
Higher Utilization Rates than Industry Average:
As illustrated previously, the utilization rates for Localiza are much higher than the rest of the industry, demonstrating an efficient business model.

	Interest Rates	Cars Bought	% Growth YoY
2021	9.25	83,382	
2022	13.75	170,750	105%
2023	11.75	172,620	1%
2024	12.25	192,668	12%
2025	15	191,020	-1%

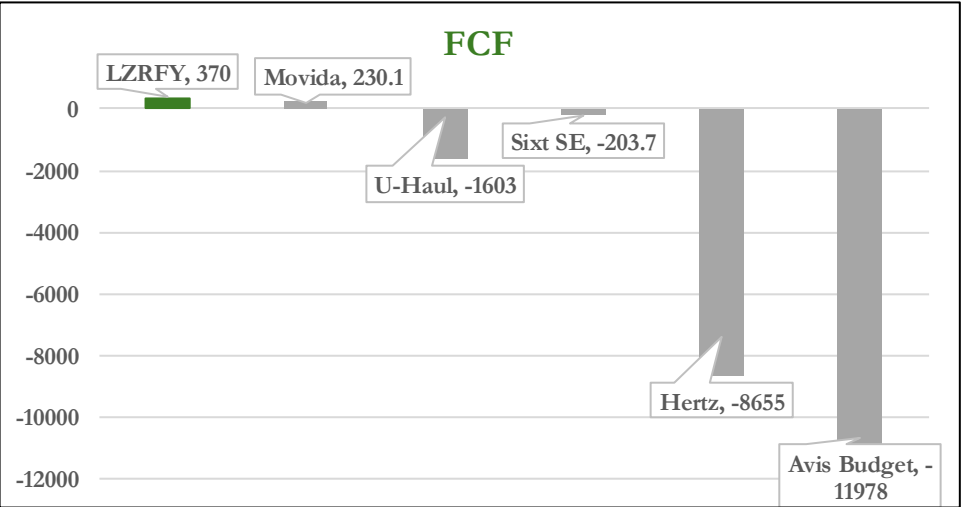
What the graph above shows is the number of cars Localiza bought compared to Brazil’s interest rates. The percent growth YoY is much higher in years where the rates were below the extremely high percents they are now. This shows great efficiency on the part of management.

The Competition Hertz to Look At

We tried to do compare Localiza to its nearest competitors, but the competitors were so bad that we couldn't.



(Both of these figures include numbers in USD, millions)



In terms of net income, Localiza's competitors fail to compare against Localiza. Both American competitors (Hertz and Avis) fail to show positive net income and positive free cash flow. Main Brazilian competitor Movida has positive free cash flow and net income, but both figures fail to reach the benchmarks set by Localiza.

	Positive Free Cash Flow	Positive Net Income	Utilization Rate Above 85%	Growing Revenue YoY
Localiza	✓	✓	✓	✓
Hertz	✗	✗	✗	✗
AVIS	✗	✗	✗	✗
U-HAUL	✗	✓	?	✓
SIXT	✗	✓	?	✓
movida	✓	✓	✗	✓

It remains incredibly unlikely that Localiza would see any significant threats from American brands such as Hertz and Avis given both have poor financial and growth metrics. Instead, they must focus on their domestic brand instead of focusing internationally on locations such as Brazil or even more broadly in the Latin American market.

When modelling out, Localiza has a massive upside



Using a Discounted Cash Flow analysis, we came up with an implied share price increase of 110%.

Unlevered Free Cash Flow (mm, except Share price)										
Fiscal Year	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Unlevered Free Cash Flow	1,109	5,955	7,384	4,202	9,121	9,759.86	10,443.05	11,174.07	11,956.25	12,793.19
Projection Year						1	2	3	4	5
Present Value of Free Cash Flow						\$ 8,637.05	\$ 8,178.44	\$ 7,744.19	\$ 7,332.99	\$ 6,943.63

