Transcript of the 4Q24 Earnings Videoconference

Caroline I. Colleto

Good morning, everyone! Welcome to this Randoncorp earnings videoconference, where we will discuss the fourth quarter of 2024 and the full year. Our event has simultaneous translation into English and interpretation in Brazilian Sign Language. To switch your audio to English, please click on the "interpretation" button located on the bottom bar of your screen. To listen to the translator's audio, select the "mute original audio" option. This videoconference is being recorded, and the recording will be available on our Investor Relations website, which is ri.randoncorp.com.

I remind you that the information presented in this videoconference does not guarantee performance and involves risks and uncertainties, as it refers to future events and therefore depends on circumstances that may or may not occur. On today's agenda, we will have a message from our CEO, Sérgio Carvalho, the main highlights of the business environment and economic results presented by our CFO and IRO, Paulo Prignolato, and the details of the financial results addressed by the Director of Finance and Investor Relations, Esteban Angeletti. At the end, we will have a Q&A session conducted by the Investor Relations and Finance Manager, Davi Bacichette, which will also include the participation of the Investor Relations Director of Frasle Mobility, Hemerson de Souza.

You can indicate your participation in the Q&A session at any time during the event through the platform. And now, I hand over to Sérgio to start the presentation.

Sérgio L. Carvalho

Thank you, Caroline! Good morning, everyone! I want to start by highlighting how important the year 2024 was for Randoncorp's history. We delivered positive results despite the various challenges that arose throughout the year. Our business model was put to the test once again, and I can say with great satisfaction that the decision to expand our exposure to more stable and resilient segments and geographies was crucial in facing a more unfavorable scenario than we initially anticipated.

In every quarter of the past year, adversities were present in our business. We faced impacts from the ERP system update, the loss of tax incentives, expenses with contingency provisions, the shutdown of our factory in Uruguay, floods in the state of Rio Grande do Sul, and the slowdown in agribusiness demand. In the international market, the reduction in trailer sales in the USA and the global logistics crisis, with increased costs and low availability of maritime freight, also negatively impacted our operations. But we went through all of this with great calm, and our company continued to grow sustainably. The fact that we have a well-defined strategy and are executing our plans assertively allowed us to intensify some movements and projects in the last months of the year. We made important acquisitions, restructured some businesses to seek greater efficiency, and presented several innovative and disruptive solutions.

The details of our strategy were shared with you at our Randoncorp Day, an event where we had the opportunity to highlight with data and information the transformation of our company. We also presented some of the great market opportunities we have in our different areas of operation. I can say with conviction, folks, that there are many good things to come, and we are very excited about what we are seeing in our companies. The best part of all this is that we are achieving these accomplishments and movements without giving up our principles, delivering quality products, always paying attention to the safety of our employees, their development, managing the environment properly, and supporting society, something we emphasized even more in 2024 due to the significant impact of the floods I mentioned. We did not stop doing anything we believed was essential for our business and our people, as it is through them that we were able to deliver the results we anticipated for the year, within our Guidance disclosed in the first quarter of 2024, even reaching record revenue and EBITDA.

For 2025, our goal is to continue this work, accelerating the integration of acquired companies and capturing the mapped synergies, improving our results, and enabling us to reduce our leverage. We know that some of our markets may face a slowdown in volumes, especially trailers and heavy trucks, due to recent interest rate increases. But I emphasize once again how the resilience of our results will mitigate this impact, especially now that the aftermarket and the international market will gain an even greater proportion of our revenues. Challenges are always present in business environments; this is inevitable. But we are doing our part to face them even stronger, being one of the largest global players in the automotive market, with strong brands and partners committed to delivering increasingly sustainable mobility. And there are many good things to happen this year, folks! We have the start of operations at the Mogi Guaçu facilities; we have the addition of revenues from new businesses driven by group synergies; we have the delivery of over 2,000 trailers by our Hercules in the USA after a complex period in this market; and we also have a very heated aftermarket. In smaller proportions of short-term impact but relevant for the long term, we also have the acquisition of new clients and the approval of new products for the agricultural machinery segment by Castertech, the growth of our Rands, and the continuous development of innovative products. Thus, we bid farewell to 2024, satisfied with the deliveries made and eager to grow even more! We welcome 2025 excited about everything we will do and achieve.

