2Q22 EARNINGS CONFERENCE CALL

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Armac Locação's conference call to discuss results regarding the second quarter of 2022. We would like to inform you that the participants attending the conference will be in listen-only mode during the company's presentation. We will then open the Q&A session when further instructions will then be provided. Should you need any support during the conference call, please request assistance from an operator by typing *0.

Before proceeding, we would like to clarify that any statements that may be made during this conference call regarding the company's business prospects, projections and operational and financial goals constitute beliefs and premises of Armac's management, as well as information currently available to the company. Forward-looking statements are no guarantee of performance as they involve risks, uncertainties, and assumptions, for they depend on future events and on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions, and other operating factors could affect the company's future results and could lead to results that differ materially from those expressed in such forward-looking statements.

Now I would like to give the floor to Mr. Fernando Aragão, CO-CEO of Armac. Mr. Aragão, you may proceed.

Fernando Aragão: Good morning, everyone, thank you for attending our results conference call. To start off, José and I would like to thank everyone who is directly or indirectly involved in our activities. Armac grew threefold in a year, and we recognize the sacrifice and commitment required from all of us. This growth can only be reached by those who think big and are entrepreneurial to accomplish a purpose. We are ever more enthusiastic about our purpose and what is there to be done in the long term through sharing and recycling initiatives. The industry of machines will become ever more efficient and rational, the waste generated from premature disposal and idleness of assets is a major productivity constraint, not only in Brazil but across the world. Reducing this waste is a corporate mission that creates economic value, generates quality jobs, and offers more sustainability to the industries we serve.

In relation to the second quarter results, we continue with our agenda of growing with the responsibility and focus on the long term. Therefore, our priority this year continues to be to mature our internal processes and strengthen our service culture that has brought us this far. This quarter, we reached two important financial hallmarks: an annualized gross revenue of 1 billion and for the first time ever, our quarterly EBITDA above 100 million. These are still very small figures compared to what we are seeking, but it already symbolizes a different scale in the sector we operate. After these initial remarks, I'll turn the call over to our CFO and IRO Mr. Gabriel, who will provide more details about our financial results for the quarter. Thank you.

Gabriel Ferreira: Thank you, Fernando. Good morning, everyone. I'm now going to discuss the results for the second quarter 2022. Starting from page 3, I would like to discuss the highlights for the quarter. At the end of June, our fleet reached 7522 machines and equipment for rental, an addition of 624 assets to in relation to the first quarter of 2022, Capex for the quarter reached 241 million, with an average monthly Capex of 80 million, a growth of 6% when compared to the 76 million recorded last quarter. As a result of this investment and maintenance of our productivity, we had a growth in our gross revenue of 16%, reaching 250 million and exceeding for the first time ever the mark of 1 billion of annualized turnover.

As for EBITDA, we also reached an important hallmark, surpassing for the first time the 100 million BRLs of EBITDA in a quarter. Adjusted EBITDA for the period was 102.8 million, a growth of 70% in relation to the previous quarter, with a gain of 90 basis points and margin from 47.2% to 48.1%. To conclude our highlights, we look at the net income that, even in the midst of a scenario of increasing interest rates and with the company increasing its leverage after the IPO, we grew by 10% quarter-on-quarter and reached a quarterly result of 30.8 million.

On the following slide, we provide details of the fleet acquired and the investment made during the quarter. As mentioned on the first page, our fleet reached 7522 assets, a 9% growth in relation to the first quarter and nearly four times what we reported in the first quarter of 2021. To make such growth possible, we made an investment of 241 million in the quarter and annualized Capex of over 960 million.

Now moving on to page 5, we will discuss Armac's gross revenue, totaling 251 million in the quarter, a 16% growth in relation to the previous quarter and 216% in relation to the same quarter of last year. When we had our IPO and so 70 million BRLs gross revenue, considering rental alone, was 238.4 million, a 15% growth in relation to the previous quarter and a little more than three times in relation to the second quarter of last year. Revenue in the period consisted of 62.8% related to long standing activity sectors such as agribusiness, mining, forestry, foods, and beverages and the remaining 38% came from operations in the infrastructure segment. This ratio is aligned with the company's long-term strategy.

