

Operator:

Good morning, ladies and gentlemen. Welcome to Kepler Weber's 3Q24 earnings conference. Joining us today are the Company's CEO, Bernardo Nogueira; and the Controller, Edirlei Lohrentz.

We would like to inform you that this presentation is being recorded and simultaneously translated. The option to listen to the translation is available under the 'Interpretation' button on Zoom. If you are listening to the conference in English, you can also mute the original Portuguese audio by clicking 'mute original audio'.

During the company's presentation, all participants will have their microphones disabled. At a later time, the floor will be open for questions. If you have a question, please click the 'raise hand' button. Once your name is announced, a request to activate your microphone will pop-up on your screen, so you can ask your question live.

It's important to note that any statement made during this conference relative to Kepler Weber's business prospects, operational, and financial targets are based on the Company management's forecasts and may or may not materialize. Investors must understand that political factors, as well as macroeconomic and other operational factors, may affect the future of the Company and lead to results which are materially different than those expressed in said forward-looking statements.

We will now show you a video about the Portas Abertas event hosted by Kepler Weber in September 2024. In said event, both national and international events gathered at the Panambi unit in Rio Grande do Sul for a day of immersion and hot topics of agribusiness, in addition to a visit to our plant.

Next, we will turn the conference over to Bernardo Nogueira who will begin the presentation about the Company's earnings results.

Bernardo Nogueira:

Good morning, everyone. We are happy to join you to present our 3Q24 earnings. This was a time of solid results where we sustained our positive trend seen since the beginning of the year. Our prospect for 2024 is that this will be one of the best in the Company's history, with sustained result.

We had 2-digit growth in the 1H of the year, and in the 2H, we are in keeping with what we had in the 1H23, which was the highest in 9 years. Our net revenue went up 8.2% versus 3Q23. And in 2024 to date, growth was by 13.6%.

Our adjusted EBITDA came to R\$97.6 million with a 22.2% margin. This was the Company's best record. In the year, it came to R\$252.5 million. Our adjusted net profit was R\$61.2 million in the quarter. In 2024 to date, it came to R\$148.8 million with an adjusted net margin of 13.9% in 3Q24.

Now let's address our businesses. As shown previously, despite the challenging scenario for agribusiness, we remain resilient, growing across all our businesses over the year. The Farms and Agribusiness units came to, respectively, R\$141.8 million and R\$156.6 million in the quarter.

Our international business grew by 63.6%, rounding out at R\$52 million a year. Ports and Terminals in turn grew substantially by 442% to R\$17.4 million in the quarter. Replacement and Services grew 1.1% versus the same period last year.

On slides 5 and 6, we share some of the important projects we delivered in 3Q24, among which we highlight the delivery of our team across regions in Brazil and strengthening our footprint in Latin America. We also like to highlight our list of orders with 15 new contracts coming in in this quarter, rounding out at over R\$195 million in new sales.

Now I would like to turn it over to our Controller, Edirlei, who will talk about our EBITDA and other financial indicators.

Edirlei Lohrentz:

Good morning, everyone. Thank you so much, Bernardo. Happy to join you today to talk about Kepler's financial performance in 3Q24.

Our EBITDA performance in 3Q24 was very significant with R\$97.6 million and a 21% increase over the same period 1 year earlier and 2.3 p.p. growth in the adjusted EBITDA margin. In the year-to-date, our adjusted EBITDA came to R\$252.5 million with a 22% margin, both in the 3Q and the 9M24, the same consistent growth. This performance shows our effective operational strategy and robust business model, keeping indicators such as this healthy.

Over the course of 2024, our CAPEX investments came to R\$26.1 million, 35% of which were allotted to increasing our plant capacity, 35% to developing new products, meaning R&D, 16% to maintenance, and 14% to IT projects.

Now I would like to point out our cash availability, which remained robust, ending September with a gross R\$457.9 million and a net R\$162.9 million.

On slide 11, talking about our return on invested capital, that came to 42.1% in 3Q24, showing that we have maintained the Company's profitability level.

Now on investor remuneration, we talk about our dividend payments of R\$45.4 million paid on July 10 and August 23, 2024, keeping an attractive 80% payout in the Company's cash regime.

On that, I would like to turn the conference back to Bernardo.

