Operator:

Good morning, ladies and gentlemen. Welcome to the earnings conference call of Tupy S.A. for the 4Q24.

This conference is being recorded, and the replay can be accessed on the Company's website at ri.tupy.com.br. The presentation is also available for download on the Investor Relations platform and website.

Please be advised that all participants will be in listen-only mode during the presentation, and alter, we will begin a Q&A session, when further instructions will be given.

This presentation is being recorded and translated simultaneously. Translation is available by clicking on the 'Interpretation' button. For those listening to the videoconference in English, there is the option to mute the original Portuguese audio by clicking on 'mute original audio'.

Before proceeding, I would like to reinforce that forward-looking statements are based on the beliefs and assumptions of Tupy's management and on information currently available to the Company. Such statements may involve risks and uncertainties as they refer to future events and therefore, depend on circumstances that may or may not occur. Investors, analysts and journalists should take into account that events related to the macroeconomic environment, the industry and other factors may cause results to differ materially from those expressed in such forward-looking statements.

The following people are present at this conference call: Fernando Cestari de Rizzo; CEO; Mr. Rodrigo Périco, CFO; Mr. Ricardo Fioramonte, Vice-President of Sales; Mr. Gueitiro Genso , Vice-President of Innovation and New Business, and the Tupy Investor Relations team.

I would now like to turn the floor over to Mr. Rizzo, who will start the presentation. Mr. Rizzo, you can start.

Fernando Cestari de Rizzo:

Thank you, and good morning, everyone. Thank you for joining us on our conference call.

Throughout 2024, we rigorously executed our strategic agenda. Despite the sharp drop in physical sales volumes, we increased operating margins and achieved the highest EBITDA in the Company's history. The Company is more efficient. We implemented several costs and expense reduction initiatives in all areas of the Company, which, together with a favorable exchange rate scenario, contributed to the year's results. These actions cost R$58 million in 2024 related to ongoing restructuring, that are still ongoing.

In addition to operational gains, we have a product mix with greater added value, the result of commercial initiatives and opportunities arising from the acquisition of MWM.

On the next slide, I would like to detail the performance of our margins, separating the traditional business and MWM. We made important acquisitions, which accounted for 40% of our revenue. Prior to the acquisitions, the Company adjusted EBITDA margin was 14%. In 2021, we acquired Betim and Aveiro operations with margins of 4%. Back then, we announced the plan to bring the combined margins of the traditional business to historical levels in 4 to 5 years. Even with the 12% drop in revenue based on 2023, impacted by the dilution of costs and fixed expenses, and despite restructuring costs, the margin has reached 13%.

On the slide, you can also see the evolution of revenue and structural components in the period post acquisition. Although with nominal gains, it's a significant growth. These are organic growths combined with acquired businesses, with a lot of work to correct margins.

We also gained a lot of efficiency in MWM's operations, increasing the margin from 6% before the acquisition to a level between 8% and 9%. And this margin also includes a large portion of expenses to develop new businesses that will be shown shortly about R$70 million. Had we not made this effort, the margin of MWM would be 11%.

On the next slide, I want to highlight the performance of MWM. We continue to invest in new businesses towards the construction of a new Tupy, a more diversified company exposed to new business opportunities. A significant portion of this unit's revenue comes from assembly and engineering services to third parties, which, given their nature, have lower margins because we buy the components and include them in the sales price. On the other hand, it presents a very high ROIC and cash generation.

These are benefits of the physical capacity acquired with MWM with competitive multiples, and that holds many opportunities for the near future, given the opportunity for new businesses and also great opportunities of negotiating with car manufacturers.

In 2024, we invested R$469 million in Tupy, and out of this total, R$195 million were invested in equipment expansions linked to new businesses of cast and foundry and machining. In addition, we exceeded R$120 million in the development of new businesses in technologies that includes bioplants, biofuel-powered engines for use in trucks, structures, agricultural machinery, generator sets, and maritime engines, with no revenue in 2024.

These high expenses are developing a valuable knowledge. Such technologies, in addition to generating patents will be the basis for future creation of value of Tupy and MWM because the use of biofuels reduces the operational costs. It will be widely used in Brazil in a country that has biomass richness similar to in the United States, Indonesia, Argentina and many others.

