Operator:

Good morning, ladies and gentlemen, and welcome everyone to Tupy S.A.'s audio conference to discuss results relative to 4Q and full year 2025.

This conference is being recorded, and a replay facility will be able to be accessed at the Company's website at ri.tupy.com.br. The respective slide deck is also available for download at the Company's RI website.

All participants will be connected in listen-only mode during the Company's remarks. After that, we will start the Q&A session, when further instructions will be provided.

This presentation is also being recorded and simultaneously translated. Translation is available as you click on the 'interpretation' button. For those listening in English, there's an option to mute the original audio in Portuguese by clicking on the respective button.

Before moving on, I would like to reinforce the fact that forward-looking statements are based on beliefs and assumptions on the Company's management and also on information currently available for the Company. Such forward-looking statements might involve risks and uncertainties as they refer to future events and therefore, depend on circumstances that may or may not materialize. Investors, analysts and journalists should have in mind that events relating to the macroeconomic scenario to the industry and other factors might lead the results to differ materially from those expressed in these forward-looking statements.

Joining us today for the conference, we have Mr. Rafael Lucchesi, CEO; Mr. Rodrigo Périco, CFO; Mr. Ricardo Fioramonte, VP for Structural Components; Mr. Gueitiro Genso, VP for New Business, Innovation and DRI; and Tupy's IR team.

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

Rafael Lucchesi:

Good morning, everyone, and thank you for participating in our teleconference. 2025 was a year marked by an environment of uncertainty that caused impact on the global economy and, as a consequence, on the markets where we operate. External factors, both macroeconomic and industry related have affected our sales and had repercussions on our revenues, which saw a drop of 9% vis-à-vis the previous year. The lower production volume also pressed and affected our operating results due to a lower cost dilution, and also due to the impact on the efficiency and quality indicators.

When you combine all those effects, we had a drop in EBITDA in over R$700 million, a significant amount, no doubt. If we had reserved sales volumes and production volumes that we saw in 2024, we would have more than doubled adjusted EBITDA in 2025.

Even though we faced a challenging scenario, 2025 was also a year where we continue to execute our strategic planning, having moved forward in building a company which is now leaner and more efficient. And whenever necessary, that strategy was revisited and improved.

Geopolitical changes combined to an increase in the relevance of the region and USMCA, which includes Mexico, the U.S. and Canada, led the Company to promote significant adjustments in the scope of the projects related to capacity reduction, which started in 2024, and which were expected to be finalized by the end of 2024.

In this scenario, capital discipline takes on an increasingly more important role. Actions geared towards working capital management helped generate operating cash to the tune of R$915 million, the second largest in the Company's history. It is an important result, especially when we consider the current challenging scenario that we face.

That advancement came accompanied by a rigorous cost and expense control program, which led to total reductions of about R$300 million throughout the year. From the commercial standpoint, we continue to expand our contract portfolio and raising our share in new businesses, which combine growth and higher profitability.

MWM's margins have reached 10%, accounting for a significant advancement vis-à-vis the year before the acquisition when they sat at 6% and then when compared to 2024, where the number registered was 8%. Such performance reflects structural gains, process rationalization cost reduction and an improvement in our product mix.

On the next slide, I will go into more detail on the facts that have impacted our final numbers. The implementation of tariffs on the U.S. affected the level of trust of companies and consumers, generating inflationary pressures as well, both in the U.S. and abroad. Such environment. combined with a delay in defining the rules for emissions for commercial vehicles, the EPA27, led truck buyers to delay the renewal of their fleets.

Moreover, freight prices dropped because of an expansive increase in supply during the pandemic and also pressured the profitability of transportation companies in the past years, thus contributing to a drop in sales of commercial vehicles.

In Brazil, the combination of high interest rates and a weak performance of the agribusiness sector reduced sales of commercial vehicles, both heavy vehicles and ultra-heavy vehicles, thus directly impacting the performance of our business units around structural components and manufacturing contracts. In both cases, we saw sharp drops in excess of 20%.

On the next slide, I will talk about the impact of the changes in the process where we reviewed our industrial footprint and also the allocation of production that we conducted in 2025. Historically, we have adopted a strategy of acquiring assets that allows us to access new clients and new markets, demobilizing in a timely manner, potential surplus capacity coming from those transactions. It's not about providing responses to cyclical demand movements, but of structural adjustments that will lead to financial gains, which tend to be more sustainable throughout time.

