RANDONCORP

Transcript of the 3Q25 Earnings Video Conference

Caroline I. Colleto:

Hello, welcome to the video conference for the earnings of Randoncorp regarding 3Q25. This event has simultaneous translation to English and sign language interpretation. To hear the audio clearly in English, click on the interpretation button located in the bottom bar and select "Mute Original Audio". We inform that this video conference is being recorded and the recording will be made available on our investor relations website: ri.randoncorp.com.

The information provided in this video conference is not a guarantee of future performance and involves risks and uncertainties, as it refers to future events and circumstances that may or may not occur.

Moving to today's agenda, we will start with a message from our CEO, Daniel R. Randon, who will share his strategic vision regarding the main movements of Randoncorp in the nine months of 2025. Then, Paulo Prignolato, Vice President, CFO and IRO, will present the financial highlights. Following that, we have Esteban M. Angeletti, IR Director, who will discuss the results for the period.

Afterwards, we will have an essential moment to address the topics presented and clarify any questions in our Q&A session, conducted by Davi C. Bacichette, IR Manager and Finance. Also participating is Hemerson F. de Souza, IR Director at Frasle Mobility. You may ask questions via microphone or in writing. Interaction options will be displayed on the screen. Feel free to participate at any time. If your question is not answered during the event, our Investor Relations team will follow up afterwards.

Now, I pass the floor to our CEO, Daniel Randon, to begin the presentations.

Daniel R. Randon:

Good morning, everyone. It’s a pleasure to be here to share the results of 3Q25. During this period, I assumed the role of CEO of Randoncorp and President of Frasle Mobility, which brought me even closer to operations.

We are currently facing a challenging business environment, with a series of adversities impacting demand, especially in commercial vehicles. Despite high interest rates and political instability in various markets, we are also dealing with tariff wars, which add uncertainty to our business and trade relations.

What I want to highlight today is that these obstacles did not paralyze us. On the contrary, they reinforced our determination to continue advancing. As you saw in the numbers published yesterday, and which will soon be detailed by Paulo and Esteban, in this quarter we resumed the path of profitability, despite the retraction in volumes across different segments. This was only possible due to the consistent work of our teams.

Throughout the year, we adjusted structures, executed strategic initiatives, and implemented measures to optimize cash flow and working capital, preserving our financial solidity and leverage, and preparing the company for the future.

In times of crisis, we feel unity. This year was no different. We revisited processes, corrected paths, and remained committed to what we believe in: our people, quality, technology, and sustainability.

Together with our stakeholders, we launched leadership development programs, achieved international certifications, inaugurated a new energy substation at Frasle Mobility and PRISMAX, and through NIONE, presented a unique vision to transform recycled plastic into high-performance material.

We also maintained our ESG investments. This week, we are participating in COP30 in Belém do Pará, alongside other institutions and government representatives, in the fight against climate change and the construction of a better tomorrow.

These continuous investments, aligned with our governance practices and ongoing evolution, allowed us to achieve several recognitions this quarter, such as:

- Maintenance of our AAA rating by S&P;
- Reentry of our shares into the IBRX100 index of B3;
- Leadership in all categories of the EXTEL Award in the small caps segment of the capital goods sector;
- The title of *The Most Honored Company*, for our consistent and transparent performance with investors;
- Recognition in Exame's *Melhores e Maiores* awards in the Capital Goods and Electronics categories;
- *Suppliers of the Year* award, granted by the IVECO Group;

- *Great Place to Work* certification in several business units.

I’d like to conclude by reinforcing that 2025 has been a marathon full of challenges, but each step taken reaffirms our ability to overcome them — with prepared people, solid strategy, and non-negotiable values.
We remain firm in building a sustainable and innovative future.

I now pass the floor to Paulo Prignolato to continue the presentation.

Paulo Prignolato:

Thank you, Daniel. Good morning everyone that's following us in this video conference.

Starting with the market performance in this third quarter, I highlight that we had a retraction in the volume of production in trucks and trailers when we compared to the same period of the previous year. Especially the macroeconomic scenario that's challenging, mentioned by Daniel.

In the case of trucks, the decrease in heavies intensified with a reduction of almost 30% of the volume sold domestically, facing the third quarter of last year. The OEMs have acquired measures to reduce their stocks, which reflects in the lower demand for auto parts. For the end of the year, we expect the anticipation of vacations in a few of them.

In the segment of trailers, still at a lower level, we had a slight recovery in agribusiness compared to the second quarter of this year. After several months of decrease, it's still early to talk about a trend, but we're paying attention and ready to adjust our production with agility when necessary.