Even in a year of reduced sales, the Company prioritized maintaining investments and expenses in R&D and innovation. which impacted the margin, but maintains the commitment and discipline for future value generation.

On the next slide, we address the operational efficiency initiatives that will play a fundamental role in the Company's operational leverage. As we have commented in other calls, we are directing production to more efficient units with lower cash costs, taking into account the characteristics of each product and the needs of customers. This is a planned movement with lasting gains and which is part of our synergy plan, and it's not related to the current scenario of volumes or uncertainties about tariffs and the U.S. economy. It is focused on pure economic efficiency.

The presented margin of 13.4% in structural components does not include any of that. The estimated gains are in the order of R$150 million to R$200 million per year in fixed and variable costs and expenses in addition to the lower volume of maintenance CAPEX. This will be captured later. In this scenario impacted by volumes, we prioritize the generation of operational cash, which reached R$1.4 billion in 2024, although some decisions have harmed margins.

On the next slide, we highlight the annual evolution of our operating cash generation. I reinforce our commitment when starting the acquisition cycle. We were very careful to buy relevant assets at low multiples, such as Teksid at a 3.8% EBITDA margin and MWM with 6% margin. And we consolidated into a solid company with growing margins and healthy cash generation. We still have many opportunities after completing the synergy capture cycle with the stabilization and maturity of the traditional business, higher sales on a smaller asset base.

Now I hand the floor over to Rodrigo to present the 4Q indicators.

Rodrigo Périco:

Thank you, Fernando, and good morning, everyone. Revenues fell by 5% compared to the same period of the previous year, reaching R$2.5 billion, of which 44% originated in South and Central America, 37% in North America, 15% in Europe and the remaining 4% in Asia, Africa and Oceania.

And the composition of revenue, 85% originated from structural components and manufacturing contract segment, which includes cast iron products and high value-added services such as machining and component assembly.

The Energy and Decarbonization segment accounted for 7% of revenue with emphasis on generator sets, self-manufactured engines, maritime applications, lighting towers, products and services related to decarbonization. And the remaining 8% came from the distribution segment, which includes the sale of MWM spare parts and hydraulic products.

On the next slide, in the domestic market, revenues from the structural components and manufacturing contracts were impacted by the increase in the production of commercial vehicles. Meanwhile, revenues from the foreign markets showed a decline, reflecting the lower demand for applications for trucks and off-road equipment impacted by high interest rates, falling prices of commodities in agriculture and macroeconomic uncertainties. Products with higher added value represented 47% of this unit.

On the next slide, we have the performance of the Energy and Decarbonization unit, which encompasses generator sets, in-house manufactured engines, maritime applications, lighting towers and products and services relating to decarbonization. The segment showed a 7% increase in Brazil, impacted by the strong growth in sales of generator sets. The drop in sales of our own engines resulting from the performance of agribusiness affected the performance of this unit in Brazil and abroad. This unit accounts for 14% in revenues in the domestic market and 2% in the foreign market.

On the next slide, we highlight Distribution unit, which includes spare parts and hydraulic products. In Brazil, sales from this unit accounted for 15% of domestic market revenue with an increase of 2%. Sales abroad fell by 14%. In both markets, performance was affected by lower demand for hydraulic products resulting from the economic scenario.

Moving on to the next slide, we highlight the 6% reduction in the cost of goods sold, accompanied by 120 basis point increase in gross margin. This result was achieved despite the negative impacts of the drop in volume, the depreciation of Mexican peso and inflation in labor and services, which were offset by cost reduction initiatives and productivity gains. Operating expenses increased by 7% compared to the 4Q23, mainly reflecting the increase in freight costs pressured by logistical bottlenecks.

In 2024, expenses showed a reduction of 2%, reflecting the success in contractual renegotiations, decrease in volumes in addition to the capture of synergies and efficiency gains obtained over the last few months. Continuing with the presentation, we highlight at the top of the adjusted EBITDA, which totaled R$252 million in the 4Q24.

The quarter's result was impacted by restructuring expenses in the amount of R$58 million. EBITDA margin on revenue reached 10.1%, exceeding the percentage recorded in the same period of the previous year. In 2024, the margin reached 12.1%, an increase of 100 bps compared to 2023. It is worth noting that the Company has consistently invested in innovation projects and new businesses still in the development phase and without generating revenue. Throughout 2024, investments related to these initiatives exceeded R$120 million.

