Conference Call Transcript
4Q21 Results
Aeris Energy (AERI3 BZ)
February 18, 2022

Operator:

Good morning, and thank you for waiting. Welcome to Aeris Energy's 4Q21 earnings conference call. Today, with us we have: Bruno Vilela, CEO of Aeris Energy, and Mr. Bruno Lolli, Planning and Investor Relations Officer.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After the presentation, we will begin a question and answer session, when further instructions will be given. Should you need any assistance during the conference, please, request the operator's help by pressing star 0.

This event is also being broadcast simultaneously over the internet, via webcast, and can be accessed at the address www.ri.aerisenergy.com.br, where this presentation is also available. The selection of slides will be controlled by the presentation team. The replay of this event will be available shortly after it has concluded.

We remind you that the webcast participants can submit questions to Aeris Energy via website that will be answered after the end of the conference by the IR area.

Before proceeding, we would like to point out that any forward-looking statements that may be made during this conference call about Aeris Energy's business outlook and operating and financial targets and projections are based on the beliefs and assumptions of Company's Management, as well as on information currently available to Aeris Energy. Forward-looking statements are not guarantees of performance, They involve risks, uncertainties and assumptions because they refer to future events and, therefore, depend on circumstances that may or may not occur. Investors and analysts should understand that general conditions, sector conditions and other operating factors may affect the future results of Aeris Energy and lead to results that differ materially from those expressed in such forward-looking statements.

I would now like to turn the floor over to Mr. Bruno Vilela, who will start the presentation. Please, Mr. Vilela, you may proceed.

Bruno Vilela:

Good morning, everyone. We would like to thank everyone for participating, and we are also available to answer questions after the call, or even at specific meetings over the next few weeks.

Let's begin by talking a little about the highlights before we get into the 2021 results and discuss the market. When we discuss the market, we'll analyze the long, short and medium-term, and when we talk about Aeris, we will look at the short, medium and then the long-term aspects.

Regarding the wind energy market, what do we see for the long term? We see very high demand, especially if we look at all the goals that governments are discussing. Let's take, for example, the Net Zero for 2050. This is a goal already known to everyone, it is in the media almost every day.

If we consider this goal, we will have a growth of more than 4x in wind energy installation in the coming years. This is necessary to reach the Net Zero.

When we talk about the long-term, we're talking about mid-2024 and beyond, and the industry discusses this a lot, how this demand will be a very big demand. It's a bit repressed now, the bottleneck won't be the demand but the industry's ability to deliver. So many things we're doing today are aimed at being prepared for when that demand comes in. We will try to make this a little clearer.

So, we believe that the demand will be almost infinite for the industry’s capacity and the bottleneck will be in the supply chain. And we mean not only onshore, but offshore also. For both, worldwide. There will be offshore and onshore demand all over the world. You are already seeing a lot of discussion and goals being set in the countries.

But then, the question we've been hearing a lot is: “ok, but what about short and medium-term demand, what's happening with Aeris' competitors and Aeris' customers as well?”.

In the short and medium-term, we have two main variables that are causing the market to repress this demand a bit and making results more difficult, especially for our customers. What is harming results? Basically, the inflation in raw materials, as well as logistics costs. This impacts their results.

But another variable that is also repressing demand a bit is regulation, as well as the benefit packages. There is still uncertainty about this in several countries.

Let's take, for example, the Biden package that hasn't been released yet. Let's also take the offshore decree in Brazil, which was released but still issues that need to be defined, such as the environmental license.

Since turbine manufacturers are having to adjust turbine prices due to inflation, and there is still a lot of uncertainty in the benefit packages, investors, the owners of wind farms, are waiting for the market to calm down to get more clarity regarding these definitions before making investments.

So we know this is repressed, we there is a lot of talk, it's not that demand is zero, but it will come even strong after 2023, and we believe more in mid-2024 scenario. Because the inflationary issue will continue in 2022 until the beginning of 2023, this is a consensus for both inflation and maritime costs.

This is a little on the market. So, let's talk a bit about Aeris since we already discussed the market a little. For Aeris, it's better to talk about the short and medium-term first, and then the long-term. So what is our focus now, since this demand is a little bit repressed? We are very well positioned because, in periods with repressed demand, we have a gigantic backlog. We are talking about a backlog, to be delivered by 2024, from R$9 billion to R$10 billion. So what are we doing internally? We have to take advantage of this backlog in the smartest way possible to prepare for this expansion period.

