

**RANDON**  
**3Q20 and 9M20 Results Conference**  
**November 13<sup>th</sup>, 2020**

**Operator:**

Good morning, and thank you for waiting. Welcome to Randon S.A. Implementos e Participações 3Q20 results conference call. With us here today, we have Mr. Daniel Raul Randon, Chairman; Mr. Paulo Prignolato, CFO and Investor Relations Director; Mr. Hemerson Fernando De Souza, Investor Relations Director from Fras-le and also from the Braking Systems; Esteban Angeletti, Financial and Investor Relations Manager; and the IR team.

We inform that this event is being recorded, and all participants will be in listen-only mode during the Company's presentation. Next, we will begin the Q&A session, when further instructions will be supplied. Should any participant need assistance during this call, please press \*0 to reach the operator.

This event is also being broadcast live via webcast and may be accessed through Randon's website at [ri.randon.com.br](http://ri.randon.com.br), where the presentation is available. Participants may view the slides in any order they wish. The replay will be available right after the event is concluded. Reminding you, webcast participants may send questions through our website. They will be answered after the conference is finished.

Before we proceed, we would like to say that any beliefs or assumptions of Randon's management made concerning the business perspectives of Randon projections, operational, financial goals are based on beliefs and assumptions of the Company's Board as well as information currently available to Randon. Considerations about the future are not guarantees of performance. They involve risks and uncertainties. They depend on circumstances that may or may not occur. Investors and analysts should understand that general economic conditions, sector conditions and other operational factors may affect the future results of Randon and lead to results that may differ materially from those expressed here.

Now I would like to turn the conference over to Mr. Daniel Raul Randon, who will begin the presentation. Sir, you may proceed.

**Daniel Raul Randon:**

Good morning to all. We would like to thank you for participating in this conference call. Today, we will talk about the numbers of 3Q20. We are already at the end of the year. It was the surprising year.

I will divide the presentation with our CFO and Investor Relations Director, Paulo Prignolato; and with Mr. Esteban Angeletti, Finance Manager and also Investor Relations Manager. We have with us also Hemerson De Souza, Investor Relations Director of Fras-le and Randon's Investor Relations team.

I would like to thank you all investors, analysts who have been with us on our online events, as an example, the APIMEC meeting that we had on August 27, when we had a record participation. This interaction helps to build an even better Randon.

Today, we will have our traditional topics with the highlights of the quarter, the performance of the operations, and we will talk about some initiatives involving innovation and sustainability. At the end, we have a special invitation for you.

Beginning on slide number 4, we will talk about the highlights of 3Q20. Without a doubt when we planned the numbers for 2020, we could not imagine everything that would happen until now.

And now close to the end of the year, we are showing the results of the quarter that will be a landmark in the history of Randon companies with record revenues, record EBITDA and record profitability.

This performance was only possible due to a combination of factors, such as price recovery in some segments of the business, a favorable exchange rate for exports, cost control, expense control and gains in efficiency and productivity. Apart from this, with our diversified business model, we increased the resilience of our results, and this became even more evident during this year.

Apart from these points that I mentioned, I would like to highlight other factors that allowed us to get here and share with you such a positive quarter, having a solid financial position, together with an adequate expense control. This allowed us to face adverse moments with more tranquility.

Planning the future, investing in innovation is not only necessary to perpetuate the business but also makes all the difference to maintain our results at a good level. Having a qualified team of professionals that are committed to the Company enables us to grow and prosper, overcoming obstacles.

I am proud to say that we are more than 11,000 employees in Randon companies. To prepare the Company and the people for new ways of working, building a culture of innovation and searching for a digital transformation, brings sustainability to the Company and motivation to be more and better due to new business fronts and also renovating the more traditional businesses.

Finally, 3Q20 is the result of the above. We had records in some indicators, and we overcame our initial projections. The next months show a continuity in terms of growth of the business. But also some challenges that lie ahead, especially in terms of lack of inputs and the price inflation.