Now I hand over to Paulo for his presentation.

Paulo Prignolato

Thank you, Sérgio. Good morning, everyone! As Sérgio already mentioned, the business environment is quite challenging. We have a high level of uncertainties, especially in the domestic market, due to exchange rate fluctuations and rising interest rates. And we know that this also affects inflation. Although we expect a record harvest for the next cycle, the market is very cautious about making new investments. On the global stage, we see a trend of interest rate and inflation stabilization, but with potential impacts related to tariff barriers between different countries.

As you can see on the screen, in the fourth quarter of 2024, the truck market showed growth compared to the same period last year, both in production and sales, as well as in exports. This occurred because the segment maintained the pace of recent months, consolidating market recovery after overcoming the effects of the transition to Euro 6 engine technology. Another sector that is quite heated is the aftermarket, which maintains high demand, especially due to the increase in the circulating fleet of commercial vehicles, light vehicles, and motorcycles in 2024. On the other hand, the trailer market experienced declines in the quarterly comparison. This reduction is mainly a reflection of the slowdown in agribusiness demand. The grain trailer and dump trailer product lines, for example, accumulated a 40% drop in volumes in the fourth quarter of 2024 compared to the fourth quarter of 2023, partially offset by the industrial cargo segment, which remains heated. It is worth noting that, although there was a decline compared to 2023, exports showed growth compared to the demand in the third quarter of 2024, mainly due to the resumption of sales to Chile, Angola, and Argentina.

Even in this complex context, we achieved a new record for quarterly net revenue, with auto parts sales representing about 60% of the consolidated total. Highlights of this indicator for the quarter include the recovery of sales to the international market, the addition of revenues from new businesses, and the expansion of the industrial sector, both in parts and trailers. Our adjusted EBITDA margin showed recovery compared to the fourth quarter of 2023. Key points here were better margin conversion through the sale of products with higher profitability, the improvement in gross margin due to the stability of the company's main input prices, and the reduction of inflationary and exchange rate impacts on operations located in Argentina, which were quite high in the fourth quarter of 2023. Net income also advanced in the quarterly comparison, mainly due to the improvement in operational results and the resumption of deferred income tax constitution on tax losses after the completion of recoverability studies. As a result, ROIC maintained the recovery pace seen at the end of the third quarter of 2024.

Moving on to our indebtedness, I highlight the growth of bank debt mainly due to the raising of funds for the acquisition of EBS; the increase in net debt compared to the third quarter of 2024, due to the level of investments in the quarter; and the higher average cost of debt in the domestic market due to the rise in the Selic rate. As we have already shared with you in the conferences and calls we have held, our expansion movements are expected to reflect an increase in leverage in the first quarter of 2025. However, throughout the year, the indicator should gradually decrease with the capture of synergies and integration of the newly acquired units, as well as other actions we are taking with this focus.

Moving on to the numbers of our shareholder base, we closed the quarter with approximately 38,000 shareholders, a significant reduction compared to the end of the third quarter of 2024. This occurred due to the migration of individual shareholders to foreign investors. Our average daily liquidity increased by 10% compared to the same period last year. Regarding the remuneration of our shareholders, I remind you that in December, we disclosed a material fact announcing the payment of interest on equity, which was made on January 24th, amounting to R$ 69 million, corresponding to approximately R$ 0.18 per common and preferred share, net of income tax. This concludes my presentation, and I hand over to Esteban.

Esteban M. Angeletti

Good morning, everyone! It's great to have you with us for another Randoncorp earnings videoconference. To provide a bit more detail on what Paulo shared about the fourth quarter of 2024 results, we have on the screen the breakdown of our revenues.