Since 2Q24, we have been executing a project to reduce capacity with a focus on operations located in Mexico, including investments of R$145 million in assets and inventory. However, given the new administration in the U.S. and the adoption of more protectionist measures, we chose to suspend such process and reassess our industrial strategy in response to demand from clients, both current and prospective clients as of the 2H25, we implemented meaningful changes in this redesign, including a reallocation of the original project and the start of a new plan to adjust the capacity in Brazil.

Those changes, which happened, as I mentioned, in a scenario of lower volumes led to idleness costs and delays in capturing the expected benefits, in addition to involving one-off expenses linked to impairments and write-offs. We are talking about significant amounts, but which create the necessary conditions for future structural gains to be reached in the 2H26.

I turn the floor now over to Rodrigo, our CFO, who will be talking about the numbers for 4Q and also for the full year of 2025. Over to you.

Rodrigo Périco:

Thank you, Rafael. Good morning, everyone. In 4Q, revenue came out at R$2.2 billion, a drop of 12% when compared to the same period of last year. This performance reflects mainly a lower sales volume combined with the appreciation of the foreign exchange period in the period. From the geographical standpoint, we had a breakdown of 40% coming from Central and South America, 40% from North America, 17% from Europe and the remaining 3% from markets in Asia, Africa and Oceania.

Looking on a breakdown by business, 80% of the revenue was generated from the segment of structural components and manufacturing contracts, which concentrates cast iron products and higher added value services as tooling and components assembly. Distribution accounted for 10% of revenue with a focus on the sales of spare parts and hydraulic parts. The remaining 10% came from energy and decarbonization, the highlight for generator set, our own energy manufacturing and solutions towards decarbonization.

On the next slide, looking first at the internal market, the revenues from our business units for structural components and manufacturing contracts were impacted mainly by the weak performance of the commercial vehicles market. The highlight is for the segments of heavy and ultra-heavy coming from a scenario that reflects higher interest rates, more default levels and the agribusiness weak performance, which equally affected our off-road applications.

In the foreign market, there was a slowdown in revenues because of the lower demand for midsized and heavy commercial vehicles in the U.S., and also because of uncertainties brought about by tariffs and its impact on inflation and interest rates. That effect was partially offset by a good performance in sales for commercial vehicles in Europe, driven by fleet renewal.

Lastly, it's worth mentioning that products of higher added value represented 41% of the revenue for that unit, reinforcing the strategic importance of solutions with higher technical complexity and higher contribution for the profitability line.

Moving on, we have the unit of spare parts, whose sales corresponded for 60% of the internal market revenue with a growth of 15% in the Brazilian market, reflecting performance of new lines of products, master parts and optionals, which together saw an expansion of approximately 40% in revenue. Moreover, the expansion of distribution channels and efficiency gains helped increase productivity and sustain that growth.

Moving on to the next slide, we highlight the performance of the unit energy and decarbonization. The segment saw a growth of 36% in Brazil, driven mainly by the strong advance in the sales of our own engines, in addition to an increase in indirect exports. Revenues were also marked by a ramp-up of new business with highlight of bio plants and vehicle transformation projects, which start to gain traction now. In terms of share, this unit accounted for 24% of revenue, internal market, and 2% of the foreign market in the period.

Moving on, we have costs and expenses. The drop in production volumes at levels above those of sales with a reflex in the dilution of fixed costs impacted gross margin, which reached 8% in the period. We also saw inflationary effects on services and labor, in addition to the appreciation of the MXN, which were partially mitigated by initiatives to reduce costs, restructure and productivity gains.

Operating expenses saw a drop of 17% in the quarter and 7% in the year 2025, a reflect mainly of lower sales volumes, foreign exchange appreciation and other efficiency gains initiatives. The unit comparison was affected by a higher level of expenses with freight due to logistic bottlenecks.

We now talk about the adjusted EBITDA, totaling R$39 million in 4Q25 with a margin of 2%. The additional business margin was negative at 1% in the quarter, reflecting a drop in sales volumes and production, an impact on operating efficiency, a worsening of the dilution of fixed costs and indicators of quality. The impact combined of those factors came out at R$205 million in the quarter. In addition to that, the BRL and the MXN depreciation led to a negative impact of R$70 million in the period. At the same time, MWM's operations saw a margin of 10%, reflecting the implementation of optimization processes.

