

## Conference Call Transcript 1Q23 Results

### Introduction:

We are many and we are multiple, all around Brazil and the world. With passion for treading new paths, we inspire and mobilize dreams and people, innovating and creating solutions for challenges every single day.

We are in search of shared prosperity, which respects our relationship with the planet and people, that always has space for more. New ideas, new products, new services. Creating a sustainable future with a new way of thinking and getting mobility.

We are made up of people who know that, in a world as dynamic as ours, keeping moving is fundamental. This is how we continue: with appetite and courage to live the future. We are tirelessly evolving to connect people, generating prosperity.

Randon Companies now are Randon Corp.

### Davi Coin Bacichette:

Good morning to all. Welcome to our conference call for earnings of Randon Corp for 1Q23. Yes, now we are Randon Corp. If you were not present, for example, on April 28th, our brand went through a change. Today we will hear more about this and the highlights of Randon Corp with our CEO, Sérgio Carvalho.

We have with us, also, the CFO and DRI, Paulo Prignolato, and the Director of Finance and Investors Relations, Esteban Angeletti. They will share with us economic highlights by business.

Before passing the floor to Sérgio, we have on the screen important announcements. The information given here is not a guarantee of performance. They involve risks and uncertainties, they refer to future events and depend on circumstances that may or may not occur.

At the end of the presentation, we will have our Q&A session, but you can also participate at any time, clicking on the button Q&A, at the bottom of the screen, or sending your question by WhatsApp.

You can participate by audio or writing. If it is by audio, please send your name and company on the platform. In writing, please write your name, company and question, using WhatsApp or at the platform.

If we do not have time to answer all the questions, we will get in touch with you after the event.

I remind you that this event has simultaneous translation in progress for English and Sign Language. To hear it in English, please click on the button "interpretation", at the bottom of

the screen. And to hear only the translator, please click on "mute original audio".

The conference is being recorded, and the recording will be on our Investor Relations website right after the end.

We will begin the presentations now with our CEO, Sérgio Carvalho.

**Sérgio Lisboa Moreira de Carvalho:**

Good morning to all who are with us in this conference call for earnings. It is with great pride and satisfaction that we are here today presenting our earnings with our new corporate brand, Randon Corp. This is a very important moment for us as a Company. It is a landmark in our history, not only for everything we lived until here, but also for what we want to build in the future.

Those who are with us for a longer time know that we are in a process of accelerated growth and transformation. Today, we are a Company that focuses on mobility that is expanding internationally, and the most important: growing in a sustainable way. Our new name brings these characteristics of a modern and dynamic Company, who is always on the move.

For those who would like to know more details about this change, we released the complete material on April 28th, and you can access it on our Investor Relations website. On the same day, we also held the ESG Ambition event and released our sustainability report.

I invite you to access and check all our initiatives and projects, which reinforce our sustainable performance.

Now, talking about 1Q23, we are very excited about our results. We started the year in a context of many political and economical uncertainties, in addition to the impacts of the motorization change from Euro 5 to Euro 6 in commercial vehicles. This resulted in the production of trucks and buses to drop significantly in the beginning of the year.

It is this type of scenario that our strategy of diversification makes the difference. The robust numbers we reached in these first three months of the year reinforce the assertiveness of our model.

Even with the reduction in the volumes of our auto parts, our results remained consistent, boosted by the excellent performance in the aftermarket with Frax-Le Mobility and by the margin recovery in OEMs, with emphasis on the performance of Hercules, in the United States.

Our vertical for financial services and digital services has also contributed with consistent numbers, and the disruptive innovation of advanced technology has had an impact on other verticals in a more relevant way.

How are we doing all of this? I have been saying that there are many achievements by Randon Corp that we would need a lot of time to discuss them in full. Because of that, I would like to highlight the most recent ones, which are a summary of what we are doing in

our Companies.

In 1Q23, we concluded the acquisition of AML Juratek, a company focused on aftermarket in the UK, which opens important doors for our products in Europe. Also, we finalized the purchase of control of DBServer, which adds capacity for creating and developing softwares, which is fundamental for any company today.

Still talking about innovation, we inaugurated the Suspensys E-mobility factory, focused on electrification, where we will produce, in addition to our electric traction system itself, the batteries that are used in this solution.

This is something new not only for us, but it is also unprecedented in Latin America, which once again puts us at the forefront of technology for this type of product in the country.

With an investment of approximately R\$60 million to be made over the next five years, our expectation is to reach, within this period, a capacity of at least one thousand units of complete E-sys systems per year.