Moving on to page 6, where we analyze the gross profit and the EBIT of Armac. Our gross profit reached 96.5 million in the quarter, a 13% growth quarter-over-quarter and 183% compared to the same period last year. EBIT reached 71 million in the second quarter 2022, an 18% growth in relation to the previous quarter. Gross margin dropped 70 basis points in the period, reaching 45.1%. However, EBIT margin increased 100 basis points, reaching 33.6%.

Moving to page 7, now we analyze the EBITDA and the operating cash flow for the quarter. Here we present the second important hallmark for the quarter, our surpassing the mark of 100 million BRLs of quarterly EBITDA. Adjusted EBITDA of the company that excludes the results related to sales of assets was 103 million, a 17% growth in relation to the previous quarter and 167% compared to the same period of last year. This was driven by a significant growth of the company's revenue combined with another quarter with gains in margins, reaching the adjusted EBITDA margin of 48.1%, a gain of 90 basis points in relation to the previous quarter, generated by gains in efficiency and operational scale in the company. The accounting EBITDA for the quarter, which also considers the results from the sales of assets, reached 106 million. Now focusing on the managerial operating cash flow, we generated 56 million BRLs in the period, that accounts for 54% of the adjusted EBITDA for the quarter.

Now on page 8 we discuss the net income and the cash tax earnings for the quarter. In the second quarter 2022, net income reached 30.8 million BRLs, a 10% growth in relation to the previous period and nearly three times in relation to the 10.8 million recorded in the second quarter of 2021. Net margin was 13.7%, a drop of 60 basis points in relation to the previous quarter of the year. Cash tax earnings reached 60 million, a 12% growth in relation to the previous quarter and nearly 2.5 times over the second quarter of 2021.

Now moving on to page 9, we will now discuss the capital structure of the company. We ended the quarter with a gross debt of 1,570 billion and a cash of 884 million, resulting in a net debt of 686 million in June 2022. Considering this, that level and the EBITDA of the last 12 months, we reached the leverage of 2.1 times. If we annualize the EBITDA generated in the quarter, this metric would drop significantly, generating a leverage run rate of approximately 1.6 times. The average debt cost of the company along was kept in line quarter-on-quarter of approximately CDI plus 3.1%.

On the next slide, we provide details about the financial debt amortization schedule. We ended June 2022 with the cash at 884 million, enough to honor our debt amortization flow up to the end of 2025. However, in July we issued the first issuance of our CDCA, which significantly improves our capital structure. On the right, we present the pro forma schedule of Armac’s debt amortization that is already considering the CDCA issuance and the prepayment of the first debenture issuance, both in July. After those events, we have a pro forma cash of 1.084 billion, a balance enough to pay the debt amortization until the end of 2027, extending our average debt term from 3.6 to 4.5 years. In addition, the average debt cost of the company was reduced significantly, falling from CDI plus 3.1% to approximately CDI plus 2.7% after those events.

Moving on to the last slide of the presentation, we analyze the profitability metrics of the company. Starting from the return on the invested capital, we reached the 28.3% in the quarter, an increase of 80 basis points in relation to the previous quarter, driven by gains in productivity in the period. Moving to ROE, we observe a result of 19.9% in the quarter, a gain of two points in relation to the first quarter 2022. It is important to mention that our ROE is still impacted by the capital structure little leveraged after the IPO that took place a little more than a year ago and the high cash level that we are carrying over, earmarked for the investments to be made in the future quarters, in addition to the direct impact of increasing interest rates in this metric. With this we conclude the results presentation of the second quarter 2022. We would like to thank everyone for attending the call and we are now going to open the Q&A session. Thank you.

Operator: Thank you. We are now going to start the Q&A session for investors and analysts. To ask a question, please press *1. If your question is answered, you can remove your question from the list by pressing *2. The questions will be answered as they are received. We would like you to take your phone off the hook when you ask a question, so that we can ensure an optimum sound quality. Please wait while we collect the questions.

Our first question comes from Lucas Marchiori, with BTG Pactual.

Lucas Marchiori: Hello, everyone, good morning, thank you for the call. I have two questions on my side. First related to the inflation of new brands that you mentioned in the release, you said that some segments in the margin still have some price increases. I would like to know if this trend is accumulated or if you see any dilution and what have you done in terms of negotiations, are the dealers trying to pass through the price increases and what would be the price levels as a whole?

And the second part in relation to the yield. You moved sideways in the calculated average yield for the quarter, so I would like to know if there is any mix effects, any segment with a lower yield or this would be a result of another effect that we were not able to capture? So, these are the questions I had, thank you.