In the graph at the bottom of the screen, you can see that, with the exception of urban mobility, all other segments advanced in the quarterly comparison. The main sectors responsible for revenue growth were the international market, industry, and aftermarket. In the graph at the top right of the screen, it is also possible to see that the highest revenue representation comes from the aftermarket, followed by the international market and industry. Both represent between 21% to 23% of the total. Remember that this number does not yet include Dacomsa's revenues, as the transaction was only completed in January 2025. With it, revenues for the international market will become even more significant. Although revenues for agribusiness are always among the most relevant, the slowdown in this segment during the quarter made it the fourth most representative. When we analyze the distribution of revenues by vertical, we have nearly 60% coming from parts for both aftermarket and OEM, about 30% from trailers, and the rest originating from services and technology.

In the international market, the main highlights were the start of deliveries of the container base lot by Hercules and increased demand for friction materials and brake systems in the USA; the improvement of the economic environment in Argentina, driving the expansion of sales in the country; the addition of EBS revenues and the increase in trailer exports to Angola in the EMEA region.

Moving on to EBITDA, which showed growth in the quarterly comparison, we highlight higher profitability levels, both from international expansion and increased sales in the aftermarket; contribution from gross margin due to the stability of the company's main input prices; reduction of inflationary and exchange rate impacts related to operations located in Argentina; and pressure on the margins of the Trailers Vertical due to the product mix sold in the domestic market and restructuring expenses for this unit.

To finalize my part, I bring on the screen the information related to organic investments. In the fourth quarter of 2024, we continued several projects, among which I highlight the construction and installations of Castertech and Suspensys Mogi Guaçu. Castertech was inaugurated in November 2024 and is in the ramp-up phase, while Suspensys is at an earlier stage but is scheduled to be inaugurated in the first half of 2025; the construction of the electric substation for Frasle Mobility at the Fremax site, which, in addition to enabling production expansion, allowed the shutdown of diesel generators, reducing CO2 emissions from this unit during the project, which is expected to be completed in 2025; and investments in productivity and efficiency at Randon Araraquara, already announced via Notice to the Market in November.

In addition to these, we started the automation project for the distribution center at the Frasle Mobility Extrema site, which is quite relevant for the operation due to the benefits it will bring with its implementation.

Before handing over to Caroline, I would like to invite you to participate in the Extel survey (also known as the Institutional Investor Ranking) through the QR-Code displayed on the screen. For us, this is an important tool for feedback from the capital markets, and your opinion is very valuable to us. Now, it's over to you, Caroline.

Caroline I. Colleto

Thank you, Esteban. We will start now the Q&A session. The format to participate is on the screen. I would like to thank the participation of Daniel Randon and Anderson Pontalti, who are present in the videoconference, and the other members of the executive committee who are online with us. The first question of the day is from Victor Mizuzaki, analyst at Bradesco BBI. Good morning, Victor, you can ask your question.

Victor Mizusaki

Hi, good morning. First, congratulations, Daniel, Pontalti, I wish you success. Sérgio, your role in the last years at Randoncorp have been extremely important for the company's transformation. I have one or two questions regarding trailers. If you can comment first on the export to Africa and South America, how have you seen this market? Looking specifically at the results, we saw a positive surprise regarding price and volume. If you can mention a bit about margin and how you see the competitive scenario in Brazil, if we see an improvement. Thank you.

Davi C. Bacichette

Thank you, Victor, for your question. Regarding trailers, I'm going to ask Esteban and Anderson Pontalti, since they're with us, to answer. Esteban, so you can approach the question about Brazil, not only for 2024 but also for the beginning of 2025. Pontalti, if you can explore not only Africa, there's a lot of strategy to grow there, but also the other geographies that you're conducting, especially the US with Hercules. I'll start with Esteban, then Pontalti will add.

Esteban M. Angeletti

Thank you. Confirm to me that you can hear me.

Davi C. Bacichette

Yes.

Esteban M. Angeletti

Thank you, Victor. Thank you for your question and for being in our call as usual. The competitive scenario in the whole market in Brazil continues to be very much disputed. The main dynamics that we saw in the first semester last year continue. The mix of products geared towards industrial products, where we have smaller margins, makes competitiveness on price a bit more difficult. We are waiting, of course, for the restart of agribusiness. The expectation is a record crop. I read news about the increase in freight prices, especially for grain transportation, which should bring higher demand in agribusiness, where we have our strength regarding products with higher margins. But in the short term, the current snapshot is a competitive scenario that will hold up in the first quarter. Now I pass the floor to Anderson to talk about exports, be it the African market, South America, and the US.