We continue to capture synergies from acquisitions with performance above what was forecast in the business plan. The initiatives already mentioned, such as cost reduction and transfers in addition to contractual renegotiations with customers and suppliers, helped to mitigate the significant impact observed in recent months, especially reduction in volumes and inflationary pressure on services and labor.

At the bottom of the slide, we highlight the net profit performance. In 4Q24, the result was impacted by an impairment of R$250 million, resulting in a loss of R$98 million in the quarter. This adjustment is related to the write-off of assets linked to the operational efficiency projects, with the reallocation of production to lower cost lines. Disregarding this effect, the net income would have reached R$67 million in the quarter and R$247 million in 2024.

On the next slide, we have the financial result for the period. The increase in financial expenses is mainly due to new borrowings, which resulted in greater interest payments. Furthermore, the depreciation of the BRL against the USD negatively impacted the provision of interest on debts linked to the corporate bond.

On the other hand, financial revenues stood at R$44 million, exceeding the amount recorded in the same period of the previous year, driven by the increase in the cash position resulting from fundraising and strong operating cash generation.

In the result with exchange rate variations, we recorded revenue of R$84 million composed of 2 main effects: result of operations of hedge, which totaled an expense of R$30 million, of which R$8 million positive coming from mark-to-market, and R$38 million had an impact on cash. Positive effect of R$114 million related to exchange rate variation on balance sheet accounts in foreign currency, reflecting the depreciation of the BRL against the USD.

Following the presentation, we have the variation of the main working capital accounts using the 3Q24 as a basis for comparison. In accounts receivable, we had a reduction of R$273 million, which resulted in an 8-day drop in the average collection period. This performance mainly reflected the seasonality of the period and the exchange rate depreciation on values in foreign currency, which account for 70% of the total. In inventories, there was an increase in R$128 million, driven by the exchange rate devaluation. This impact, however, was partially offset by initiatives aimed at operational flexibility and the reallocation of products between production units.

In accounts payable, we highlight the progress in management initiatives with suppliers, which resulted in an increase in the average term by 4 days.

On the next slide, we present the operating cash flow. In 2024, we reached a new record with cash generation of R$1.353 billion, a growth of 63% compared to 2023. In the quarterly vision, we recorded the highest value in the Company's history, driven by discipline and working capital management, solid performance of MWM's operations, the refund of taxes abroad and the positive impact of the appreciation of the USD.

Finally, net debt at the end of 2024 was R$2.3 billion, corresponding to 1.81x the adjusted EBITDA for the last 12 months. Foreign currency obligations represented 65% of the total debt. In contrast, the cash position was equally divided between local currency and hard currency. We ended 2024 with a cash position of approximately R$2.450 billion.

Now I hand the floor over to Ricardo, Vice President of Sales.

Ricardo Fioramonte:

Thank you, Rodrigo. Good morning, everyone. I am Ricardo Fioramonte, Vice-President of Sales at Tupy. I have been with the Company since 2019, and I am responsible for relationships with automakers in Brazil and abroad, leading a highly experienced team.

Tupy has increasingly been an important partner for customers with the strategy of outsourcing and expanding local content. Last Wednesday, the 26th, we announced new projects with two automakers with revenue starting in 2027 and 2028. These are projects aimed at new generation of engines that will be manufactured in Brazil, replacing products that are being imported from other countries. Since 2023, we have announced new contracts that, when reaching maturity, will generate additional revenues of over R$1 billion.

Another important point is new services. This year, we will start the machining operation in Mexico and all the necessary investment has already been made. The additional value, the achievement of projects with more complex engineering means that contracts announced in recent years have a higher average price, and they are much better than the contracts that they replaced.

On the next slide, I want to comment on the outlook for 2025. Starting in Europe, after a significant drop in the production of heavy vehicles in 2024, we are beginning to see signs of increase in demand. We also see, in a positive note, the appetite of European governments to invest and to reduce fiscal rates and tax rates.

In the United States, economic uncertainties have impacted the beginning of the year, with impacts in the commercial vehicles sector. But although the demand is lower, it does not disappear and we will certainly see growing volumes in the second half of the year, especially with the possibility of the beginning of prebuy still in 2025.

