

Transcript of the 1Q25 Earnings Video Conference

Caroline I. Colleto

Good morning, everyone. Welcome to the first quarter 2025 earnings video conference of Randoncorp. I would like to thank all the investors, analysts, and all other participants joining us this morning. Our event has simultaneous translation to English and sign language interpretation. To put your audio in English, please click on the interpretation button at the bottom bar of your screen, and to hear the translator's audio, select mute original audio. This video conference is being recorded, and the recording will be made available on our website, ri.randoncorp.com.

On the screen, we display the legal statements: the information presented in this video conference is not a guarantee of future performance and involves risks and uncertainties; it depends on future events that may or may not happen.

Today's agenda includes a message from the President of Randoncorp, Daniel Randon; highlights of the semester presented by Paulo Prignolato; detailed commentary on the period by Esteban Angeletti; perspectives for the upcoming months from our CEO Sérgio Carvalho; and finally, a Q&A session conducted by our IR Manager David Bacichette, who will be joined by our IR Director Hemerson de Souza. To participate in the Q&A session, please follow the instructions on the screen. You may indicate your participation at any time during the event. I now pass the floor to Daniel to start the presentations.

Daniel R. Randon

Good morning, everyone. We start another year excited with everything we have done and everything we still want to accomplish at Randoncorp. You have followed the intense pace of relevant movements we have realized in recent years. The biggest, without a doubt, was the acquisition of Dacomsa, an aftermarket company in Mexico, which has achieved important results at the start of 2025. The closing of that operation happened in January, the same month when we completed the acquisition of AXN, a North American manufacturer of axles and suspensions, and Delta Global, a technology company that is part of our brands.

These companies reinforce even more the transformation of Randoncorp into a protagonist in the global mobility sector. With them, we not only access new geographies, but we also widen the diversification of our businesses, which is paramount to navigating complex moments like the one we are currently facing, which will be further explained by our executives.

The capturing of synergies should take root in the coming months and will contribute significantly to our future performance. Speaking of what is ahead, another movement announced in April will further strengthen our business mid-to-long term: a strategic partnership of Rands with the high-growth funds of Pátria Investimentos, which will accelerate our growth plan with greater digitalization, very important for this segment, and increase our sales panel. This transaction is

currently undergoing approval by the competent bodies, and we expect completion by November or December this year.

Another announcement after the last earnings presentation was a governance change at Randoncorp, continuing our succession plan. We are transitioning the leadership of Sérgio Carvalho in a very constructive way. Our executive committee is well-structured with a competent team heading our businesses. Sérgio Carvalho will be our Senior Executive Advisor, while Anderson Pontalti and I will take on new roles at Randoncorp and Frasle Mobility.

During the preparation for this earnings presentation for the first quarter of 2025, we showed our guidance and held our ordinary and extraordinary assemblies and events with Automec Investors. Regarding guidance, I would like to mention that it is very realistic from the perspective we have of today's market. Sérgio will provide more details in his talk.

Regarding the assemblies, I highlight the approval of all matters, the reelection of the Board of Administration, and the changes in the company's name to Randoncorp S.A., with the brand we adopted two years ago.

Finally, I conclude by thanking the more than 40 investors who participated in our event Investors in Automec. Moments like these allow us to demonstrate that Randoncorp offers solutions for various sectors of the economy and has expanded its business in resilient segments such as the aftermarket. Despite the challenging short-term scenario, we are convinced that our pillars are well established on a solid base. We are determined to advance this year, especially focusing on the integration of new businesses, seeking synergies, and reducing leverage. I now pass the floor to Paulo for his presentation.

Paulo Prignolato

Thank you, Daniel. Good morning, everyone. To talk about Randoncorp's results, we need to highlight meaningful changes that we had in our business environment at the beginning of this year. As you can see on the screen, the number of trucks in the first quarter of 2025 is good and has grown, both in production and sales.

But what these numbers don't reveal is a change in the mix, where heavy trucks lost representativity compared to other lines. This happened especially due to the increase of interest rates and other factors.

Some factors continue to be positive, like a strong and record grain harvest. This macroeconomic scenario has strongly affected the demand for trailers. Despite a decrease of 15 to 16% in production and sales, if we focus only on the lines linked to agribusiness, the reduction is even higher, close to 40%.

