

## **Conference Call Transcript 3Q24 Results**

### **Caroline I. Colleto**

Hello, be very welcome to this earnings call of Randoncorp regarding the Q3 of 2024. This edition is being recorded directly from Fenatran, the biggest cargo transport trade show in Latin America. Besides the Q3 highlights of 2024, we will also present the biggest news from our business units at the trade show. Randoncorp has brought to this edition of Fenatran complete solutions in products and services to lead global innovation in mobility.

Davi, can you show us the biggest news in the Auto Parts booth?

### **Davi C. Bacichette**

Of course, Carol. Here in the Auto Parts booth, visitors of the trade show can check out over 30 solutions from our business units, such as the suspension springs of the brand Composs by our subsidiary Frasle Mobility, which bring many benefits compared to the traditional model. But that's not all. We also have the auto-steering axle that is used in the four-axle trailer and the TEBS, the anti-rollover braking system that will be mandatory from 2025 onwards. This is just the beginning of what we brought here to our booth. Carol, how is it in the manufacturer booth?

### **Caroline I. Colleto**

Here, the highlight is the 75 years of Randon. We have a special line here to celebrate its journey, and we brought products for sustainable transportation. Here we have a double tanker trailer that has a capacity of 63,000 liters of fuel, a significant increase of 1,000 liters compared to the previous model. It is equipped with EBS and Randon Smart. Besides the tanker, we have the Sider Modular Hybrid R and the lightest semi-trailer in the market. But the biggest star is the AT4T, which stands for Autonomous Technology for Transportation. The details of this innovative product will be shared by our CEO, Sérgio Carvalho, in a few minutes. But before that, let me show what we brought in Digital and Financial Services. Davi, can you tell us?

### **Davi C. Bacichette**

Rands our Digital and Financial Services vertical, which is completing one year this month, is present in four spaces at the trade show. We offer test drives in an exclusive circuit in the external area where visitors can drive trucks and enjoy a racing driver simulator. So, Randoncorp is once again participating in the trade show with many innovations.

**Caroline I. Colleto**

It's great to see our verticals continuously and consistently innovating. Now let's talk about the quarter highlights. But before I pass the floor to Sérgio, let me give you a few important notices. Our event has simultaneous translation to English and sign language. To switch your audio to English, click on the interpretation button at the bottom of the screen. You can choose "mute original audio" to just listen to the interpreter's voice. This webinar is being recorded, and the recording will be available on our IR website, [ri.randoncorp.com](https://ri.randoncorp.com). I'd like to remind you that all the declarations and statements here are not guarantees of future events because they depend on circumstances that may or may not occur. After the presentations, we will have a Q&A session. You can indicate your participation at any moment through the platform. Now, I give the floor to Sérgio to tell us a little more about AT4T and for his considerations.

**Sérgio L. Carvalho**

Thank you, Caroline. Good morning, everyone. I'm glad to be here at Fenatran today with you to talk about so much new information and about Q3 2024. But before that, I'd like to thank all the investors and stakeholders for their presence and attendance at Fenatran. We're very glad to share what we're doing to build the future of Randoncorp, and here we can show in a concrete and solid way how we are innovating in our market. I'm here in our manufacturer booth, and I'd like to start by talking about a very innovative technology developed by our team in partnership with the Instituto Hercílio Randon, the AT4T. Some of you had the opportunity to get to know the prototype in its initial stages in 2023 during the site visit we had in Caxias do Sul. Since then, we have conducted many more researches and studies, and we have evolved the concept of the product. It consolidates Randoncorp as a global technology developer for mobility. This disruptive technology offers great advances in operational efficiency to the market. It will be used by clients that operate in controlled environments such as agriculture, logistics, ports, airports, and mining. There are multiple possibilities for applications of the AT4T. So, let's see some parts of the video that we used in the launch of this new technology.