Anderson Pontalti

Thank you, Esteban. Thank you for the question. More specifically about exports from Brazil, we had a good beginning of the year. The exports, above all to Africa, remind you that the regularity of demand is according to what the buying countries have. We also have protected business; we have cash in advance or some type of guarantee that will ensure the receipt of funds. We continue to have good quotations and a good beginning of the year. January had good volumes above what we planned. We want to continue to have good volumes in that region.

It's a relevant market for us. Exports from Brazil are intensifying. The market is more open, allowing us to fulfill the market from Brazil. It's a good geography; it's almost a cross-docking operation. What we are producing in Brazil is received well in the current geography, and we're gaining position. These are the more relevant markets. When we look at North America, Hercules starts in a positive manner. We know that 2024 was a year in recession with the container chassis, which is the niche of that operation. Last year, at the end of October, we had a big order and were revenue adequate for the moment of the economy. Big players for this segment have the best portfolio and the most significant accounts. At this moment, we observe in the market a greater entrance of quotations. This is due to the new government, between tariffs dynamics and economic incentives. It's not all 100% clear, but what we notice is an increase in quotations. We have to see how it will be, but they're already looking for deadlines and prices. This should be converted into sales in the near future.

About AXN, it is the first month of operation with us, we are obviously in this process of transfer qualifications. This is what we're going through currently. We're re-qualifying the company, being a sales compass. It's not the best from stock, we're trying to qualify this stock, be it producing or importing from Brazil or friends abroad, so the sales happen in a more meaningful way. The market is still not back to historic levels; it's still retracted. We have a strong team; we're restructuring sales, reinforcing the sales for Hercules and AXN to have a better market share because we will deliver more competitiveness with these two units. I hope that I answered your question.

Victor Mizusaki

Great, thank you.

Caroline I. Colleto

Thank you, Victor, for your question. Let's go to the next question from the analyst at BTG, Fernanda Recchia. Good morning, Fernanda, you may ask your question.

Fernanda Recchia

Hi, everyone, good morning. Two points from our side. First, about net effective income tax. One of the main surprises, I believe you explained, is the restart of the deferred tax. Can you give more details on what we can expect in terms of modeling? If this has a premise that after next year, the OEM should show the results. I also want to explore a bit about the M&A scenario for 2025. If you can mention how you are seeing this and eventually the opportunity for payment to the shareholders, be it dividends or others. How do you analyze this equation of inorganic growth and payment to the shareholders? Thank you.

Davi C. Bacichette

Thank you for your question. These are two relevant topics to mention. Paulo, please answer both questions, the M&As and what's on our radar for this year and the next quarters. Please.

Paulo Prignolato

Thank you, Davi. Thank you, Fernanda, for being with us and for the questions. First, regarding effective income tax. In December, as we had anticipated, we went back to constituting the deferred tax. Basically, what happened was the following: we did a re-evaluation of our partnership structure, the companies that are 100% under Randoncorp, and basically, we're talking about two auto parts companies. The objective was to reduce the holding's debt. This was done through an anticipation of dividends from the subsidiary. With this, we bring the resources to the holding, lowering the cost of the debt. Due to this plan, we recognize the deferred tax, and this should be maintained during this exercise.

It's important to highlight that when we compare the effect of the deferred tax with the year 2023, we had an important change. This basically has to do with Nakata, the new tax law that was approved in 2023 and is valid in 2024. This is the impact, the definitive impact. Summarizing, we are recognizing the deferred tax, and this will continue in 2025, but we need to make the adjustment that is valid in 2024 due to this adjustment in Nakata due to the new legislation.