The volumes in the first quarter were pulled especially by the segment of industrial cargo, where we have much less exposure. We also have an increase in aftermarket, with workshops increasing the circulating fleet, and a less favorable environment to buy new vehicles.

Regarding exports for trailers, there was an uptake in sales in Argentina and Chile.

Focusing on the international market broadly, the big point of attention is, without doubt, the uncertainties regarding tariff policies.

Currently, we understand that for Randoncorp there are more opportunities to be explored than threats regarding this topic. But even so, like the rest of the world, we are paying attention to the unfolding of new changes that can impact the business, starting with our main indicators.

Now, I'd like to highlight that net revenue has increased this quarter, supported especially by the new acquisitions and the heated demand for aftermarket.

Esteban will bring us more details later, but I want to highlight that we reached important milestones in this indicator that we have been seeking for some time, which is the increase of representativity of international revenue from aftermarket in our business strategic pillars of growth.

On the other hand, we had the impact of deceleration of sales for the agribusiness segment, penalizing especially the OEM Vertical, and the update of ERP in this Auto Parts Vertical partner and our unit Schroeder. These affected the business dynamics, impacting not only revenue but also the margins in this period.

When we analyze the adjusted EBITDA margin, we see stability compared to the previous quarter, even with the challenges that we face.

The results of the companies acquired, especially Dacomsa, which has a good level of cash generation and works in aftermarket, and the growth of international revenues, which have greater profitability compared to the domestic market, also contributed to this indicator.

Regarding net results, we had a relevant reduction in this period. We didn't present the adjusted values for this indicator, but we want to highlight the impact of a one-off, which is the last parcel of Hercules, which affected it by 70 million reais.

Additionally, our financial result was negatively affected by the current interest rate and the increase of debt to finance our non-organic expansion.

These factors, combined with a higher level of investment, also affected the ROIC.

Going to liquid net debt, you can see on this plot the variation between the closing of 2024 and the first quarter of 2025. We had a relevant increase due to the acquisition of Dacomsa, AXN, and Delta this quarter, besides integralizing capital of Addiante.

The rest you can check in the chapter of investments on our earnings release.

We had a greater need for cash working capital, especially in inventory. This happened due to two factors: the business model and distribution of the Dacomsa

that demands higher availability of more ready products, and a greater number of trailers in stock of the OEM vertical, due to the deceleration of its main sector where they act.

These factors impacted our leverage, which temporarily is higher, as you can see in this plot.

I highlight that our financial covenants established a leverage limit of 3.5x EBITDA of the last 12 months, being checked at the end of the exercise and considered a proforma EBITDA of the acquisitions.

When we calculate leverage, we consider this premise. The indicator is 3.2x. Adjusting EBITDA by one-offs, we get close to 3x.

I reinforce that one of the objectives this year is the reduction of our leverage, especially with the capturing of synergies and the integration of our units that are strong generators of cash.

Now, we bring to the screen some data about our debt. As you can see, the increase of interest rates impacts the total cost of debt, which today the majority is in domestic currency.

We are working on several alternatives to improve the profile of our debt, such as increasing the average term and reducing the average weighted cost, which we have achieved this semester.

I finish my part bringing information about Randoncorp in the capital market.

Despite the valuation decrease, the increase in our value for Frasle Mobility and the clear valuation of our stock buying plans with Coop-payment plans unit, our market cap had a reduction of 30% in this period.

But our average daily liquidity increased to 25 million reais.

Besides, we paid JCP (interest on equity) in January this year, deliberated in the assembly the payment of dividends of 15.3 million reais that will start on May 3rd. The shareholders who had shares on April 30th have the right to receive.

Now, I pass the floor to Esteban.

Esteban M. Angeletti

Good morning, everyone. I want to thank you for being with us in another video conference of Randoncorp.

As Daniel, Paulo highlighted, until now we are living an intense period, full of relevant deliveries strategically, but very challenging in the business environment.

I start bringing information about our net revenue and the distribution per vertical.

With the acquisition of Dacomsa, we had an important advance in the revenues of the Motion Control Vertical, getting to the level of 40% of net revenue, as you can see on this plot on the screen.