Another recent highlight is Composs, the new brand in Fras-le Mobility's composite material product line. Currently, items are manufactured for the truck semi-trailer segment, but several other projects are in progress, and the opportunities and perspectives for new products in this concept are enormous.

This is how we are building tomorrow, focused on disruptive and innovative developments. And to do that, we have a very capable team that rethinks the traditional models we have today.

We also conducted internal changes to further qualify our executive structure and enable greater focus on business management. As of May 1st, the director of each business vertical, who already made up the executive committee, moved to the position of COOs, Chief Operating Officers, and the superintendent director, César Ferreira, responsible for the advanced technology vertical, joined the committee.

All verticals are represented with a member, enriching the exchange of experiences and ideas.

Before ending my participation, I would like to emphasize once again the disclosure of our guidance for 2023, whose indicators are on the screen, and which demonstrate that, even in a year which is more challenging than 2022, we are confident that we can grow our revenues, delivering good margins and maintaining our investment discipline.

I now pass the floor to Paulo, who will continue our presentation.

**Paulo Prignolato:**

Thank you, Sérgio. Good morning to everyone who joined us in another videoconference, now with our new brand, Randon Corp.

In 1Q23, we had very positive numbers, even better than initially expected. Consolidated net

revenue reached R\$2.7 billion, an increase of 7% when compared to 1Q22. I would like to reinforce the importance of the recent acquisitions for this growth. Adding Hercules, Juratek and DB revenues, approximately R\$128 million were added to the consolidated in this quarter alone.

These new businesses, combined with the diversification carried out in all of our verticals, played a fundamental role in the growth of consolidated sales, with road equipment and replacement making up for the drop in volumes in auto parts.

Another important highlight in this regard is the performance of the foreign market, as you can see on the screen. These amounts were obtained both through exports and through subsidiaries located abroad.

The advance in this indicator, when compared to 1Q22, is mainly due to the strong expansion of business in the United States, either through Hercules or exports to that region, both in semi-trailers and auto parts. Undoubtedly, this is one of the strategies in which Randon Corp has invested the most: internationalization for mature markets.

Speaking about gross cash generation, in 1Q23 we reached R\$442 million in consolidated EBITDA, with a 16.6% consolidated EBITDA margin above the range of values we projected for the year in our guidance, which was between 13 and 16%.

Several factors contributed to this margin level, such as a more favorable mix of products sold, adequate pricing, consistent margins from the acquired companies and operational efficiency gains. Another relevant point was the cost of steel at lower levels than that we had seen in recent quarters.

Our profitability remains consistent, with a net margin of 4.6%, but still penalized by financial expenses due to the high interest rate.

I always like to remember that, even with this excellent level of margins, the market scenario continues with many uncertainties, and we need to keep working hard so that Randon Corp can continue to be strong.

Now talking about another indicator of our guidance, CapEx totaled approximately R\$61 million in 1Q23. Half of this amount was invested by the vertical control of movements in the acquisition of machinery and equipment for capacity expansion.

Non-organic investments and capital contributions were also made in the period, with emphasis on the acquisition of Juratek, with R\$101 million, and the payment in Addiante, with R\$40 million.

With these payments, among others made in the period, and with the increased need for working capital, consolidated net debt without Banco Randon reached R\$2.5 billion at the end of March 2023.

Concluding my part, I will bring some data from capital markets. Our shareholder base went from approximately 41 thousand shareholders at the end of 2022 to more than 45 thousand

at the end of 1Q23, mainly due to the greater number of individuals. Within the profile of the Company's shareholders, those who most increased their position were foreign investors and institutional investors.

Now I turn the floor over to Esteban, who will talk about the business verticals.

**Esteban Angeletti:**

Thank you, Paulo. Good morning, everyone. It is good to have you here with us in another videoconference of the Company.

2023 started quite intensely. We have already had a series of important events and announcements, such as the guidance, ESG Ambition and the change of our brand to Randon Corp. I want to take this opportunity to thank you all for being with us in all these moments.

As Sérgio and Paulo already shared, 1Q23 presented consistent numbers, which I will now discuss from the perspective of each business vertical. But first, let's go to the market scenario.

As expected, truck production had a significant drop in comparison with 1Q22 and 4Q22. OEMs anticipated the production of Euro 5 vehicles in 4Q22, to guarantee the stock of these products that could be sold to dealerships until the end of March this year. The reflection of this is that, unlike production, sales of trucks remained at a normal pace in the same comparisons.