We had a reduction in the selling of tanks and the acceleration of the industrial. In this period, exports of trucks and trailers showed expressive growth pulled by Argentina and Chile, countries where the economy has seen evolution.

Regarding the spare parts for the company, or aftermarket, we see a passage of workshops and the sale of semi-new vehicles, which stimulates parts sales. This is a resilient segment that's less cyclical. We have faced challenges like the change in behavior of dealers that have worked with a lower stock level to reduce their capital cost.

This data reinforces the importance of diversification of our portfolio and the international presence — pillars that have sustained our resilience in moments like this one.

Overall, the scenario is of caution when we talk about the market, but we have all our adjusted structures to the current level of demand.

Going now to our main indicators, I highlight that the net revenue increased in the quarterly comparison, pushed by new businesses that added R$680 million to the indicator in this quarter alone.

Regarding adjusted EBITDA margin, we observe an important advance compared to the second quarter of this year, due to the measures adopted to adequate our structures and the rigorous control of the realization of costs and expenses. This margin recovery shows the profitability comeback of the company — very positive considering the decrease in the markets where we act and the financial leverage with the high interest rates.

Regarding ROIC, I highlight that the performance of this indicator was impacted by a higher invested capital and unusual expenses in the last 12 months.

Now we bring to the screen the data regarding net debt. As you can see, in 3Q25 the leverage of the company presented a reduction compared to the first semester. For this, we implemented several initiatives during the last months. Among them, I highlight the following: the capturing together with the capital market through follow-on at Frasle Mobility and the increase of private capital at Randoncorp — together added around R$400 million in our cash; rigorous control with new investments; and the reduction of the need of cash in working capital by reducing stocks, as well as negotiation together with the suppliers to extend the payment of the purchasing contracts.

I remind that our financial covenants allow a leverage up to 3.5 times, excluding Banco Randon and pro forma EBITDA of the last 12 months of the acquired operations. Provenance has as base the data of December 31st of each year. At this moment, our indicator is lower than its limit.

Continuing, I bring now data about the profile of our debt at 3Q25. I highlight that we continue to work in several fronts to improve these indicators, with increase of medium deadline and the average debt. The efforts have brought results in this quarter.

We continue committed with financial management that's responsible and aligned to our strategy. In this sense, we realized in October the issuance of debentures from Frasle Mobility in the amount of R$500 million in one series with a deadline to pay in five years, CDI rate + 0.75% a year. Resources will be used especially to pay debt with higher cost.

In finishing my part, I bring data related to the performance of Randoncorp in the capital market. Compared to 3Q24, our market value presented a decrease of 35%, reflecting the economic scenario that's challenging and the impact of different factors that have pressured the sector as a whole.

Despite the reduction of market cap, the current volume negotiated allowed our shares to go back to the IBX100, a milestone, which shows the relevance of Randoncorp and shows the trust of the market in our governance and capacity of generating value.

Now I pass the floor to Esteban, who will detail our economic indicators.

Esteban M. Angeletti:

Thank you, Paulo. Good morning everyone.

I will start talking about net revenue of 3Q25. The international revenue continues to be the main factor of growth of this indicator, not only with the expansion in the aftermarket and the retake in several geographies. The causal graph that we bring to the screen shows this evolution. We can see that external market is the sector that grew the most in the quarterly comparison. In this amount, we see the addition of the Dacomsa revenue, EBS and AXN. Companies that were not part of the company in 3Q24.

Other sector that contributes further to the advance of revenue is services, especially with the good performance of Randon Coop-payment plan unit. And we have the sectors that were most affected by uncertainty, like agribusiness, industry, and mining and construction, that had a decrease due to the lowering in auto parts and trailers that Paulo mentioned.

Detailing the revenue of external market, it's possible to observe with these plots the meaningful increase of the indicator and its representation facing total revenues of Randoncorp, fruit especially of our internationalization strategy. In this third quarter of 25, USMCA gained relevance with the acquisition of Dacomsa and AXN and the retake of Hercules. And it's important to show that the demand in these countries is impacted with the economic uncertainties that are local and new tariff regimes.

We had good news in Mercosul and Chile with the retake of sales in the environment due to the favorable business environment to new investments after the economic evolution in the region.

About EMEA, I highlight revenues through EBS UK and the good performance of the Vertical Motion Control in this geography. In the other regions, the local operations of Motion Control Vertical in China and India also presented good performance.

Going through adjusted EBITDA, I highlight the important advance in comparison to 2Q25, due to the measures adopted to adequate the structure and the rigorous control of costs and expenses that Paulo and Daniel mentioned. The biggest recovery in the period was the OEM Vertical, with 4 percentage points in margin, and the others presented evolution in the same period.