José Aragão: Hi, Lucas, how are you? Thank you very much for the question you asked, and this is José speaking. Fernando became a father, there is a daughter, he has a daughter now, a newborn daughter, so I'm going to answer the questions, okay? So, I'm going to start from the answer related to the equipment prices. We still have a relevant number of assets that are going to be received and performed related to the annual agreement of 2021 and this provides us some comfort in terms of Capex that is going to be invested in 2022 and maybe part may even move to 2023, so we are protected, we are hedged, so of course there is price inflation that we are noticing and we notice all this influence in the negotiations we are making. However, we have done actions in order to ensure the best prices for the year to come and we are trying to use different logics, we are trying to be innovative as different from what we have been doing, so we have been improving the way we negotiate with those manufacturers, and of course there is a price inflation at play, so there is a certain level of comfort considering the negotiations we are presently having, but I have no questions that for next year we are going to have different prices in relation to the market. So, this was the first answer. So, I'll turn the call to Gabriel for him to answer the other question.

Gabriel Ferreira: Okay, perfect. Thank you, Lucas, for the questions. The second question is relating to the yield, right? So, in the first quarter you probably remember that we had a small reduction in yield in relation to the fourth quarter, considering the percentage of the Capex that accounted for the total employed capital, so many of the machines that we bought in the first half of the year were implemented, and some of them are still being implemented in the third quarter, and the same happens in the second quarter and as you could see in the message from the management, as we see the Capex, the 241 million that were reserved have not been implemented, so they are not generating revenue yet, so it has to do with the pace of implementation of the Capex than a mix related effect. If you look at the productivity of the first quarter in comparison to the other one, it was basically flat, the difference would be like half percent. So, I do not believe there is any relevant effect so as to say. So, have I answered your question? If not, we can provide more details.

Lucas Marchiori: No, thank you, thank you very much, Gabriel, have a have a good day everyone.

Operator: Our next question comes from Gabriel Rezende, with Itau BBA.

Gabriel Rezende: Hello, José, Gabriel, good morning, congratulations for your niece. I have two questions on our side. First, if we could go back to what Gabriel mentioned in the beginning when we talk about the percentage of margin you talked about higher operational leverage, gaining efficiency and so you can observe some better behaviors in the future, so there is space for the margin to continue expanding?

So, the second question is related to the cash generation and leverage. We saw that there was an acceleration in the net debt over EBITDA for this quarter. So, we would like to understand how do you see this playing out in the future quarters? Are you going to come from EBITDA, which was going to be stronger as a basis, and so I would like to understand what you expect the leverage to behave for the future? Thank you.

Gabriel Ferreira: Okay, thank you, Gabriel. So, I'm going to start answering the question, then I'll turn to José for him to complement. We talked about gains in efficiency in the first quarter. To enter in the presentation, we show the gross margin and if you see the G&A cash for the quarter, we see that we had gains in both lines, gains in efficiency in the gross margin of 25 bips basically and the rest of gaining margin came from the dilution of fixed costs. So, for the next quarters I believe that there are two effects. First, as we have been announcing, our focus was in the last stage of the integration of Bauko, which was a diligent review of the agreement and all the clients we had in the company and we made a decision to leave some clients depending on the costs and the costs for the termination was very high in some cases, so this would have a one-off cost in the second quarter, which is not likely to be present in the other quarters. And as to SG&A, the focus of the company has always been to look at governance to bring in people aboard with experience, so that we can improve our business, so there is an important investment that is being made and has not been fully captured yet. We have to leverage that increase and we are likely to have a cost in the next quarter that is going to be captured along the half of the year and it hasn't yet.