But we know that continuing with our initiatives in innovation, efficiency, transparency and leadership, we will overcome the difficulties that will come ahead. And we will see a new Randon, more sustainable, strengthening our aim to connect people and reaches, generating prosperity.

Now I would like to pass the floor to Mr. Paulo, who will continue the presentation.

**Paulo Prignolato:**

Thank you, Daniel. Good morning. Welcome to our earnings audio conference. Let us look at the distribution of revenue per division, product, geography and segment, as we see on slide number 5.

The revenue from auto parts reached 51.1% of the net consolidated revenue, showing a recovery in relation to the previous quarter and reflecting the improvement of demand from OEMs and the aftermarket parts division for light vehicles.

Next, we see the OEM division, 45.4%; and services, 3.5%. The auto parts division has become even more relevant due to the last acquisitions, especially through our controlled

company, Fras-le, with Fremax, and more recently with Nakata Automotiva, which we consolidated in September this year.

In the analysis per product, we see the relevance of the sale of semitrailers representing 39% of the revenues of the quarter, showing the good moment of this segment, semitrailers; followed by friction material, 18%; and nonfriction 11%.

In geographies, the highlight are the sales to Mercosur in Chile, which reached 38% of the exports in 3Q20. Like Brazil, some countries in the region had a benefit due to the good performance of agrobusiness, including Paraguay and Argentina.

Apart from this, the opening of the boundaries and the flexibility of measures to fight coronavirus also increased sales in this region. Exports to the U.S., Mexico and Canada represented 30% of the total, and during this quarter were less representative than in previous quarters due to the seasonality of the period, which had vacation periods and also the end of the fiscal year for some clients. In the sales per segment, as of the next quarter, we will be able to work with replenishment. Most of the revenue from Nakata comes from the aftermarkets.

On slide number 6, you may observe the performance of the market for semitrailers, trucks and buses. In the segment of road implements, we see the robust growth of production and sales when you look at the quarters, more than reflecting the current demand for cargo transportation.

This performance shows that clients have already begun to renovate and expand their fleet for the next year. The estimates show another record harvest with favorable conditions for agrobusiness, apart from the growth of the economy, with a good expectation for the GDP for 2021. In the truck market, we see a drop of 26% in production and 9% in sales when you look quarter after quarter. In spite of the demand for trucks in the market, OEMs decided to reduce as much as they could the inventory before increasing production. This is happening, the recovery, and should intensify until the end of the year.

This segment, including buses, was the hardest hit among the three. There was including a change in profile of the consumer, which avoided mass transportation buses to avoid crowds and began to use cars as the main mode of transportation. This effect can be seen in the production of passenger vehicles.

In August, they are already at pre-pandemic levels, production of cars. Concerning economic indicators, the main point is with inflation. Although the IPCA index is within the goal of the Central Bank, other indicators linked to the productive chain of industry and services had a greater inflationary pressure.

Slide number 7, to talk about net revenue. The net revenue advanced 10.5% quarter after quarter and resulted in R\$1.5 billion in 3Q20, reaching the highest level of this indicator in a quarter in the Company's history. Now in year-to-date 9M, there was a drop of 5%, especially due to the impact of the pandemic, which happened especially in 2Q20. On the table on the right, we can observe that of the three business divisions of the Company, there was growth, 10% in each one.

I would like to highlight the recovery of semitrailer market, the recovery of sales for truck OEMs and also the new revenue from Nakata Automotiva in September, representing R\$50 million in the quarter and also progress in exports.

Going on to slide number 8, we have export data. The exports, which had been strongly affected by the pandemic in 2Q20, showed a recovery representing a drop of 13.7% in comparison with the previous quarter, but also evolving with year-to-date accumulated reduction of 30.2%. Within the important factors, we can say the liberation of the borders and the reduction of restrictive measures for circulation of people and merchandise, the good harvest of grains in countries like Argentina and Paraguay and the recovery of inventories at distributors.