In the construction sector, we see an upward trend in residential buildings. And despite the uncertainties, nonresidential construction remains high. And customers' activities will be favored this year because of the adjustment of inventories that happened in 2024.

Finally, in Brazil, despite the increase in truck production, we expect production to be stable, both for trucks and agricultural machinery, although we see the beginning of the year above expectations.

But to wrap up, I would say that the new contracts in Europe and the prebuy in the United States will be very favorable wins for our business.

Now I hand the floor over to Gueitiro, who will talk about new businesses.

Gueitiro Genso:

Thank you, Ricardo. Good morning, everyone. I am Gueitiro Genso, Vice-President of Innovation and New Businesses. I had the opportunity to welcome many of you at our plant and introduce you to our engine technology center and the leaders who drive our initiatives.

When we talk about new businesses, these are new operations for Tupy which have different degrees of maturity. In some segments, we have a well consolidated position. We have the most recognized engine brand in the country, which leverages the spare parts business, and we are leaders in generator sets.

Other businesses are in intermediate or early stages. We are using our expertise in engines, biofuels and circular economy to projects focused on energy efficiency and decarbonization.

On the next slide, we show the potential for replacement market for parts for diesel engines. Estimated market of R$4 billion, in which we currently have a share of less than 10%. The MWM brand is very strong and has the second largest distribution network in Brazil with more than 700 points of sale. We launched 2,000 new products in 2024, expanded our distribution center and created a pipeline of parts suppliers in China. We will increase substantially the number of items for MWM and other brands to offer new services that will contribute to market share.

On the next slide, we will talk about generator sets, which we started offering in 2019 and became leaders in the country a few years later. In addition to diesel versions, we launched biomethane products aimed mainly at agribusiness. The world has increased demand for generation and backup of energy in a wide range of applications, including data centers, which will be an important avenue for growth, as well as exports to markets with high demand such as the United States.

Now I will talk about our solutions for the maritime segment. These are onboard engines and generators designed for work vessels, which operate around 20x more than leisure vessels and require robust and reliable solutions, an addressable market of around R$20 billion. Recently, we announced contract with ferries operating on the coast of Sao Paulo in pilotage operations.

On the next slide, we have many opportunities to explore the vehicle transformation business with the replacement of digital engines in existing fleets with biomethane and ethanol engines, a market worth more than R$50 billion. We will announce several contracts in 2025 with partners in the on-road and off-road transportation segments, urban mobility and agribusiness.

Regarding this topic, on the next slide, I will talk about bioplants. We started our operations with Primato, and we have a good pipeline of announcements that should be made in 2025. We are the only player that offers complete solutions covering all the necessary technical skills, which contribute to the viable decarbonization of agribusiness, allowing for increased productivity, which will be necessary to serve a market that will grow 24% by 2033.

Thank you for your attention. And I will pass the floor to Fernando.

Fernando Cestari de Rizzo:

Thank you, Gueitiro. Since its foundation, Tupy had research and development as a competitive advantage, which is added to our operational excellence, the efficiency of our products and services and technological pioneering.

We are a global player, a reference in our industry, and we are advancing into new business. Thus, we are building every day a larger and more diversified companies. This is reflected in our positioning and will impact our multiples.

On the next slide, we discuss the repricing that will occur in the future. Approximately 25% of our revenue comes from segments that are traditionally traded at higher volumes than capital goods. As these segments increase their share and become more prominent in our results, we will unlock significant value.

In its core business today, the Company has very high growth prospects. The Company in the core business is much lighter, and despite the drop of 20% in physical sales volume, we increased our operating margins. We will benefit greatly from the recovery of volumes, which should occur later this year.

To conclude, on the next slide, we address the transformation we have undertaken in our ambitions. We are positioned in perennial segments with solid foundations, such as transportation, infrastructure, and agriculture, construction, and working strategically in offering viable decarbonization solutions. We will also explore the full potential of Brazilian agribusiness with a wide range of solutions.

We have allocated many expenses to develop engines, generator sets and other equipment powered by biofuels, such as ethanol and biomethane, with applications in the countryside and cities.

Finally, we are exposed to countercyclical sectors such as diesel engine parts replacement, and we can now monetize important assets such as MWM brand and our distribution channels.