José Aragão: I'm going to give you a broader strategic long-term view of our margin. The company is growing at an accelerated pace, we are not trying to write a common story, we want to talk about growth and to bring hegemony in the market in Brazil. So, when we look at what we're seeking as the CEO of the company, obviously the margin is extremely important, but it may go up and down, but we are a company that has a mission. And so, the short term tends to be maybe deceitful in a way, so we have room for improving our margin in a significant manner, we are growing at an accelerated pace in terms of management, of course it's a company that is going to grow this year and the tensions related to growth, the tension is very big, but we are very dynamic, we are very agile in our management. Our board comprises people who are more experienced, we're also investing in management, technology, internal processes are maturing very fast, so we are receiving very positive inputs from our recently formed Board that challenges us at a very high level, so when we look at the company as a whole, I understand that we are working to improve our margins. Okay, we have Bauko to consider, now also adding to Gabriel's answer, so this is an ongoing process to make an integration of a company of this size will take some months, maybe the end of this year or the beginning of next year, and when are we going to sanitize all the costs of the company? This is the question. I would answer that it takes a little bit longer, so what we are doing is to work hard and this is also the message that was conveyed by Fernando in the beginning. We are maturing and where is the maturity going to take us in terms of productivity and improvement in our productivity in the pipeline and also it will provide the gains that have not been perceived in the margins that we… it seems that we lost some efficiency because of the growth in margin, but I'm not going to look at that while the company is doubling the size every year. But all those improvements are happening, so we have fluctuations in the margin, but this is not what we are looking at now. And as I see it, I could say that we are going for higher levels than what we have achieved so far, because I think it's all very possible.

Gabriel Ferreira: Okay, great. Now answering your second question related to leverage, yes, we came from a leverage of 1.7. times, now moving to 2.1 in the second quarter and this leverage, if you look at the quarter as a whole in an annualized way, it would be a run rate of 1.6 times, so that at the current level we still consider the company not to be leveraged, and there's space for us to leverage and bring in more return to the shareholder with a more consolidated company, but this is all part of our investment process and leverage of the company after the IPO, when we received the proceeds a little bit more than one year ago. We do not provide the leverage guidance, but we understand that there is room for higher leverage that we have at present.

Gabriel Rezende: Okay, that's very clear. José, Gabriel, thank you very much.

Operator: Our next question comes from Josh Milberg, from Morgan Stanley.

Josh Milberg: Good morning, everyone, and thank you very much for the call. My first question is something related to the previous question related to the margin, but I would like if you could revisit the topics of your effort to scale the business. What are the main challenges that you're facing in this front today? And more specifically, how has your training and recruiting mechanics has been going?

And the other one is related to the sales of assets and also the need of optimizing the fleet along the time. Could you discuss this and if you expect the same results for the second half of the year? And could you provide some color in relation to the nature of the assets that are being sold to the machines that are being sold? Thank you.

José Aragão: Well, Josh, again, in relation to the margin you touched upon a point related to recruitment and training of mechanics. I think this is a very strategic point for the company. We are making some changes in our logics to make the two efforts at the same time and the way we look at the mechanic and what does he do and how are we going to recruit and train them. What I can say to you is that today we have more than 300 mechanics being trained and this is not a pressure point for the company today. This is the best company for any mechanic to work in the country. We train them from zero, from scratch, we have a very disruptive logic, and this is not a point of concern for us today. As CEO of the company, this wouldn't be an issue as I see it, because the way we are doing this is a result of learning that took ten years already, lifelong learning, and how to do it and how to implement all those efforts. So, in this regard, we are okay, we are comfortable, and the margin initiatives will touch upon different things we are talking about the maturity of the Board, automation of processes, systems improvements and also leverage technology and implement them in our processes. They also involve an increase in productivity of the company. Also includes the occupation, which is already at very high levels, but I believe there is room for increase considering the efficiency that we are gaining. So, all those discussions have to be looked upon considering the long term. A company that grows as fast as ours does, if I have to sacrifice 2 margin points in one quarter to receive 5 margin points in five years, I have no doubt that this is what I'm going to do, because we are thinking in the long term and this is a marathon, this is not a hundred meter race and that's why we're doing everything with a lot of solidity, with a lot of robustness and we're doing this at steps. We are learning a lot along the way as we move on through this journey. Would you like to answer the second question?

Gabriel Ferreira: Okay, now talking about sales of assets. In the first quarter, we sold 9 million BRLs in machines and equipment and now, in the second quarter, we sold 12 million worth of machines and equipment. This would account for 5% of our sales of the quarter and it's negligent if we consider the total PPE, that surpasses 1.6 billion BRLs in machines, and all the assets we have for rental. So, the percentage is very small in comparison to all that we have. It's not very relevant to us, but along the history of the company, we didn't have equity, so we always based our business on debt and we used heterogeneous machines and now when we look at the improvement in processes, it doesn't make sense to have 10 different brands for each segment of machine in the areas we operate and this is why we are selling the machines and equipment, to have a more homogeneous fleet with four or five dealers or manufacturers for each segment, so that we can have enough spare parts to meet the demand for services, and we also are better able to train our mechanics. And considering the market today, as we mentioned in the beginning of the call, we are using the moment when we purchased machines at much lower values and we are managing to sell used machines at very good prices for us. So, it would be a big mistake for us, a strategic mistake if we didn't use the moment to sanitize our fleet in a way and sell those machines that we are interested in selling at an advantageous price.