So, one of the topics I would like to update you on, and that we consider to be strategic, is the partnership with Falconi. It is not just a relationship between a company and a consultancy firm, but a partnership that we structured differently, where Falconi is a partner in Aeris because half of their remuneration will be paid in shares.

Why did we structure it this way? Because we want to be 100% aligned in improving the Company's indicators. By improving the Company's indicators, we know that our shares will appreciate in value, and then everyone wins at the end.

So, we decided to do it this way because, when we place a strategic partner inside the Company, we don't need to keep discussing the scope in the long-term. Scope is discussed almost daily and strategically, and it will always change when we have potential for improvement.

In relation to the work being done in these first 12 months, we are working very hard on three fronts. We can put it another way, not talking about fronts, but looking at efficiency, producing as much as possible at the lowest cost, whether in terms of raw materials or labor efficiency. So, we have a goal-driven program that unfolds from the Company's CEO to all employees, reaching the factory floor. This makes everyone aligned and in pursuit of the same goals.

We also have significant work being done in terms of culture, in what we want to engage with our employees, and also a strong work being done in team development. We want to develop people to have a stronger team.

And one last effort, which is one of the most important, is the standardization process as it serves both for efficiency, to produce as quickly and efficiently as possible, but it and also helps in replicating processes. When we talk about expansion, once everything is standardized, it will be easier to overcome new challenges.

Speaking a bit on the long-term, what will Aeris look like in 2024? By doing what we are doing in the short and medium-term, which is focusing on efficiency, standardizations to help repeatability, and building strong teams, we will very prepared to grow because we will be very solid, not only financially due to efficiency and cash, but also with a very strong team, and this team will look for new challenges. It's different when you seek to expand with a team that isn't ready yet. We will have a very well-prepared, strong and engaged team, and processes will already be standardized.

So, when this demand arrives, we will be ready to expand, either in Brazil or to other markets more strategic for us.

Moving on to the next slide 3, where we show the basic key indicators for 4Q21. We had a net income of R$18.1 million in the last quarter and R$69.2 million in 2021. Our accumulated ROIC was 12.3% and investments in the last quarter reached R$64.7 million, totaling R$394.4 million in 2021.

Our net revenue was R$589.1 million at the end of the quarter, and R$2,486.2 million for the year of 2021. Our EBITDA in the last quarter was R$67.3 million, accumulating at R$247.4 million for the year.

These were the highlights for some of our indicators, but we accomplished a lot in 2021. And I would like to highlight two things. While we see some of our clients lost backlog, we increased our backlog in 2021. We went from approximately 8.8 GW in demand to 11.8 GW, growing almost 3 GW, and we refinanced all our debt. This debt refinancing enables us to spend less than 20% of our current cash over the next two years. So we are very well in relation to that.

And in terms of revenue for 2022, already talking a bit about this backlog and efficiency that we mentioned on the slide above, if we get the middle of our guidance right, our revenue will grow

45% in 2022, compared to R$2.5 billion in 2021.

These were the key messages and indicators that I wanted to update you on, and now I will give the floor to Bruno Lolli so he can provide more information, especially in terms of financial indicators.

Bruno Lolli:

Thank you, Vilela. Good morning, everyone. I'll start on slide 4, which shows the breakdown of ROIC in two dimensions, invested capital and NOPAT. In 2021, the average invested capital grew almost 60% compared to 2020 and, compared to 2019, we went from something around R$400 million of invested capital to almost R$1.5 billion.

This is a very important growth rate for invested capital, and then I have to remind you of the Company's dynamics. First, we sign the contracts, carry out the investments during a certain period, which can last from six to nine months without having any income associated with this new investment. Much of what we talk about in terms of invested capital is associated with fixed assets for us to install production lines and produce for clients. And in the following year, we begin to install lines and have a factory that we call as "non-mature".

So, it is natural that when increase invested capital, we have a mismatch from one and half years to two years before we start having interesting returns on this capital. So, the faster the Company grows, the more negatively impacted ROIC is in the short-term, but when these lines that are non-mature today are stabilized, the Company is able to capture much more the value on a greater invested capital, when these lines reach maturity.

NOPAT in 2020 and 2021 was from R$180 to R$200 million. So, we continue to grow and capture value, but on top of a larger capital base, and that explains the drop in ROIC in the last 12 months as we prepare for the years of 2022 and 2023.