More than 94% of vehicles registered in 1Q23 had Euro 5 engines. As you could see in the media in the recent weeks, OEMs have announced production stoppages to avoid the accumulation of stocks.

The value of the new product, combined with the current level of interest rates and the difficulty in accessing credit, are the main factors affecting demand at the moment. This scenario was already mapped in our projections, and we remain cautious, especially in the auto parts vertical.

At the other end we have semi-trailers, which showed stability in volumes in comparison, especially due to the continuation of the good moment in agribusiness, and the strong demand from the foreign market.

The aftermarket has benefited from the complex scenario of vehicle production, as it significantly increases the maintenance and sale of trucks and automobiles in the secondary market. That is, our work on different fronts brings alternatives and resilience in times of more complex markets.

I start the highlights of the business verticals talking about Montadora. We had an important recovery in margins compared to 4Q22. Among the factors that contributed to this recovery, I highlight the sales prices of semi-trailers, which remained at adequate levels, the reduction in the cost of steel, which allowed an increase in margins, the addition of Hercules' results,

with the sale of over 1,100 implements and nearly R\$98 million in revenue and double-digit margins, the export of 600 container bases to the US, which offset the drop in sales in Latin America, especially to Chile, which is going through a political crisis, with strong impacts on demand.

We continue to lead the market with a 27% share in Brazil and 64% in exports. I emphasize that, even with the drop in truck production, the dynamics of production and sales of semi-trailers remained positive. Our order backlog has already advanced into the third quarter, and agribusiness continues to be the main demand generator.

Speaking about the auto parts vertical, the most impacted by the drop in truck production, we can see that, even in this scenario, this vertical showed its resilience, sustaining good levels of margins. The units work hard to mitigate the impacts of reduced demand, seeking to expand sales to the foreign market and replacement.

Another measure adopted was the internalization of production of some items by the subsidiary Castertech, making better use of its capacity and adding margin to the Company.

Other points I would like to highlight are: the growth in sales of brakes to the United States by Master, the increase in the portfolio, as is the case of Jost, with Bus link bus articulation, the expansion of sales to the agricultural sector by Castertech, which today already represent 13% of this unit's revenues, and Suspensys, which has invested in electromobility to, once again, add new sources of revenue to this vertical, as Sérgio mentioned.

Moving on to the movement control vertical, made up of Fras-le Mobility and its subsidiaries, we had historic margins with a new revenue record. Its expansion and internationalization movement has allowed this vertical to deliver increasingly robust results with a lot of potential to be explored. Its main market, which is aftermarket, is in an excellent moment, which allows it to maintain prices.

The reorganization of the distribution centers in Garín, Argentina and Extrema, in Brazil, already show important synergy gains. In addition, there was a resumption of the plant in China, after the lockdown due to Covid 19, which also benefited from the reduction of logistical costs.

And the line of composite materials entered a new phase, now called Composs, with investments in automation and capacity expansion, adding more revenue and sustainability to this subsidiary. With the conclusion of the purchase of Juratek, this vertical will expand its operations in the European market in the coming quarters. This vertical continues with good prospects for the coming months.

Moving on to the vertical of financial and digital services, we have another vertical with important advances. The main highlights here are: Randon Consórcios, which is experiencing one of its best moments, with a 66% growth in quotas sold compared to 1Q22. This increase is due both to the interest rate scenario, which makes this financing option more accessible and attractive, and to agribusiness, which continues to boost sales.

Banco Randon is expanding its operations, becoming increasingly important within the

Randon Corp ecosystem.

DB revenues totaled R\$17 million, adding a new business within the vertical. And Addiante, which will gain representation in the coming periods, as the company already has a leasing contract for more than 200 assets, among others under negotiation. The market has received this new business model very well.

Speaking now of advanced technology and the headquarters, the unification of (20:38) Industry took place, reinforcing the performance and synergies between the units. With that, we started to adopt only the name of (20:47). It continues to move forward with its projects, currently there are 65 in progress, with 35 in an advanced stage of maturity. In addition, it started selling its first product, which is a solution of nanoparticles used in paints.

CTR had a reduction in revenues, mainly due to the seasonality of the period, and the slower pace of activities of the OEMs in this first quarter.

I always like to remember that this vertical is fundamental for the Company's technological advancement, and its relevance will be evident not only by its own results, but also by the contribution of the other verticals.

I now hand the floor back to Davi, to start our Q&A session.