For the next months, the expectations in most of the markets where we are present are positive. But it is important to follow the evolution of these impacts with the second possible wave of COVID-19 in some geographies, apart from the scarcity of money in the Argentinian market, which can affect exports in 4Q20.

Now we will go on to slide that shows EBITDA. Consolidated EBITDA reached R\$270 million, a progress of 40.5% increase in relation to 3Q19. EBITDA margin reached 17.8% with an expansion of 3.8 p.p. in the same period. This growth is due to the increase in volumes, which allowed a better absorption of fixed costs. And this helped exports with good margins due to the appreciation of the exchange rate, cost control and also investments in efficiency and productivity, which allowed us to produce more with less.

The only nonrecurring event in 3Q20 was the supplement of tax credits from the PIS/COFINS lawsuit, which most of it in 2Q20 and represented in this quarter, R\$9.4 million. Adjusting consolidated EBITDA to this revenue, we would have an adjusted EBIT of R\$260.6 million with an adjusted EBITDA margin of 17.2% in 3Q20, showing a growth of 24.3% in comparison with 3Q19.

In spite of the historical margins, it is important to highlight that for the next months, factors such as increase in costs with inputs and seasonality should impact EBITDA, and as a consequence, should impact margins.

Now going on to slide number 10, we show the consolidated results. R\$116 million in net profit in 3Q20, with a margin of 7.7%. This was the best quarterly result in the history of the Company. The determining factors for this performance are the same that we highlighted in previous slides and show that the actions that we made, together with a favorable business environment, reflected in consistent results.

Now let us go on to slide number 11 to talk about the Company's debt and working capital. The net debt had an increase of R\$660 million since the beginning of the year. Most of this value has to do with the acquisition of Nakata, which added R\$511 million to the consolidated debt, which is the amount paid by the Company and the debt it already had.

We did a robust work in terms of working capital during 3Q20, reflecting the reduction of approximately R\$150 million in this indicator, cash flow, which compensated part of the effect of the acquisition of Nakata in the total net debt.

On slide number 12, we will show the investments. The more expressive investments in 3Q20 were part of the acquisition value paid for Nakata, which represented R\$275 million and also an installment in investments in robots bought from Ford, which totaled R\$11 million, apart from the expansion of our product line in Araraquara, which cost R\$3 million this quarter. In the history of organic investments, we can see a drop when compared to 2019, which is in line with our priorities and investments.

On slide 13, we have some information about capital markets. At the end of 3Q20, our share, RAPT4, had the price of R\$12.17 with a performance superior to that of the stock

market Ibovespa. The market capital of the Company reached R\$3.7 billion at the end of September. The shareholder base had another quarter with growth, getting to 37,000 shareholders.

Of the total shares, 22.6% belong to foreigners; 18.2%, investors, institutional investors; and 11.7%, individuals. The shares in the treasury represented 4.5% of the total at the end of September. With the conclusion of the repurchase plan on October 9, we acquired 13 million shares of RAPT4. This number went to 4.8%. Apart from this, in the month of August, we paid interest on owned capital, R\$0.09 per share.

Now I would like to pass the floor to Mr. Esteban.

**Esteban Angeletti:**

Thank you, Paulo. Good morning. Thank you for being with us. I will talk about the performance beginning with OEMs. The demand for semitrailers in 3Q20 was higher than the expectations of the manufacturers of road implements. They were higher than the numbers before the pandemic, and Randon had sales 8.8% higher than in the same period last year in the domestic market.

Even the exports where volumes fell in the 2Q20 have already become normal with the flexibility in restrictive measures and opening of the borders. Most of the demand still comes from agrobusiness. They had a significant recovery. Also, consumer goods and e-commerce, too.

Apart from these segments, we see a gradual improvement in implements for fuel transportation, such as tanks, the sale of tanks. Randon reached 36.4% market share in 3Q20, very similar to the same period last year. We would like to remind you that in moments of high demand as the one we have, that is when large manufacturers lose market share due to lack of capacity.