José Aragão: So, okay, let me just add something. Sales asset is not going to be part of our business model, our business model is to use the equipment until the useful life of the equipment, and at that time we are going to recycle it and refurbish it and give it a new life. So, selling assets is not part of our business model, but it's a line that is going to be included in our revenues. Sales of equipment is something tactical and opportunistic and if we decide to do and go along this way because we understand about machines and we understand the maintenance cost of the equipment and how the asset is behaving in the fleet, so all this is going to be taken into consideration. We have this fine knowledge about machines, and this is included in the calculations when we make a decision, what's going to stay, what's going to be sold and what machines are going to be kept in our fleet and what is going to be discarded. So, this is part of the everyday business of the company and those decisions are going to be based on the market moment. So this is something that is going to be maintained, but this is never going to be very relevant in our business model, so the value that we propose to generate to society, it goes much beyond the buying or selling assets in a very quick turnover rate, so it's a line that's going to be maintained in our business, but it's always going to be negligent in terms of value and share.

Josh Milberg: Okay, thank you very much for the detailed answers.

Operator: We'd like to remind you that, if you wish to ask a question, press *1. Our next question comes from Lucas Barbosa, Santander.

Lucas Barbosa: Hello, good morning, Zé, Gabriel, congratulations on the results and thank you for answering my question and congratulate Fernando on the birth of his daughter. Well, I have one question related to demand. Could you talk about how you see the demands for the new agreements and if they are coming from new regions, new areas or are they coming from the same areas where the company has operated for years? This is my first question.

Gabriel Ferreira: Good morning, Lucas, I think Fernando is probably listening to you, so he heard your words, and the name of the baby is Maria Helena. In relation to the demand, the demand is very strong, and it has been maintained at this very strong level. We are not able to meet all the orders that we receive, so this is the reality we're facing. We have an over demand, so we choose the orders we are going to fulfill according to what we can, the demands we can meet, and whatever would maximize our return. So, what regions do they come from today? In the environment we have,, we have demands from all areas that are demands coming from the regions where we usually operate, but in a way we serve the demands from different parts of the country, from all parts of the country, and the demand for long term agreements have been very high, our contract conversion rate is very high, we have a unique strategy to capture all those contracts, so today we do not have a restriction of demand, this is not our reality now and considering the depth of the market and the structural changes that the market has gone through this over demand environment is going to be kept for some time yet, both in relation to what we call long-term or long-standing activities, we would say that demand is very high and these are driven by different factors. They change along the time, but today we have a lot of room for growth in terms of demand.

Lucas Barbosa: Very clear, José, thank you. Allow me to ask a second question related to suppliers, there was a drop quarter on quarter, was there any change in the policy was one of result? Thank you.

Gabriel Ferreira: Okay, perfect, Lucas, thank you for the two questions you asked. So, suppliers dynamics is something that would include operational suppliers and Capex suppliers, so we are doing negotiations at all times in order to improve terms and conditions so as to optimize the assets and with this we see some volatility in this line. So, when we consider the Capex in the quarter, if we can concentrate a large purchase at the end of the quarter, this is going to be reflected in the following quarter, but I would say that there was no major change in the policy, so we had a balance of suppliers which was much in line quarter-on-quarter, but there was no policy change. I think it was something more related to timing or the moment of the relationship that was reflected in the quarter.

José Aragão: Lucas, let me just add to my question, so that I'm going to take the opportunity of being here with you, so because I'm not here with you all the time. So, there was this increase in demand and as we increase the occupation, what I mean to say is that we increase the occupation by meeting this over demand, so we have those giant challenges ahead of us and these are the challenges that we have with us. So how can we improve the productivity, how are we going to go to the workshops, the commercial area, how we're going to involve all and connect all the departments, and how can we then improve our productivity so that occupancy would reach 100%? This is the purpose, and why don't we reach that? Because this delta is related to the productivity gains of the company, internal processes of the companies, and these are the challenges that we are facing today. When we're talking about maturity, this is what we mean, we are going to prepare the machine so that we can improve our results.