In the lower part, we highlight the evolution of the net numbers in 4Q25, which was impacted by the impairment of assets and write-offs of inventories and tax credits, with no cash effect linked to the production to reduce and optimize capacity, having, as an offset, cost reductions from the 2H of the year.

After that, we saw the main effects that impacted adjusted EBITDA throughout 2025, where the comparison basis 2024 was affected by R$173 million in revenues coming from commercial negotiations, which are nonrecurring, and insurance payments to the tune of R$26 million.

Throughout 2025, lower sales and production volumes led to a negative impact of about R$580 million, as quality indicators effects also linked to smaller volumes impacted the year at R$150 million. Those factors were partially offset by reductions in costs and expenses of about R$300 million, and a favorable foreign exchange scenario with gains of about R$150 million.

Looking at the financial results of the period, financial expenses saw an increase of 23% when compared to the previous year. This growth reflects mainly a raise in interest rates in Brazil, which have impacted interest provision over local currency debt. In addition to that, financial expenses were also affected by the whole recognition of costs related to the waiver, which was approved by the debentures' special meeting in December 2025.

Financial revenues reached R$45 million, affected by the better cash position in the period. Lastly, foreign exchange variation over the foreign exchange line, combined with the results of hedge, operations led to a net revenue of R$7 million.

On the next slide, we see a variation of the main working capital accounts having the 3Q25 as a comparison basis. Accounts receivables saw a drop of R$63 million in the period, which represents an impact of 1 day on the average receivables term. That movement was influenced by the seasonality by a higher concentration of receivables in the 4Q and by the reduction of the sales volumes. Those effects were partially offset by the depreciation of the BRL vis-à-vis the USD on a quarterly basis. 71% of our receivables are pegged to the dollar.

In inventory, we had a drop of R$257 million, accounting for 11 days, reflecting initiatives of better working capital management with a highlight for raw material and products being still manufactured. As for accounts payable, we saw a drop of 4 days, consequence of the reduction in inventory and a lower purchase volume, partially offset by the depreciation of the BRL in the period.

Moving on, the efforts to better manage working capital helped to generate operating cash in 2025, reached R$915 million, as I said before, the second largest in the Company's history. With a lower demand, we made a conscious decision to produce less, even knowing that this will pressure margins to consume inventory, prioritize cash generation and preserve liquidity. Even though this is occurring to the detriment of a drop in the EBITDA in the short run. This should continue in 2026. We still have room to monetize inventory and nonoperating assets, and our priority will be to keep the Company's financial solidity robustness.

Within this context, in 2025, we sold IPI credits to the tune of R$174 million, directly helping to reinforce our cash. Lastly, the Company's net debt at the end of 2025 was R$2.2 billion, a drop when compared to 4Q24.

Leverage accounted for 3.35x EBITDA for the last 12 months, reflecting mainly a lower EBITDA year-to-date for the year. From the point of view of debt composition, 58% of the obligations were denominated in foreign currency.

On the other hand, 48% of our cash position was also pegged to foreign currency, which helped us to have a natural protection of the balance sheet. We closed 2025 with a cash position of R$1.9 billion, reinforcing the Company's liquidity level.

In December, we approved at the debenture assembly, the flexibilization of covenants for debentures through a waiver. As a counterpart, we established some conditions such as the fiduciary elimination of immobilized assets, temporary restriction to share buyback and bonds and limiting below the minimal level.

And the waiver will extend from the 4Q25 to 3Q27, but they do not restrict the execution of the strategic plan of the Company in this period. It's important to reinforce that leverage levels which were approved do not represent by any chance, guidance or the Company's budget, but a safety margin.

Our view is quite clear. We expect a gradual return of volumes, a ramp-up of new contracts, which have already been announced and the effects of projects to optimize capacity and improve operating efficiency, which will lead to an increase in adjusted EBITDA and consequently, a reduction in our leverage level, especially as of the 2H of this year.

And now I will turn the floor back over to Ricardo.

Ricardo Fioramonte:

Thank you, Rodrigo. Well, Lucchesi has already mentioned the factors that have influenced the industries we service in 2025, and it's important to reinforce that our results reflect the performance of the market and of our clients, especially a combination of performances which are quite negative in both countries, which are the more revenue for the Company, the U.S. and Brazil.