Moving on to slide 5, we can clearly see this dynamic that I mentioned on the previous slide. Here is an up close view of the results in 4Q21. Here, we can see that nearly half of the Company's invested capital is allocated to pre-operational and non-mature lines. The result of these lines in the quarter is very close to zero, mainly due to the maturity stage of these projects. When we look at mature lines, they already deliver an annualized return above 25%, which is the Company's target.

I think it is also worth mentioning the services division, which as relatively small invested capital but is very strategic, in our view, as it gains more relevance quarter after quarter, with very important results. So, in addition to the strategic role, it also has a very important value-creation role. In consolidated numbers, we began to report an annualized return of 15.3% in this quarter.

Now on slide 6, we illustrate the revenue breakdown in the markets we operate. In this last quarter, 70% of volume was in the Brazilian market, and we project that Brazil's proportion, in terms of revenue from sales of blades as a percentage of Company's total revenue, will be even higher. Of the 17 production lines we operated this year, 15 are dedicated almost exclusively to the local market.

So, revenue in 2021 compared to 2020 increased by 12.6%, and the service revenue began to account for more than 4% over the total revenue, which is an important detail. The challenge we have is to maintain revenue from services from 3% to 5% of total revenue, remembering that we have grown significantly in revenue from sales of blades through the backlog that Vilela already mentioned.

Moving on to slide 7, we can see that, especially on the graph on the right, the EBITDA margin increased over the course of this year. Here, we have a combination of two effects, which explains this improvement in margins: We had operational improvement, especially in the non-mature lines as they started their non-maturity period and result are growing every quarter.

Also, remembering that when we sign a new contract, we have to achieve certain milestones for us to receive a ramp up fee. In practically all contracts signed by the Company in the past, there is revenue associated with the contract that positively impacts and provides a cushion for the negative effects from the start of production. The graph on the left shows the evolution, year by year. So, the 12-month accumulated EBITDA reached R$247.4 million in 2021.

Moving on to slide 8, Vilela has already commented this, in 2021, we concluded the most important expansion cycle for the Company. In the 4Q, we allocated R$64.7 million in investments. In 2022, investment volumes will be much lower than in 2021, as already disclosed in the guidance. So, the Company ends this cycle with what we call as an installed technical capacity of 9 GW/year. We managed to install around 20 production lines at the Company, with 17 lines already hired for 2021.

When we look at slide 9, the evolution of the end of 2020 compared to 2021 becomes clearer. Here, I show the evolution of the Company's uses and sources. Fixed assets went from R$622 million to R$977 million, but when we compare reais per GW/year of installed capacity, it went from R$103 million to R$109 million, while the need for working capital went from R$782 million to R$588 million. The fairest comparison here is in revenue days, which is our cash conversion cycle. We went from 94 revenue days to 90 days.

An important point for us to notice at the end of the fourth quarter is that we had a significant improvement in average receivables from clients in the period. Some events allowed us to receive advances related to contractual milestones, and we also had improved the average term of inventory for raw material. The most important improvement, in practice, was in the relationship with suppliers. We achieved a better average effective payment term. Unfortunately, some of this improvement is destroyed with the large increase in the average transit time of materials.

So we continue to be negatively affected by that. We think 2022 will likely be a very challenging year in terms of global logistics, but we have seen a lot of effort from our supply chain team to ensure that the factory is adequately supplied, that we have adequate inventory levels and that transit time is shorter that what we currently have.

The most non-recurring highlight of this quarter was the extraordinary volume of in-process products in our inventory, and this is naturally associated with ramp ups. The more intense the ramp ups are, the greater is the manufacturing cycle at the beginning, and when the line reaches maturity this cycle reduces a lot. But we also special events at these ramp ups, especially at the end of the year, when there are slightly longer delays in revenue from blades, and this tends to be resolved now in the first quarter of 2022.

Looking at the sources of funds, the Company's capital structure at the end of 2020 had an equity of 69%. This index dropped to 64% at the end of 2021, but remembering that we made very important investments throughout the year. Leverage remains under control, it is at 2.3x, and when we look at coverage for gross debt, we had 62% of gross debt covered by cash at the end of 2020, which now is currently at 61%.

This corresponds to a cash position of 137 revenue days. In our understanding, this is higher than the optimal cash level, but it was the Company's decision to anticipate financial operations, especially the second issuance of debentures, to ensure that, in 2022, a year that tends to be more volatile in terms of financial market, we do not need to access the market to raise funds. The cash position is very comfortable to meet the growth projected for 2022.