The determining factors for the performance of the indicator in the quarter were pressure in CPV due to the lower dilution of fixed cost and the decrease of truck and trailer market, mitigated partially by the initiatives implemented to adequate the structure during the year. The effects of ramp-up of the operations of Mogi Guaçu, the results of the incorporated companies to the business in 25, and the control over SG&A.

I remind you that our administrative expenses are R$15 million when compared to the consolidated, due to ANX, Dacomsa and Delta. This value is returned in the depreciation, affecting only the net result of the time.

Regarding investments in 3Q25, we observed a significant decrease compared to the same period of the previous year. This reduction is according to the initiatives to deleverage and preserve our cash.

For the third quarter, we highlight the acquisition of machinery for Dacomsa in Mexico, the projects of expansion in capacity and maintenance in Frasle Mobility in Fremax, and the machinery and equipment acquired for the new unit of Suspensys Mogi Guaçu.

This way I finish my part and I return the floor to Carol to start our Q&A session.

Caroline I. Colleto:

Thank you, Esteban. Hello once again. Before we start the Q&A session, I would like to inform that our President Daniel Randon will not be present, as he is representing Randoncorp at COP30. The questions will be answered by Paulo, Esteban, Davi and Hemerson. I remind that the instructions to participate are on the screen now. Feel free to participate.

Our first question of today comes from sell-side analyst of Santander, Gabriel Tinem. Good morning, Tinem. Thank you for your participation. Your mic is now open, you may ask your question.

Gabriel Tinem - Santander:

Thank you, Carol. Thank you for the space. First question is more focused on trailers in Brazil. You mentioned the strategy to reduce stock helped the margin. I want to understand more the head forward — is there something to happen in this perspective?

First, an update about potential contracts in railcars mentioned in Randoncorp Day. I want to understand more.

Second question is more focused in the United States — the head regarding Hercules and the evolution of AXN. We know there are synergies, etc. Hearing more about this would be great. Thank you, guys.

Davi C. Bacichette:

Thank you, Tinem, for your questions. For the first one regarding trailers, the current situation and the 2026 scenario and railcars, I will ask Esteban to address. Esteban, also following, if you can talk about Hercules and AXN, it would be interesting. And since Hemerson is here — you're in the US, right? — to bring the Frasle vision. Yesterday it was mentioned in the video conference of Frasle, he can bring a bit of the Frasle perspective from the United States and the local market.

I'll start with Esteban, then we go to Hemerson, then answering the second question.

Esteban M. Angeletti:

Perfect, Davi. Thank you, Gabriel, for your question and for following our video conference.

It’s not new that the trailer and auto parts aftermarket has been impacted by the lower volumes of the year. Specifically talking about trailers, we had the perfect storm — which was the combination of all the adjustments that were necessary to adequate the structure with a market that was on a low.

After the perfect storm, the third quarter, as you were able to observe, comes cleaner in terms of one-offs and the profitability of the operation being shown with the results we published. This is the fruit of the adjustments we did.

We were able to bring, for example, a fixed cost reduction of R$70 million accumulated in nine months, and we are going to benefit from this in the third quarter. We were able to improve the manufacturing layout, reducing the cost of production that we can observe in the gross margin. Also, the stock plan is successful. We observe a retake of orders that should come as revenue in the next months.

It’s still early to say it’s a market trend. We still observe overall a depressed market — more than last year, around 20%. And when we zoom in on agribusiness, the decrease is even higher, around 30 to 40%, depending on the line of products.

Looking to the future, very cautiously, we believe it’s a scenario that will extend until 2026. But we incorporate a few facts from prior experience, because it happened in previous years. We know it can trigger demand.

First one: we know an estimate of a record harvest — it should be a great harvest year for our customers.

Second factor that is paramount: being able to have a horizon of interest rate decrease. Not necessarily an immediate decrease, but a horizon.

The third one that is fundamental is the use of fleet. We know that our customer is using the assets. What’s not renewed this year helps to increase the average age of the fleet. This, in a moment, will translate into demand, because the renewal of the fleet will happen for this intensely used fleet.

We are confident in this. We kept the productive capacity because when there’s a restart of demand, we can respond to the market. And we stay in our head the scenario of profitability of this vertical moving forward. We believe that in this market, when the adjustments are done with the volumes, the profitability that we showed in the third quarter can be defended in the next orders if the volumes continue as they are.

And I’d like to remind the investors that in our business portfolio, the OEM Vertical represents 20% of the revenue — the vertical that depends most on operational leverage. If the volumes increase, the profitability should follow accordingly.

Regarding railcars, we don’t have anything new with the orders that are ongoing. We continue with negotiations. But the third quarter has recorded the railcars to Vale. This can impact top line and profitability going forward.