I thank everyone's presence, and now let's move on to the Q&A session.

André Ferreira, Bradesco:

Good morning. Thank you for the questions. I have two topics I would like to ask about. Talking about U.S. tariffs, there is exposure of 40% to the North America. So I would like to understand two things. First, confirming who is directly impacted by tariffs, is it the customer?

And secondly, what do you expect in general volume for 2025 given tariffs, but also given that the U.S. Environmental Protection Agency is trying to postpone the standard set for 2027 of emissions? And since the change in the CEO, whatever you can comment on your strategic plans for Tupy in the new management. Thank you.

Ricardo Fioramonte:

Thank you for the question. I will start talking about tariffs and environmental laws in the U.S. It's important to note right now that all our contracts are protected by clauses that include the transfer of tariffs. So we do not see any impact for the Company.

As for the possible postponement for the new emissions rules, we do not have anything certain or confirmed. And talking to customers, our customers' position in general is that everything has been developed already, and it would be worse in their opinion, if that is postponed. Nevertheless, we must keep track of what's going on and make the necessary decisions whenever we have more clarity on that.

Fernando Cestari de Rizzo:

Thank you, Ricardo About the CEO question, there will be no changes in the strategy. In the closing remarks, we will address that subject.

Fernanda Urbano, XP:

Good morning. Thank you for answering our question. I wish success to Fernando in your future challenges. My question is about the profitability drivers. We have seen in this earnings more results, you have given us more details about business performance, which is valuable for us to understand the dynamics of earnings. But I would like to explore two points. First, MWM margin dynamics, to understand whether you see room for some growth given the operational efficiency initiatives you have endeavored.

And secondly, to understand the mix dynamic, because you mentioned it has had a positive impact on the margin of the traditional business. I would like to understand that better, and what do you expect for 2025 in both areas? Thank you.

Rodrigo Périco:

Good morning, Fernanda. I will talk about MWM quickly. We do expect a better return in margins and better profitability because that was done based on a margin of 6%. Today, we are delivering 30% in addition to acquisition margin. And if it were not for the preoperational expense, we would be close to 11%. And this is an expense in which we expect revenues to come short, higher than the traditional business.

Gueitiro Genso:

Fernanda, I will make an additional comment to what Périco said. This breakdown of MWM's business is part of a strategy that's happening for some time now, and more and more, you will notice that businesses are being seen as business units that deliver specific results in their verticals. This is how they are managed according to our strategy.

And more and more, in the next quarters, you will be able to have a closer look on each business, which have specificities and different margins. And that will allow the market to keep track in real terms of what was thought about when we purchased MWM, what our strategy was, because that brought new growth avenues to our business. So we will discuss these businesses separately later, in further calls.

Fernando Cestari de Rizzo:

Just to add something, in the traditional business, margins comes from operational efficiency, and this mix that will include machining. We showed an interesting margin last year, which comes very close to historical levels. And if you notice, revenue is almost doubled than it used to be before the acquisitions.

But there are several machining projects that are ongoing. And the major highlight, we just highlighted the largest organic CAPEX in Mexico in the last 2 years, and this is a machining area that's only starting, and will start to ramp up because we are replacing a European product.

So all these area, fortunately, we see growth also in engine assembly, there's a very high demand, it's a new proposal for the industry. The other areas, Gueitiro has expanded about bioplants, generator sets. So everything is solid, well built, and now we start to see the growth.

I also thank you for your good wishes for me, and answering the previous question, I would like to say that I will remain in the Company until April 30, and we will also have a call so that you can talk to Rafael Lucchesi and discuss a bit. But in essence, this is a market question. Will the strategy remain? Yes, the strategy will remain. It has been approved by shareholders, and it will remain the same.

Gabriel Frazão, Bank of America:

Good morning. Thank you for the question. I have a question about the reduction in production capacity that was mentioned in the release. Could you give us an idea of how much that reduction is about? And in addition to the positive impact of the cash cost, if it will also improve the products of the Company. And also, if you have any plans to further reduce the Company's capacity given that 3 of the 5 plants have idle capacity.

Fernando Cestari de Rizzo:

Just a message to Gabriel Rezende. You can send your question through the chat or the WhatsApp of Hugo. If you have trouble opening your mic, we will answer that if you send it in writing.