Regarding the M&A schedule, what we can tell you is that we are going to focus in 2025 on capturing and absorbing all the new companies that we acquired in such a way that we can anticipate synergies, reducing the size of our debt. Of course, Randoncorp will always look at good opportunities, but we don't have under our radar meaningful additional M&A movements currently.

Fernanda Recchia

Great. Paulo, maybe just a small follow-up. How do you think about the eventual buyback?

Paulo Prignolato

Stock buyback?

Fernanda Recchia

Yes.

Paulo Prignolato

Ok, that's a movement that we always look into. In the last few years, we've done buyback programs, but currently, it's not on our radar. Last year, when we talked about capital allocation with the board, we prioritized the M&A operations.

So, due to this, with the increase in our leveraging, at this moment, it's not on our radar a new buyback program.

Fernanda Recchia

Great, thank you, everyone.

Caroline I. Colleto

Thank you, Fernanda. Next question from Lucas Laghi, XP analyst. You can ask your question.

Lucas Laghi

Thank you, Caroline. Good morning once again. I have two questions from our side. First, regarding the auto parts business, to understand the profitability dynamics. It's a segment that has less margin oscillation. The OEM feels more due to the contracts you have with the car manufacturers, but the reduction in profitability in the fourth quarter, what has impacted the profitability dynamics? SG&A has its impact, the freight cost also. To understand what is a recurrent level of this division during 2025, given we have volatility and what impacted the fourth quarter.

Paulo, the previous question about tax, to understand better the ITR. We see that the big effect that reduced the tax in the fourth quarter is JCP, 72 million reais in the fourth quarter in terms of reduction of tax compared to the fiscal liquid of 34%. The 72 is almost 34% of the taxable profit, and this JCP line is included in the deferred tax that you mentioned with the partnership structure, not just JCP, or it's another line to understand this issue of deferred tax versus the line JCP for tax. Thank you, these two topics.

Davi C. Bacichette

Thank you, Lucas. I'll start with you, Esteban, to answer about the auto parts, and then Paulo will add to answer Lucas's question.

Esteban M. Angeletti

Perfect. Lucas, thank you for being with us and for your question. Well, the fourth quarter for auto parts concentrated some additional expenses that partially compromised the EBITDA margin of this vertical. We can summarize it in basically three main factors: internal freight that raised the pressure from freight and compressed our margin; we also had the M&A expenses, which we don't treat as non-recurring because, in the last years, non-organic growth has become important and present in our strategy, that's why we don't exclude these expenses. The adjusted EBITDA at the end of the fourth quarter must remember we had expenses of the EBS acquisition that entered this line. Finally, the administrative expenses of EBS that we had started to consider in November. It was not foreseen at the first moment. We're understanding the efficiency of the company, seeking synergy. We always have four sources of synergy: the low-hanging fruits, the cross-selling part, we're starting to do this now, bringing products from EBS to Brazil. In a second moment, we're bringing products to Europe. The second front of synergies is the sourcing parts for raw material purchasing components, where we do the price of the synergy we have currently due to the scale field of EBITDA of both operations. The third wave, which is later, once we have a better understanding of the unit, is the back office, where we can have higher efficiency impacting administrative expenses. With this, I pass the floor to Paulo, who's going to talk about income tax.

Paulo Prignolato

Lucas, thank you for your question. In fact, the two themes are directly connected because up to November last year, when we weren't recognizing the deferred tax gain regarding the impact of JCP, we also didn't have the benefit of it.

Once we started to recognize the deferred tax, this allowed us, with the recoverability plan, to record this gain of the aliquota on our own capital.

Lucas Laghi

Oh, okay, now it's clear. Thank you, Paulo. Thank you, Esteban. Have a great day.

Esteban M. Angeletti

Thank you, have a good day.

Caroline I. Colleto

Let's go to our next question from Gabriel Tinem, analyst at Santander. Good morning, Gabriel, you may ask your question.

Gabriel Tinem

Good morning, thank you for the space. Two questions on my side. First, focused on trailers, can you give us details on how the restructuring you started at the end of last year has evolved, especially at the Araraquara factory and the product mix? The second question is about auto parts. I want to understand better how the integration with the new acquisitions AXN and EBS has been and what is the mindset going forward. Lastly, what can we expect in terms of leveraging for 2025 and 2026? Thank you.