**Video of AT4T**

Based on a proprietary patented algorithm, I'm part of a complex ecosystem with high-performance hardware functions for recognizing the environment and AI-powered movement. I'm capable of identifying and coupling to different implements and finding the best route to reach my destination in a precise and automatic way. I can adjust my dynamic behavior according to the implement to be transported. With real-time information, remotely and safely, you can monitor and follow up on the status of your vehicle and all the logistic information. The navigation is controlled by a system that combines artificial intelligence, computational vision, and dedicated unit controls with high processing power. Through high-definition images and combined with a dense cloud of points, I can identify any obstacles and make the best decisions. I'm capable of performing complex maneuvers, including reverse, finalizing all the processes in a secure and optimized way. I am an agent for the decarbonization of the mobility industry,

contributing to a more sustainable future. I can be integrated with a great universe of solutions from Randoncorp that were well thought out and developed for mobility. I am a set of high-performance hardware. I am an advanced perception system. I am a decision-making system. I am a prepared control system to guide you to the solution. I am AT4T - Autonomous Technology for Transportation.

### **Sérgio L. Carvalho**

That's it, everyone. We are very excited about this new innovation. Talking about that, one of our most disruptive and innovative solutions, with unique technology in the world, might be used in diverse applications. Our e-Sys was incorporated into the first hybrid conceptual truck that was launched here by Volkswagen at Fenatran. Participating in this is very significant for us because we helped develop this sustainable mobility.

Back to the quarter, I'd like to highlight our revenue and EBITDA, the historic results that we achieved in this period. We've been executing our strategy based on the pillars of innovation, internationalization, aftermarket, and expanding our portfolio. This positively reflects in our figures and makes us stronger and more resilient. In October, we announced a very important acquisition, the first in Europe, that adds new geographies, products, and revenue in strong currency. Expanding the representation of the aftermarket in this Auto Parts vertical is one of our main goals, and we have been working a lot on that. The EBS group brings this purpose to diversify the revenue and add results to this vertical that is very profitable and resilient. All the details of this transaction were discussed in a call that was made on the day of the announcement, and you can access it through the QR code on your screen. The conclusion of the EBS group acquisition depends on some conditions predicted in the agreement, as well as the Kuo Refacciones acquisition that is being analyzed by the Mexican authorities.

Another movement that we performed in October was the acquisition of Delta Global by Rands, our digital and financial services vertical, expanding our portfolio in the ecosystem of transport and logistics. Delta Global is an expert in fleet management and technology, among other products, and is responsible for our Randon Smart. Besides M&A, we have been making relevant organic investments, such as our industrial plants of Castertech and Suspensys in Mogi Guaçu. The Castertech factory is having its beginning, and the Suspensys factory is being commissioned for the first quarter of 2025. The importance of this supply agreement for Mercedes-Benz was fantastic because we were competing with global players in the segment, and this was only possible because of the technology of our products and the quality of our deliveries.

I'm very happy to share with you today that, thanks to that, it's the first time that Randoncorp received the Daimler Truck Supplier Award in Germany as one of the seven best suppliers of Mercedes in the world, an acknowledgment of our high performance and innovative solutions. We have been achieving all those milestones in a very complicated year for us because of some factors, such as the update of our ERP, the floodings in Rio Grande do Sul, the complexity of the global sector, including the increased sea freight costs and the lack of availability of

containers. But it was not capable of stopping us from achieving those records. Paulo is going to mention later about the rating elevation that we achieved, and I have to talk about the importance of the Triple A score. It is crowning what we have been developing over the last few years: a big expansion while always keeping our financial stability, which is one of our guidelines.

I'd like to end my participation by talking about the change in management that we had in Q3 2024 to be even better prepared for the future. Our international operations are growing. So, we changed the roles of our directors to better leverage the synergies among our businesses and further the internationalization process. Now, we have two executive VPs divided into South America and international operations. Ricardo Escoboza is the new VP responsible for the operations in the OEM Vertical in the whole of South America, and he is the COO of the Auto Parts Vertical. Anderson Pontalti is the executive VP responsible for OEM Vertical and Auto Parts in the external market in geographies that are not in South America, and he is the COO of the Motion Control Vertical. Besides those changes, we now have a CPCO, Chief People and Culture Officer, a position now held by Marcos Baptistucci, a seasoned professional who will help us do better with people and the environment.