Now to the other Gabriel question, when we made the acquisitions, we saw an industry that was mature for consolidation, in which it makes sense to consolidate portfolios, reallocate products in a more competitive footprint given the features of each product. And obviously, when that happened, the production lines – not the plants, but the production lines – that have a higher cash cost would be gradually discontinued.

So this anticipates this movement that's going on this year, but yes, there are other fronts that will take place until the 1H26. There's a lot going on in that, and it takes time. This is not something that happened very quickly because it depends on reallocation of products, new tools, customer approval and all that.

But we will maintain available capacity, and I think this is an important point of view to understand about this business, because this is a mature business. It had a very high electrification vision, which is now postponed.

So the need for machines and engines in the world will be present because you need to transport more load, you need to build infrastructure, the population is growing. So this is a world trend. So there will be a need for more engines operating, more machines operating in the future.

The question was whether they will be liquid fuel driven or electricity-driven. Now, we see that it will be driven on liquid fuels. So we will continue to capture the growth of this. But there was a high supply because it supplied the passenger car industry. This is why we need to reduce those capacities.

What we are discontinuing this year, that's no longer in operation in Mexico, has to do to products that serve the passenger car industry. We changed to aluminum and a bit to electric cars. But the machine and capital goods industry is different. It will grow, and we are maintaining that capacity to capture that growth in future years.

So we are attracting new customers to the Company. We are going regional now. And things that used to be manufactured in Europe and imported into the U.S. will be manufactured in the U.S., and this industry is in the United States, or North America.

We are well positioned. We announced new projects this week that have to do with products that used to be imported and will be manufactured in Brazil in the future, and products that used to be manufactured in South Africa and Europe in the past and will now be manufactured in the United States, or North America as well.

So this is a long-term industry, stable with growth rates of 1% to 2% in the long run. And this is how it works.

Andressa Varotto, UBS:

Thank you for the question. I would like to thank Fernando for the partnership in recent years and wish success in his future. Going to the question, I have a question about new contracts. The Company had a significant backlog that would start this year, and you announced more contracts. So I would like to understand how do you see the potential to get even more contracts, considering production capacity, investments, and how these new contracts can contribute to margin in the future?

And also, a follow-up on the previous question to understand what the next steps are in terms of restructuring, and how close are we to an ideal scenario for the Company?

Fernando Cestari de Rizzo:

I will start answering, and then Ricardo will talk about new opportunities. We do have capacity. That's true, that's part of the design of acquisitions. And when we go to Teksid, we bought a plant in Minas Gerais that's highly efficient, very well located. It is a better location than our plant in Joinville in terms of supply of raw materials, and with a lot of available capacity. That makes a lot of difference when we compare it to other plants of the Company, compare the cash cost to be allocated. That's why it makes all that movement in the Company.

And I will answer your last question about the future, or how far we are. We are starting. We still have all plants in operation, the machines turned on operating with idle capacity. Throughout 2025, we will disconnect some equipment. We do have some expenses to be realized, to capture those costs, but this will happen throughout 2025, and in the beginning of 2026.

But in 2026, we envisage a much higher volume than we have today, with a lower number of equipment operating. So this will mean a greater efficiency for the Company.

And now Ricardo will talk about new businesses.

Rodrigo Périco:

Thank you, Fernando. Thank you for the question, Andressa. Most of the new businesses we announced, and those that are still on radar as opportunities, have originated in from two factors, or drivers. The launch of a new generation of engines to meet the new rules of emissions.

But emissions rules, although being the main driver, these new engines will arrive at the market with a better performance. So our customers are not adopting these new engines only for emissions targets. They also have a better performance, lower consumption, et cetera. So these engines will enter the market starting in 2024, up until 2026.

And in addition to this driver of new reduced emissions, there is a movement of regionalization, as mentioned by Fernando, of products located in the United States and in Brazil. So our positioning is key to achieve a lot of these new programs. I would say that most likely, we will be able to attain all the programs in the regions we are present.

And the future challenge, still in line with our strategy, will be to add more added value to such products with the offer of services. We have good products in machining and will advance even further.