But this did not happen with us. With the investments to increase volumes and production in our plants and also Randon Triel-HT in Erexim, we began to produce for clients with more customized products. And we began to produce a higher volume of semitrailers, standardized semitrailers in the other plants, allowing us to deliver more products to our clients with an even better quality.

Now we hope to expand the capacity of Randon Araraquara to produce road implements and railway cars at the same time. In spite of 2020 being a weak year for railway cars, this segment has good perspectives for the next few years. That is why we are preparing ourselves to take care of this demand in the future.

During this quarter, we announced the sale of part of our assets and the closing of Randon vehicles as part of a movement of the Company to focus its efforts and investments in its main business fronts.

Going on to auto parts division, slide 15, we see the performance. And here, we see, therefore, analyzing the product line, beginning with braking systems, with friction and non-friction materials from Fras-le. We had very positive factors such as the recovery of the aftermarket and more export sales due to a favorable exchange rate.

Apart from this, since September, Fras-le consolidated began to have new revenue from Nakata, the acquisition. In the first month, this added R\$50 million in net revenue. Going on to suspension systems, we had a significant progress in the volumes of hubs and also

brake drums, 26.8% more due to new clients and new markets and the recovery of the production of OEMs.

These factors, together with strong demand of semitrailers, were very important for the volumes in axles and suspensions to have levels similar to those of 3Q19. Still on hubs and drums, we are waiting for approval for the acquisition of the Company called Fundituba.

The main objective is to expand our capacity and flexibility of production of cast parts from Castertech. The authorities, CADE, have already given us a favorable position on November 4, and now we are waiting 15 days for other processes. In the end, our JVs, Master and Jost, this scenario is more positive than that of 2Q20.

The consistent recovery of the production of trucks, which happened only in the end of August, was important but not enough for our volumes of these units to have growth in comparison to the previous quarter.

And the worst drop was in braking systems. Master had sold significant amounts to the export market. In general, the perspectives for all the companies of this segment are positive for the next quarter, 4Q20.

On slide 16, you can observe the information of the services division, which represented 3.5% of the net revenue in 3Q20. Randon Consórcios pool sales sold 3,415 quotas, had a growth of 4% in its revenue in comparison with the previous quarter.

After difficult months, this unit already has an improvement in sales and margins. Randon Bank, which had its revenue linked especially to the other companies of Randon, had an expressive growth of 40.6% in net revenue.

And Randon Ventures made important announcements, a new investment in the startup called Reboque, which offers on-demand assistance services for light vehicles and launch together with its first start-up, TruckHelp, the truck assistance plan, which guarantees 24-hour services for trucks and road implements.

This new product adds an important value and helps the day-to-day activities of our main partners, our clients. Now I would like to pass the floor to Mr. Paulo to continue with the presentation.

**Paulo Prignolato:**

Thank you, Esteban. On slide 17, we have some of our ESG initiatives. In the social part, although the feeling of danger in relation to the pandemic has decreased, we continue alert, and we want our employees to really take the necessary care.

Also, we have a biosafety system in the Company's vehicles, improving the protection to employees. For those working at home, we offered financial help, and we created a guidance book. We want to guarantee not only the physical health but also emotional health. Not all were prepared for this quick change.

So we are offering presentations and workshops to help them in their psychological health. In terms of the environment, we had many initiatives, especially the dissemination of the culture of preservation. So in Fras-le, we have the first Kaizen to have environmental improvement and improvement in the environmental performance.

In governance, we have the general law for data protection. We saw in this legislation an opportunity to make important improvements in privacy of data. We already have a group focused on this looking for best practices and spreading the knowledge to all the Company. Now going onto innovation.

On slide 18, we gave important steps in the last few months. We launched Conexo a new movement for innovation in the Company. Apart from taking care of the demands of Randon companies, will also connect Randon to the community, entrepreneurs, universities, startups and other companies. Conexo occupies a space equivalent to 945 m<sup>2</sup> in an area that Randon already had, which was revamped to have a co-creation area, interaction and content production.