In second place in participation, we have the Auto Parts Vertical, which includes revenues from the acquired companies like EBS and AXN.

The OEM vertical, which used to be our main revenue source, is now in third position in the first quarter of 2025. This is a reflection of our growth strategy across the other verticals and the market moment, with a decrease in volume and a less favorable mix.

On the right, we bring revenue per segment, and this quarter we added over 450 million reais through new businesses, mostly in the foreign market.

The aftermarket industrial segment has increased, while agribusiness has decreased, as Paulo explained.

Analyzing revenues from the foreign market, we highlight the increase in representativity in total revenues. Over 30% of our revenue comes from abroad, and our objective is to seek greater balance in the middle to long term.

What made possible this advance is, without doubt, the acquisitions we made.

Other important factors in the quarter are the recovery of sales of trailers to Chile and Argentina, besides the continuity of deliveries of the backlog.

On the right, we show the representativity of international foreign revenue per region. More than half comes from the USMCA, which counted from Dacomsa Mexico and AXN USA.

Another region that has grown a lot is EMEA, especially through the acquisitions of Juratek and EBS.

The region of Mercosur, mainly Chile, despite a decrease comparatively, has shown gradual recovery with the recovery of the Argentinian economy.

Looking at the EBITDA of the first quarter of 2025, we had an increase in nominal value and established margin. We had important factors during the semester that penalized EBITDA by 85 million reais. The data on the screen are adjusted.

In the plot at the bottom, we show the origin of the generation of our cash. First in relevance, we have the Motion Control Vertical, followed by Auto Parts and Financial Solutions and Services.

In the OEM Vertical, we see that despite important increments in revenue, our margin is pressured by the decrease of its main market and a business environment that is more competitive, where there is not a lot of space for readjustment.

Besides this, we have new units of auto parts in Mogi Guaçu in ramp-up forecast to finish in the fourth quarter of 2025.

The margins should follow this gradual improvement as volumes increase, which should lower fixed costs for the operation.

Regarding the cost of goods sold, I say that inflation was stable in the period, with an increase of specific prices in raw materials like aluminum and metallic goods.

The comparison of this M&A is affected especially by the addition of new businesses.

I reinforce that we are very diligent in working with expenses and investments, so we can advance in our profitability levels.

To finish, I bring on the screen the value of investments, comparing quarterly.

As Daniel and Paulo mentioned, this was a quarter of relevant acquisitions, represented in light blue on the plot.

Besides this, in Dacomsa, we continue to invest in building the sub-plant of Fremax Energy for Fremax, and new units in Mogi Guaçu.

Regarding efficiency of all our operations, we are prioritizing necessary investments seeking to preserve our cash to reduce leverage.

Now, I pass the floor to Sérgio, to talk about the perspectives for the next months.

Sérgio L. Carvalho

Thank you, Esteban. Good morning, everyone.

As you saw in the talks of Daniel, Paulo, and Esteban, and in today's presentation, 2025 will be a very challenging year.

We are operating in a business environment that is quite complex in Brazil and abroad, with a lot of uncertainty, high and increasing interest rates in the domestic market, and tariff policies changing significantly in the international scenario.

Several issues end up impacting the normal, usual pace of our business.

With this, we have been preparing Randoncorp in the last few years to go through these periods in a safer manner, with more resilience.

It is not by chance that today aftermarket revenue is much higher than it was in the past.

In the material you received, we reported in this first quarter something like 46% of Randoncorp's global revenue comes from aftermarket.

We understand this segment brings the resilience that we are seeking.

To grow in aftermarket, we had relevant investments, which caused us to reach a peak in our leverage.

We don't foresee more investments of this level in the short term.

Our focus is on integration, capturing synergies, expanding synergies with the acquired companies, and reducing our leverage.

Gustavo, next slide, please.

In this context, you can see on the screen the numbers we forecast for this year under net revenue.

We believe we will close between 13 and 14.5 billion reais.

All of this is supported, first, by revenue addition coming from acquisitions, the non-organic movement; second, the good demand of the aftermarket segment; and third, a positive demand and greater participation in the truck market with the operation of Suspensys and Castertech in the region of Mogi Guaçu.