But looking ahead, our expectations are quite positive. We not only see a recovery of some segments, but also we hope to grow more than the market. Since our last teleconference in November, we have realized that we have clients in North America, which are more optimistic, indicating an increase in production pace as of the 2H, in line with an expected normalization of inventories in the 1H of the year.

The reduction of uncertainties related to tariffs and the confirmation of the new regulation for emissions EPA27 expected to happen in January 2027 have strengthened the confidence of truck buyers. Other relevant factor is the raise in the price of freight coming from a reduction in capacity and a higher balance between supply and demand. Additionally, new contracts for blocks for engines bring perspectives of about R$1.4 billion in annual revenues. And we expect about R$600 million coming from those projects as early as 2026.

In the light commercial vehicle segment, we also see positive signs. Expectation is to have a strong growth of sales of the heavy motor engine used for Ram pickups, which will help increase our sales. This engine, which uses Tupy blocks had been discontinued in 2024 and is now being revisited in the market with very robust sales expectation.

In Europe, this scenario is also favorable, driven mainly by recomposing of fleets, the consistent volume of new orders and a low level of inventory indicating a healthy demand for the year. These trends can already be seen in our public forecast for the clients, which have been upticking the guidance for 2026, both in the North American market and in the European market.

The off-road equipment market continues to show robust activity. As an example, the massive investments made in data centers have boosted sectors of nonresidential construction and generating sets, leading to an increasing demand for higher power engines.

In Brazil, being more prudent, the combination of high interest rates, record levels of defaults and a low performance in the agribusiness sector have been affected the segments of ultra-heavy and heavy commercial vehicles. Also, there is an important structural point, we have been observing an important change in the carmakers' strategy, especially in the U.S. Several makers are reducing or canceling projects of electrical vehicles and revisiting investments to internal combustion engines. That move will favor our portfolio of services and products.

On the next slide, I would like to share some indicators that sustain our expectations for the North American market in 2026. Low level of idleness and the delay in the renewal of fleets in the past years increased the average age of vehicles, which has already been reached a level above the historical average. That situation triggers a demand for fleet renewal as you see better profitability on the transportation segment.

Within this context, it is key for us to look at the evolution of the pricing of freights. Combination of pressure on prices throughout the past years, along with policies that have restricted availability of labor led to the bankruptcy of several transportation companies, especially the smaller ones. Such factors have positive reflexes, with the capacity adjustment reflecting higher freight prices. That increase is an important indicator to restore the confidence on transportation companies and simulate return on investments.

Anticipation of these uncertainties and increase in profitability already reflect an increase in orders, as you can see. An increase in orders and a reduction of inventory in the 1H of the year will reflect in a growth in production in the 2H. And we should highlight the order level in February, which was the highest in the last 26 months.

On the next slide, I would like to talk about the execution of our capacity reduction project. It's important to say that capacity reduction is not a necessary response to the overall factor that had been predicted in our integration plan to capture synergies during acquisition processes.

We are going through a moment where we have a low in the cycle, but we have not identified changes in the fundamentals of the sector we operate. The effects of such initiatives will start to be perceived as of the 3Q26, with estimated gains of R$100 million in 2026 and R$180 million as of 2027, especially because of the reduction of fixed costs.

We are following rigorously our schedule, allocating efforts to flexibilize plants, developing new tools and processes, which are necessary to transfer products, as well as to have the approval of the client. And to cover those expenses, the Company has made a provision of R$52 million, contemplating the result of 2025.

I will turn the floor over to Gueitiro, our VP for Strategy and New Businesses. Over to you, Gueitiro.

Gueitiro Genso:

Thank you, Ricardo, and good morning to everyone. Today, I will be commenting on the performance of our subsidiary, MWM, which accounts for 27% of our total revenues. Despite the 2-digit growth across several businesses, MWM's revenue saw a drop of 3%, reflects of the performance of manufacturing contracts, directly linked to the truck industry in Brazil.

Still, this is a business that generates cash with return on invested capital, which is significantly above those of other segments where Tupy operates and which accounts or presents a major competitive edge and good value proposition for clients.

EBITDA margin in 2025 reached 10%, an increase of 2 p.p. when compared to the previous year, reflecting a better product mix, and especially internal initiatives around efficiency and productivity.

On the next slide, I would like to highlight the performance of our business of spare parts. This segment reached revenue of about R$570 million, with margins significantly higher than that of the other operations. It's an anticyclical business by nature and which will gain relevance as we move forward with our portfolio.