**Fernanda Urbano, XP Investimentos:**

Good morning, Davi, Sérgio. Congratulations for the results. I have two questions. I would like to understand the impact in the transition to Euro 6 engines. Do you believe we will have an improvement in 2Q23?

The second point is on the export of implements you have improved in the US. Could you give us more details about exports to other markets?

**Esteban Angeletti:**

Thank you, Fernanda. These are two relevant topics for us. We highlighted some of these points, but it is good to explore more.

Sérgio, you are the best person to give us details about the transition to Euro 6 and effects in the market for 2Q23 and onwards and international market exports to the US.

**Sérgio Lisboa Moreira de Carvalho:**

Thank you for the question. Yes, we have felt the impact of Euro 6 in 1Q23, but our expectation is that we will continue to feel the impact in the next quarter.

The market needs a better alignment with price increases, because there was an increase in price for Euro 6 trucks, and there are movements in the direction of normalization. But we are also seeing a scarcity of credit, which is together with this concern with Euro 6. So OEMs are increasing Euro 6 trucks. But we believe that, in 2Q23, we will feel the same impacts in

this segment of the market.

As we already said previously, a great advantage for us is that we have a business model where we can navigate in difficult times such as this one when we have a great reduction in the production of trucks. And even with this situation, we are growing. So we are diversifying our vertical for road implements, and our exports continue.

In South America, we see drops in production in Argentina, Chile and other markets. But this is being compensated or even more than compensated by our exports to the US market and our production in Hercules, which is doing very well. We are very happy with Hercules with good results and they are more than compensating the other drops that we have seen.

**Esteban Angeletti:**

Thank you, Sérgio. I would like to add a point which is very relevant for me. You mentioned the impact of the production of trucks. When we compare with 4Q22, the production of trucks dropped 46% in 4Q22. And our vertical for auto parts had a drop in revenue much lower than this, a drop of 20% versus 4Q22. That had been a strong quarter for auto parts.

Another highlight is that the margin in auto parts is 16% very relevant. So this should be said especially to show that our investments in a business model that is more diversified is bringing us good results in a difficult year like this.

Fernanda, I hope we answered your question.

**Fernanda Urbano:**

Yes, you did. Thank you.

**Victor Mizusaki, Bradesco BBI:**

Good morning. Thank you and congratulations for the results. I have two questions. The first one is concerning implements. When we look at average prices in Brazil and in the US, we see a difference, even comparing average prices in Brazil in 4Q22. So, we see an improvement in margins too.

First question: can you comment on what we can expect in terms of the difference in profitability in Brazil versus the US? Is it because of the product? How is competition in Brazil? We had an increase of 6%, but this sacrificed market share. Do you see an improvement in the next quarters?

And the second question: looking at auto parts aftermarket 10, 11%, which is different from Frax-le. Do you see opportunities to change the mix in auto parts?

**Esteban Angeletti:**

Thank you. I will address your first question, about the issue of average price and the expectations for margin and profitability, and then Sérgio can comment concerning

aftermarket auto parts.

Victor, concerning average price, there are some components that are important. First, talking about competition: yes, the market did not grow, it was bad, but competitors are also more rational.

The market has news about expansion but, sometimes, it is important to read the news about drops in capacity. This happened last year, we saw this in 1Q23 and this capacity of industry capacity with volumes that do not grow. We were expecting a drop in volumes. Only agrobusiness is strong.

This helped the market, the offer to be more rational, more conscious. Companies are being more rational, more conscious and not aggressive as in the past.

Specifically on Randon, it is important to remember that we have more and more value added products. Thus the tickets rose at Randon, not only price increases but also more value for our client with a higher ticket.

Now, concerning export products. Initially, we have a greater concentration in the US of chassis and platforms in containers different from Bristol. This product is more simple, the average ticket is lower and that is why we have this difference between the export market and the domestic market.

During the year, in relation to profitability of implements. We have to follow in this first quarter. We did what we had said to the market to balance market share with profit, and this is what we will do during the year.

As Paulo mentioned in his presentation, the price of steel is dropping. This helps us to defend margin. Now we have to also work on price to sustain these margins during the year.

Sergio, if you want to talk about auto parts and aftermarket.

**Sérgio Lisboa Moreira de Carvalho:**

Thank you, Victor. Just to supplement the answer given by Esteban, our margins in the US are significantly higher than our average margins in Brazil. We are very happy with our investment but, yes, one of the first actions in terms of how to compensate or attenuate the drop in revenue in the beginning of the year due to lower production and sales of Euro 6.