Fernando Cestari de Rizzo:

I would just like to add something to what Ricardo said, something that affects the dynamics of our business. Something that is a thesis we have always questioned. We always talked about feasible decarbonization. There is a resistance in accepting that the decarbonization thesis could work based on subsidies, which is very hard for states to maintain subsidies if technologies cannot be able to lower economic cost for society.

So we believe there is a path of opportunities that go through biofuels by using diesel ethanol, biomethane that we talk so much about. Brazil has such a richness of biomethane that's wasted, that could offset all the diesel that we use. But in addition to decarbonizing, it reduces the economic cost of customers' operations.

So we believe that the world is becoming more sensitive. I am not talking about extremes of canceling the climate change or denying it. No, we do believe in climate change, but we believe that the world will decarbonize in the opportunities that also bring economic and efficiency gains with them.

So then, we allocated the development of new businesses, because when we talk about having an ethanol engine in a machine that operates in the sugarcane farm, it makes sense. But in the Northeast of Brazil, there's a belt of sugarcane that many plants that produce sugarcane could be using ethanol in their machines, because it makes sense in the North.

It does not make sense to transport fossil fuel up there. You can produce ethanol from corn, from sugarcane and biodiesel from soybeans. And the machines that operate in those places, barges, agriculture machines and so on, it makes a lot more sense for them to operate with the fuels that are produced locally.

And that's where we are betting our growth on. This is what we see, and we will have lots of news this year on the success of these projects with large agribusiness companies in Brazil.

Letícia Pinaffi, Itaú (via webcast):

Good morning, and thank you for the question. You have commented that you had a 1H with lower sales volume and resumption in the second half. Could you comment a bit on the rationale?

And going back to the tariff issue in the United States, the contracts are protected with the transfer clauses, but couldn't there be a reduction in the volume demanded?

Rodrigo Périco:

Starting with the volumes of demand, our expectation for a better 2H of the year is basically related to clarity about the economic policies in the United States, because we understand that this is the main factor that has caused decrease right now.

In addition, as I have mentioned in my presentation, there is a possibility of a beginning of a prebuy in the U.S. still this year. And Europe, after a very weak 2024, shows signs of recovery in heavy vehicle segment, with all our customers reviewing their projections upward.

So based on customer data, we believe that as soon as our customers mobilize their chains in order to meet the higher demand, we will see the results in our sales.

About tariffs, in addition to the fact that the contracts have protection clauses, another important factor is the fact that we do not have local competitors. That's very favorable for us.

About drop in the demand, this is something to be observed, to understand better how all that impacts the U.S. economy. We do not believe that the drop in demand will be a direct effect of tariffs for us, but depending on the impact that it may have in the growth volumes in the United States, there may be some indirect impact. This is something we have still to wait a bit and see in the next months.

Operator:

The Q&A session has now ended. I would like to turn the floor over to Mr. Rizzo for the final remarks.

Fernando Cestari de Rizzo:

More than the end of the year, I am closing an important cycle. I would like to thank you for the immense honor of serving this outstanding team in recent years. We have achieved many milestones and surpassed many of our competitors in various industries.

Serving as CEO of Tupy has been the honor of a lifetime, and working with such a fantastic team to accomplish everything we have done has been a great experience. I say goodbye with pride and accomplishment.

There were years of many challenges, important decisions and achievements, and we had the trust of you, investors. And above all, we counted on the skills and talent of our entire team.

We have always believed that with technological competence, quality and competitiveness, we could go very far. And as the fundamentals of Tupy are solid, the vision of the future is clear. Our strategic plan has always been very clear. It's the result of a vision of growth in the world, expansion of competencies. And with that, we create important avenues of growth.

In these 33 years at the Company, starting as a trainee until becoming a CEO, I participated in many moments that brought us here, together with Tarquinio, my predecessor, who led the financial restructuring of the Company in 2003 and the possible turnaround of the business.

At a time when everyone abandoned the Company, we had immense support from shareholders Previ and BNDES, who supported and believed in us, with a lot of new money allocated, because nothing we are experiencing now would be possible without their support. They invested and believed in the Company's success. They approved growth strategies that were proposed by management, and also supported organic growth, internationalization, acquisitions, and always allowed the Executive Board of the Company to work independently.

And I do not believe there is any intent to change that guideline. Such shareholders always trusted us and had a long-term view, and they supported the Company in their most difficult times.

