

Conference Call Transcript

4Q24 Results

Ultra (UGPA3 BZ)

February 27, 2025

Operator:

Welcome to Ultrapar's 4Q24 results conference call.

There is also a simultaneous webcast that may be accessed through Ultrapar's website at ri.ultra.com.br and MZiQ platform.

The presentation will be conducted by Mr. Rodrigo Pizzinatto, Ultrapar's Chief Financial and Investor Relations Officer. In the Q&A session, we will have the presence of Mr. Marcos Lutz, Ultrapar's CEO; and the CEOs of Ultragaz and Ultracargo, Tabajara Bertelli and Decio Amaral, respectively. We will also have Mr. Pedro Guedes and Sebastião Furquim, CFO and VP of Operations of Ipiranga, respectively.

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 Ultrapar's remarks, there will be a Q&A session. At this time, further instructions will be given.

We would like to remind you that participants of the webcast may submit their questions through our webcast by submitting their questions. The replay of this call will be available immediately after for 7 days.

Before proceeding, we would like to state that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Ultrapar management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Ultrapar and could cause results to differ materially from those expressed in such forward-looking statements.

Now I would like to turn the conference over to Mr. Rodrigo Pizzinatto, who will start our conference. Mr. Pizzinatto, you have the floor.

Rodrigo Pizzinatto:

Good morning, everyone. It is a pleasure to be here once more to talk about Ultrapar's results. We will start with a brief overview of 2024.

Last year was another year of important improvement for the Company even in an environment of volatility and uncertainty. We continue to see growth in Ultragaz and Ultracargo and resilience in Ipiranga despite the environment of significant irregular practices in the fuel sector.

We maintained a strong operational cash flow generation, which allowed the Company to increase its investment level while maintaining financial leverage at comfortable levels. We



made our largest capital allocation in a single asset for the last 10 years with a R\$1.8 billion investment, including proceeds from the advance for future capital increase, to acquire a 42% stake in Hidrovias do Brasil. We also acquired Witzler for R\$124 million, complementing our portfolio of energy solutions at Ultragaz.

We evolved our management model with a new governance, providing greater agility, autonomy and accountability for our portfolio companies. We also announced the planned transition process for the positions of CEO and CFO of Ultrapar to be concluded by April 2025.

And with that, I will now move on to the presentation of our results for the 4Q and the full year of 2024. And in slide 2, I would like to remind you of the reporting criteria and standards used throughout this presentation.

And moving now to slide 3, with Ultrapar's consolidated results. As you can see in the upper left chart, our recurring EBITDA totaled R\$1.284 billion in the 4Q24, a 23% decrease over the 4Q23, mainly due to the lower EBITDA at Ipiranga and the negative impact from the share of loss of Hidrovias of R\$104 million in the quarter.

Looking at annual results, our recurring EBITDA totaled R\$5.377 billion, a 4% decrease over 2023 due to a lower EBITDA at Ipiranga and the share of loss of Hidrovias, partially offset by record results at Ultragaz and Ultracargo.

Ultrapar's net income was R\$2.526 billion in 2024, the same level we had in 2023 due to lower recurring EBITDA at Ipiranga and the reversal of deferred income tax from KMV, which was offset by higher extraordinary tax credits.

As we have already announced, our Board of Directors approved the additional payment of dividends of R\$493 million, equivalent to R\$0.45 per share. It will be paid from March 14 in addition to the payment made in August last year, totaling a distribution of R\$769 million in dividends for the year 2024.

And moving now to slide 4 to comment on the cash generation for the year. We had an operational cash generation of R\$3.736 billion in 2024, 3% lower than that of 2023 due to higher working capital investment, which was primarily driven by lower imported product mix. And as you can see in the graph at the center, in 2024, we received the final payments related to the sale of Oxitenos and Extrafarma, totaling R\$977 million.

We allocated a much higher capital to acquisitions that totaled R\$1.782 billion, mainly with the investment in Hidrovias, and R\$150 million to the buyback program. We also increased our CAPEX, which totaled R\$2.23 billion in 2024, a 14% increase over 2023, mainly driven by higher investments in Ultracargo.