We made efforts to grow in aftermarkets with auto parts for different companies that make up our auto parts and the majority were able to increase their revenue and work more with auto parts. And, after a market to attenuate this drop in volume and also exports, we have important projects we are working on.

**Esteban Angeletti:**

Thank you, Sérgio. Thank you, Victor.

**Lucas Marquiori, BTG Pactual:**

Thank you. Good morning. I have two topics. First, the transition from Euro 5 to Euro 6 in road implements. Maybe we saw the end of Euro 5 production in 1Q32, maybe we will have lower volumes in Euro 6. Is this what you believe will happen, minimum in volume and then recovery?

And the second topic is concerning margins. I know that it is early to think about numbers for the year, but 1Q23 was higher than the guidance. What are you expecting in the next quarters? Do you believe you will have the numbers of the guidance?

I would like to hear from you about these topics.

**Esteban Angeletti:**

Ok, Lucas, thank you. Sérgio, you can comment on the transition to Euro 6 in 1Q23. The sales of trucks were not affected, the production was. 94% of the sales were Euro 5, very little of sales in Euro 6. In this quarter only, we will have more Euro 6 sales.

Paulo, if you wish to comment on margins for the second half of the year and how this compares with our guidance.

**Sérgio Lisboa Moreira de Carvalho:**

Lucas, good morning. Thank you for the question. Esteban talked about this, at the end of last year, production was very large with Euro 5. And all these sales happened in 1Q23 for the dealers, and they can continue selling what they have of Euro 5 even after March 31st.

But this additional production of Euro 5 at the end of last year really caused many companies to have their vacation stopped. The reality of 2Q23 is different. 1Q23 was expected, but in 2Q23 we have pressure due to the price of the new products and how this impacts transportation companies and whether it makes sense or whether they will wait for prices to go down.

This is already happening in Fenatran. A product that was sold at R\$700 thousand was presented at R\$1.2 million and, today, we are hearing about R\$950 thousand. So we see a drop in prices and the manufacturers that were not so aggressive in price, those who were able to handle this - and two manufacturers did this -, they have a good portfolio, good sales, those who are less aggressive in price.

So this is what we are seeing: lower prices, prices that are going down and owners who are waiting for better prices.

And there is also a lack of financing right now. We know that many commercial banks are avoiding this sector, there is less financing and this is having an effect. So, different realities. 1Q23, only compensation that was expected because of overproduction at the end of last year. In 2Q23, with lower prices and financing, we hope that we will have a more normal situation.

**Esteban Angeletti:**

Thank you, Sérgio. Yes, there is a restriction on credit and this has a positive impact on our services. Pool sales Randon Consórcios are doing well.

Now, Paulo, about Lucas' second question, if you wish to comment about the behavior of margins in relation to our guidance.

**Paulo Prignolato:**

Good morning, everyone. Lucas, thank you very much for your question. In reality, it is important to highlight some factors related to some uncertainties that make us maintain the guidance on this level.

Sérgio and Esteban mentioned a lot of the dynamics in relation to Euro 6. Apart from this, we see the exchange rate being very volatile interest rates. There is an expectation of a drop in interest rates in Brazil and in other markets during the second semester. Steel is an important component.

We announced to the market that we had a deflation in the cost of raw materials during the first and second quarters. In 3Q23, we see this drop continuing, but in 4Q23 we do not have a conclusion about the price of raw materials.

Last of all, the behavior of the competition in the many sectors and markets where we are present. Right now, Lucas, although we have overcome the EBITDA margin and the guidance in 1Q23, we are maintaining the range of margins. If, during the next months, we feel that there is space for a change, we will inform the market about this.

**Lucas Marquiori:**

Ok. Thank you.

**Andressa Varotto, UBS:**

Good morning. Thank you. Two quick questions. The first about the price of steel and raw materials. How do you see the relationship between lower prices and price increases?

Also market share, road implement 6%, which is a little lower, lower than your market share. Do you have any strategy to go back to a market share of 30% or are you comfortable with these levels?

**Esteban Angeletti:**

Thank you, Andressa, for the questions. I will join this with a question from Fernando Leitão. He wants us to comment on Randon's market share. Sérgio, you are the best person to answer this. And about the first question, Paulo, about the cost of raw material, especially steel, you have the information.

**Paulo Prignolato:**

Andressa, thank you for your question. As I had answered before, we have many verticals, and in some of these verticals, the price increase is being done, especially with OEMs, where we have contracts and others to follow the competition.