The new product lines, Master Parts and Optionals, saw an expansion of over 40% and already account for 20% of the revenue for that segment.

The year 2025 was also marked by the preparation of the unit for that new growth cycle. We have concluded the reorganization of our parts distribution center in Jundiaí, São Paulo, expanding its capacity by 28% at the same time, increasing productivity by 35%. The business unit for energy and decarbonization saw a growth of 16%, reaching 27% when considering only the internal market with a highlight for the performance of sales of generating sets, a segment that we lead in Brazil.

2025 was also marked by an important investment and by the expansion of our portfolio. We started operations of our first bio plant in Paraná, and we are gaining scale little by little and the business of vehicle transformation. Those projects led to a R$32 million revenue generation, a number that tends to grow in the coming years. We also presented to our market our ethanol running engine already being used by tractors and have a partnership with Yuchai, one of the largest makers of engines in the world to be their exclusive representatives in South America.

The technological and commercial partnership expands our engine offer to biofuels and gas running vehicles. It's about an agenda totally in line with regulatory tendencies and market demand, which has been materializing in projects such as the one signed with BNB from the Vamos Group, in addition to other initiatives, which will be announced in 2026.

I thank you all for being here, and we are now ready for the Q&A session.

Kiepher Kennedy, Citi:

Good morning. Thank you for taking my questions. Two questions. First, it was quite clear during the presentation, expectations for 2026. I think you are more optimistic about the foreign market than domestic market. That is reflected in the Company's guidance.

On the slide where you have the number of orders for commercial vehicles, in particular, February is coming on strong. Do you see that already reflected in Tupy as well, in the expectation of having a better 2H? Any indication of more orders coming in based on the data you have already made available, which seem to be a more optimistic for the 2H?

And the second question about the impairment reported in 4Q. I would like to have some more color what plant, where exactly, more than one plant? And why do you see this additional need of having that impairment after what happened in 2024? At the end of the day, I am trying to understand whether those adjustment levels already reflect what the Company expects to see to be able to totally deliver the restructuring expected for this year. In other words, can you expect some deterioration of the market, or any additional movement going forward in terms of impairment? Thank you.

Ricardo Fioramonte:

Good morning, Kiepher. I am going to address the first question, and Rodrigo will address the second one. I think the short answer is yes. We already have seen a reflect on our portfolios of a more optimistic, more positive perspective.

But the commercial vehicles industry dropped by 40% in the U.S. and carmakers decommissioned capacity, they reduced work shifts. And now they are looking to recompose, regroup, and that takes time.

So what we expect is that the orders now coming in at a higher pace will reflect at a higher production and higher sales down the road in 6 months' time. And we have information from clients that as of May, we will have work shifts already back to normal.

So we do expect to have a 2H to be better than the 1H, and the start of a new level of production and sales in the North American market, which should extend to 2027. And we do not have total clarity. If we have a confirmation of the EPA27, we might expect some positive impact on that front as well.

And lastly, it's worth mentioning that several of the new programs will be ramped up in 2026, which also help to expect a better positive 2H of the year.

Rodrigo Périco:

Thank you for your question. As for the impairment, more than discuss whether the capacity reduction is completed or not, we are moving forward. We have changed our criteria. We no longer expect to maximize volume or optimize at any cost. Our mantra here is that capacity is now gauged to a demand level that will soon remunerate our capital.

The decision has been made. It's not a new process, by the way. We decided to reduce capacity as we made the acquisition, it was in the Company's plan. We saw the need for that in the past. We did it partially in Mexico because of geopolitical issues. We adapted that to our current needs.

So at the end of the day, the impairment is more of an accounting snapshot, if you will. It clearly shows that the Company for the past 2 years has, in fact, been executing its strategic planning.

But because of our operating leverage, high assets and fixed costs, all movement towards that takes time to unfold. We cannot do that overnight. So there's a whole planning process around it.

Just to give you an idea, we have already said that before in previous calls, but just to be sure, we include different geographies, different products, and we are talking about over 50 products. Only for labor demand, we are talking about over 150,000 hours for new labor demand. So that impairment happened in Brazil. Just to be sure.

Fernanda Urbano, XP:

Good morning. Thank you for taking my questions. Two questions actually. Number one, I would like to have a follow-up on that discussion about commercial vehicles for the year, especially focused on Brazil. We see some geopolitical events take place and impacting and increasing uncertainties about freight prices, transportation companies' profitability levels and also some uncertainties in agribusiness. So given all that uncertain volatile context, does it make sense for us to think about a slower recovery for Brazil or not? If you could comment on that, how do you expect that to happen in the 1H, commercial vehicles in the 1H of Brazil? What do you expect to see happening? An update on that.