Moving now to slide 5 to talk about our liability management and leverage. Our leverage increased in the last quarter from 1.3x to 1.4x due to a lower LTM EBITDA, partially offset by a reduction in net debt. The reduction in net debt is due to higher operational cash generation, partially offset by 3 items: the advanced payment for future capital increase in Hidrovias amounting to R\$500 million; reduction in draft discount by R\$276 million; and the launch of buyback program, which consumed R\$150 million in the period.

And at the bottom of the slide, you can also see a table with the total amount of the draft discount vendor and paying receivables from the sales of Oxitenos and Extrafarma. The net debt as of

December 2024, including these effects, was R\$8.9 billion, which is R\$2.4 billion higher than the balance in December 2023, driven by the investments and acquisitions already mentioned.

And moving to slide 6 to discuss the competitive environment in the fuel industry. Brazil has experienced an increase in unlawful activities in recent years in the fuel sector. According to data from the *Instituto Combustível Legal*, the country loses R\$29 billion a year due to tax division and fuel deterioration.

We included this slide to highlight the main challenges we have been facing regarding these unlawful practices as well as evolutions Brazil has conquered to regulate the sector with tax collection gains. Over the unlawful activities that affect the most of our recent results is the noncompliance with the required biodiesel blend in diesel.

Biodiesel is more expensive than diesel, and its price has increased since the beginning of 2024. There is also a large number of distributors who fail to meet RenovaBio targets and do not purchase the mandatory carbon tax credits annually. These unlawful practices have allowed the companies to gain market share over the companies that follow the rules. The market share of lawful companies that follow the rules decreased 2.9 p.p. in 2024.

We are also experiencing advancements recently as the new law for RenovaBio turning noncompliance environmental crime, among other things, and the anticipation of monofasia for PIS/COFINS for ethanol. And we expect that the fight against unlawful practices continue to advance and allow a better competitive environment for the companies that follow the rule.

And moving to slide 7, let's talk about Ipiranga's results. The volumes sold in the quarter decreased 1% year-over-year, with a 3% growth in the Otto cycle and a 6% decline in diesel, mainly in the spot market. In 2024, Ipiranga sales volume grew 2% with a 5% increase in the Otto cycle and a 1% drop in diesel. We ended 2024 with a network of 5,860 service stations, in line with that of 2023. Additionally, we closed the quarter with 1,450 AmPm stores with a 9% same-store sales growth in the 4Q24.

Ipiranga's SG&A decreased by 13% over the 4Q23, driven by lower personnel expenses and one-off expenses related to the conclusion of the service station reviewing process of the legacy network and marketing expenses in the 4Q23.

The other operating results line totaled negative R\$114 million in the quarter, an improvement of R\$16 million compared to the 4Q23 due to lower expenses with carbon tax credits. The line of results from disposal of assets totaled R\$63 million, resulting mainly from the sale of 16 real estate assets.

Ipiranga's EBITDA was R\$1.841 billion in the quarter. The recurring EBITDA amounted to R\$844 million, 27% lower year-over-year. The lower EBITDA mainly reflects reduced margins impacted by unlawful practices in the industry and higher inventory levels, and lower sales volume, partially offset by lower expenses.

In 2024, Ipiranga's total EBITDA was R\$4.445 billion. Recurring EBITDA totaled R\$3.3 billion, a 6% reduction year-over-year, mainly due to industry unlawful practices and higher inventory levels throughout the year.



For this 1Q, we continue to see a high level of unlawful practices in the industry, particularly in biodiesel. Even so, we expect profitability levels not below that of the 4Q24, despite the lower seasonality helped by inventory gains in the 1Q25.

And now moving to the next slide, number 8, to talk about another good quarter for Ultragaz. The volume of LPG sold in the 4Q was 3% higher year-over-year due to a 3% increase in the bottled segment as a result of higher market demand and to a 4% increase in the bulk segment, mainly reflecting higher sales to industries. The total volume sold in 2024 was 1% higher, driven by a 3% increase in bulk sales due to higher industrial demand, while the bottled segment declined by 1%.