Davi C. Bacichette

Thank you for the questions. First, I will answer about the OEM, and Anderson will talk about the integration synergies. For the third question about leveraging, Paulo can provide more details. Anderson, please share your insights on the first experience we have with the new acquisitions.

Talking about OEM, we're going through a restructuring of business processes. Our factories are undergoing restructuring, and the Araraquara factory needs adjustments from the business as a whole.

Can you hear me? Oh, you're back. Sorry.

It's a factory that has huge potential because it's in the southeast, a region where we had less presence in recent years. With the return of Araraquara and the importance of the southeast, we understand it's a strategic site. That's why we're working on it to be once again a strong hub in trailer production. For this to happen, we need to restructure this facility to be more independent from the other companies within Randoncorp. The factory is receiving automation items, automated cells, so we can produce not only the products we already had, like dump trailers and dry vans, but also chassis. This movement will continue throughout 2025. We expect that after this, the factory can align with what is seen in other OEM operations, becoming an efficient, independent factory that can service the market faster.

Anderson Pontalti

Now, I'll talk a bit about AXN. It's our first month, and our main objective is to qualify the stock to increase revenue. We understand that we acquired the company when the market was very low. We are reinforcing the sales team so that when sales start, it has more economic safety for that geography. We're checking every component produced there, looking at the productive cost at Suspensys and Castertech, where we have efficiency comparisons to decide the best models to verticalize in the United States. We're consolidating one month of work, and there's still a lot to be done. We're very optimistic about the future of this company, which has relevant market penetration and competitiveness compared to local players. We understand we can gain more competitiveness in the short to medium term. It's very promising, and in the first quarter, we will improve further. Hemerson can you talk more about this?

Hemerson F. de Souza

Thank you, Davi and Anderson. Good morning, everyone. It's a pleasure to talk about how we're connected to the synergies we mapped at Dacomsa in the the beginning and how we've executed them in the first three months. We had an awareness of the quality of the business and the company in Mexico when we purchased Kuo Refacciones.

Dacomsa had a strong market position with high reputation brands and relevant market participation for motor parts and brake parts with Moresa, TF Victor and Fritec. We mapped 300 million reais in synergies to be explored over the next five years. We estimated that 60% of the synergy could come from the addition of revenue by launching new products from Frasle Mobility that are not available in the Mexican market, expanding to the North American market, especially the United States, and starting consignment lines to other countries, especially Central America. The remaining 40% would come from cost and expense reductions. We don't have such strong granularity yet, but we're confident that we are being conservative in our synergy estimates. It's very likely that we have more space in these lines, which is great. This anticipates the materialization of the synergies that we have and will be captured faster. Today, we are more than

60% in terms of cost and expenses and 40% in revenue. Not that the revenues have lowered, but the opportunity pack we found is higher. The unit optimization is progressing well. The Dacomsa team will come to Brazil to get to know the Frasle structure and connect with the friction materials team. They will be here next week, and we're very happy because the findings in these lines are very material and will accelerate the use and gain of synergies that we have mapped out. It was a good company that performs with strong margins and indicators, as we saw in the videoconference. We keep that same level, even higher in the last few months.

The future design of the company is very promising and will benefit directly from the synergies we mentioned. It's a special moment for Frasle Mobility with this acquisition, and the reflex it brings to Randoncorp as a whole is significant. When we talk about synergy, we don't just think about the companies that compose Frasle Mobility but also the other companies within Randoncorp. It's a moment to think about the whole, connecting the synergies that will undoubtedly be linked to other companies within Randoncorp as well.

Caroline I. Colleto

Thank you, Anderson Pontalti, Davi and Hemerson, for your answers. Now, let's move on...

Davi C. Bacichette

There's a last question about leveraging to Paulo.

Caroline I. Colleto

Oh, sorry.

Davi C. Bacichette

Paulo, if you can comment on our leverage expectations for this year.