This number will not be higher due to the decrease of heavy vehicles and trailers linked to agribusiness, as Paulo mentioned, which showed an expressive decrease compared to the previous year.

Regarding revenue from the international market, we presented great advance compared to 2024.

The main highlights are the expansion in North America with Dacomsa, AXN, and the recovery in the segment base container market through Hercules.

Also, the increase of relevance of revenue that comes from the European continent, where we also have our company EBS.

In the South American market, we see a gradual recovery of sales in Latin America, where Argentina has economic stability and Chile has a reuptake of trailers.

The adjusted margin is inside the guidance gap in the first quarter, and we believe we can seek margins similar to last year in the current year.

Regarding investments, we have a moment of austerity according to the current moment in the forecast.

We expect the conclusion of the Mogi Guaçu unit and investments in gaining productivity and efficiency.

All of the numbers obtained in the first quarter of 2025 regarding the guidance indicators are very much aligned with what we forecast for the period.

Now, I finish the presentation part and pass the floor to Caroline so we can start our Q&A session.

Thank you.

Caroline I. Colleto

Thank you, Sérgio, and the executives who gave their presentations, we will now start our Q&A session.

Can you hear me? Oh yes. So, we're going to start our Q&A session now.

You can participate following the guidance on the screen. Our first question of today comes from Gabriel Tinem from Santander. Good morning, Gabriel, you may ask your question now.

Gabriel Tinem

Good morning, thank you for the space. I have two questions. The first is focused on the trailer segment as a whole. I know the market has gone through a complicated moment, impacted by high interest rates and new competition on your side. Can you give us more details about the initiatives you're working on, especially regarding gaining efficiency, operational improvements, and the timing, when we would see these improvements? The second point is about the earnout of Hercules. Can you explain this transaction? Are there any pending values or anything that would demand new investments?

Davi C. Bacichette

Thank you for the questions. First, I will hand it to Esteban. It's important to highlight the difficult year we are seeing in the trailer market. We are not halted; we are doing many actions in the company. Esteban, can you detail this? Paulo, can you give more details about the earnout of Hercules?

Esteban M. Angeletti

Thank you, David, and thanks to the team for participating in this video conference. Regarding the OEM trailer segment, we are going through a moment of a volume decrease of 15 to 20%, but mainly maintaining volumes, with a change to a less favorable mix for our product portfolio. Specifically, the products destined for agri-business, dump trucks, dump trailers, and grain trailers, have an even higher decrease. What sustains the market volume, or slows the drop, is the demand for products aimed at industrial cargo and retail, where we face less competition.

We see two situations in the market: assets used for agri-transport have a higher usage rate because the harvest is good, leading to more intense wear. If these owners do not renew to save money or to avoid higher leverage, once interest rates come down, we expect a double impact on volume: a renewal that was postponed will happen in an accelerated way, along with fleet expansion. We've seen this scenario before in 2018–2020, after three years where sales were low, leading to three years of much higher volumes. So from the market perspective, we believe recovery is possible.

Internally, we have initiatives on all fronts, product, process, and structure. We are also adjusting fixed costs to adapt to smaller volumes and tighter margins, but we are improving products and processes to be more competitive when volumes come back. Proof of this is that despite the "perfect storm," especially in

OEM, in Q1 we maintained a positive EBITDA, which was not always the case in the past.

Lastly, OEM revenue share naturally decreased to less than a quarter of consolidated net revenue because of growth in other segments and lower domestic volume. As the market recovers and we implement efficiency improvements, we expect OEM to represent a higher revenue level. We cannot be exact on timing, as it depends on the market, but we guarantee that our initiatives now may increase operational expenses initially, but aim for better short-term performance.

Paulo Prignolato

Good morning, can you hear me well? Perfect. Thanks for being with us, Gabriel, and for your question. Regarding the earnout of Hercules, this amount is part of what is owed to the sellers from the acquisition. I can confirm it's the final installment; there are no more payments to be made. The amount is related to the earnout period from November 2022 to November 2023. In 2024, we paid the first installment forecasted in the transaction. In our 2024 financial statements, we noted the negotiation was ongoing, which could mean additional payments.