Ultragaz SG&A in the 4Q24 was 16% higher than that of the 4Q23 due to higher personnel expenses, mainly due to the collective bargaining agreements and acquired businesses, as well as expenses on lawsuits.

Ultragaz recurring EBITDA totaled R\$441 million in the quarter, a 9% growth year-over-year. Ultragaz recurring EBITDA was R\$1.687 billion in 2024, a 2% growth over 2023. The growth was driven by higher volume and better sales mix, in addition to results of new energy solutions, despite the higher costs and expenses, mainly due to freight and the effects of inflation. And for this 1Q, we expect an EBITDA similar to that seen in the 1Q24.

Moving now to slide 9, we will talk about another great quarter of Ultracargo. The installed capacity remained at 1,067 thousand m³. The cubic meters sold grew by 9% year-over-year, mainly due to the start of operations at Opla and Rondonópolis, and greater handling of fuels in Vila do Conde. Ultracargo's net revenue reached R\$283 million in the 4Q24, 10% higher year-over-year. In 2024, net revenues totaled R\$1.076 billion, a 6% increase over 2023. The growth reflects higher cubic meters sold, and improved sales mix, and higher spot and contractual tariffs, partially offset by lower spot sales of fuel.

Combined costs and expenses were 11% higher than that of the 4Q23 due to higher maintenance costs, personnel expenses, mainly variable compensation, and consulting services for expansion projects.

Ultracargo's EBITDA totaled R\$169 million in the quarter, a 9% growth year-over-year, driven by an improved sales mix, higher tariffs from spot sales, and contractual adjustments. EBITDA margin was 60% in the 1Q24, the same level as in the 4Q23.

In 2024, Ultracargo's EBITDA was R\$668 million, a 6% growth over 2023, reflecting higher cubic meters sold, higher spot tariffs, and contractual adjustments, despite increased expenses. And for this 1Q, we expect an EBITDA similar to that seen in the 1Q24.

To conclude the presentation today, moving on to the next slide, number 10, let's talk about our investments. In 2024, we invested R\$2.23 billion, with R\$1.304 billion allocated to expansion, representing 59% of the total. This amount was R\$465 million lower than the plan, mainly due to the postponement of investments to 2025, and highlights to Ipiranga's infrastructure projects and new Ultracargo terminals, as well as efficiency gains in Ultracargo's projects.

I also remind you of our 2025 investment plan that was announced at the beginning of this month, totaling R\$2.542 billion. We are also allocating approximately 60% to expansion, and the highlights are detailed both in this presentation and in the market announcement.

This concludes my presentation. We will now move on to the Q&A session to answer the questions you may have. Thank you very much for your attention.

Gabriel Barra, Citi:

Thank you very much for taking my questions. I have 2 quick questions. The first one, something that attracted my attention concerns the margins of Ipiranga. When we started the year, we had an expectation of margins, which would be better than 2024 because of all that interesting information you shared about unlawful practices, and there was a perspective of improvement. And there had been some gains throughout the year last year. So we really expected 2024 to have been a better year in terms of profitability to the industry. And when you look through competitors, it's something that did not turn out to be a reality.

So my question is exactly about that. What do you expect for 2025? In your opinion, do you think that this potential increase in margin would come just if we change that unlawful practices? Is there anything limited within the industry that can help to improve? I know how competitive it is, but anything else that can be done to improve margin sourcing, pricing? I would like to hear more about this dynamic of margins, analyzing 2024 and looking ahead to 2025 to understand the dynamic of the whole industry.

My second question concerns investment. Analyzing Ultra, its role, this is the Company that has the most comfortable balance sheet to make investments when interest rates are higher, macroeconomic challenges. So my question is, how are you going to use that favorable balance towards the benefit of the Company, during a moment which companies have been more conservative in terms of investment? Would it be the right time to increase that moderation pace, try to regain more market share? So that's what I would like to hear from you, understanding the fact that you have a more favorable balance sheet than the competition. Thank you.

Rodrigo Pizzinatto:

Good morning, Gabriel. Starting from Ipiranga's margins and the slide that we showed you, it was exactly to highlight the main factors that have affected the margin throughout the year, and not uniformly. The year started with the effect of Amapá and Paraná, but it ended up having an effect on the 4Q of biodiesel.