Lucas Barbosa: Very clear, José and Gabriel, Have a good day.

Operator: Our next question comes from Renata Cabral, with Citibank.

Renata Cabral: Hello everyone, good morning, thank you very much for taking my question. I would like to congratulate Fernando on the birth of Maria Helena, I know this is a moment of great joy. So, I'm going to ask you 2 questions, first, in relation to the parts price for maintenance and services. We are in an environment of inflation both in Brazil and across the world, interest rates increased faster than the rates in the rest of the world, so I would like to know how all this impacts your business.

And the second question is related to the long-term, related to the competitive environment. Do you see in the future the OEM competing with you in association with machines?

Gabriel Ferreira: Good morning, Renata, we thank you for taking part in our conference call. The first question is related to the inflation environment related to parts and what is the impact on maintenance as a whole, if I understood your question. As to Capex, we can hedge from this effect and we can impose a delay because we purchased an annual package for this year with the proceeds from the IPO, so we are receiving some machines, that's a result from the decisions we made last year. But as to parts, I would say that we have purchases in order to supply and so that we can have the inventories at the right levels, so we have an impact on margin when we see that we have a higher cost when we purchase parts because of the inflation, but if you see the behavior of the lines and the results, we do not see any gains in expenses related to parts purchase in our revenues, because on the one hand we had the cost impacts, but we were able to verticalize, to in-source many maintenance processes, and we brought in more efficiency to the operation. So, this is a very important differentiator that we have, because as we gain in scale, it makes sense to in-source maintenance processes and bring them into our structure, and this is going to bring sustainable margins to our company in the long term. So, I could say that the impact on our results for the time being is zero and, on the other hand, we have a positive impact of efficiency that we offset by gains in efficiency.

José Aragão: Obviously, we see inflation that is materializing on the parts prices. In terms of parts, our main lines have already reported a very strong growth curve, but at the end of the day we noticed that this is not actually hurting or affecting negatively our result. We are very diligent in terms of maintenance. Before a machine rental, we are more focused on maintenance and servicing, this is our business. So, whenever a line starts to be of concern, we think about verticalizing. I'm not going to go into specific lines that we in-sourced along the way, but this is what we have done, and we have also changed the strategies of purchase, so we gained in productivity. Our maturity in terms of supply has also been increasing quite a bit in our supply areas. Given what we have already been impacted, and when we think about price adjustment, I would say that this is not going to be a central concern for the future. I would say that this is not going to be a central concern for us.

Gabriel Ferreira: Renata, can I complete?

Renata Cabral: Yes, go ahead, please, I’m sorry.

Gabriel Ferreira: Just to add to your second question, competitiveness, OEMs coming into the market into the sector, yes, we have some dealers, which are already renting machines in some segments, they compete with us in some specific segments, but as we see it, as Zé said, we are a maintenance company above everything else and this is because we have a high alignment with the interests of our clients, so we are focused on taking care of assets as efficiently as possible, both considering costs and also the long-term impact, we want all the assets to last as long as possible, and we can refer to this idea in benefits with lower operational cost to clients, thus bringing long-term advantages. When we look at OEM's in this segment, we understand the segment is very different for the OEM's. In addition to the rentals, they sell assets, they sell the machines to other clients and they sell the services in the dealers, so they sell assets and they also rental and the level of alignment they have with the clients is very different from what we do, because they do not have a focus to minimize the maintenance cost, but historically they would make money by selling parts instead of refurbishing and overhauling those machines and renovating those parts, which is quite different to what we do in our business.

João Aragão: Let me take the opportunity again to say something, this was an excellent question, by the way. The manufacturer who is concerned on the research and development, manufacturing equipment and machines rental equipment would pose some difficulties if the machine would break down in a city such as Piracicaba or in the middle of a forest area. This is going to be very complex for the manufacturer to do any service to that machine. What they're doing now is trying to or approving their network in order to run machines, which was not their first purpose. So, what they do not notice is that they are trying to replicate a concept that has gone bankrupt. We as a company, we exist, we didn't use to have any capital structure and some suppliers and dealers would rent machines and this is no news to anyone, but all of them, without any exception, they closed their business because the business was not profitable the way they operated or envisioned. Our business vision is disruptive in this regard, multibrands, maintenance, and we have an alignment with the client, we do not increase prices just because I have the opportunity to do so, we don't do that, we have a very different vision in this sense. Of course, I would be very concerned if the main manufacturers would try, and I'm sure they would have a very long, a 10-year old learning curve to provide efficient services, but what we see today is that dealers having some rental models which are totally misaligned with the generation of value in the Brazilian network, and this is no news, it's something that already existed and now this is gaining force a little bit, but this is not something that we would be concerned about.