Bernardo Nogueira:

Thank you, Edirlei. Before we move on to our question-and-answer session, I would like to stress our recent achievements and talk about our prospects for the remainder of 2024.

First and foremost, I would like to thank our Orange Blood team, Kepler's team for their consistent results delivery. Thanks to that, growth came to 8.2% in net revenue this quarter, moving our adjusted EBITDA margin to 22.2%. Kepler's diverse operation in different industry sectors once again stood out, especially in Ports and Terminals and international businesses.

Lastly, I would like to point out that we ended another quarter with solid net cash even after paying R\$45.9 million in dividends. Our net cash was R\$162.9 million are positive demand for projects, especially in Agribusiness, Ports and Terminals and services.

Our prospect for 2025 is this will be one of the best years in the Company's history. We have accelerated our growth in the 1H24, and the 2H is still in keeping with the same

period of 2023, which had been the best in 9 years. Lastly, we continue to focus on operational improvements in the Company for greater profitability throughout the year.

On that, we conclude our 3Q24 earnings presentation, and I would like to invite everyone for Kepler Day 2024, which will take place on November 26 at the Baleia Theatre in Sao Paulo. Registration is open for this special event where we will address Kepler's prospects for the future and introduce the vision of our executives and clients. If you have any questions, please reach out to our Investor Relations team, and you can find more information on our Investor Relations website.

Operator:

Thank you. Before we begin our question-and-answer session, we would like to introduce the new CFO and IRO with Kepler Weber. We will now turn over to Mr. Bernardo to move on with the presentation.

Bernardo Nogueira:

Good morning, everyone. It's a great pleasure to be joining all of you. And to start, I have something special to share with all of you. I am joined by Renato Arroyo, our new CFO and IRO with vast experience in the industry. He has a lot of affection for the Agribusiness, and he starts officially with us tomorrow. So we wanted to take the opportunity to introduce you to all our analysts and investors joining us today.

You have the floor, Renato.

Renato Arroyo:

Good morning, everyone. Thank you, Bernardo, and thanks to everyone joining us today. It's a pleasure to be joining Kepler in such a special day when we are presenting our earnings results.

Just a little bit about me. I have a little over 23 years of experience in the financial market. I have worked in both national and international companies, both private companies and listed companies. In the last few years, I have worked as CFO with other companies as well, and I am now joining Kepler, which is such a passionate team and such a bright industry in the market, which is agribusiness.

I am very passionate about agribusiness. This is a business my family is already in, and I have already worked in agribusiness adjacent industries in the past as well. So I am joining the existing capabilities at Kepler and adding a little bit of my expertise when it comes to optimize cash resources and trying to raise more funds and increase the return for investors as well, and also to provide a little more efficiency for this, which is an already very efficient Company and has been so for the last few years.

I would like to thank everyone. I would love to get to know a little bit more of you who have been following the Company for so long. So thank you.

Fernanda Urbano, XP:

Good morning. Congratulations on your results, and I would also like to wish Renato best of luck on his new job. I have a question about the Ports and Terminals business. You have talked a little bit about the projects in the Matopiba area and also talked about the trend of greater investments in infrastructure. I just wanted to understand a little bit better

your expectations about the demand for these products and how we can think about 2025 versus 2024.

And also in the Ports and Terminals industry, thinking about the product mix on these areas and the level of complexity for your projects, I just wanted to understand how we can think about productivity versus the Company's consolidated level so far. Thank you.

Bernardo Nogueira:

Fernanda, thank you for your question. Kepler has been structuring itself and growing in the Ports and Terminals business. This quarter, we actually had exceptional growth in this field. We know that our projects are large-scale projects with great impact. So sometimes we will see that kind of result, 400% growth in a quarter.

In the next few periods, we should have very significant growth, about 40% to 45% in Ports and Terminals. We have a very robust pipeline with a huge volume of projects in that area, which are being negotiated and underway with our clients.

But I also believe that this is an evolution that we like to work on gradually. So of course, there are deals in place, and we are just looking at the projects that better suit our plans and our execution ability. We are trying not to bite off more than we can chew.

So in summary, the answer to your question is, we have a robust pipeline across Brazil. We have port projects from north to south of Brazil, and we are just handpicking the ones that are best suited to our execution capacity.