We reach the end of this year with many achievements and challenges that were very positive for our next cycle. The market has shown signs of continuity. We have new businesses and have made important changes in governance. So, 2025 is going to be a great year for Randoncorp guys. Now, I'd like to pass the floor to Paulo for his presentation.

### **Paulo Prignolato**

Thank you, Sérgio. Good morning, everyone. I'd like to thank all the investors and analysts who were with us at Fenatran. It's very important to have you close to us. Now, talking about the figures of Q3 2024, we had a business environment that was very favorable in Brazil, but we have some worrying points, such as the increase in the interest rate, which in September reached 10.75% per year, and inflation is above the target. The exchange rate is appreciated, and the expectations for next year are for a historic record for the harvest and the logistics chain.

Talking about the automotive sector, we had some significant increases when we observe the truck segment, which is growing at an accelerated pace compared to last year, especially due to the demand from the industrial sector. The highway implements had a slight decrease compared to 2023 due to the reduction in agribusiness products. The exporting scenario is challenging, even with the dollar being stronger compared to the real. This factor, along with the freight costs and the lack of availability of containers, elevated the price of sea freight, causing many obstacles around the world. Besides that, we have some problems in selling to some regions that had their demand impacted by political and economic crises or high interest rates, among other factors.

Within this scenario in our main markets, we had the biggest quarterly revenue in our history, thanks to the great execution of our diversification strategy. We added important businesses over the last few years, which allowed us to be more resilient in facing the challenges in our pathway. This also reflected in our EBITDA, which reached its highest historic level. Our focus on Auto Parts, especially the aftermarket and services segments that are highly profitable, allowed us to reach that margin, and this is what we want to keep doing. New positions like with Kuo Refacciones and EBS are following our goals of increasing our margins and strengthening our businesses.

Our net income has advanced compared to the last few quarters, especially because of the increase in our operational results. In relation to return on invested capital, we have a gradual decrease because it was affected by non-recurring effects that we've had, like the decommissioning of the Fanacif factory in the second quarter of this year and because of taxes. Talking about our debts, we observed a slight increase when compared to Q2 this year, aligned with the necessity of operating capital in the period. As you can observe in the graph on your screen, our leverage is still under control, within the goals we planned, keeping in mind our accelerated expansion that demands more investments. Our focus is to diversify our sources of funding and look for the best alternatives to keep expanding and growing without compromising our financial health.

Since we carried out our strategy, the elevation of our corporate rating, for the first time in our history, we got the Triple A score on a national scale. To us, this is a great milestone, a great achievement that makes us understand that we are going the right way. Now, talking about our stakeholders, we have about 47,000 shareholders, including individuals and institutional investors. Regarding the first half of the year, the daily average liquidity in our preferred stocks increased by 33% compared to the same period last year, with some advancements in relation to the previous quarter. Regarding the remuneration of our shareholders, we paid interest over capital, which, without income tax, summed up to R\$43 million. Now, I close my presentation and pass the floor to Esteban.

### **Esteban M. Angeletti**

Good morning. This earnings call is very special to us because we have been recording it directly from Fenatran, from which we are going to leave even more confident in relation to the demand of our markets for the following months. Now, we can share with our investors the innovations and the strength of our brands and products that make Randoncorp one of the biggest groups in the automotive sector in Brazil. We had record revenue for Q3, and I'm going to go into further detail. Here, we have the breakdown of our revenue. The sales distribution among the industrial verticals is very balanced, with each contributing about 30%. The remaining 10% is from other segments. If you look at the revenue per sector, we had some changes in representativeness compared to the last quarter and the same period in 2023, especially because of the reduction in agribusiness sales, such as the tipper semi-trailers. You can see the causal graphic at the bottom of your screen. The sales to the agribusiness sector decreased by almost R\$156 million. On the other hand, the

industrial and aftermarket segments advanced significantly because of the high demand from those markets.