Before I pass the floor to Hemerson, quickly I’d like to mention AXN and Hercules in the United States. Both operations — especially Hercules — have had a year better than last year, a lot due to the delivery of a contract in North South Carolina that should finish in the fourth quarter.

For now, we don’t have a firm order that’s meaningful. We have a few orders of specific products and repairs, but no order that can substitute the order from the South Carolina port. But we are following at least a restart in quotations.

The main impact here is the unstable mood politically and economically due to tariffs, which makes our customers delay investments. The delay in Brazil is a lot due to the high interest rate. In the United States, it has been due to the lack of predictability and uncertainty of tariff policies.

It’s the same scenario that is replicated for AXN. AXN sells axles for trucks and trailers and is impacted indirectly by a lower demand for trucks and trailers.

What we are doing in that operation is anticipating part of the investments that we had forecast for 2026 for this year, in a way that we can get into 2026 with a local manufacturing component. That's to mitigate the tariff and be more competitive locally, believing that the North American market — that is four to six times bigger than the Brazilian market — will restart at a given moment. And we need to have the productive capacity and be competitive in the market.

Now I pass the floor to you, Hemerson, if you want to comment since you are US-based — US and Mexico also.

Hemerson F. de Souza:

Perfect. Thank you, Esteban. Thank you, Davi, for the questions. It's great to participate and talk a little bit about our Motion Control Vertical and the North American market.

Unfortunately, what we are living in the scenario today is not positive. There's a demand that is decreasing around 25% in the year accumulated. The good news is: from now on, things don't get worse.

I believe, yes, there is a market retraction. The Class 8 truck market is 320,000 to 350,000 units a year. We have a perspective of 250,000 to 240,000 units this year. What we see — if we look at the last numbers in the last few months in our base — next year we should have 230,000, but not worse. We are at this level and the signal is: these volumes, from now on, should maintain or improve, with a bias of improvement in the second semester next year.

This impacts and brings an adjusted perspective for Randoncorp business — be it Hercules or AXN. As Esteban mentioned: competitiveness and increase in demand.

What we have seen is that this impacted the OEM, the Aftermarket, the Motion Control vertical/Frasle. Overall, the impact in volumes were in the items related to heavies — and not only in the US, but Brazil also. Overall, a bit of what we have reflected in Randoncorp consolidated results.

On the other hand, we continue to have a lot of opportunity. I like to see the glass half full. We do have important business in heavies, but we have an intense journey completely open to expand in new product lines.

With the acquisition of Dacomsa, we have a new horizon of sales of products and spare parts in the US — more focused on the light line, especially in motors, where we have a relationship with Dacomsa from before the acquisition.

The intention is: in the next days, we will create consigned stocks with partners in the United States. And at the same time, stock of motor parts in Alabama — at Frasle Mobility in Alabama — to meet the demand of the market faster with the aftermarket needs.

This has to be built, but I see a lot of positive things that will add to the Frasle Mobility revenues and, as a consequence, bring improvement to the shareholders.

We are not living a very good moment for heavies. The perspectives are not worse — they should maintain and improve. Besides this, we have a pool of opportunities to explore in the future. And this will be beneficial.

The market continues, yes — as Davi said — a few times bigger than the Brazilian market. We want to be here stronger, more present — via Frasle Mobility or the initiatives that Randoncorp has had in the last few years with diversification. It's a priority market. It's a big market, so competition is high. But we have conditions to advance and grow. Thank you.

Gabriel Tinem - Santander:

Perfect, guys. Very clear. Thank you.

Caroline I. Colleto:

Now the next question from Gabriel Rezende, sel-side analyst from Itaú. Good morning, Gabriel. You can ask your question. Your mic is open.

Gabriel Rezende - Itaú:

Thank you, Carol. Good morning. I would like to go back to the topic about stock and trailers to understand how you're thinking about working capital. We see an advance in the third quarter. I want to understand if we have additional advances in the fourth quarter also.

And now two points regarding this. We saw a mismatch between the decrease in the demand and volume — 30% volume of trailers sold in Brazil, 40% decrease in revenue. Is this more price or mix? This is another point — to understand if it's a sales strategy, if we have discount.

Another point in trailers: you mentioned about seasonal stop at the assembly lines in the beginning of the year. This comment is more for Auto Parts. I want to understand if the stop is seasonal or we should have a stop one-off due to this assembly line.

Davi C. Bacichette:

Thank you, Gabriel, for your questions. The stock topic Esteban mentioned, but we know there are other actions we are doing regarding working capital. I'm going to pass to Paulo to mention this — what we're doing in terms of working capital, what we were able to reduce in the third quarter and what we have for the future, for the next months and for 2026.