We have a relevant purchase of steel. We have an important buying power, and this brings us an important competitive edge in relation to other competitors.

So, for the first semester, we had an important drop in the price of steel, 3Q23, we are negotiating. And, in 1Q23, these robust margins, because the market dynamics allowed us to have an important margin in some of the verticals.

But we did not increase all the prices. That is why we are maintaining our guidance with an EBITDA of the margin on these levels. If anything changes during the next few months, we will inform the market of the changes.

**Sérgio Lisboa Moreira de Carvalho:**

Thank you, Paulo. Andressa, talking about market share, sharing with you our way of thinking. Our objective is to work in a responsible and professional way. Because of that, we want to do everything that is possible to maximize the return for our shareholders. This is our main objective.

So what I mean is that (25:30) for low value added products where prices are lower than where we want to focus. We do not give priority to market share going after products with compromised margins in order to continue with our leadership in value.

So there are products, the products that we saw in (26:15) in 1Q23, where the value is too low. Our average ticket is much higher than these products, so we are many percentage points ahead of number two, the second company. But our vision is to bring value to our shareholders, maintaining our leadership in products.

Some products we sell for 100 thousand, others for 300 thousand. We prefer to work with products that cost 300 thousand, like in the case of trucks. You have small trucks in the city that sell for an X price and heavy trucks on the roads with prices that are four or five times higher. When you look at the market share of small trucks and large trucks, this is not a good comparison.

So, we work with products with more value added. And if we looked at market share based on value, it is much higher, because we have different products with higher prices.

Having said this, our expectation is to see an improvement in our market share. In the beginning of the year, we have stops, and this impacts the market share. After the beginning of the year, things recovered.

I hope I answered your question. Not only yours but also the question of the other colleague

Fernando. Fernando, I hope I answered your question.

**Andressa Varotto:**

Thank you.

**Gabriel Tinem, Santander:**

Good morning, Esteban, Sérgio and Paulo. Congratulations for the results. With this strong demand, especially in the US market, do you see opportunities for more expansion in the US air, expanding Hercules or M&As, and more acquisitions? Give us an idea of the margins there.

**Esteban Angeletti:**

Gabriel, thank you. Sérgio, you can comment on the US market, Hercules and new opportunities.

**Sérgio Lisboa Moreira de Carvalho:**

Gabriel, thank you. Certainly our intention, we have already said this. Today, we have between exports and sales outside Brazil, 20% of our revenue, and our objective is to go to 30%. This will happen through expansion, whether it is organic or inorganic in general.

Therefore, in terms of OEMs, yes, we continue to export from Brazil. We are working to expand the capacity of Hercules. Also, we are beginning, in the next few years, to think of other product lines so we can participate in other segments of the US market.

We are looking at these auto parts in the US, the auto parts where we can participate. We have auto parts which are restricted to South America and we will not violate our agreements. But those in the US, we are prospecting businesses and a lot of interesting discussions in progress and also opportunities for M&A. We are looking at everything.

You know that we are always analyzing these opportunities, looking at the best, the synergies as we always say. This is our plan, our intention in terms of how we will get to 30% revenue. We purchased Duratech in the UK and we are working on other projects too.

**Esteban Angeletti:**

Sérgio, the issue of Hercules and its margins. You said they have healthy margins and, in the US, the market is different from Brazil. The demand continues strong in the US and, those who have capacity, like Hercules, are being able to charge more and this sustains margins. A favorable scenario for us. Gabriel, your second question?

**Gabriel Tinem:**

Thank you, Esteban and Sérgio. The second question is a follow up for auto parts. You internalized production at Castro Tech, will you follow the same strategy in this next quarter?

What do you expect until the end of the year?

**Esteban Angeletti:**

Gabriel, truly, we have been working, in the last five years, on three fronts: more exposure to the aftermarket, Sérgio mentioned this, greater flexibility in production with the acquisitions of Castro Tech, increasing our capacity and adding quality revenue, allowing us to have more flexibility with new products and to go to new markets, like agriculture. Castro tech, with the assets they have, can participate in the agricultural market.

The third point, Sérgio just said, is the opportunity for internationalization of auto parts suspenses and (33:52). We do not have geographic restrictions and we want to continue to explore geographic diversification.

So, flexibility, diversification for the after market and geographic diversification to compensate for the domestic market, that has dropped this year.