Some other sectors that showed an increase were mining, civil construction, and services. I'd also like to highlight that we had a reduction in external sales in dollars because of the dollarization of the currency. The impact was practically null. The region that had the biggest reduction was the USMCA due to the decrease in semitrailer sales to the United States. However, we have orders for the following quarters, which is good news and contributes to the performance of our operations in those geographies. The region that increased its participation was Mercosur and Chile, especially for the Motion Control sales to Argentina and the increase in sales of semitrailers to Chile and Uruguay in the quarter.

Now, moving on to the consolidated EBITDA for the quarter, the highlights, besides the records, were the Auto Parts and Financial and Digital Services verticals in the composition of the EBITDA compared to 2023. We now have relevant contracts that were signed in August. The negative impact regarding inflation in Argentina affected the EBITDA margin by almost one percentage point. Additionally, there were non-recurring expenses related to the sale of the subsidiary Farloc and the restructuring of Fanacif, both in the Motion Control Vertical.

I'd like to highlight the organic investments that we have been making to expand our productivity and efficiency. These include the construction works at our site in Mogi Guaçu, machinery and equipment in Araraquara, and the development of EasyMES, a manufacturing management system that was explained in detail in our latest Randoncorp Day. Now, I conclude my presentation and pass the floor to Caroline to begin the Q&A session.

### **Caroline I. Colleto**

Thank you, Esteban. Now we're going to begin our Q&A session. You can participate by following the instructions that you can see on your screen now. You can ask your questions in audio or in written form. So now we're going to start with the sell-side analyst at BTG, Lucas Marchiori. Good morning, Lucas. You can ask your question, please.

### **Lucas Marchiori**

Thank you, Caroline. Good morning, everyone. Thanks for the call. Let me just ask two quick questions here. First, regarding the implements EBITDA margin, if you could give some color on the quarter, what happened for you guys to explain this performance in relation to Q2? What's in your mind for the following quarters? And a little technical question now, can you explain the change, the decrease in the effective tax rate? Can you give some color on that? Thanks.

### **Davi C. Bacichette**



Thank you for your questions. Talking about the manufacturer margin, I'd like to share this answer with Esteban and Sérgio. In the short term, I'd like to talk about the manufacturing margin, and then Sérgio can explore a little what we can expect from the manufacturing margin. Paulo, if you could comment on the effective tax rate. Esteban, please start with the margin of the manufacturer.

### **Esteban M. Angeletti**

Thank you, Lucas, for your question and for following up on our latest earnings call. First, you have to understand that the manufacturer is a third of our business in terms of revenue. In terms of EBITDA, it represents a bit less, but what I mean is that our businesses have a bigger representativeness regarding Auto Parts and Motion Control. With that being said, another topic worth recalling is that the manufacturer specifically suffered a perfect storm in the first half of the year. Since the beginning of the year, when we updated the ERP, it brought us to a period of darkness where we could not operate for some days. When we resumed, we identified satellite systems that impacted the operation of the manufacturer. In our perspective, it brought us a loss of at least a month of production in some units, and it had reflections in the revenue and in the market share.

Besides that, another obstacle we have in the manufacturer is the external market. You can remember really well that the external market last year was a big part of the revenue for the manufacturer, both by exporting and units. Both markets, the American market and exportation, had a very bad first half, and we are expecting some improvements in the second half, especially with the Hercules contract agreement for 3,000 units of port containers that have been produced in August. This production is going to increase next year to comply with this agreement, so it can positively impact our revenue.

A third market factor is the change of mix, especially regarding the agribusiness, in which we had a decrease of 20% and a 50% increase in the industrial segment, talking about Sider and the van. We don't have the same representativeness compared to the other products like the tippers and trucks that are our flagships. But looking at the future, we are improving our processes. During the first half of the year, we changed the paint job so we can have more output with lower costs. We also see the agribusiness coming back. The harvest projection of Conab indicates an increase in the harvest. So, this increase in the market and the internal productivity with automation and processes, we see that as a gradual return to normality. It's not going to change radically from one quarter to another, but this recovery is in our planning. Now, I have to pass the floor to Sérgio to comment on the long-term recovery of those margins. Sérgio, if you can comment on the long term.

### **Sérgio L. Carvalho**

Can you hear me well?