Apart from physical space, the Company also has a digital platform. We invite you to get to know more about this initiative, accessing the QR code that is on the screen. Another investment that is important was the new CTR track, which places our technological center on a new level with the largest track within South America and Latin America. We will be testing many types of vehicles. To know more details, please see the live for the inauguration of the tracks through the QR code.

Finally, we announced on October 22, Randon Tech Solutions Industry, or RTS industry. With this unit, we intend to improve our manufacturing processes through industrial automation, finding the best solutions for our business and offering them also to other companies. We will have technical engineering services and assistance for industrial automation, machinery and also other implements with robots.

To conclude my part, I would like to comment about a material fact that we are on October 29. In 2Q20, we received many credits due to some tax processes, the largest, the exclusion of ICMS tax from the calculation of PIS and COFINS.

At that time, we had only two lawsuits that had been approved, Controil and Jurid, both controlled by Fras-le, which had revenues of R\$16 million and R\$8 million, respectively. And due to the evidence and success in processes and jurisprudence, we had another process worth R\$80.4 million, part with impact on EBITDA and part with the result on the Company's financial results.

On the last days, 27, 28 of October, we won lawsuits for Randon Master, Jost and Fras-le, which we won in court. The amount of credits is being calculated. As soon as we have done numbers, they will be deducted from the amounts already paid.

The credits will happen through compensation of federal taxes. In the explanatory notes that we have, you have more details about these lawsuits and their impact on the results, including the value for each company.

Now I would like to pass the floor to Mr. Daniel to conclude our audio conference.

**Daniel Raul Randon:**

In this year, it will not be able to meet our investors physically and receive you in our headquarters, but we will continue to have our Randon Day. So I, on behalf of the Board, would like to invite you to participate in the first Randon Day totally online. It will be on December 2 at 2:30 and will be concluded at 5:00 p.m. We are preparing a different event with most of our managers showing more of our day-to-day activities and our strategy. You will receive more details through our mailing. We will begin to give you information next week.

Now we would like to begin the Q&A session. Thank you very much.

**Gabriel Rezende, Bradesco BBI**

Good afternoon. Congratulations for the excellent results. Two questions. You mentioned the increase in the cost of raw materials for the next months. How can we map this for next year? What is the range that you are expecting? How are the negotiations? I see some companies with 30% increase due to inflation. So due to this impact for the cost of raw materials, how can this impact the profit of the backlog? Can these costs be charged to new products and also other products? And also thinking about the backlog at implements, please comment the participation in agrobusiness and other segments.

**Esteban Angeletti:**

Gabriel, thank you for participating in our conference call. Concerning the first point, the increase in the cost of raw materials, yes, we have seen pressure and maybe scarcity of raw materials and this being translated into inflation. In terms of supply, we felt some problems in the beginning, but our supplies area was very quick and competent to guarantee materials for the first quarter of next year. In terms of inflation, we have seen the newspapers.

Our supplies area always works with suppliers. Reminding you that we have a long-term partnership with our suppliers. So negotiation, together with our search for more internal efficiency, allows us to suffer less than the market. On the other hand, we know that it is not always possible to neutralize all the inflation effects. So eventually, we will have to increase prices, and this is being seen in 3Q in the results. We have a price recovery. Now for the future, the market has the capacity to absorb these price increases. Our main competitors have done the same.

We see our clients in agrobusiness, which are well capitalized, and they want to invest in their business. In any way, we will do this. First, we will try to neutralize this internally with productivity gains, and in the last case, price increases.

Concerning the impact on margins, we had record margins in 3Q20. It will be difficult to sustain these margins in the future for two reasons: first, the cost of raw materials; and second, we know that we are looking for all gains, and we are avoiding trips, travel. You know that after some time, as restrictions fall, we will have more expenses with travel. We are alert. We want to generate results. But we know that these margins will be difficult to sustain in the next few months, in the next quarters.

And finally, to close the second question concerning backlog and implements, we have an interesting backlog, 90, 120 days, depending on the line. It is dominated by agrobusiness. Agrobusiness is the strongest, and these are our main products. But as we mentioned, we begin to see some other sectors recovering, especially fuel transportation tanks, and these are products that have higher value-added products.