And a second question about the leverage level of the Company. Given all that context of a lower volume, lower sales in the 1H, seasonality in 1Q, I would like to better understand how you see your leverage time line in the coming quarters. Do you see any risk going down? Perhaps revisit the recent waiver for the covenants. That would be it. Thank you.

Ricardo Fioramonte:

The domestic situation is a little bit more uncertain. I can tell you that carmakers started the year expecting to recover. As of the end of 2Q, they expect an impact from Brazil, the program. But the geopolitical situation, without a doubt, the impact on diesel prices, of course, all of that may be a hinder to that. Right now, we are being more cautious. As I mentioned before, we are not placing our bets on a full recovery as we do for the North American market. Tupy's advantage in the domestic front is that we have different indirect export businesses. We provide parts of engines to our clients in Brazil, which then in turn export them.

So on that front of the business, we expect to have a better performance this year than last year. Several of those parts are shipped to Europe, which is doing well in commercial vehicles. And part of that export business, indirect exports have military uses because of the geopolitical situation, it's negative on the one hand, but it causes a positive impact on military applications.

Rodrigo Périco:

Fernanda, good morning. Looking ahead, we do not see any need to renegotiate the waiver levels, no need for that. They were based on EBITDA and our liquidity has been preserved the 5.5x for 2026 and 3.5x in 2027 is what I call a safety margin for the Company.

Of course, we have 2 variables that the Company cannot control. But most of that recovery process for the Company will happen inside. So what do we expect? We expect to see a market growth in this year. We have new projects to the tune of R$1.4 billion, which in 2026 will total R$600 million. And those 2 projects that I mentioned, optimization of capacity and efficiency, the first one will generate R$180 million as we have announced, and the second, about 2% of the EBITDA margin. So our belief is quite real that the Company will deleverage as of the 2H26.

Gabriel Rezende, Itaú BBA:

Good morning. Thank you for taking my question. I would like to have a follow-up on what Fernanda asked in this scenario of volatility in the recovery of the heavy vehicles, and try to expand that to the other geographies where the Company operates. I understand that highway freight will be under pressure around the world, including North America. So I would like to understand, you are having a better February, higher orders. Do you expect this to be accompanied by some uncertainty levels on the side of the truck companies because of an increase in fuel prices? And how will that affect freight prices? So operators might be incurring higher costs. That's the bottom line.

And a follow-up on the margin issue. It's clear that the Company expects to see a higher increase in 2H, both in revenue and also in terms of deleveraging. But I would like to understand how you expect to see things happening in 1Q, in the 1H. Adjusted EBITDA, you just reported in 4Q. How can you expect EBITDA margin to behave in the 1H vis-à-vis the volume we expect to see this 1H? Thank you.

Ricardo Fioramonte:

Gabriel, good morning. As for the domestic market and the potential volatility, it's important to have in mind that 4Q was quite bad for the industry as a whole. So the rhythm, the pace now is better than we had in 4Q, and will continue to be so, even if we face some volatility.

Also, there is a factor that mitigates volatility, which is the fact that once the chain, starting at the vehicle makers level, if they are ready to build, we will not see drops in the short run. So we believe that our portfolio is protected in the short run.

The reflexes of that situation where you have more expensive diesel and increase in cost for transportation companies, as we also mentioned before earlier today, of course, that does have an impact on profitability, but it also has an important effect, which is the removal from the market of some smaller transportation companies. And this will help adjust the available capacity and does have a positive effect on freight prices. We are aware of the situation, of course. It's not an easy sailing right now, but we believe we have a solid position in our portfolio.

Rodrigo Périco:

Good morning, Gabriel. As for your question about margins, what we have seen is 1Q, usually in terms of volume, very much in line with our budget. Yes, foreign exchange rates do affect us. But at the same time, we have managed to reduce costs and expenses to a larger extent.

So in a way, we will offset the appreciation of the foreign exchange rate with internal measures to cut costs and expenses. And we maintain our guidance, which is in the 2H, we start to see a consolidated EBITDA margin recovering quite well, resuming pre-acquisition levels.