And Esteban, if you can comment about the assembly or the OEM, where we have a year of a difference in mix and volumes.

Paulo Prignolato:

Good morning Gabriel. Thank you for your question.

Working capital topic is very relevant and will continue to be extremely relevant for Randoncorp as a whole. We had an increase in working capital, as you know, due to the new acquisitions, with a dynamic that is different. There's an adaptation period. And also the stocks themselves, especially OEM and Auto Parts, due to the market drop.

Based on this, we did the adjustments in terms of production aligned to the current volumes of the market. And this made — from the second to the third quarter — we had an important reduction in working capital. But we didn't stop there. This reduction continues not only in stock, but also improvement in the suppliers part, tax, clients. We really are seeking to reduce working capital in such a way that from the end of this year and the beginning of next year, we can go back to the cycle conversion cash levels close to what we had before the acquisitions and this adverse market.

We cannot guarantee that we will go back to the levels that we had before, due to exactly a different dynamic. But the idea is to have, yes, in the last quarter, an additional reduction in working capital — close maybe to the same reduction that we saw from the second to the third quarter.

Esteban M. Angeletti:

Okay, thank you, Paulo. Gabriel, adding on regarding the mismatch between volume and revenue — it is a combination of two factors.

Part of this, yes, is price. The sales campaign puts the average price a bit lower. Some families of products, the discount was around 5%. But also there's the mix component. The main issue is the mix — more for industrial loads. That has been the main demanding sector, where we have an average price that is lower than the other products or family of products that we have.

Looking forward, the price depends on us. In the fourth quarter, we will continue to see this dynamic. And to improve the mix, we need the demand of agri to come back. While for now we don't have this visibility, that's why we're not communicating this visibility.

Regarding your question in auto parts, the stoppage announced by the manufacturing are mostly seasonal stops, where Randon programs to do the stops traditionally in the last two weeks of the year and the first week of the next year. We don't work, with very few exceptions. We saw Randon and the other OEMs working in the period. The rule is a stop to reorganize for the starting of the next year, preventive maintenance, as well as to use the holidays period with higher continuity during the year — more manufacturing capacity for the entire year.

I hope I answered your question.

Gabriel Rezende - Itaú:

Yes, you did. Have a great day.

Caroline I. Colleto:

Good day. Thank you. Let’s go to the next question from Luiza Mussi, sell-side analyst of Safra Bank. Good morning, Luiza. Your mic is open, you can ask your question.

Luzia Mussi - Safra:

Hi, good morning. Thank you for the space. Two questions. I want to understand the ramp-up of the contract with Mercedes — with the business environment currently, if it's in your schedule. And a follow-up of how is the Addiante situation, considering the issue of Ambipar also. Thank you.

Davi C. Bacichette:

Thank you, Lu, for the questions. Regarding the ramp-up of the contract with Mercedes, Esteban can tell us about the first months of the operation running. And Paulo, following, if you can comment on Addiante. Thank you.

Esteban M. Angeletti:

Thank you, Luiza, for your question and for being online. The ramp-up of Mogi Guaçu, especially the contract with Mercedes, is aligned with what we forecast in terms of manufacturing efficiency. We are meeting the contract practically 100%, also with margins a bit better than we had in the business case, given a higher efficiency than we had used as a premise.

Even so, it’s valid to remember it’s Suspensys Mogi Guaçu and Castertech Mogi Guaçu— it’s a ramp-up operation. We still need to seek a bigger revenue of growth to deal with the fixed cost. The current situation is that we have reached the ramp-up, but the perspective is that we can improve the operation with a dilution of fixed cost going forward.

Paulo Prignolato:

Okay, Esteban. Luiza, thank you for your question. Regarding Addiante, no doubt it's an investment that's very promising for the partners — Randoncorp and Gerdau. We believe and are committed to the business.

Regarding Ambipar, I believe you're all following the issue of the judicial recovery. At this moment, we don't have any new information to share with the market. We need to wait the period of approximately 60 days to present the judicial recovery plan.

It's an important contract. It's paramount for this client. As soon as we have more information or better information regarding this fact, we will share with all of you.

Luiza Mussi - Safra:

Perfect. Esteban, when do you expect this operation to be full?

Esteban M. Angeletti:

Perfect, Luiza. It depends more on the market. Operationally, we have delivered what needed to be done in that operation. Now we depend on the demand to arrive to reach the business case. With the visibility we have today, it's hard to say if it happens next year — the beginning of the year, in the second semester, or only in 2027.

Luiza Mussi - Safra:

Great, thank you.

Caroline I. Colleto:

Thank you, Luiza. Let's go to the next question from Kiepher Kennedy, sell-side analyst of Citi. Good morning, Kiepher. You can ask your question.