The negotiation concluded in 2025, with consensus reached and the additional installment of \$18 million paid. This is the final payment. Since this happened after the 2022 accounting of the investment, the impact of this additional payment affects the current fiscal year following technical guidance PC15. I hope this clarifies your question.

Gabriel Tinem

Perfect, guys, super clear, thank you.

Caroline I. Colleto

Thank you for your question. Let's now go to the next participation from Kiepher Kennedy, analyst at Citi. Kiepher, you may ask your question.

Kiepher Kennedy

Good morning, thank you for listening to my question. I have two.

First, about cash generation. You mentioned something regarding this in the presentation, but with the first quarter leverage close to three times considering net debt with the acquisition, I want to understand how you are thinking about the scenario in 2025.

We have interest rates that are high compared to main geographies, which increases the cost of debt as a whole. What are the levers you see for 2025, given

the operational context of the business units, which are not in the best moment? I want to understand what you're thinking about this.

The second question regards the earnout. You mentioned this was measured from 2022 to 2023, right? Now we are in 2025, over a year has passed since the end of the exercise you accounted for this earnout.

At the end of last year, you mentioned the negotiation was still open, but this was already a year after the accounting moment. It's not very clear to me this point; I want to understand more details.

Last year was still a bad year for the trailer market in the United States, and when we do the math regarding the initial price of acquisition considering the earnout, it's twice the initial value.

Since we don't have much information on the process and you have much more information on the negotiation, I would like more details about what was the final negotiation, what was the EBITDA taken into account so we can understand the final acquisition value.

Thank you.

Davi C. Bacichette

Thank you, Kiepher, for your questions.

At the beginning of this year, we talked in the first quarter about a peak in leverage, a higher leverage than usual, due to the movements we made.

Paulo will bring more details about the main focus we have this year regarding deleveraging the company.

Paulo, since you brought up the earnout initially, can you please provide more information and answer Kiepher's question regarding EBITDA and the timing of the earnout payments?

Paulo Prignolato

Very well, Kiepher, thank you so much for your question. You are right to raise this regarding leverage. Historically, we have always been very disciplined financially. This year, we need to be even more disciplined, managing costs, organic CAPEX, and working capital.

This leverage increase was already foreseen because of the important acquisitions aligned with our strategy. This year, we will focus on capturing synergies from these recently acquired companies.

At the right moment, we can share all the synergies being captured, whether in supply chain, structure optimization, or working capital opportunities. Besides this, as we have already shown, we have an operation announced through Patria: we are selling our participation in the coop payment plan side. These resources

will bring around \$180 million to the company, and the forecast is for this to happen in the last quarter of this year.

Regarding the earnout topic, it is important to highlight some key aspects. The acquisition price for Hercules had two elements:

A fixed price paid in 2022 and an earnout based on positive EBITDA variation after the closure of 2022, verified in the 12 months following the closing — until November 2023. During that period, the North American market was very good. Of course, when calculating earnouts, there can be doubts and discussions between both parties.

For this reason, last year we paid what we understood to be the value owed, but we also stated that negotiations were ongoing. This negotiation was extended and concluded only in April 2025. The installment paid in April 2025 is the final payment. It was recorded in the current fiscal year, following technical accounting guidance.

Kiepher Kennedy

Great, thank you, guys.

Caroline I. Colleto

Thanks for your participation. Let's now go to the next question from Gabriel Rezende, analyst at Itaú BBA. Good morning, Gabriel, you may ask your question.

Gabriel Rezende

Thank you, Caroline. Thank you, guys. Thank you for the space. Two points from our side. First, if you could comment a bit about the profitability outlook for the auto parts segment in the next semester. We saw a margin close to 12% in this quarter. You mentioned a negative impact in the first quarter, but I'd like to confirm if we can expect better profitability levels in the second quarter.

Also, connecting this to Frasle's presentation yesterday, we talked about Frasle possibly operating with leverage two to three times lower than current levels. How do you see this leverage conversion for the group as a whole? Obviously, there's a lot of uncertainty this year with interest and exchange rate fluctuations, but how do you expect the group's leverage to look by year-end? That would be great. Thank you.