Paulo Prignolato

Thank you for your question. We cannot clearly forecast a specific number, but we can tell you the following: in the first quarter, we're going to report a bit higher leverage, especially due to the investments we did that were forecasted. By the end of the year, we expect to finish within the leverage limit that we are used to working with, which is one to two times EBITDA. By the end of the year, we will capture all the synergies as foreseen in the first quarter, and we will have 12 months of EBITDA from the acquired companies. So, we are probably going to be in this range as foreseen.

Linked to this question, we also didn't publish our guidance for 2025 yet. We probably will do it in the next weeks, not only the guidance but also the projections of the new companies we acquired and the context of high interest rates. We are finishing the projections, and during the next weeks, we will publish them. This will allow you to look at all the forecasts, including leverage.

Gabriel Tinem

Great, thank you, guys.

Caroline I. Colleto

Now let's go to the next question from André Mazini, Citi analyst. André, you may ask your question.

André Mazini

Hi, team. Great to talk to you once again. Two questions. First is a follow-up on the acquisitions. You have done many acquisitions, which is notable, congratulations. We know that the majority of the time you maintain the brands and it seems you also do integration. Can you tell us more about the integration process since you're doing it repeatedly? What have you learned and how fast is it? Can it be sped up or are there details that you cannot speed up? I'm thinking about ERP, which is super sensitive for the entire company. If you bring the ERP from the acquired company to one ERP software like Oracle, how long does it take for the integration? Are they faster or not? Second is more about the OEM and the right-sizing process. If it's correct to term it as reducing the headcount and cost linked to headcount reduction in the OEM, and if it's the case, does it have an impact on the fourth quarter margin? What is recurrent and not regarding the OEM margin in the fourth quarter, and what can we expect for 2025?

Davi C. Bacichette

Perfect, Mazini. Thank you for your question. I'm going to check if Sérgio is connected and online. I'm going to see if he can comment on these two points. Let me check, or else I have a plan B. Yes, Sérgio is here. Let me see if the video is working. Sérgio, I'm going to let you comment on these two fronts: integration during all the companies that we did with and the OEM issue going through restructuring in the last months and the impacts this has caused in the business. Thank you.

Sérgio L. Carvalho

Thank you, André, for your question. Talking about the integrations, I believe that yes, our company did a lot of movements in the last few years, and it's safe to say that acquisitions have become a competence for the company. So, acquisition involves many aspects: the negotiation, the identification of the company we want to acquire, the fit of this company in our strategic plan, which is the starting point. We do the plan, then we identify the companies that would solve or address the expectations that would fit in the strategic plan. We search, initiate the contacts, and then we do the acquisition. During this process, the preliminary identification of possible synergies is extremely important.

Afterwards, the integration process approximates myself to your question. Our process of integration is never a process of saying, "We acquired this, who's the boss now? It's me, it's going to be my way." No, none of that. When we acquire a company, we prefer to buy a good company that has values and competencies in several areas. We want to stimulate the continuity of the performance and the characteristics of the processes they have that should be very good. We learn from them, and if they're really good, we bring it to our other companies so we can incorporate the good things they do, having better processes that we will incorporate from the companies. But there isn't a ready recipe or cookbook.

There are companies that we acquired where we needed to keep the board and the management body as it was and deliver little by little our financial standards, ethics standards, policies for employees, and ERP incorporated at the correct time. There are companies where we did this faster if there's a bad system and we need to fix it faster. In other companies like Dacomsa, we are keeping their system for one or two years. We could introduce our SAP; they have SAP HANA 4, which is similar to ours. We could do this transition faster, but we chose not to do it to buy the services of the old owner for two years. We saw there were benefits, low-hanging fruits, more synergies to be captured in other areas. If we introduced our SAP at the beginning, we would put lower priority initiatives in other areas, and we considered that the best for us would be the contrary. Each case is a different case, and the stories develop in a different way. All these acquisitions, our vision is of partnership with the acquired company so we can motivate all employees of this new company, the management of the new company, extracting the most of this integration. The integration process is becoming one of our core competencies. It's not just a matter of acceleration. We don't have a pattern or a standard because each case has its own perspectives and business dynamics that are different. These are my comments regarding the integration of acquired companies.