**Esteban M. Angeletti**

Yes, Sérgio.

**Sérgio L. Carvalho**

Thank you, Lucas, for your question and for being here with us. We are very optimistic regarding what awaits us in our manufacturer vertical ahead due to many reasons, and Esteban mentioned most of them. We keep seeing an increase in market volumes as a whole, and the expectation for growth in the crops for the years ahead is very relevant. The increase in corn production, with many factories being commissioned in Brazil for ethanol production from corn, is going to lead to bigger movement and necessity over the predictions that have already been made by the authorities and experts in Brazilian grain production. Our perspective for the market in the years ahead is very optimistic. This year was a little sensitive for the agribusiness in Brazil due to several reasons: the price of commodities, the Argentina issue, a big American production that increased competitiveness and impacted prices, and the rains and fires in Brazil. But we can see a better mix for the years ahead, and agribusiness is going to recover its share in the total volume of production.

Just for you to understand, this year, the agribusiness decreased by about 15% in comparison to the same period last year, while industrial cargo increased by 50%. So, it's a big change for our mix this year. We expect a more regular scenario for next year, with bigger numbers but a more regular mix. We had many layout changes and machinery and equipment modernization to identify and remove some bottlenecks in our productive processes. We are going to keep improving and investing to increase our productivity. We expect fewer changes that have an impact and an initial elevated cost in the commissioning. If I manufacture equipment here and transport it to another site, it causes inefficiency. But next year, we expect to normalize that. We are going to keep investing heavily in our productivity programs.

We have a restructured team with some important changes in our management and governance. Ricardo Escoboza is now responsible for this vertical, and we had a series of realigning and restructuring measures, and the results have been very positive. So, we are very optimistic about this improvement in the financial performance of our manufacturer. But I'd like to remind you that everything we do in our manufacturer vertical brings results to our Financial Services that come from the manufacturer. The Auto Parts have results that come from the manufacturing vertical. So, this holistic perspective, the big picture of Randoncorp, must be seen as a whole because the unit is not standalone; it's connected to our business model.

**Davi C. Bacichette**

Thank you, Sérgio. Now I pass the floor to Paulo to talk about the tax rate that presented a reduction in comparison to the first and second quarters. Please.



**Paulo Prignolato**

Good morning. Can you hear me well?

**Davi C. Bacichette**

Yes.

**Paulo Prignolato**

So, Lucas, thank you for your question and for your participation in our earnings call. It's a very important topic because this year we had some important events that impacted our effective tax rate. The first one, which came to stay, is that at the end of last year, the government started taxing subventions for ICMS taxes. This impacted Nakata, related to our CD in Extrema. This is a permanent effect. The others are non-recurring effects. The first of them is the restructuring that we had with the decommissioning of our Uruguay plant, in which we didn't recognize the deferred tax in our results. We also had the effect of TBU (Universal Basis Tributation) that impacted our third quarter. This is basically regarding 2023 but has an impact on the following fiscal year in Brazil, mainly due to the excellent results achieved by Hercules last year. Besides that, even in this recovery moment of the margins of the manufacturer, we had an impact on non-accounted deferred tax in this vertical. It's not lost. At the moment we have a recovery of our manufacturing margins due to the actions and measures commented by Esteban and Sérgio, we can bring them back to our results. I'm not going to risk projecting a tax rate for the following quarters, but for sure our investor relations team, along with the following years, as soon as we conclude our budget for next year, can try to help you clarify the projections.

**Lucas Marchiori**

Thank you, guys. Thank you so much. Have a great day.

**Caroline I. Colleto**

We thank you. Now moving on to the second question of today from Gabriel Tinem, sell-side analyst at Santander. Good morning, Gabriel. You can ask your question, please.

**Gabriel Tinem**

Good morning, everyone. Thanks for the opportunity. Two questions here. One more connected to the manufacturer. You see this recovery to be the number one in market share in Brazil. I'd like to understand a little better how you see the

competitive market. We see some competitors losing share in the third quarter. The second issue is flexibility regarding the product mix. How are you working to increase the speed of adaptation for the current mix, being more oriented by tankers and some other products in the market? The second issue is more connected to Fenatran. Can you comment on the orders and the impact of the trade show for the company?