And what happened throughout the year? In addition to the increase of the mix of fuel and supply and demand, the biodiesel price as opposed to the diesel price really peaked in the 3Q, which really gives an advantage to distributors who do not make the appropriate mix.

Those who have unlawful practices, they end up benefiting in a market. That can be seen in our highway stations. Why have we suffered so much? Because we have our resellers maintaining competitiveness in this scenario where there were more unlawful practices concerning biodiesel.

Looking ahead, if we refer back to what happened in 2024, the return on investment is really low, lower than fixed investments. There has been an approval of RenovaBio law and the anticipation in monophase for PIS/COFINS in ethanol. So it means that companies that are paying tax can really compete in a fair play field. But of course, there is a risk of the operation.

So this is the expectation. Trying to move ahead in our fight against irregularities concerning biodiesel. In the 1Q, the spread reduced because diesel prices went up, and there was a reduction of the biodiesel prices because of the crop season.

So I think that's going to help, but we still have to have better regulation of biodiesel to avoid these asymmetries between those that pay tax and those that do not.

Let me hand it over to Pedro Guedes, our CFO of Ipiranga, to answer the question about CAPEX.

Pedro Guedes:

Good morning. Thank you for the question. Concerning CAPEX opportunities and a positive balance sheet, we have reduced the number of our service stations. So in terms of branded stations, we would rather focus on quality than on speed. It is a pace and acceleration that will be determined on the opportunities that we are considering all the time.

When we correlate that with market share, market share is a result of the activities more than a target. Part of our portfolio is correlated with branded stations, resellers. This is something that has given us good stability, and part of our portfolio is just more opportunistic initiatives, spot market and what it shows to us. So branded, we will think about quality and the other spot will just depend on margins and the benefits we might derive from that.

Rodrigo Almeida, Santander:

Good morning. I would like to talk about Ultragaz. Within your portfolio, it seems that Ultragaz is the platform that you are using to create more options of growth. It is contributing with additional EBITDA for new business. Can you please share with us what is exciting you the most in terms of new businesses? Where can you expect more mid- and long-term returns? Something that can give us an understanding of magnitude. It can be with NEOGás, Stella, what can you share with us about the use of Ultragaz as the platform of growth for the Group?

And secondly, I would like to ask about working capital. Can you talk about the reduction of inventory levels in the quarter? Probably it's related to biodiesel inventory levels. It would be good. You said something about that in the last call.

And finally, capital leverage. We have already asked about that, and we have seen a difference in buying back. So considering your history, what has changed really? What has changed to put you into buying back the shares? So whatever you can share with us would be mostly appreciated.

Tabajara Bertelli:

Good morning. Thank you for the question. As you were talking about new energy, we are happy with what we have developed. The idea is not to have segregated businesses. In this quarter, we have combined our businesses. We can see individual contributions of new energy, new fuel sources of about 5% with a trend to have an increase over the months, but we have been confirming our thesis of having a portfolio of energy solutions. They are getting close to maturation level, but there's still a lot to develop really.

In the year of 2024, we started to operate with biomethane, and then it was part of the operation by the end of the year, with a relevant portfolio of clients, confirming our thesis, and also

negotiation of energy in the free market, something more recent. There is still a lot to do, but we are very excited about it.

Pedro Guedes:

Thank you for the question. You have understood that. In terms of working capital, we have got that by managing the inventories in the previous quarter. We talked about our planned movement of making investments, biodiesel, ethanol, and this is something that was done gradually throughout the quarter. In addition, we have also made additional efforts to have oil derivatives at a more balanced account. So inventory, especially of biofuels.

Rodrigo Pizzinatto:

Concerning capital allocation, why buyback? Because the price of shares went down. And we can have better control of investment concerning our dividend, which is how we want to return real value to our shareholders. The payout was about 35% and it's part of the buyback strategy. Depending on the price of those R\$25 million, that would be something like R\$500 million.