Vilela already commented that our debt refinancing plan in 2021 allowed us to reduce the average cost of third-party debt, from CDI+5% to CDI+2.4%, and the main factor was the extension of this debt maturity, from 1.2 to 3.5 years, which is shown on slide 10. So, basically, from our cash position of almost R$900 million, our financial obligations until 2024 are equivalent to around 40% of that.

So the Company is very well positioned to grow. The strongest growth tends to be now in 2022, especially in the second half of the year, when all lines are mature. So, we project revenue growth of more than 30%, in the middle of our 45% guidance range, compared to 2021.

Moving on to slide 11, Vilela also commented on orders covered by long-term contracts. I would like to highlight that we have a potential revenue already hired, of R$9.4 billion, and the average power of the wind turbines that are covered in this backlog already reaches 5 MW.

In fact, the line of products we are currently producing with signed contracts for wind turbines are much larger size than the ones we delivered last year. There are operational challenges associated with this, obviously, but the Company is well-prepared to overcome them.

In 2021, we sold practically twice as much as we manufactured. So, the Company continues with a very good commercial performance to support the growth we have been reporting.

Now on slide 12, we show the contract evolution, the production lines that are covered by contracts. In 2022, the volume of line transitions has already greatly reduced. We basically have the decommissioning of a very old line and the installation of a product line that we already manufacture.

What we also look at in terms of the maturity of the lines, when we reach the middle of the year, is that all the products we manufacture will have been produced for over a year. Even the lines that were installed now in the 4th quarter are already mature product lines.

So, the trend is that the Company's results will be slightly affected in 1H22 due to non-mature lines, but as of the middle of the year, margins and returns will already be at higher levels due to the maturity of the lines.

On slide 13, and to conclude our presentation, we show our compliance with the four indicators we disclosed in our guidance in September. We had a production of 3.1 GW in 2021 and a revenue of just under R$2.5 billion. EBITDA reached to top of the indicative range and a CAPEX of R$394 million.

For 2022, we maintain the projections originally disclosed and any changes may be informed during the year, depending on the commercial developments of the negotiations we are having with our current clients at the moment.

This concludes my presentation; I now give the floor back to the operator.

Lucas Lage, XP Investments:

Good morning. We have a few questions regarding the outcome. Firstly, we saw an important evolution in EBITDA margin in this 4Q, which was 13.1% and had a sequential improvement even if we exclude the effect from the ramp up fee, also because there was the recognition of this revenue in the 3Q. So, I would like to understand a bit more of what led to this improvement. Was it a better performance of the non-mature lines,? Was it the start-up of lines that were pre-operational? Was it a better performance in the mature lines themselves, that continue to improve ROIC when comparing the quarters? I would like to understand this margin improvement in the 4Q a little better.

And another point is the margin perspectives for 2022. If we take the guidance for 2022, the expected top margin level for the year is in line with what was reported now in the 4Q. Intuitively, we would assume an improvement in profitability throughout the year as the non-mature lines mature, which would cause the margin to surpass the top. So, I would like to understand what might be able to offset this profitability. And will you eventually not recognize ramp up fees in 2022 as you did in 2021? Just to get your vision in relation to profitability throughout 2022. Thank you.

Bruno Lolli:

Thank you, Lucas. Good morning. Starting with the margins of the quarter itself and the evolution, the main reason for this is the maturation of the non-mature lines. During this first year of production, margins start very low and they grow at a very good speed. I think I even mentioned last quarter that they tend to reach breakeven in the third quarter of manufacturing.

So, we started to have non-mature lines contributing more positively to the margins. In addition, we had the recognition of ramp up fees in this 4Q21.

When we look at the dynamics of 2022, the 1st semester is worse than the 2nd semester, clearly due to the maturation of the lines. And when we look at the projection of results, margins for the year tend to be relatively close to the margins of 2021, but there is an important factor: despite improving operational performance and the average maturity of the lines, we had a relevant growth in costs of direct materials.

So, the average price of materials is higher than in 2021. These amounts are passed on to clients. So, it is natural that we have first-line growth, with revenue growth as a result, but cost growth is basically the same size.

So, the margin percentage is a little lower in this situation with high unit cost of raw materials. And then, exchange rate is also relevant for the margin percentage.

Just to remind you, we passed on the variation in material prices and we passed on variations in exchange rate. But the more depreciated the Real gets, the more expensive raw materials get and our margin percentage gets lower due to this effect.