Davi C. Bacichette

Thank you, Gabriel, for your questions. Esteban, I'll start with you to detail not only the Auto Parts margin in the first quarter, but also what we expect going forward. And then, Paulo, following up on the earlier question from Kiepher about

leverage, please bring the additional elements considering Frasle's position after the Dacomsa acquisition and how it reflects on consolidated leverage. Esteban can start, then Paulo follows.

Esteban M. Angeletti

Thank you, Gabriel, for being on the call and for your question.

Regarding the Auto Parts margin, in the first quarter it was under pressure, we explained this in our earnings release. There were both internal and external factors. On the external side, we had a key client, responsible for a significant share of this vertical's volume, undergoing a system update and temporarily halting production.

We also had market-related challenges. While production and sales volume as a whole didn't drop significantly, the heavier segment, which we are more exposed to, did face a sharp decline, impacting both volume and fixed cost absorption in this vertical.

On the internal side, the ramp-up of our new units in Mogi, Suspensys and Castertech also impacted results. Because of these combined effects, we delivered a margin below the usual 14%–16% range for this vertical.

However, we're working to accelerate the ramp-up of these operations to quickly dilute fixed costs. In the first quarter, the new units incurred expenses without yet reaching ideal levels of efficiency or profitability. But with the increase in invoiced volume, we'll gradually reduce fixed costs.

We also had some positive developments. For instance, Suspensys made its first delivery of front axles to Mercedes, and Castertech reached breakeven revenue in the first semester. With growing volume, we expect this vertical's profitability to improve. I pass the floor to Paulo to talk about the expected deleverage,

Paulo Prignolato

Good morning, Gabriel. Thank you for your participation and question.

On leverage, we've already presented the pro forma figures. Excluding one-off effects and including the EBITDA of the acquired companies, we are slightly below 3x net debt/EBITDA.

Our expectation is to close 2025 with a leverage between 2x and 3x. In other words, we foresee additional reduction in leverage, especially from working capital initiatives and synergy capture. In the medium term, we aim to return to a range of 1x to 2x, supported by those synergies and our usual financial discipline.

Gabriel Rezende

Thank you, Paulo and Esteban.

Caroline I. Colleto

Gabriel, thank you once again for your participation.

Let's go to the next question from Lucas Laghi, analyst at XP. Good morning, Lucas, you may ask your question.

Lucas Laghi

Good morning. Thank you, Carol, and thank you, everyone, for the space.

My question aligns with what Paulo just said regarding the group's valuation. We saw the recent deal with Pátria involving the insurance operation and the coop payment plan. If we consider the coop payment plan, it's a mature asset in terms of profit generation.

Even though the macro environment doesn't favor the current group valuation, I'd like to understand what opportunities you see in the company's asset portfolio to unlock value. The Pátria deal is an example within the financial segment, but do you see other alternatives in Randon's portfolio to do the same, to unlock value and help mitigate the current macro headwinds?

Also, is a share buyback something that's under consideration? I understand leverage makes this challenging in the short term, but is it something you're evaluating for the future? I'd like to understand your mindset on these points.

Davi C. Bacichette

Thank you, Laghi, for your question, great question. We've done a lot of work on evaluating our assets, which led to the Pátria transaction. Unlike most deals we've done, this one was a bit different. I'll pass it to Paulo to comment on whether we've looked into similar alternatives. Esteban, feel free to add anything.

Paulo Prignolato

Thank you, Lucas, for your participation and your question.

This is a recurring topic. Our role is to work closely with our partner banks, constantly analyzing capital allocation alternatives.

Regarding Randon's valuation, we agree it doesn't currently reflect the real value of the company. The market consensus indicates a value nearly twice the current price.

As for share buybacks, that's not in our plans right now. We had to prioritize, and our choice was to complete our M&A projects. A buyback would only increase our leverage further, so it's not the right move at this point. But of course, if an opportunity arises in the future, we'll evaluate it and share it with you.

Esteban M. Angeletti

I'd just add, Lucas, that despite the market concern over Randon's current valuation, our main focus right now is to capture synergies. That's one of the best ways we can demonstrate our true value, by delivering results and executing our plans effectively.

Lucas Laghi

Clear. Thank you.