And another segment that has been doing very well is industrialized products. We made investments in this area last year for trucks with lighter products, and we are selling well. I hope I answered your question.

**Gabriel Rezende:**



Fine. Thank you.

**Catherine Kiselar, Banco do Brasil:**

Good morning. Thank you for the opportunity, and congratulations for the results. We see some changes in debt. Do you see the new situation as something that will continue? How do you see the impact on the portfolio of orders? And how is the portfolio for next year?

**Esteban Angeletti:**

Catherine, thank you for participating. Just to confirm, you are talking about the change in demand with dump trucks, whether we have more sales with dump trucks. This began in 2017. In the crisis that we had, we revisited the design of many projects. And the main one was the dump trucks.

We launched a system that was 700 kilograms lighter. And it is a more versatile product. It can work with grains. And the dump truck, for example, is more versatile. It can work in other segments due to this development, due to this launch of the lighter dump truck, and our clients looking for more flexibility. We understand that this is here to stay. So yes, we can see this in our backlog in the next 120 days.

And with the new orders, we have 120 products sold per day. We believe that this is the new standard for Randon.

**Catherine Kiselar:**

How about market share? We know the challenges to maintain the market share. And please comment on the competition during the pandemic and the competition in the next quarters.

**Esteban Angeletti:**

Okay, Catherine. We are within our goal in terms of market share. We always comment with investors with the market. We want to be around 36% to 40% market share. This depends also on price. This year, for us, it has been very positive to reach this 36%. In previous years, when there was pressure on demand, we were not able to supply due to capacity. We lost market share.

And this year, with the investments made since 2016, not only in machinery but in new projects, new products and processes, especially, we were very happy to maintain this 36% market share, even with restrictions due to the COVID-19.

So we have been working on this. In terms of competition, the whole sector suffered a test in 2016, 2017, we saw that as Randon came out stronger than the crisis in 2016, 2017, other competitors also came out stronger. And they are using this efficiency to sell more now. We have seen this, a greater professionalization of competitors. This is healthy for the market.

And proof of this is that during the worst part of the pandemic, there was no price war. They were conscious, maintaining their prices and working to become profitable. In

previous periods, they did not do this. In previous periods, there were more price wars. So this time, they preserved margins. And all the competitors have been conscious in terms of price and this is healthy for the market.

**Catherine Kiselar:**

Thank you. Congratulations.

**Anderson Menezes, Alkin Research:**

Thank you. Good morning, congratulations for the results. I would like to know from you the business perspectives for railway cars. In 3Q, there was a sale of 50 units. In the past, you sold more than 1,000 units. So in 2021, can we expect a better performance in railway cars? Can you tell us about what you expect for next year and long term? It is a product with a high price, and it can help very much in the results.

**Esteban Angeletti:**

Perfect, Anderson. Thank you for following our audio conference. This is a question that we have heard a lot due to the news we see on the renewal of railway concessions in Brazil. In São Paulo, Rumo, this shows us that the future is very promising for railway cars. We had 2 years with few sales.

Last year was the worst in this market. And we believe that this can change. In 2021, this market may represent 2,500 to 6,000 railway cars. And in the next 5 years, due to the renewal of concessions, this market may reach 3,000 to 4,000 railway cars per year, which is very good.

We believe that these operators will compete with investments they will make in railways. So it is not going to be immediate. It is a long term process, but there is potential because railway transportation is here, in 2021, which will also be strong in semitrailers. We invested in our plant in Araraquara that was dedicated to railway cars.

Today, they have a line that is hybrid. It can produce railway cars and semitrailers but not both at the same time. So in order to take care of this demand for 2021, we will have to stop producing these semitrailers in the plant in Araraquara.

**Operator:**

Since there are no more questions, we would like to conclude our conference call. We thank you all for your participation, and we wish you a good day, and thank you for using Chorus Call.

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