Rodrigo Almeida:

Great. A quick follow-up concerning working capital. Do you still see space for optimization, especially at Ipiranga throughout the year because of higher cost of capital? Anything to be done there in terms of optimizing inventory levels, anything that can be of help?

Pedro Guedes:

I think the working capital is something important, and we always focus on that. There was a price increase in this quarter. We do have some initiatives to optimize the working capital, focusing more in Ipiranga right now, but we still have to observe all the changes in market conditions.

Matheus Enfeldt, UBS:

Good morning. The first question is about capital allocation and potential of additional diversification at the holding more than at the subsidiary levels, and focused on your feelings about investments rather than short-term plans. What does Ultra have to see to get more excited to start making more investments such as the investments you have made at Hidrovias? If you had an opportunity today, in other words, how would you determine that? Would you prefer lower leverage, lower interest rates? Or would you have to wait for the maturation of investments in Hidrovias, or even have more labor for investments? So what would be really your plan towards that?

And concerning Ultracargo, you have a very well-defined pipeline with deliveries of installed capacity for 2025. It has been part of your investment plan. But there has also been a reduction of expansion in 2026 and 2027. That's what I understood. Does it make sense? Have you been considering other possibilities of growth in Ultracargo? And would it be possible to adjust the CAPEX throughout the year to include potential opportunities that might come to you during the year of 2025 and ahead? Thank you.

Rodrigo Pizzinatto:

Matheus, thank you for the questions. Let me start about capital allocation first. I think you have answered your question to some extent. These are the 2 factors. First, we have a balance sheet and we can make new movements, but it will depend on the capacity to execute and execute well.

We have a plan of integration and of value generation with Hidrovias and it's ongoing, lots of efforts towards that. But we are still considering potential investments, and if we have good return on investment and execution capacity, we can consider new capital allocations, but not short term.

Décio Amaral:

Matheus, good morning. Thank you for the question. We have been making investments in growth. In 2024, it was a record of investments at Ultracargo. Port expansions and our inland project, and the results are going to be noticed throughout the year. We have Opla, other railway systems, Palmeirante 2Q, Itaquí at the end of the year, strong investments. The level of investments for 2025 are at the same level as previous year.

We are going to start the expansion in Suape. Suape has become an important hub for ethanol receiving, and we have a very robust pipeline in our portfolio with investments. We talked about the railway structure in Santos, new piers. We do not see a slowing down. But with high interest rate, what we have to do is reallocate as demand increases. Our vision today is not to make changes in the plans that we have presented to you in our annual events.

Matheus Enfeldt:

Thank you. A quick follow-up on Pizzinatto's answer. The timeline of expectations for maturation of your efforts in Hidrovias that you showed in Ultra Day by 2025, is it maintained as an expectation from your side?

Rodrigo Pizzinatto:

Yes, we maintain that.

Pedro Soares, BTG Pactual:

Good morning. The first question is concerning your investment plan that you announced in some weeks ago. If I recall that, in your last earnings release conference, you had anticipated that there would be a decrease compared to what had been forecast for 2024 because of gain of efficiency and the postponement that you mentioned. I do not know whether you can share with us a breakdown within this number. Within the investment plan of 2024, what had to be postponed for 2025 and what resulted from efficiency gains? And in your plan for 2025, would there be more gain of efficiency to be delivered?

And finally, concerning Ipiranga's strategy, especially B2B, in general, it has suffered more than B2C because of the unlawful practices, and we have seen some strategies executed by other players of TRR purchase, addressing this loss of market share, especially in B2B. Is it part of your plan? Could you please tell us more about the rationale and the possibilities that you see? Thank you.

Rodrigo Pizzinatto:

Good morning, Pedro. Thank you for the questions. Starting from CAPEX, when we share the plan for the year, this is the maximum CAPEX that we allocate for the period. It's a combination of all projects that had been approved with the Board of Directors to be executed throughout the year. It already has the maximum level of approval that would be made in terms of investments.

Of course, we always focus on efficient management of such investments. And the main highlight in this efficiency comes from Ultracargo this year, for example. If you look at the total CAPEX approved, it always about R\$400 million, R\$450 million below plan, half of that of efficiency, most of it comes from postponement of some projects because of some projects because of Company's decision, and there was a delay on a permit concession. It applies to infrastructure and the expansions of Ultracargo. This is what we have in the plan for the year.