Caroline I. Colleto

Have a great day, Lucas. Now we move to the next question from Luiza, analyst at Safra Bank. Good morning, Luiza, you may ask your question.

Luiza Mussi

Good morning, and thank you for the space.

Still on the topic of product mix, considering the exposure to agribusiness, do you have any projects or intentions to adjust the mix, especially considering that other segments have helped offset the recent decline in demand?

Also, regarding ROIC, I'd like to understand whether you have a target for this metric, and what levers you're working with to improve it. Thank you.

Davi C. Bacichette

Thank you for your questions, Lu. I'll pass both to Esteban. First, on the portfolio mix: we know that agribusiness currently represents 60% to 70% of demand, and we're going through a slower moment in that segment. Is there a plan to shift the product mix? And second, on ROIC, we know there were several one-off impacts recently, so the normalized level should be higher. Can you share more on that?

Esteban M. Angeletti

Great questions, Luiza.

On the implements side, it's important to highlight that we have the largest diversity and family of products in the market. Given that agribusiness has represented 60% to 70% of our revenue in recent years, it's natural that we've historically focused more investments in that segment, especially in developing more efficient products for agricultural use.

That said, the current context is pushing us to also look at other product families. Traditionally, we've had a strong presence in liquid transport tanks. Now, we're also investing in the development and improvement of products for industrial and retail sectors.

However, even with our agility, these investments take time to mature and go to market. I can assure you, though, that we're actively working on innovations in these other segments.

As an example, in 2015, during another market downturn, we shifted the material used in our dump trailers to make them lighter. That wasn't initially targeted at agribusiness, but ended up being adopted there and significantly strengthened our position in that segment.

Having our own CTR (Technology Center) helps us perform the necessary tests in-house, but turning those innovations into revenue takes time.

Regarding ROIC, this quarter we had simultaneous impacts on both the numerator and the denominator, a kind of "perfect storm" for the indicator.

We saw a meaningful increase in invested capital, due to acquisitions (LCG) and higher inventories and raw material. At the same time, we had significant investments in Mogi, Suspensys, and Castertech, which are not yet contributing to returns.

As we gain scale in these units and improve working capital, the trend is for the ROIC to improve.

We do have a target, we aim to deliver a positive ROIC spread above our cost of capital. I can't disclose a specific number, but rest assured that our concern is indeed to generate value for shareholders and society as a whole.

Luiza Mussi

Great, thank you.

Caroline I. Colleto

Thank you, Luiza. Let's move to the next question from Andressa Varoto, analyst at UBS. Good morning, you may ask your question.

Andressa Varoto

Good morning, thank you for answering my question. I want to talk about two points you mentioned briefly. First, regarding the OEM. In the release, you talked about dynamic competition. I would like more details on what you're seeing in terms of competitor movements, especially regarding the challenging pricing dynamics and the difficulty of passing on prices. Second, regarding Hercules and the tariff and volatility issues in the US, you forecasted that, with the orders from last year and deliveries this year, there would be an improvement. I wonder whether you're already feeling any impact in terms of new orders due to the tariffs, or not.

Davi C. Bacichette

Thank you for your question. First part, Esteban can expand on that and add to his previous answer about Implements. Then, Sergio can cover Hercules and the broader North American tariff situation, especially since you're currently in the US and meeting with associations. Also, if you could tie this into José Otero's written question about the synergies from new companies, like AXN and the Dacomsa acquisition in Mexico, that would be great.

Esteban M. Angeletti

Hi Andressa, thank you for your question. This quarter, our OEM Vertical represented a quarter of our revenue. But it's important to highlight that the competitive landscape has become more challenging. Over the past few years, most competitors have increased capacity, and by the end of last year, they also had high stock levels of finished goods, which are now pressuring prices. So, when you have ready-made products in stock, leaking capital at 14 to 15% annually, there's immense pressure to reduce prices.

Despite this, we managed to preserve our market share and sustain a positive EBITDA margin. That's largely thanks to previous adjustments we made, maintaining cost discipline even during periods of higher volume. We're continuing these adjustments now to weather this pricing pressure.

Regarding the competitive environment, we know that low-volume periods often push weaker competitors out of the market. We believe some will not have the financial strength to endure, and when volumes rebound, as they did in 2018 and 2019, those who come out stronger, as we did before, will benefit from fleet renewal and expansion.