**Sérgio Lisboa Moreira de Carvalho:**

If you allow me an additional point in auto parts, which has to do with Castor Tech. Today, we buy 35 thousand tons a year. We sell much more than what we can produce and, with a drop in production, we bring part of these purchases to our plans to mitigate this. So we have this ability, we are doing this. We are insourcing.

**Gabriel Tinem:**

Thank you.

**Luiz Capistrano, Itaú BBA:**

Good morning. I want to talk about two issues that were already discussed. The first one is the price of trucks from Euro 5 to Euro 6. You made it clear, Sérgio, that now prices are improving and now OEMs are being forced to drop prices. Did you see sales by 900 thousand or one million?

Also, the production volumes in April were lower than March. Are prices dropping? Could you please give us more details?

**Esteban Angeletti:**

Thank you for the question. There are two factors, Sérgio talked about this. There are one or two manufacturers that were not too aggressive, they gained market share. And there is a second group of OEMs that had an aggressive increase in price. Now they are dropping prices.

Sérgio, if you want to answer this.

**Sérgio Lisboa Moreira de Carvalho:**

Actually, I believe you said what I was going to say. Luiz, thank you for the question. That is it. Two large truck manufacturers had a different price policy, they are gaining market share and their portfolio is full. The others tested the markets, and now they are adjusting their prices downward. So we have this period and this is what is happening.

**Esteban Angeletti:**

Also, Luiz, I would like to remind you about something. We mentioned a lot about the real demand, different from the transition from Euro 3 to Euro 4, where there was an artificial demand. This year, we see a real demand. What I mean is that trucks will have to be sold. So, we are close to seeing a normalization of this.

**Luiz Capistrano:**

Therefore, since the other manufacturers are dropping their prices, May and June should be better?

**Esteban Angeletti:**

Yes, we see April as a month when adjustments were made.

**Sérgio Lisboa Moreira de Carvalho:**

Luiz, there is another factor: the scarcity of financing. This has to be solved.

**Luiz Capistrano:**

My second question is about inventories. You made clear that you noticed a significant drop in the price of steel. How is this reflected in your inventory on March 31st? Is it the price of this drop in steel? What happened after March?

**Esteban Angeletti:**

Paulo, if you can answer this.

**Paulo Prignolato:**

Luiz, thank you. The price of steel. We use an average as we buy cheaper steel. We use an average price at a lower price in relation to December. This changes according to verticals, some verticals work with a month and a half, and others work with a longer period.

But I would say that, in general, in this 1Q23 we have the steel that we bought for a lower price. So it does not mean that in 2Q23 we will have even lower prices.

**Luiz Capistrano:**

Thank you. My last question is related to inventory. We saw a strong cash consumption in 1Q23, and we hope this will change. Can you comment on working capital, when you expect to have more working capital?

**Esteban Angeletti:**

Perfect. Thank you. We discuss a lot about working capital. Paulo, I believe you can comment on this.

**Paulo Prignolato:**

Of course. Luiz, this is a topic that we treat with a lot of discipline. Yes, we have considered important factors, seasonality in our business. So, we had some stops during 4Q22. This happens this way: there is a drop, especially in inventory and even in accounts payable to suppliers, so what happened? We saw a drop and now, naturally, with the recovery of operations in 1Q23, an increase in inventory.

And what we see is that, during 2Q23, we have an increase in inventory, but a normalization of your accounts payable to suppliers. Consequently, we hope for a certain drop in working capital during 2Q23 and 3Q23. But, naturally, 4Q23 is a quarter because things change, there are stops in some clients going back to lower levels.

In other words, normally 1Q suffers a lot in terms of working capital, there is stabilization in 2Q and 3Q and a drop in 4Q.

**Luiz Capistrano:**

Thank you, Sérgio, Paulo and Esteban.

**Marcelo Motta, JP Morgan:**

I have a follow up for more details about investing R\$60 million. Can we expect more revenue based on the plants you have or do you intend to build another plant to exceed 1000 units? Thank you.

**Esteban Angeletti:**

Ok. I will pass this question to Sérgio. I can say that we continue to be very optimistic with this product (45:10). When we look at road transport in Brazil, we have a lot of road transportation, and with this impact (45:32) electric traction, we can decrease emissions. So this helps the environment.

Now, on operation and sales, Sérgio has more details.

**Sérgio Lisboa Moreira de Carvalho:**

Thank you, Marcelo. We see this type of product, electric traction with three phases of adoption. First, the early adopters, the companies that are more focused on ESG, and we

are working with these companies. They are not that concerned with financial issues, they are concerned with carbon footprint and want to invest. So we should sell 50 units this year.