Speaking about B2B and TRR, this is also learning for us. It's a parallel business that we have been focusing on, mobility, new businesses. We are learning, and we are going to determine whether it makes sense or if we are going to maintain as it is.

Monique Greco, Itaú BBA:

Good morning. Thank you for taking my questions. I am going to ask two questions as well. One takes us back to the discussion of Ipiranga's margins. The 4Q had an excessive inventory in the whole chain, and this year we still have go high inventory levels because of high interest rate in February. So I would like to see how you have seen that progression of inventory levels in the beginning of the year. And do you see any effect of trying to sell more in the market?

And withing Ultragaz, a broader question, we have seen the news and we have been monitoring the discussion of the program Gas to Everyone in the population, and the model they are considering is the replacement of the current benefit to low income people for a benefit that will be provided as product, let's say a bottle of gas that would be provided for free. What is your take on this discussion? With this model, if confirmed, what would you expect in terms of changes to the industry because of that?

Pedro Guedes:

Good morning, Monique. You have understood that. In the 4Q, we increased our inventory because of arbitration and also the incentives of anticipating the purchase really to avoid tax. And we are going to observe that. We are now going to see a reduction of the high inventory levels going into normal levels, and we expect to have it normalized by the end of March.

Tabajara Bertelli:

Monique, about Gas to Everyone, the government program, we are taking part in the discussion, trying to support the government. We think it's a very positive movement by the government. This is something being discussed all over, energy poverty, those that do not have access to reliable energy sources.

The program is applicable in Brazil, but it's a smaller scale. Addressing it accordingly as a society would be extremely good, and we try to support that. This is going to be done through the industry, through the sector.

A lot is being discussed. The government is leading the process. We think it's quite positive. It means an improvement to us as a society. Everything that has developed in the LPG throughout the decades gives great reverence to everything that happens in Brazil. And I think if we can advance in this final stage, we know there are still discussions, that would be very positive, having gas being brought to those that need it the most. That would be very good for us as a Society.

Regis Cardoso, XP:

Good morning. Thank you. Let me start by congratulating Renato and Palhares for your new positions. There are 2 topics that I would like to address. First, increase in capital of Hidrovias, and a second one about branding. The management of Hidrovias is expecting a capital increase in the 1Q, in March.

So I would like to hear your perspective about it after the announcements that have been made. We believe that the capital increase would be of about R\$1 billion, R\$1.250 billion concerning the gross up of your participation in the R\$500 million range. Does it make sense, the price to be close to that of the screen price, to offer maybe an economic incentive for minorities to join in? I would like to understand on your take, how much capital would it be necessary? And what would be the purposes of it? CAPEX, less leverage up to a specific EBITDA net debt, EBITDA is really affected by the drought. It's a question about the rationale and the dynamic of capital increase.

My second question concerns amortization, the anticipation that you have been offering is running below amortization. What is the system behind that? Is it short-term contract? Are branded initiatives costing less? Is it an anticipated push, although I do not think there is any scale there between amortization and branded initiatives? These are my 2 topics. Thank you.

Rodrigo Pizzinatto:

Regis, thank you very much for your question. Starting from Hidrovias. We had in December one initiative, but we did not increase capital because of information asymmetry. Because of that, as we anticipated, in March, we are going to have the capital increase formally announced.

The two main elements that are considered are unleash the growth of the Company and reduce leverage. There is a covenant in a bond issuance of Hidrovias that below 3.5x prevents new investments. So that's a limitation of appropriate management and cost capital structure in the Company. So we want really to deal with those two issues: release the opportunities for more growth, and reducing the cap limitation, and the Company is going to announce it eventually.

About Ipiranga, part of that is because of the postponement. We had a CAPEX increase compared to anticipated capital in Ipiranga branded stations, and it is following volumes. There is an amortization correlated with volumes. And depending on the volume and of these different branded initiatives, there might be more or less recognition of this bonus that comes from it.