In 2025, it will be the anniversary of 30 years of the biggest shareholders of the Company. I am very grateful to those entities and their representatives, especially technicians who are very qualified and from whom I learned a lot.

From a local company that was admired, but with little global presence, we built a solid strategy, and we became the largest company in our segment in the world. And for many years, we are the largest contributor to the Brazilian auto parts trade balance.

We did a follow-on in 2013 and joined the Novo Mercado. We then accessed international debt market to support the strategic plan that would come next, with lots of organic growth, acquisition of Teksid and expansion of machining operations.

Nothing of that decreased our commitment, and we understand that there are huge opportunities to add value. The acquisition of MWM, a combination of skills, opened very powerful opportunities. It was not easy to convince on the acquisition of an engine plant shortly after two foundries of blocks in so little time, while the topic of the day was electrification.

Part of what we have built is already seen in our results. Since 2018, we have gone from a revenue from R$4 billion to R$11 billion, while EBITDA was from for R$180 million to R$1.3 billion. And now we introduced a higher EBITDA and highest operating cash generation in our 87 years of history. We built value from long term with responsibility and coherence.

More than numbers, I would like to take the opportunity to reinforce the organizational culture on which all that is built. What supports this wealth generation and the engagement of people is the impact we create by transforming the lives of many people who seem in Tupy the chance to study, build their career and provide a more dignified life to their families.

In 2024, we reached the lowest accident rate in Tupy's history. And I will not say that I am proud because in safety, our goal has always been zero accidents. This may seem to have no direct relation with the earnings call, but only with a committed team that works in a safe environment, with respect and who are valued it's possible to carry out the transformation that we are doing at Tupy.

And to conclude, I am grateful to our founders. Although I have arrived long after them, we are guided by the history of devotion to technical knowledge, innovation and research. And the concern with the Company in a dimension that goes beyond businesses, thinking about its impact on society.

It's amazing how the genius of a group of technicians can create a company that's competitive worldwide. But with technical knowledge and research, it develops very competitive processes that have excelled many worldwide competitors.

The Board members and my team, with whom I shared the mission of taking care of the business in the last 21 years, have been so important to me. I am speechless. And together, we have designed a strategy that's been so successful. I respect, and I am so inspired by the dedication and energy that you put into achieving our purpose. You were the life force of this Company.

And I am talking about the 19,000 employees. Many of them came to me, and it's always good to see the shine in their eyes when I talk about Tupy and MWM. I leave with the certainty that all that we planned is a fertile land to bear fruit, mainly because we work with a team of brilliant people that have always helped me to talk, to advance, to announce to investors. This team will remain with you.

We are just in the beginning of this new Tupy legacy. As Gueitiro and Ricardo presented, we have new contracts in traditional business and many advanced projects with a great chance of increasing, dedicated to research and development. Innovation as a method and the deep knowledge of our customers and markets, respect for complexity of our operations. All of these are fortresses built over these 87 years and strengths in the brands of our traditional business. And all of that forms our vision of new businesses.

I wish success to Rafael Lucchesi's administration, or management period, and I will collaborate so that this transition is smooth, building the necessary bridges so that we can continue to count on the trust of our customers with whom we cultivate relationships of long term, which is central to the Company's advancement.

I will be a senior adviser to the Company for a certain period of time to continue to ensure a smooth transition and continuation of ongoing projects. There will be no change in the strategy of Tupy that is supported by everyone in the Company.

What's important is the discipline of our team and its execution. These are the purposes of a team that I am so grateful of having been part of. A team with many years of experience and dedication to Tupy.

Once again, I thank you all investors, and I reinforce that all the strategy we have discussed in recent years is still present. And this legacy is not just mine, it's the team's legacy. And this team is working, engaged in strategy and needs an environment that is favorable to work and develop.

I have been blessed with an amazing career. I am young and have energy to continue working. I learned a lot in my career, and I know that this knowledge is very useful to society. But to be honest, there were times in which I wish I had more time to spend with my wife and my daughter. So I believe that you share this feeling as well. So I would like to thank them, my wife and my family, because they support me every day.

Tupy continues to count on your trust and attention to continue executing our strategy and generating value. Good afternoon, and a brilliant future to glorious Tupy .

Operator:

Tupy's conference call has now ended. We thank you all for your presence, and have a good afternoon.