Our OEM continues in its restructuring. As Paulo and Esteban mentioned, we continue with this high Selic rate. The market feels it very much. You probably saw with the truck manufacturers' reduction, higher vacation days, and fewer production days for heavy trucks. We feel the same in our trailers. The agribusiness didn't take off yet. Sales of new trailers this year are 15% lower in the first quarter compared to the equivalent period in 2024. The volumes are lower due to the reasons presented by Paulo. The mix continues to be unfavorable, where agribusiness, which is our strength, continues low, and the industrial load actually presented an increase. So, it's less favorable. The first two months of this year compared to 2024, we continue with our process of expanding our productive capacity close to the southeast market, the big market in Brazil. We continue with our investments in this sense. We continue with the restructuring to close auxiliary sites. For example, in Araraquara, we had three operations. We closed one, and we're in the process of consolidating the second one. Also, in the original plan for that, we are right-sizing the headcount. We continue our activities to make it adequate to the specification of the products where we offer premium characteristics or features, but in some segments, the market doesn't pay extra for the premiums. In these situations, we are in a process of putting products, all with quality, but more aligned with what the market is paying. So, this type of initiative continues from our side. We continue with our investment plan in automation and productivity gains, greater efficiency for manufacturing. Everything that I said in the previous meetings will continue to be executed fully. I hope I answered your question.

André Mazini

Perfect, Sérgio. Thank you.

Caroline I. Colleto

We have more questions in the queue, but due to time, we have to finish the Q&A session. We're going to the last question of the day from the analyst Luiza Mussi of Safra. Luiza, you may ask your question.

Luiza Mussi

Hi, good morning. Can you hear me?

Caroline I. Colleto

Yes.

Luiza Mussi

Thank you for this opportunity. I want to talk about the Addiante operations. Can you talk about this result? Looking to the future, what is the vision of the company? How relevant do you believe it will be in your results? Thank you.

Davi C. Bacichette

Thank you, Luiza. I pass the floor to Paulo, who is going to talk about Addiante. Go ahead, Paulo.

Your mic is on mute, Paulo.

Paulo Prignolato

Sorry, thank you for the question Luiza. Well, in the last quarter of last year, we had a relevant impact at Addiante, especially due to the contract we had with Ambipar. This involved over 1,600 assets. This formalization ended up bringing higher volume, which impacted positively our line in patrimony. We're very satisfied with this JV. It's a capital-intensive business with higher interest rates, and it generates more opportunities for rental and implements and trucks. So, we have bold plans for the future and are considering listing in the higher equity market at a certain moment. Our drive at Addiante is the growth drive, and it's what we will continue to see for the next years. We're very happy with this operation.

Luiza Mussi

Thank you.

Caroline I. Colleto

We want to thank everyone who participated in our videoconference, everybody who asked questions. Our IR team will get in contact with those who didn't have the opportunity to have their questions answered. We will pass the floor to Daniel for the closing remarks.

Daniel Randon

Good morning. I want to thank everyone, analysts, and investors present. Since not everyone could participate, we had comments on the relevant changes in management that will be effective from September 1st. I was CEO until 2021, and I would say that this is an important moment that Randoncorp is going through as an executive committee. I return in a phase of more maturity in governance. I want to thank Sérgio Carvalho for the work of the last years that put Randoncorp on a new level. We're happy to be able to count on Sérgio from September on as a senior executive advisor. He will continue to help us at Randoncorp in the most strategic and sensitive points of the company, internationalization, and support to our colleagues in the executive committee, especially due to the moment that we see a change of management as a transition moment. I want to reinforce that Pontalti is coming as CEO of Frasle Mobility. It's important to say that Randoncorp continues to work, looking at 2025 as a challenging year but with important projects to continue to grow with sustainability, generating value to the shareholders and stakeholders. I want to thank once again the presence of everyone on this call, and we are available for any questions to clarify anything or changes in the management. We are available. Thank you.

All

Thank you, everyone. See you next time. Bye-bye.