Kiepher Kennedy - Citi:

Hi. Congratulations for your results. Thank you for the opportunity. Two from my side.

One in Auto Parts — you mentioned during the other questions. To summarize a bit, what do you see for this business unit? It is being impacted by OEM, the acceleration as you mentioned. I want to understand a bit how we should see this impact being intensified going forward. Fourth quarter seasonally is weaker. The beginning of next year — I don't see too many positive perspectives. I want to explore more your vision for this business unit.

And ask about Mercedes — you answered about that one.

Second question — Esteban mentioned that OEM segment is more exposed to operational leverage. You reported a healthy margin of 6%. I want to explore a bit the adjustments that were made here. What do you see going forward? Also, if you were able to have a meaningful reduction in the year — R$58 million — is this a minimum expense recurrent going forward? And if we should expect a structurally low level of expenses when the market improves or stronger operational leverage and what we expect for OEM leverage.

Davi C. Bacichette:

Thank you, Kiepher, for your questions.

In Auto Parts, we know the scenario has been very complex since last year — not only this year. And we had to do a lot with the car moving in evidence, we say. But Esteban will be able to talk about auto parts actions and the perspectives.

And in trailers — same thing. We had many changes, many adjustments done especially in the first semester. We were fast, I believe, in our decision-making. And it shows to the market the positive effects and it continued to have. Esteban, it would be interesting to bring the data and perspective for this business for next year.

Esteban M. Angeletti:

Thank you, Davi. Kiepher, thank you for being online, for covering.

Starting with Auto Parts — it's less exposed to operational leverage. Also like on the industrial operation, it depends on demand, depends on volume. Maybe here the good news is that we can do adjustments in the structure faster and that will weigh less.

We saw part of the adjustments in the second quarter, and something that stayed in the third quarter is not material. And we can adequate the structure for this level of demand.

Remember that the market of trucks this year is decreasing around 5%. But when we look specifically at heavy trucks, where we are more exposed, the drop is higher. Some families of heavy trucks — it's 20% decrease. And Auto Parts still has a second effect, which is: it follows — we supply auto parts for trailers. So it ends up having a double impact from the market — trucks and trailers.

With this, the good news is, as I mentioned, the structure is lighter — Auto Parts are lighter. We can navigate with more profitability even with this revenue being smaller.

Looking to the future, Kiepher, we don't see any short-term trigger to unlock the truck demand in the Brazilian market. The coverage that helps us — looking at the full glass half full — exports have offset the decrease in the domestic market. We continue to count on the exports for next year also, that should face the demand that is set, bringing additional demand to the domestic market.

We believe, for this level of demand, we can observe a profitability level very similar to the third quarter. Based on a third quarter far from the 16% that we would like to observe, which is the average in Auto Parts. No doubt, going forward, as the demand restarts, we can deliver higher levels of profitability.

This is fundamental — Brazil and EBS in the UK have helped to sustain the profitability. Also, this is good news. The synergies we have captured with EBS in the UK help us to capture part of the profitability — help to sustain the profitability.

Migrating now — changing the topic to trailers for the OEM vertical. We say it's the "catraca effect" — I'm cutting fixed cost and all of this should go forward. We shouldn't loosen the belt as the scenario changes.

I invite you to see what happened in 2015, 2016 — when we had to adequate very similar in terms of structure. And the following years — 2018, 2019 and 2020 — where we saw the benefit: a strong recovery in terms of demand that was very fast in a short period of time.

At that time, like now, we had preserved the capacity. We were able to respond to the market in a very fast manner with the full structure more lean. Because we had achieved this with that adequation of our structure. This allowed several benefits at the same time.

The fact that we had product allowed us to set price. The market was high demand. And the higher revenue we have, a lower cost base — brought a lot of profitability.

We believe this will happen in the following years — following months, following years — when there's a restart of demand.

You told us to talk about lessons learned here. Specifically, we need to maintain diligence regarding cost — first cost and expenses. We need to be always vigilant with this.

Second point is something that we already apply here in OEM — is to diversify. Regarding the product portfolio, specifically in this vertical as Randoncorp. In the last years, we diversified a lot between verticals — so much so that the OEM represents only 20% of our revenue. It used to be 60% in other years.

But in this vertical OEM, we have lessons learned, yes — to diversify the families of products we have. We’re recognized for a very good product in agribusiness. But let’s look at other sectors like liquid transportation and industrial cargo also.

It’s a middle-term project. We are working to harvest the fruits in middle term. But it’s a lesson learned.

Third lesson learned is to continue with diversification — market diversification, especially United States and Latin America as a whole. We have this as the truth — how to depend less on domestic market and penetrate more in the other markets.