**Davi C. Bacichette**

Thank you, Gabriel. Sérgio, I'm going to give you the floor to answer those questions. Three topics: one about market share, about the recovery of the leadership in the manufacturer; second, a question regarding mix, how can we adjust to the variation of the mix; and a little about the takeaways from Fenatran.

**Sérgio L. Carvalho**

Thank you, Gabriel, for your questions and your participation here with us. First, I'd like to start talking about market share. Esteban had mentioned we had significant problems in the first quarter of this year, which made our participation in market share decrease a little. One of our problems in the first quarter was that agribusiness was still moving forward, and the market was buying. In the second quarter, when we had this production recovery, the market was not there. So, it was a significant change this year. This is another issue besides our internal problems. The agribusiness, which is very important for Randoncorp, had a decrease of 15% compared to the previous year, and industrial cargo increased by 50%. These segments are not segments in which we have big penetration. We tend to focus where we have more added value. But with that being said, we see during the year we are recovering our market share, and we have recovered our leadership in October last month. At the beginning of November, we are expanding and growing our market share. So, we had some anomalies that brought us to this temporary situation of losing the first place in the Brazilian market. We had never lost it in South America or in the southern hemisphere because we export a lot and produce way more than we supply in the domestic market. I hope everybody can see that our volumes are way bigger when you consider our exports and all the other markets in which we have a participation. But in the domestic market, this problem was overcome.

The mix in our segment is always variable. This year, as I mentioned, there was a big variation with agribusiness decreasing and industrial cargo increasing. Tankers have been expanding in a very significant way. We multiplied our daily production of tankers four times. We have some lines of products that have some flexibility that allow us, up to a certain level, to adjust if a segment increases. In some lines, we have this flexibility; in others, we don't. Our executive team at the manufacturer has been working a lot on expanding our production capacity.

This project is ongoing and is being developed as we speak to increase our production capacity and flexibility, allowing us to serve all market sectors more efficiently. Fenatran is still happening today, and it has been a big success, very

positive. For the first time, Gabriel and I had four booths in different spaces: our manufacturer, our Auto Parts sector, and we also had a booth for Rands.

Some of those verticals, like Auto Parts, showcased new technologies that captured the attention of our clients. Ideas for the inclusion of new technologies in future platforms, such as those for 2026 and 2027, are being discussed, and we have been fostering new relationships. The biggest example of this was the launch of the hybrid truck by Volkswagen Trucks and Buses, with a very effective value proposition for transporters. The technology is 100% developed by Randoncorp, including the electric traction, battery, and control software, all coming from our Suspensys division.

We developed new businesses with Rands and our manufacturer of semitrailers, where we actually made sales during the trade show. This trade show has been very positive for us, and we're very happy with the volume of business we have obtained so far. The trade show is still happening today, and discussions are ongoing. Those who had the opportunity to visit our booth found it nearly impossible to access because it was so crowded. It was the most popular booth at the whole trade show. We are very happy and had the opportunity to deliver our 600,000th semitrailer, a milestone for the national industry. We received the Vice President of the Republic and showcased technologies for the future. Sorry for the long answer, Gabriel, but we are very glad and happy with the commercial perspective of the trade show and with all the new technology we presented. We could see the acknowledgment by the press, clients, and experts, who were increasingly surprised and impressed by seeing Randoncorp, a national company, developing so many innovative and cutting-edge technologies, preparing our company for a very positive future ahead.

**Gabriel Tinem**

Thank you, Sérgio. Thank you so much. Have a great day, guys.

**Caroline I. Colleto**

Now we're going to move to our next question by analyst Andre Ferreira. Good morning, Andre. You can ask your question.

**Andre Ferreira**

Good morning, guys. Thanks for the opportunity. I have two questions. Back to the manufacturer margin, I understand that it's an unfavorable mix in Brazil and an overall increase in every market that impacts the operating leverage. But I'd like to understand if there are any levers for operating efficiency that can be worked on internally. And if the modular platform, what does it represent for implements in 2025, 2026, 2027, and does it aggregate a higher margin compared to the implements?