In general terms, the Company prefers to monitor the evolution of results by return on average invested capital and not on margin, precisely because there are factors that we do not control and they do not significantly affect our return, such as exchange variation and the unit price of materials.

Lucas Lage:

Perfect. So, in the end, it makes sense to think that maybe there will not a big margin growth, but a ROIC growth, given all this dynamic.

Bruno Lolli:

Correct. And remembering it is very likely that we will have a positive evolution of margins throughout 2022. They start affected by the ramp ups and, from the middle of the year onward, this effect tends to disappear.

Lucas Lage:

Perfect. Very clear. Thank you and good day.

Valter Batista (via webcast):

Good morning. I would like to know more details about the prototyping of parts for electric vehicle batteries, if it is already in the final phase, and attracting clients. Thank you.

Bruno Vilela:

Good morning, Valter. Yes, the client already exists. We are not making a prototype to then look for the client. The prototype is a result of a specific demand from a client.

But I think the most relevant thing to update you on this is that we now have a dedicated team to look for these new opportunities. We hired two executives, one who came from Embraer and the other from Iveco, to focus 100% on these opportunities to supply parts for the automotive sector, especially at the beginning, linked to this transition to electric vehicles.

That's it. The client already exists, we already have a commercial negotiation with this client, and now we have a fully dedicated team that can focus 100% on this new Aeris business unit.

Fernanda, BTG Pactual:

Good morning. Thank you for taking my question. I have two questions. The first, actually, is a follow on the margin issue, just to understand it a bit more, can you explain the effect that improves margins of mature blades and ramp up fees? In the release you state that the ramp up fees had an impact of approximately half of the gross margin increase, about 170 bps of the margin improvement was due to ramp up fees, representing an effect of about R$10 million. I would like to understand if it we could assume this in EBITDA, and what would you recommend as an EBITDA margin excluding ramp up fees, as you mentioned in the release for the gross margin.

And the second, Vilela talked about offshore and the decree we had at the beginning of this year. I would like to understand what you think, if somehow this ends up accelerating the possibility of offering offshore blades to Brazil. A client had an event with ABEEólica and they believe that, next year, it will be possible to have an A-7 auction for offshore. I would like to know what you think about that. Thank you.

Bruno Vilela:

Good morning, Fernanda. As I mentioned, there are still some definitions that need to be clearer for investors in terms of offshore in Brazil, and the main ones are related to licensing. So, even for this auction to take place, no one will 'bid' in the auction without knowing what the rules are.

Yes, we believe that seven years from now, if there is an A-7, the rules will be clearer, but they have to be clear for the auction. So, we believe it will be delayed a bit, but it will be a smaller auction. I wouldn't say an A-7, maybe back to those A-5 issues. But this is more of a government issue. It's an estimate, ABEEólica has a lot of contact with them, but that's our view.

We are able to supply to the offshore market, because the blades are very similar and our growth in the last few years already allows us since the buildings are big enough. And we believe we will supply to the American offshore market before supplying to the Brazilian offshore market, because the American offshore market is already a reality, the rules are already clear and demand is already defined, with investors already looking for and signing contracts with the turbine manufacturers.

So, it is already a reality there, which is moving slowly, and we believe we will have a very large growth when the Biden package is defined and disclosed, which is one of the uncertainties that is making demand a bit repressed.

Lolli will answer the first part of your question.

Bruno Lolli:

Good morning, Fernanda. Thanks for the questions. Regarding gross margin, yes, you are correct, the variation against the 3Q was the ramp up fee of about R$10 million. In the year, we recognized from R$35 million to R$45 million in ramp up fee associated with the contracts we signed in 2021. If we exclude this effect, the average gross margin for the year would have been 10.1%.

It is quite unfair to say this, because what causes gross margin to reduce at the beginning of the contracts is that, when we start, we hire a lot of people, we train a lot of people, and this most "painful" phase, the start of manufacturing phase, so we price the ramp up fee and negotiate with the client precisely to mitigate this effect. So, our margin wouldn't have been 10.1% without the ramp up fees, it would have been better because, without the ramp up fees, we wouldn't have new contracts, and we wouldn't have non-mature lines, only contracts for mature lines.

So, this is a natural dynamic of the business at the beginning, to have worse results and margins, partially absorbed and partially benefited by the receipt of ramp up fees.

Fernanda:

Great. Lolli, just a follow up for this margin issue, thinking in terms of EBITDA, could we assume more or less R$10 million in impact on EBITDA, or is the magnitude cause a different impact on EBITDA and gross margin? Just this point, please.