Caroline I. Colleto: Well, let's go to our next question from sell-side analyst Fernanda Urbano of XP. Good morning, Fernanda. We will now open your mic. You can ask your question.

Fernanda Urbano - XP: Good morning. Thank you for the space. It's a specific question about the deal with Patria. Do you have an update on this transaction, which was expected to close in the fourth quarter?

And within this topic, I’d like to understand the expectations for the consortium business next year. You mentioned in the release a better outlook for light vehicles and real estate compared to heavy vehicles. I’d like to understand your expectations for 2026, considering this profile, the counter-cyclical nature of the business, and the expected interest rate cuts during next year.

Davi C. Bacichette:

Thank you, Fernanda, for your question. Paulo, please answer this one. Tell us about Patria and the consortium business. It's an excellent business, and now, by chance, we have this opportunity with Patria to further develop it. I now pass the floor to you.

Paulo Prignolato:

Good morning, Fernanda. Thank you for your question. Thank you for being with us today.

Regarding the closing of the transaction with Patria, we expect it to happen in the fourth quarter. It’s a process that requires several authorizations, which are, so far, progressing as planned.

As for the consortium business, our history has always been quite positive — it’s a stable business, whether in low or high interest rate environments.

Of course, now we have a partnership with a player that will add significant value to this business, and we will inform the market at the appropriate time about our updated strategy.

Based on this joint venture, we have a more optimistic outlook than ever before, due to the experience and expertise that this new partner brings to the table. All right.

Fernanda Urbano - XP:

Great. Thank you.

Caroline I. Colleto:

Let's go to our next question from Gabriel Frazão, sell-side analyst of Bank of America. Good morning, Gabriel. You can ask your question.

Are you there?

Well, let's go to the next participant, and if Gabriel joins us later, we'll come back to him. Let's call Marcelo Motta from JP Morgan. Good morning, Motta. It's great to have you with us in this conference. You can ask your question.

Marcelo Motta – JP Morgan:

Thank you, Carol. Good morning. Two points.

First, about international markets. You mentioned the exports to Argentina and Chile. Given Argentina's high volatility, we have the question: after the elections and recent events, does the market remain strong? Did you see any changes in the positive trend we observed over the last few months, especially at the beginning of the year?

And the second question is about Capex. You have a guidance, and we've seen where you stand compared to the rest of the year. But thinking about 2026, is there room to invest less — maybe hold back more — considering that the recovery in volume across most segments should come in the second half of next year?

In other words, I'd like to understand what is the minimum Capex you need to maintain operations without expanding the existing lines. Two points. Thank you.

Davi C. Bacichette:

Thank you, Motta, for your questions.

Regarding international markets, I'll ask Esteban and Hemerson to comment. You specifically mentioned Latin South America. We have Argentina with a political and economic situation that sometimes seems unstable, but we've heard good news overall.

Esteban, if you can comment on auto parts and trailers. Hemerson, following up with Motion Control. And Paulo, the question about Capex — you can comment not only on this year's Capex but also what we see going forward for 2026 and the company's medium- and long-term strategy.

Starting with you, Esteban.

Esteban M. Angeletti:

Thank you, Davi. Motta, thank you for your question and for being online with us.

Argentina has been a good surprise. Looking at the last 10 years, it went through a combination of political and economic instability, aggravated by a poor harvest. They had many climate-related issues, which created a perfect storm.

When we look at the trailer segment, the last two years saw a meaningful turnaround, largely due to the new government and the greater economic stability it brought. And the harvest has been more positive, which made our trailer operations in the Rosario unit deliver more consistent results — one of the components that helped sustain profitability for the Brazilian manufacturing unit.

Looking ahead, we don't see significant changes. After the elections in Argentina, the mood remains optimistic, with reforms underway and continued good expectations for the harvest. That's why we believe in this unit and in maintaining the volumes we're currently achieving there.

The same is true, I believe, for Frasle Mobility, right? Hemerson can comment a bit about our operation there.

Hemerson F. de Souza:

Certainly. Thank you, Motta, for your question.

In fact, in the case of Argentina, we are experiencing highs and lows. We've been present there since the 1980s as Frasle Mobility. In the 1990s, we accelerated business, closed a plant, and focused on distribution. At the end of 2017, we acquired Armetal, which was great for support and market access.

Argentina has the second-largest replacement fleet in Latin America. So the aftermarket is very attractive. The average fleet age is high due to the economic challenges the country has faced.

We maintain market leadership in several product lines. The last few years were marked by export difficulties — the government imposed limits on imports and exports, which actually helped us maintain very aggressive margins. Since we sold from Brazil to Argentina, we had a reasonable margin pool. The product scarcity allowed us to maintain comfortable margins.