Regis Cardoso:

Thank you. Just one quick follow-up about Hidrovias. Any concerns of consolidation? Do you want to go over 51%? Just thinking about how much more capital would come in addition to yours in terms of capital increase. And I always wondered whether the fact that this is Novo Mercado would have any implications there.

Rodrigo Pizzinatto:

I am not sure I understood your question, Regis. We are going to support the Company in whatever it takes. This is something that we have been doing, and it's following exactly the idea that we have had in mind since the beginning.

Guilherme Martins, Goldman Sachs:

Good morning. Great results. Quick questions. First, about this agenda against unlawful practices. A lot has been said, approval of some federal initiatives with ethanol. A player of the area said that there would be some gains from EBITDA from these measures. Any estimate that you would like to share with us? What will be gains in profitability for Ipiranga with this measure? More exposure to ethanol?

And second question, Pizzinatto, about capital allocation. Ultrapar balance is light, below what had been the initial plans. Pizzinatto has said that you do not expect something non-organic to need the capital. So does it make sense that you are going to run at about this level of 2.5x more than any other?

Rodrigo Pizzinatto:

Good morning, Guilherme. Short answer about that unlawful practice agenda is no. We are not calling it informal practice. We are calling it unlawful. You were using informal, but no, it's unlawful. It's against law.

If all these practices are solved, we would go to a level that we used to have in 2016 and 2017, if as a country, we can solve these problems.

Concerning capital allocation, I am afraid I did not understand your question.

Guilherme Martins:

Ultra is running at a leverage of 1.4x, and the guidance you have shared was 1.2x, 1.5x. With interest rate going up, do you expect to run at a higher level from now on?

Rodrigo Pizzinatto:

Yes, closer to the bottom, yes.

Gustavo Sadka, Bradesco BBI:

Good morning. Thank you for taking my question. I have 2 questions. First, when we analyze the results that the petrol agency reports, since the beginning of February, it has been showing a healthier margin. We do not know what is reseller, what is distribution, but the network as a whole, the whole system seems to have healthier margins, even taking into consideration the increases of ICMS and the increased price of diesel by Petrobras.

Is it something that you have been observing at Ipiranga? And if yes, is it something that has been levered by the 3 big players? Or do you think it's a natural trend of the whole ecosystem after tougher times in the 4Q?

My second question is about the unlawful practices. The media has been publishing that, and even Ipiranga staff has been saying that the National Agency of Petrol is intensifying the biodiesel supervision with technology and mass balance. Do you see any results coming out of it? Do you expect it to impact your results in the short-term?

And the remaining agenda against the unlawful practices, such as the increase of tax solidarity in São Paulo, CBIOS goals, environmental crimes, what elements should we pay closer attention to in 2025? And when are we going to observe any results of that in your own production data?

Rodrigo Pizzinatto:

Concerning prices, probably you are seeing an increase in prices of Petrobras and the combination that it has with tax increase. The average price is going up. And as such, the gain of inventory that companies have had will be transforming into larger benefits. So these are the short-term effects.

Concerning our regulatory agenda, we can see better alignment of the government to fight these practices. The main point that we have been discussing is the combination of diesel with biodiesel. And this is something really serious in terms of tax and the government objectives in defining a required mix of biodiesel to reduce emissions and really increasing the mix to fight against the irregular practices that the industry normally executes.

Gustavo Sadka:

My first question was the following. Considering the increase of Petrobras in tax, it seems that there is a higher margin for reseller and distribution. Have you been observing that or not?

Rodrigo Pizzinatto:

No, I have said that the price effect that you have been observed comes from price increase and taxes.

Operator:

Thank you. Further questions will be answered later by our Investor Relations team by Ultra. We would like now to hand it over to Mr. Rodrigo Pizzinatto for his closing remarks. Mr. Pizzinatto, you have the floor.

Rodrigo Pizzinatto:

Thank you all very much for your questions. Thank you for your attention and interest. In May, we will see each other again for the 1Q25.

Thank you very much. Have a great day.

Operator:

Thank you. This call is closed now. Thank you very much and disconnect your lines. Have a great day.