Kiepher Kennedy, Citibank:

Good morning. I have a question about the international business, where we also saw substantial growth. I just wanted to understand a little bit about the Company's strategy for this business, and also how much of an impact exchange rate could have been. We saw a wide range of shift in the exchange rate. So I wanted to understand what your strategy is and what do you expect in terms of nonrecurring effects.

I also have a question about the Company's COGS dynamics. There was an impact of over 6x on revenue, and you mentioned something similar to what you said in 3Q relative to the projects that you are working on. So I just wanted to understand a little bit more about those projects, if you could maybe talk about their magnitude and their impact on the business because in spite of that you still delivered a very satisfying gross margin results and COGS results, which were very much in line with what we expected. So I just wanted to get a little more color on that. Thank you.

Bernardo Nogueira:

Thank you for your questions, Kiepher. Our international business really is doing really well in 2024. Yes, there has been some impact from the exchange rate, but to us, the most important reason for that development in that business was the outstanding crops we had in 2023 and 2024, especially in Paraguay and Uruguay and the high prices of rice, which generated higher income and led to a larger acquisition of the product by our neighboring countries.

Most of our sales is here in Latin America. We have great partnership, and we are on the lead here, which is something we are trying to maintain. And in 3 years, this was the first time we had some billing to Argentina. We already have a very interesting installed capacity for Kepler. And the units sort of aged a little bit over the last few decades. And

this year, we had sales of about \$1 million in the area. So we are working intensely on education and training of our clients and representatives there so that we are ready for whenever the market picks up, and we see a huge opportunity in the area.

Outside of Latin America, we also have projects in Pakistan, the first AV MAX dryer we have in Pakistan and other African countries also. So our business will be very competitive. That's important for us because of the exchange rate so that we have some of our revenue coming in in USD, but we also want to be updated when it comes to the competitiveness of our product overseas. That also helps us in terms of protecting our operations in Brazil.

Considering the next periods and next year, we want to maintain what we saw in 3Q. We are working at over 90% capacity, which we understand is the optimal level. We have the remainder for maintenance and strategic shutdowns. So we are working with a full plant capacity and in a very structured way.

Rafael Araújo, Evolve Capital (via webcast):

Could you please talk about how you see the farms industry? Last year, even with narrower margins, 50% of the IPCA, the inflation index was absorbed. How do you see this moving forward?

Bernardo Nogueira:

Thank you for your question, Rafael. If you will allow me, I should start by saying that we had substantial growth in national and international business in Ports, and we have increased our resilience.

But I have to say that our entire Farms business was perhaps the biggest surprise. We expected a downturn for farmers much because of the decline in commodity prices and reduced income in farming activity, but that's not what we are seeing. We actually saw an increase from our farmers or farm clients both for the quarter and for the year. And even considering the 1Q25, we are seeing a strong portfolio of farmers who are investing in storage.

And speaking for myself, I am also a farmer. I would say the explanation is the pressure the storage deficit will create, we are moving to a 330-tonne crop or season in 2024-25, and that puts the pressure of a deficit of over 100 tons and the more structured farmers are now getting ready to have a calmer season.

So we see very clearly that storage has gone up in farmers' priority list. We will talk about that during our Kepler Day as well. We have a few analyses comparing the last 20 years in terms of profitability, acreage and investment in storage, and it's clear that storage priority has increased both in 2023, but also in 2024.

Rafael Araujo:

Could you talk a little bit about your prospects for the Agribusiness? During this quarter, there was a modest 1% increase. What's the backlog looking like for next year?

Bernardo Nogueira:

Rafael, what we are seeing in Agribusiness is, with the level of production Brazil has shown in the last few years, we are seeing an industrialization of Brazilian agribusiness.

We are seeing corn-based ethanol and soybean processing projects adding value to the Brazilian value chain, which involves the entire agribusiness.

So what we see is, these are obviously very large-scale projects, which often rely on funding and planning that shifts throughout time. So today, we actually expect some decrease over last year. We had some very large projects being introduced last year. So we expect a decrease in agribusiness projects, but we do expect an uptick in 2025. Our prospect for 2025 is to close substantial deals in the agribusiness, which will make up our portfolio for next year.