Second question about M&A possibilities in our radar. Do you consider the acquisition of Auto Parts in the US, thinking about possible increasing tariffs and changes in regulations for heavy vehicles in 2027?

**Davi C. Bacichette**

Thank you, Andre, for your question. The first part of your first question, I'm going to start with Esteban talking about the manufacturer margin. Sérgio, the second part of the first question regarding modular, what we expect for the following years. The second part of Andre's question is regarding the M&A plan for Auto Parts in the US, as he mentioned. So, we have three questions, starting with Esteban.

**Esteban M. Angeletti**

Thank you, Andre, for your question and for participating in our call. A fact here is that we want to improve, and we will improve, the equipment, the attachments parts, and our implements. Our attachments plants are like big puzzles. You fix a bottleneck and end up creating a different bottleneck in production. We have some investments in the paint job to increase the capacity of output for painting our units from 90 to 110 units, but you create many other bottlenecks in the factories. We have to fix them as they show up. We have a plan for restructuring our factories to make them more efficient, working on different fronts like the conception of the products. Then we can talk about modular, which is going to allow us to be more efficient in the manufacturing vertical. But in this manufacturing process, before automating it, we think about how we can improve it. We cannot automate an inefficient process because we're going to speed up inefficiency. We have to reflect on that, analyze that process thoroughly, and understand if there's a more efficient way to do it before starting automation. This plan of restructuring the factories and increasing efficiency will lead to an improvement in our margins for sure. Naturally, combined with the change in our mix, it's going to help us build a better margin for the following quarters. Sérgio, I'll give the floor back to you to talk about the expectations of modular, about client acceptance, and the related costs.

**Sérgio L. Carvalho**

Okay, thank you, Andre, for your question. Esteban explored what we are expecting ahead. We have been realigning which product we produce where, where it's better for us to maximize our mix. We had many changes in our Caxias base, but it had an impact in Chapecó, Araraquara, and Erechim to distribute this segment mix for us to increase efficiency and capacity. There were many changes in this line, besides new equipment, productivity increases, and automation.

So, this is our plan. In the platform, what we've been producing is more connected to the category of craft production. Some equipment predicted for the industrial process is being commissioned at the end of this year. As they are commissioned, we will be able to increase the production rate for the products that

have modular platforms. These platforms represent not necessarily a cost reduction per part, but the advantage here is to reduce 700 to 1,000 kilos from the dead weight. This will allow us to bring additional value for the transporter, increasing the margin in the line above. The stable production with definitive processes is going to start in 2025. In 2024, our production was more manual, more analog, if I can put it that way.

Regarding M&A in Auto Parts in the US, of course, this is our plan, and we announced it. We want to do that for sure, not because of the election results; it has always been our plan. There's a sequence in our movement. The priority for us, as we mentioned before in previous events, is to take our Auto Parts to the American market or the European market in geographies with strong currencies. A few hours ago, we concluded the acquisition of EBS, which was pending approval by the antitrust authorities. This acquisition was completed today. Now we have a robust pipeline of opportunities that we've been exploring in the North American market. Nothing connected to the election; we don't believe in any significant changes in tariffs, whether favorable or not, in this aspect. We believe in our plans, and we're going to keep working to make them come true and make those opportunities pay off.

**Andre Ferreira**

Thank you. Thank you so much. Have a good day.

**Caroline I. Colletto**

Let's move to the next question by the sell-side analyst at XP, Lucas. Good morning, you can ask your question.

**Lucas Laghi**

Thank you, Caroline. Good morning, everyone. I'd like to explore a little better the advanced technology part, looking at the value potential that you have in this segment. If you look at the third quarter, we could see an improvement in the EBITDA, taking off the equity prevalence, but we have a creation of value in this division. What do you see? I believe you have a very vocal innovation culture, but thinking about the monetization of those initiatives, what is the speed of capturing the returns from these initiatives in Advanced Technology? What is bringing you up, being the biggest driver for the improving revenue? What's the speed at which you want to bring this operating profit ahead?