Now passing to Sergio for his comments on North America and the synergies being captured.

Sérgio L. Carvalho

Thank you, Esteban. And thank you, Andressa, for your question. On your first point, regarding Hercules and our large contract, anticipating the risks associated with tariffs, Hercules took proactive measures. They secured raw materials in advance. As a result, for 2025, our economic exposure tied to that

large contract is minimal. The inflationary risk linked to input costs is also low. So we're relatively protected for this year.

As Esteban mentioned, I'm currently in the US and actively participating in discussions through an important industry body here. Right now, no topic is more critical than tariffs. The volatility and uncertainty are so high that it's difficult to make any definitive statements without potentially being overly narrow or missing broader implications.

But what we do know is this: the US government has two clear goals, to stimulate domestic manufacturing and to decouple from China. These are officially stated. As a result, discussions include tariffs on imports from Canada, Mexico, Brazil, and China, affecting steel, aluminum, and more.

This uncertainty is paralyzing investment decisions. Many sectors are experiencing layoffs, and production is declining. There are even anticipated shortages in some supply chains within the next 30 days. One major transporter told me yesterday that they feel like they're "driving in the fog", trying to move forward cautiously without knowing what lies ahead.

In this context, Brazil may become more competitive, if we manage to maintain tariffs around 10%, we could gain ground. Randoncorp is preparing for this. In Mexico, 95% of our production stays within the country, so we're not highly exposed to the US right now. Of the 5% that does get exported, most feeds the aftermarket segment, and currently, that's heavily supplied by Chinese parts.

If Chinese supply drops, our recent acquisition of the Dacomsa and other similar operations, becomes a major opportunity for us in North America. The same goes for our Auto Parts. So, we see more opportunity than risk here.

As for AXN, they had a plan to localize their production more, and they're accelerating it. Hercules is already performing well in 2025, especially after last year's adjustments. AXN is also progressing well, increasing local integration. Overall, these companies are aligned with our goal to expand domestic operations and capture more of the North American market.

Andressa Varoto

Perfect, thank you for your answers.

Caroline I. Colleto

Thank you for your participation, Andressa. Now, let's go to the final question of today from Marcelo Motta, analyst at JP Morgan. Good morning, Marcelo, you may go ahead.

Marcelo Motta

Good morning everyone. Thank you for taking my question. Very quickly, could you comment on the tax topic? You mentioned in the press release that you're activating a tax loss, which helped reduce the effective tax rate. How long should we expect this benefit to last? Do you see it ending soon, or not?

Davi C. Bacichette

Thank you, Marcelo, for your question. Paulo, please take this one.

Paulo Prignolato

Motta, thank you for your question and thank you for your participation. In fact, the lower effective tax rate this quarter was due to two main factors. First, as we mentioned in the 2024 results, we went through a period when we were not recognizing deferred taxes, but in the last quarter of last year, we resumed this recognition. So, there was some accumulation effect in Q1.

Second, the expense related to the Hercules earnout had a positive counterpart in tax, which helped reduce the effective tax burden this quarter. That being said, the recognition of the fiscal loss should continue, but the earnout effect is specific to this quarter, it's not recurring.

Marcelo Motta

Very clear now, thank you.

Caroline I. Colleto

Thank you, Marcelo. And thank you to everyone who submitted questions today. We also want to thank the executive committee members who joined us online but weren't active speakers. And now, I'll turn it over to Daniel to close the event.

Daniel R. Randon

Once again, I'd like to thank all the investors and analysts who joined us today. I want to highlight the hard work of Randoncorp's executive committee and all of our colleagues during this highly cautious and volatile moment.

We are closely monitoring the North American situation, particularly the ongoing developments in trade relations between the US and China. But we also see this context as an opportunity, we believe that Brazil has a lot of competitive advantages compared to other regions.

We remain focused on identifying opportunities, maintaining our financial discipline, reducing leverage, and striving for stronger results in the upcoming

quarters. If you have any questions that weren't addressed in today's call, please feel free to reach out through our investor relations website.

Thank you, have a great week and weekend.

Everyone

Bye-bye, everyone.