Isaque, investor (via webcast):

Good morning. We are seeing a large number of agribusiness companies filing for bankruptcy protection. I would like to understand if and how that's affected Kepler? Is the Company exposed to any of those Chapter 11 filings? And how do you project the impact of the high interest rate? And how does that affect your operations moving forward?

Bernardo Nogueira:

Thank you for your question, Isaac. We are always closely monitoring these shifts within our industry. So what I can tell you right now is we are not exposed to any company that has filed for bankruptcy protection right now. Our exposure is below 0.5%. So our historical levels remain very low, but we are obviously always paying attention to that.

And then you ask about this time in agribusiness and the interest rates. So I think part of the answer I gave about the priority in storage is what we are seeing. The revenue for ag machinery going down, which is what the ag machinery union is showing and our revenue from storage is going up. So it's very clear to us, Isaac, that despite the narrower margins with corn, soybean and prices going back to where they were in 2019, our revenue remains strong.

And I understand that the same will happen with the shift in interest rates probably going up again. And to us, obviously, the lower the interest rates, the better. But because farmer revenue seems to not be preventing the investments in the value chain, we are not seeing that decrease in 2024, and we are not seeing the decrease in the portfolio that we are putting together for 2025 either.

Kiepher Kennedy, Citibank:

I have another question about the SG&A. You mentioned a few one-offs this year, one-off investments. I just wanted to understand the magnitude of that, and should we expect anything in the next quarters about that? And what would be a recurrent SG&A level for the next few quarters? Thank you.

Edirlei Lohrentz:

Thank you, Kiepher. A little bit about our SG&A then. Nonrecurring events, these one-off events relate to the 1H24. And as you well mentioned, this has to do with our bonuses and strategic targets that we set back then. As to the level we consider to be the regular one for the continuity of our business, it is in keeping with what we had in 2023, meaning something between 11% and 12% of our net revenue.

Guilherme Cruz, Varos Research (via webcast):

Could you please talk a little bit about the Replacement and Services industry seeing as you see in the release that there was a 12% increase in orders versus 3Q23, and Procer showed an increase by 25% in clients served versus the same quarter in 2023, despite an increase of only 1.1% in net revenue.

Bernardo Nogueira:

We usually joke that RS is our darling. This is the industry where we have grown the most in the last 2 years. So we devote a lot of our attention and our efforts to this industry.

I think there are a few things we should put into perspective. First is this industry has grown by 27% since last year. So the bar has been set really high. In 3Q, this was a little bit closer to where it was last year. And that was much because of 2 large renovation deals with a trader in the market, which is something that has not taken place this year. So what we expect for 4Q is for growth to go back to the 2-digit level.

And there's also an important mission for RS in 2025. And that would be continuing to move closer to our clients, which is part of our basic strategy. Obviously, there's a lot of cross-selling where we are seeing outstanding growth levels, and we expect that to continue next year. And we also have new products being launched to bring more automation, greater energy savings in the grain drying process, more safety and security in our clients' procedures.

So we have a wider range of products and services, which make us a lot more optimistic about RS next year. So just hold tight for our 4Q earnings and also for what next year will bring.

Tadeu Azevedo, investor (via webcast):

Good morning. Do you have any updates about the waste project?

Edirlei Lohrentz:

Tadeu, thank you for your question. The waste, the Resilos project comes from the bill of law from 2021 that expects the waiver of taxes in the sale of silos and businesses until 2024. This is a project that we see as very significant as it fosters the increase of the country's installed capacity. And as far as we have monitored it, this is a bill that is under review by congressional committee. So we are really expecting great things to come out of that.

Daniel Hansson, Sweden Family Office (via webcast):

Good morning. Congratulations on your results. About your international business, could you give a little more color about your strategy in both LatAm and other continents? Where can you work products plus deployment plus services, and where can you only touch with more products? For example, can you work replacement services in Pakistan or Afghanistan? Also, Procer services, how have Latin American clients accepted that type of service?

Bernardo Nogueira:

Daniel, thank you for your question. Our national business is the apple of our eye in 2024, and we are working to raise the bar even higher for 2025. And just to add a little bit more

color about our strategy in international businesses, we want to be relevant in the places where we operate, especially here in Latin America where we have, as I said, a robust footprint in Uruguay and Paraguay. We have also important projects in Bolivia. And we also serve in a one-off basis, Afghanistan and Uganda, places in other continents for a tradition with Kepler equipment.