Bruno Lolli:

The impact is equivalent, you're right. This was the difference compared to the third quarter. In fact, EBITDA excluding ramp up fees in the third quarter was even better than in the fourth quarter.

Fernanda:

Thank you.

Josh, Morgan Stanley:

Good morning. Thank you for the call and the comments. My question is if you could update us on the production issue that you've been having with Siemens Gamesa, which was highlighted in the last call of your client's results. And I wanted to know if you had any progress in overcoming these problems, and also if this threatens your prospects of reaching your guidance in 2022 in any way.

And if I can add one more related question, also regarding you clients, do you see other risks in terms of the possibility of orders being deferred, the challenges that turbine manufacturers are facing today and that you have already paid. That is my question.

Bruno Vilela:

Good morning, Josh. First, about this Siemens Gamesa situation, it's a little sensitive for us to comment due to our confidentiality rules in the contract, so we can't discuss this too much.

But what we can say is that yes, the solution is already being implemented. And looking at our side, the Aeris side, we already signed a new agreement with them that guarantees all the margin we would expect to have with this project.

So, we're pretty sure that if we change anything in the guidance, it's just going to be in terms of revenue. Regarding the last line, we are very clear in the contract that it will not be affected. So, we have no concerns regarding this contract, and we believe the technical solution being implemented now will also resolve this situation.

The end of your question, Josh, I don't know if I understood correctly, because the audio wasn't good, but I think it was in relation to the difficulties that our clients are facing in relation to the price of raw materials. Was that it?

Josh:

That was it, and also the challenge with logistics. I asked because it seems difficult to imagine that you will be immune to these pressures since manufacturers are really having a hard time with this. Do you see this with Siemens Gamesa, Vestas? There was a manufacturer in India that is also having serious financial problems.

Bruno Vilela:

That's clear, Josh. So what is our situation and what is our strategy? Our situation is that, for us, due to the contract structure, we are not directly affected since we are able to pass on all costs, both for increases in raw material or more expensive logistics.

It affects a little because, like it or not, it affects capital. We may need to have a bit more inventory as well to avoid any shortage of raw materials due to logistical challenges, but the big numbers don't affect us that much.

But of course, with the partnership with Falconi and the partnership with these clients, we are seeking much greater efficiency than we had planned. And yes, we've already discussed this with some clients, that we can change a bit of the efficiency we achieved, which is more than we had planned, but not changing our guidance but we could increase our guidance, changing this for future demands, always with a long-term vision. As we always tell you, our vision is not short-term because, deep down, all executives are shareholders of the Company. And secondly, we don't price blades, we price contracts, and what interests us most is the ROIC of the contract. So, by increasing a contract, either in terms of deadlines or volume within the deadline, we greatly increased ROIC, and that is what we are going to look for.

In short, due to the contract structure, we are confident because we have use the pass through rule for price increases, whether for logistics or material raw material, but we will use this for the benefit of improving our relationship with clients, becoming a partner during this difficult time for them. But, on the other hand, also gaining volumes higher than we were planning, thus increasing the Company's ROIC.

I don't know if it was clear, but we can discuss this further after the call to answer any specific questions. But this is our vision, this is our strategy.

Josh:

Perfect. That was clear, yes. Thank you.

Operator:

Excuse me. We now end the Q&A session. I would like to turn the floor to Mr. Vilela for his final remarks. You may proceed.

Bruno Vilela:

Good morning again, everyone. My final remarks will be very summarized. I will talk just a little about the macro view. Our long-term view is of infinite demand and the bottleneck will be the supply chain. We are preparing ourselves internally and with our new partner Falconi, a shareholder partner, we can be fully qualified in terms of finances, processes, or people, to carry out the expansion required to meet this increase in repressed demand that will come strongly as of the 2nd half of 2024.

As in Josh's last question, the clients' reality in the very short term, which is 2022, is very challenging. We do not suffer because of our contract structure, but it is a consolidated market, where partnerships reign. So, yes, we will be able to take advantage of this situation to further increase our volumes with these clients in the long term, and therefor improve the Company's projected ROIC.

These are my final remarks. Thank you all for participating and we look forward to a smoother 2022, with the pandemic reducing the challenges it caused on over these past two years. Thank you.

Operator:

Aeris Energy’s conference call has now ended. Thank you all for joining us. Have a nice day.