The operation has delivered good results — and continues to do so — thanks to this dynamic. The Argentine market became more closed. Operators who were selling had the conditions to continue importing, even if minimally, due to the quotas available.

Last year, we were unable to launch new products for a long time. To give you an idea, last month we sold an average of 34,000 to 35,000 shock absorbers — 12% more. We're dealing with hyperinflation and volatile exchange rates due to the previous election cycles, which gave more strength to the current government.

Sometimes these factors impact our results. But in the local market, seen in pesos, the support conditions and the leadership we have are very strong. We've made all necessary adjustments to have a streamlined and efficient operation. We consolidated everything into one location — previously, Frasle Mobility was in one place, packaging in another. Now it's all centralized, which has been great operationally. Margins are substantial.

The open market imposes different conditions than we had in the past. Margins are now more in line with market levels than before.

Looking at other markets, we've made good progress in South America overall. Frasle Mobility has a distribution center in Colombia that supports the Andean region through this hub. With the acquisition of Dacomsa, we strengthened our position. We have market leadership in brake discs and pads.

In Colombia, we have strong market share — we're leaders in discs, which is one of the largest markets in Latin America. In Mexico, we acquired Dacomsa, which is a market leader. Frasle Mobility and Randoncorp have leadership positions in the aftermarket — Brazil, Argentina, Mexico — very relevant positions. In Peru and Colombia, we're among the main players, with room to grow.

We've noticed — last year, not this one — a greater influence of Asian products. We have a huge advantage: we've been in these three markets for decades, with consolidated brands and competitiveness to compete with all players.

Our position has grown, strengthened by Dacomsa, with Fritec and Moresa — brands that are well recognized throughout Latin America.

Globally, we continue to grow strongly. In the UK, we're launching new products for ride comfort. We have the Impact line from Juratek, which we expect to synergize and launch in that market. The first moves were fantastic — wheel hubs, current competitiveness with these products, important targets for Europe in the future. Potentially, there could be additional acquisition moves there.

Regarding India and China, we've grown — they're smaller markets. In China, we have support to serve the European market. The conflicts we see there — Russia and Ukraine — bring challenges to these markets. We remain strong, with a solid presence, and a bias toward maintaining rather than expanding. The main growth focus is in the Americas.

As I mentioned, we're very focused on the United States. We have a perspective to continue growing. Obviously, it's not just growth for Frasle Mobility, but for Randoncorp and the market openings they can bring, combined with the synergies we've explored as Randoncorp as a whole.

Davi C. Bacichette:

Hemerson, I want to thank you. We had a question from Alberto Magno asking about Asian auto parts entering our market. Thank you for already addressing this in your answer — how they impact us and how we're able to mitigate those effects thanks to our brand strength and market penetration.

Hemerson F. de Souza:

If I may add, we have shock absorbers that are competitive with Chinese products. We have hydraulic control materials that are competitive against Chinese products. Our manufacturing footprint is very strong, and our leverage with co-manufacturing is also very strong. We compete on equal terms. Obviously, in adverse scenarios, we have the advantage of having established channels and brands. No other player has this like we do.

Esteban M. Angeletti:

If I may add, Hemerson — it's the combination of three major strengths: brand, cost competitiveness, distribution capacity, and quality. That makes us very competitive — it almost protects us.

Hemerson F. de Souza:

The level of service, right? We sell, we deliver, we sell again, and deliver again. It's a long-term relationship. That makes us very attractive to customers who maintain business with us.

Davi C. Bacichette:

Very well. Paulo, if you can comment on Capex — the expected Capex levels.

Paulo Prignolato:

Of course. Motta, thank you so much for your question.

So this year, you've been able to follow that, due to the high interest rate, we are being more diligent with Capex — especially organic Capex.

For next year, we're still working on our planning. But considering that the horizon for next year indicates interest rates still very high, you can count on us continuing to work with the objective of further reducing our leverage, with very disciplined management in terms of working capital and Capex.

We cannot announce these numbers at this moment, but at the appropriate time, we will publish our guidance for 2026.

Regarding 2025, you can consider that we won't have any surprises. All right?

Marcelo Motta:

Perfect. Thank you very much, guys.

Caroline I. Colleto:

We thank your participation, Motta, and everyone else who asked questions. Now we are finishing the Q&A session. I invite Paulo to close the event. Ok Paulo?

Paulo Prignolato:

Thank you, Carol. Everyone, thank you for joining our earnings video conference. Our IR team is available in case you have any further questions or if any questions were not answered. Have a great day, everyone.

Caroline I. Colleto:

Have a great day, everyone.