This week, we made more sales, but it is a process there. Some companies are testing, they have already bought, we are waiting for their results. Then, it becomes more popular with an exponential curve. You begin small and then volumes grow.

The second phase is the business case. When we have larger volumes in some components, especially batteries, the cost of this architecture, like in automobiles and trucks, batteries are the most expensive item. Then, we will have a higher volume.

Lastly, the third phase: mass production of this technology.

These are the three phases. Certainly, phase one and phase two will develop in the next four or five years. Mass adoption will take a little longer. Having said this, the (48:10) has an axle electric traction inverter battery and software, and we will not be selling all of this as a package.

When it is a semi trailer, yes, it is a complete solution. But there has been demand for batteries. So there is the possibility, in some components, to have more than 1000 units per year. When we reach phase two, as I said, the potential is many times higher than for this business.

That is why Esteban said we are positive. But, like all technologies that are new, it takes time.

**Ygor Araújo, Genial Investimentos:**

Congratulations for the results. My first question: you talked a lot about strategy, market share, mix price, this was answered. In the release, you said that you have some rental contracts, 200 assets in the software company. I would like to understand, what was the yield in these contracts? What kind of assets are you renting in the software Company?

If you can give us these numbers, it will help us.

**Esteban Angeletti:**

Ok, Ygor. Thank you for the question. Also, Fernando Leitão's question is about market share and the other on Adiante company and the rental contracts.

At the end, I would like to ask Paulo to comment about this operation. It is a new operation, it is a startup, but there is a lot of interest, especially in the scenario with high interest rates. This helped us to have the first contract, which is not Randon or Gerdau.

**Paulo Prignolato:**

Ygor, thank you for your question. In reality, we cannot give you more details about the size of the ticket and the margin. As you all know, the operation is in a ramp up phase. We believe

that it is an operation with a lot of potential, a business in comparison with other mature markets has a lot to grow.

Of course, what was said, the objective is to show that we are better than we forecasted in the business case. We are forming the team, we have the CEO, Fábio, who began at the end of last year. We are putting together the team that will support Fábio.

As soon as we have this information and our partner, Gerdau, we will structure how Randon and Gerdau will be able to share with the market more information and details about this company called Addiante.

Therefore, please wait a little more and we will define the best format to give you more details.

**Ygor Araújo:**

Thank you. Yes, there are many things to be done, and we can wait. Thank you.

**Anderson Santos, RW:**

I have three questions. Two of them are about long term growth and challenges of the Company.

**Davi Coin Bacichette:**

We already mentioned this. Please call us if you need more details.

**Anderson Santos:**

The other question is to talk about measures being taken to increase efficiency and lower costs.

**Sérgio Lisboa Moreira de Carvalho:**

Thank you, Anderson. We do not have a single answer in terms of what we have done to improve our efficiency. It is a set of actions where we work consistently.

First of all, we knew about Euro 6, we knew we would have these stops in production, and we began the year with actions such as controlling expenses costs, travel and all types of expenses. So we began with lower expenses this year, delivering 16.6% EBITDA in 1Q23, and this makes us very happy.

But we are working to improve synergies among the units we work. We work looking for all types of improvements in our costs and not only in international freight, but also lower costs for distribution. We consolidated all the freight in Minas Gerais, with the exception of the deliveries in the South of Brazil.

So, many synergies, automation, creating internal solutions to automate improving

productivity and many others. So new raw materials changed the specs. A set of actions, there is no single solution that is the magic bullet. Changes in specs, alternatives that bring us benefits, so all these actions are contributing to this improvement in cost.

**Esteban Angeletti:**

Just to supplement, Sérgio. The main thing is the mindset. We see this in the Company. There is guidance to improve efficiency in all the areas: in investor relations, in production, in engineering.

**Davi Coin Bacichette:**

We thank Vanderson for the questions. Reminding you that you can get in touch for any further clarification. Now, we would like to conclude the Q&A session, and Sérgio will make the final comments.

**Sérgio Lisboa Moreira de Carvalho:**

Thank you, Davi. Once again, thank you for participating, for the support, the questions. If you need any further clarification or if you remember something, please call our IR team. It will be a pleasure to clarify and continue sharing Randon Corp with you.

Thank you and we will meet again in our next event.

**Esteban Angeletti:**

Thank you. Thank you, Sérgio and Paulo. Thank you to the IR team.