Renata Cabral: Okay, perfect, very clear, José and Gabriel, have a good day everyone.

Gabriel Ferreira: Thank you, Renata, have a good day you too. We received a question by Rodrigo Faria, with Sul America. It's a written question, we are going to answer and then we'll discuss this in more detail. "Could you provide some more detail on the level of competition, do you continue having the most competitive prices and what would be the percentage, and how would you compare it to the competition? And could you talk about the entrance of the yellow line?

José Aragão: Okay, Rodrigo, thank you very much for your question. I'm not going to make the mistake of defining a percentage in terms of price compared to the market. Clearly we are the cheapest player and this is part of our strategy to be the cheapest player, and this is going to be like this during the time I'm in the company, because this is going to add value not only to our market, but to society at large, to our clients who are doing the concession works or producing soybeans at a cheaper price, fertilizers, corn, maze, so this is part of our strategy, to be the cheapest player. So, the percentage I'll let our competitors to discover. Now moving on to the next question, in relation to Mills in the market and the yellow line, I'm going to step backwards a little bit. In 2013, when I joined the company, or to the company, or to the micro company, so it would be a 100 thousand company per year, so annualized we are going to sell 1 billion. When I was doing the calculations, I didn't believe the figures 10 thousand times, 2013 up to 2022. And we had competitions then, the competitors were there, Mills was there, they had a telescope manipulator, so they used to have yellow line and they left the market. So, what I want to say is that competition is something that we are always going to have in the market. We do not have 2% share in our market, so competition is likely to happen. But from the point of view of management and from the cultural viewpoint and how we run the company, a company that has done what we have done, I would say that competition would help us capitalize on the results. It's something beneficial and what do I mean when I say that? I'm not scared, yellow line is something different. The difference between the return of 30% a year and the loss is what you're going to do with what you have if you don't look at that correctly, you're going to have loss. We never competed with TRIENGEL because TRIENGEL is ENGEL and TRIEX merger and we used to have little competition with TRIENGEL and with TRIEX, it used to be a hegemonic company in the port of Santos, and it would cover different terminals, and some years after we entered the market, so we may have a share of 90% of the terminals in the port of Santos nowadays, so their business model is very different from ours. And we are familiar with them

Operator: Okay, thank you. The question and answer session has come to an end. We will turn the call to Mr. José Aragão for his final remarks.

José Aragão: I would like to thank you for the opportunity. I would like to thank everyone, many people from the company are in the frontline fighting with us and I would like to thank you all. So, we make an effort every day, it's a business that goes much beyond the financial parts for everyone who works at our company. So, I would like to thank you all for the results that we have posted and for these very positive results for the last quarter and for all those people that are making those results happening across Brazil. And I would like to leave a message. Okay, we're enthusiastic for the future, the company is very young as a whole, I'm 31 myself, and we are going to continue repeating this rationale, we are going to be improving every day, we are not afraid of disruptions, we are not afraid of making things in a different way, we are always revisiting ourselves. It's more difficult to be a leader than to be left behind, because you have nobody to copy. So, this is the message that I would like to give to everyone who's listening, all those of you who are at the company. We have a lot to do in the future, but we are going to have a lot of willingness, a lot of force, clarity, solidity, with a lot of work, a lot of enthusiasm, and we are going to get where we want to make our dreams come true and generate value to society thinking about the environment that can benefit from our business and society as a whole, and we are considering all the society where we are working, we are going to continue ensuring the best price for our clients and we want to create a business that would generate value and that's the main reason why it's sustainable. I would like to thank everyone who asked the questions that everyone who's attending this conference. So, this is a story that was driven by the capital market and I'm very grateful for all of this, and let's work day in, day out to honor the confidence you have placed on us. Thank you very much.

Operator:

Operator: The conference call of Armac Locação has come to an end. Thank you very much for participating and have a great day.