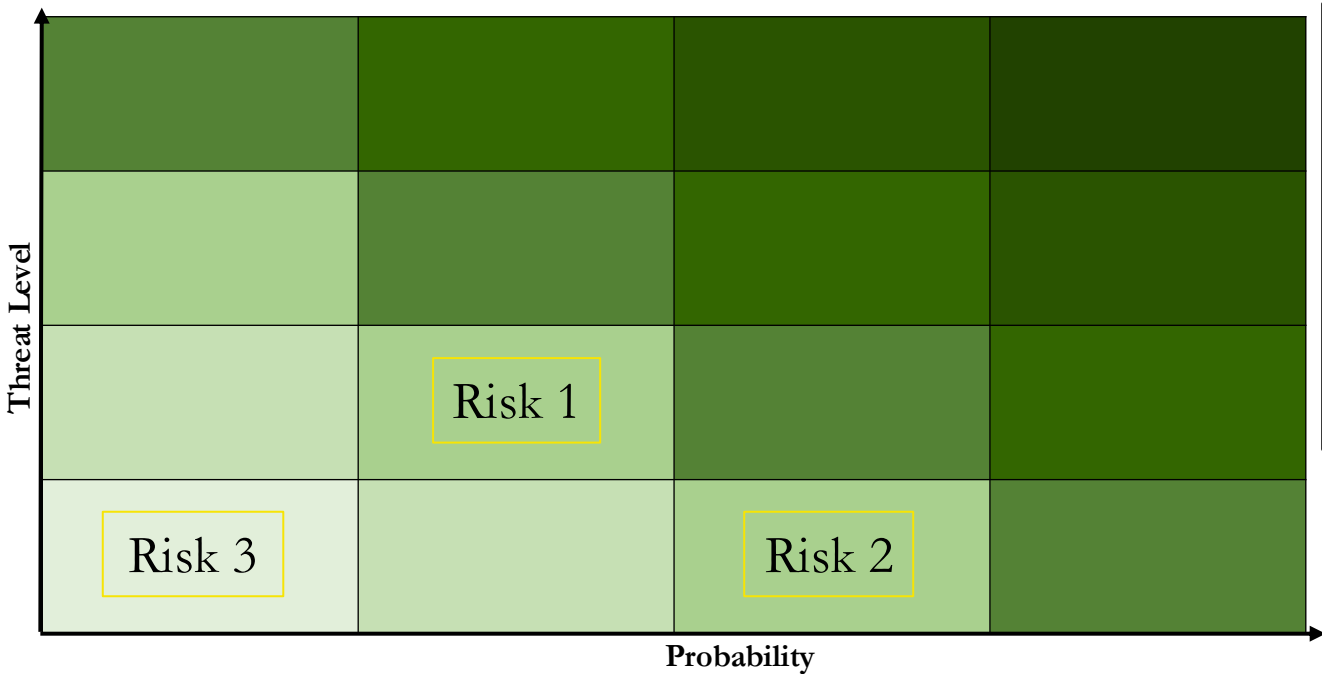
Sensitivity Table								
\$ 103.47	11.5%	12.0%	12.5%	13.00%	13.5%	14.0%	14.5%	
1.50%	\$ 113.08	\$ 107.08	\$ 101.59	\$ 96.54	\$ 91.89	\$ 87.58	\$ 83.58	
2.0%	\$ 116.23	\$ 109.79	\$ 103.93	\$ 98.57	\$ 93.64	\$ 89.10	\$ 84.90	
2.5%	\$ 119.81	\$ 112.87	\$ 106.59	\$ 100.87	\$ 95.63	\$ 90.83	\$ 86.39	
3.0%	\$ 123.90	\$ 116.38	\$ 109.61	\$ 103.47	\$ 97.89	\$ 92.78	\$ 88.09	
3.5%	\$ 128.61	\$ 120.39	\$ 113.05	\$ 106.43	\$ 100.44	\$ 94.99	\$ 90.00	
4.0%	\$ 134.04	\$ 125.00	\$ 116.98	\$ 109.80	\$ 103.34	\$ 97.50	\$ 92.17	
4.5%	\$ 140.35	\$ 130.32	\$ 121.49	\$ 113.65	\$ 106.65	\$ 100.34	\$ 94.63	

Admittedly, a Terminal Growth Rate of 3% is aggressive, however we believe due to the fantastic structure of the business and the growth opportunities ahead, this figure is certainly attainable.

Implied Share Price Calculation	
Sum of PV of FCF	\$ 38,836.30
Terminal Growth Rate	3.00%
WACC	13.00%
Terminal value	\$ 136,887.12
PV of Terminal Value	\$ 118,080.03
Enterprise Value	\$ 156,916.33
(+) Cash	\$ 1,705.00
(-) Debt	\$ 45,320.00
(-) Minority Interest	\$ -
Equity Value	\$ 113,301.33
Diluted Shares Outstanding (m)	1,095.00
Implied Share Price	\$ 103.47

Potential Risks for Localiza and Investment Summary

Localiza has a promising future, but there are several things that could negatively impact the outlook of the company.



Risk 1: With a Presidential Election coming up in October of this year, current President Lula is running for reelection. With this the economic policy of Brazil could see a shift if the incumbent is not reelected. Whether or not he is reelected isn't decided yet, but either way the election poses no tangible threat to the company as the rental car and tourism industries should continue their upward trends.

Risk 2: The interest rates of Brazil have been sitting on record-highs, with a rise of 12.25% over the last 5 years. However, the Central Bank of Brazil has a target of 8% by 2030. While projecting out until 2030 is difficult, rate levels should have little impact on whether or not Localiza can continue expanding given that Localiza doubled net income in a high-interest rate environment.

Risk 3: Any business deals with the threat of new entrants or the expansion of competitors. It is in fact true that American companies do exist with very similar business models and bigger market capitalizations. However, Localiza was Brazil's very first rental car company and is still go-to for rental cars in Brazil. It is possible for a domestic competitor or an American competitor to give Localiza a run for their money, but regardless they face a tough road ahead to do so given the barriers of entry involved with building locations.

Risk 1:

Risk 2:

Risk 3:

Brazilian Political Instability

Interest Rates

Loss of Market Share

"[Rates] at elevated levels for longer than expected could lead to lower returns for the company and to a reduction in EPS growth."
– J.P. Morgan (2026)

Investment Summary	
Street's View	• UBS has a "Neutral" rating as of March 26th • J.P. Morgan has a price target of R\$63 • XP Securities has a price target of R\$65
Our View	• Our DCF model has a projected return of over 100% (R\$103), by 2030

Sources:

Localiza Earnings: [Localiza Earnings](#)

Movida Earnings: [Movida Earnings](#)

Budget.com: <https://www.budget.com/en/locations/br>

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J.P. Morgan Localiza Preview: Available with Bloomberg Terminal

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Alguma pergunta?
(Any Questions in Portugese)

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Winners – Spring '26
SIG Stock Pitch



LONG: LZRFY

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