And one of the reasons why we are reporting good results is the continued communication with those older clients. Kepler has over 1,000 units in equipment operating outside of Brazil. So we stay in constant communication with these clients, sending them updates about our newest and most modern and most updated pieces of equipment.

And as to your question about the digitalization and the acceptance of technology services in other places, what we see is Brazilian farmers are at the forefront when it comes to technology and grain preservation and the use of digital solutions to help them with that. But ranging from country to country, obviously, we also see good acceptance, especially Paraguay and Uruguay, where we have farmers who are very much up to date with the best that we have here in Brazil as well. And that's both for planting and storage post-harvest. And we also reached 2,000 connected units in Paraguay.

So I can now via my cell phone can have access to how much corn and how much soybean is being planted in Brazil and Latin America. So we have over 300 units outside of Brazil.

So Kepler, with greater precision than any institute, will provide the magnitude of that production and the quality of that yield in the most important producing areas in Latin America. And we are also starting to talk about the entire production chain to understand in an organized way how we can use that data to generate value to the production chain itself.

Ronaldo Veríssimo, investor (via webcast):

Can you say how much of the last Safra Plan was turned into revenue for Kepler? How do you expect in terms of storage for the next 2024-2025 season?

Edirlei Lohrentz:

Thank you, Ronaldo. From the Safra Plan, the volume that was released until September 30, I think we can say about 25% of that amount was captured by the Company.

And another thing that's very important in the connection with what Bernardo mentioned earlier with regard to the prioritization, or the higher priority level of our storage is the funding portfolio. We are operating with over 70% of our projects coming from their own funds, which lead us to believe that storage has become really very much a priority amongst farmers.

Angelo Piana, investor (via webcast):

I would like to understand whether the government's measures about importing steel will affect the Company's business.

Edirlei Lohrentz:

Thank you, Angelo. Our supply chain strategy is very robust. When it comes to steel, we have drawback programs, which this year have been fostered by imports and should be

leveraged, but we do not expect any significant impact from the new import rates. We cannot be about that specifically. So we plan to continue to capture results from our drawback program.

Gustavo Gushiken, investor (via webcast):

How is the public funding for silos being used within Kepler?

Bernardo Nogueira:

Gustavo, excellent question, and thank you for reminding us to talk about Fiagro. We recently received great news in 3Q, which was the conclusion of an over R\$3 million deal using funds from Fiagro. And even though interest rates are high right now, we found a client who actually needed to invest strategically and their funding lines were taken. So they found a way out with Fiagro to be able to strengthen their business. So deals are being closed in that sense.

And you also mentioned the rental of units. So we are working hard. We have several projects under review across Brazil on that topic, and we expect to have good news for you very soon, news about this new business model, and we expect to do that later this year. I know this adds a little bit of pressure on us, but that's our mission.

Operator

This concludes our question-and-answer session. I will now turn over to Mr. Nogueira for his final remarks.

Bernardo Nogueira:

Thank you so much for your interest in Kepler. I think in summary is despite the more challenging scenario for agribusiness with high commodity prices and narrower margins across the value chain, we are seeing storage being prioritized very clearly in 2023 and especially in 2024, much because of a logistics deficit in Brazil. I think part of our success, which is the growth of our crops, has been this deficit and the prioritization of storage.

And looking a little bit closer at what's happening, Brazil is now planting its 2024-25 soybean crop. And it's a wide consensus that this will be a large season. So the demand for storage in our understanding is something that will continue into 2025, which adds a positive or a brighter prospect for next year.

And also about this quarter, I would like to welcome we had almost 2,000 new shareholders. I know that you did a good business just as Renato, who made a great decision joining Kepler. And I would also like to thank our clients for their trust. We had 3,716 clients served this year, about 4% more than last year.

And to say a huge special thank you to our Kepler team for their dedication and efforts. They work in a very resilient way to serve all of these clients and to generate outstanding results to all our shareholders.

Thank you so much, everyone, and I see you on Kepler Day on November 26. Thank you.

Operator

Kepler Weber's 3Q24 Earnings Conference is now concluded. If you have a question, please submit it to the Company's Investor Relations team to ri@kepler.com.br. We would like to thank everyone for joining us and wish you all a great day.

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