Gabriel Rezende:

Yes. If I may, a follow-up, Rodrigo. When you talk about margins in 1Q, you are talking that they are in line with the Company's expectations, but not in line with what we saw in 4Q.

Rodrigo Périco:

Exactly. In line with what we expect, with what the Company expects. Better than 4Q, of course.

Jonathan Koutras, JPMorgan:

Good morning. Thank you. I have 2 questions. First, if you could share the share of the Company in this industry today.

And if you could talk about the CAPEX in 4Q comparing to the current size of the Company. Any one-off investments for new products in the 2H?

Rodrigo Périco:

Good morning. I will be addressing the question on CAPEX. Investments for 4Q, very much in line with what we expected. 2025 was also within the Company's expectations. So we had a few investments. Yes, we did, but linked to the demobilization and decommissioning. So our operating capacity remained in check.

Gueitiro Genso:

Jonathan, I will be talking about our strategy around capacity. Rodrigo and Ricardo talked about this, but just to reinforce a few points, and connecting to the impairments also. That move is linked to the Company's strategy when we had the M&A.

We saw an opportunity for a consolidation in the industry, and we executed the first step of that, which is to buy more capacity along with the capacity came along a client portfolio and a higher capacity to price a higher bargaining power, of course, we saw that back then already.

So talking about now 2026 for new products that already come under new price basis, R$600 million in revenue are expected for 2026. And that's why we defend our thesis that we will grow in 2026 even with the American market going sideways. That's not in our budget. We are working on that. And we are executing that plan to remove capacity.

The question is, are we going to stop that move? And the answer is we are adjusting. We have changed the Company's mindset, and now to adjust the capacity of our plants to adjust that to the size of the market/to what better remunerates our capital. So we are paying close attention to that. And throughout the coming periods, if something changes, we will always use that to calibrate our actions.

Jonathan Koutras:

If I may, just a quick follow-up. In the mid of last year, you mentioned 65%, and the objective was to reach 80% if you consider the decommissioning. So you are now what, above 65%, 70%? Does that rationale make sense? I know you cannot give me the number.

Rodrigo Périco:

Jonathan, those large numbers are pretty much the same. Of course, slight variations up or down, but we are getting ready to adjust the Company for the current demand, with the look, of course, to the long run as well. And we believe that's enough to meet the upcoming demand in the short term.

Operator:

The Q&A session is now over. I would like to turn the floor over to Mr. Lucchesi for his final remarks.

Rafael Lucchesi:

Thank you again for your participation in today's conference. Speaking about 2026, it's important to highlight 3 movements that happened simultaneously at the Company. Number one, the execution of a fundamental phase of our footprint transformation, which includes capacity reduction, which brought relevant accounting impact in 4Q25, but which is also part of a clear strategy, a well-defined strategy that we took over after the acquisitions to make our production base even more efficient. That move has already started to generate value in 2026 with an increase in operating margins and better improve on invested capital.

Number two, a commercial comment. We started to capture the benefits of this new phase with products that will be manufactured in more efficient lines at lower maintenance costs and within processes, which tend to be more organized, which means less quality cost, more competitiveness and a gain in share. The ramp-up of those new contracts reflect an increase in our ability in important markets such as Class 8 in the U.S. and number three, the start of a recovery cycle in the operational front with more efficiency, better cost dilution and an asset base, which has now been adjusted to the demand level.

In addition to that, the foreign environment seems to be more positive, especially in North America. There are fewer uncertainties in the sectors we operate and important indicators start to improve, such as freight prices. Strong levels for new orders in the beginning of the year should drive production in the 1H, a move that our clients already see, perceive and indicate.

But the most important point looking ahead is that the Company is becoming structurally more resilient and, as a consequence, more competitive. Resilient because today, we have an industrial base, which is more efficient and better adjusted to demand, with less idleness in structural parts and a higher capacity to adapt. And also resilient because we are expanding our growth drivers. We have anticyclical businesses such as the aftermarket area, which grow above market and with higher margins. We are advancing in the services area with higher added value services such as assembly and integrated solutions. And we are strengthening our pipeline with new fronts such as engines, biofuels, which start to gain scale with recent partnerships.

So in addition to improve the performance of our core business, we are also building an economy which is less dependent on market cycles. It will be a year with execution challenges, but we already have clear drivers for better results.

Thank you very much.

Operator:

Tupy S.A.'s teleconference is now over. Thank you all for participating, and have a nice day, everyone.