Moving to the services and digital services at Rands, you have an equity method that has improved and is going to reflect ahead. Just for me to understand better, is it a recurring effect that we can expect in relation to equity income? Do you have room for improvement in your portfolio? It's at the beginning, but it was relevant in incremental profit at Randon. So, I'd like to understand that a little better. What do you expect for this incremental profit?

**Davi C. Bacichette**

Thank you for your question. It's nice that you brought Advanced Technology for discussion in our call. Sérgio, I'd like to start with you to talk about Advanced Technology because it has improved as a vertical, but it impacts all the other verticals. We have a double benefit having a vertical like TecAvan. I'd like to pass the floor to you to give some color on this global benefit. Paulo, if you could comment about Addiante for this equity method for the third quarter. I'd like to start with you, Sérgio.

**Caroline I. Colleto**

You're muted, Sérgio.

**Sérgio L. Carvalho**

Thank you, Lucas, for your question. As mentioned, our vertical of Advanced Technology acts in two ways. We have a few products and services that are directed to the external market, and a big part of what it does is brought inside the other verticals. We've been harvesting the initial benefits in several internal verticals. Some examples: we developed an ABS system some years ago, and today it represents 70% of our semitrailer production using our ABS system. The benefit is felt inside the vertical. We launched the EBS at Fenatran. We developed Randon Smart and many other technologies associated with nanoparticles. What's more disruptive, the acceptance period and the scale, the quantity increase for those technologies, is a little slower than the incremental innovations, the evolutions. So, everything that's more disruptive takes longer to become solid business models.

A great example is the e-Sys system. We announced it as a concept for the market in 2019, and it was so innovative that the vehicles could not be tested because the clients could not test the concept. The vehicle could not operate on Brazilian highways due to a lack of regulation for having a trailer with electric traction. We had to overcome those obstacles for two years to get the regulation. Then we started selling at the end of last year and this year. We believe we are going to sell 50 units this year.

But it's gaining momentum. The green freight already has a higher demand, and business people in the sector say they are closing deals thanks to your traction system. All of this is multiplying. We are still in that part of the exponential curve that is quite flat, but we believe there will be a scale-up in these businesses in the years ahead. Everything that is more disruptive, our view is that we will indeed reap the benefits with good margins, but it requires more time.

Another example is our wheel hub with a different material, based on our Nione, niobium nanoparticle. We presented at Fenatran, a wheel hub that weighs 32 kg. with the nanoparticle, we will bring a Brazilian hub to 19 kg. The American version will be almost as light as the aluminum hub. The American version has already passed validation tests, and now we will start field tests. We will spend two



years in the American market testing this product. We expect to translate this into incremental revenue and results. In the Brazilian case, we believe we will start a conversion of this process sometime in the second half of 2025. But this is just an example. Everything that is cast in the vehicle and even a series of components that are stamped and welded represents a huge potential for us to convert into cast parts with our new material technology.

So, it's a journey. We cannot attack the entire vehicle, nor can the clients. They will take one part, then another, and we have to follow their pace as well. So, we are very optimistic. These technologies will pay dividends, will help us improve margins, but the more disruptive it is, the longer the journey to translate it into results. So Davi I don't know if there were another parts of the question or if is only this question.

**Davi C. Bacichette**

Sérgio, I think you covered it well here. Lucas, if you have a follow-up, feel free to ask. Before that, I'll pass it to Paulo to comment on Addiante. Paulo, we continue with you for the response about Addiante now in the third quarter.

**Paulo Prignolato**

Perfect. Lucas, thank you for your participation and question. Without a doubt, the Ambipar contract was announced, and it was relevant for Addiante. With its more than 1,600 assets, the company doubled in size and started to show positive results, which impacted our equity method line. Of course, we remain firm and very happy with this investment. As it grows with new operations and contracts, this equity method line will continue to be very important, not only for the vertical but also for Randoncorp.

**Davi C. Bacichette**

Thank you, Paulo. I'll take this opportunity to address Alexandre Mendes, who also asked about Addiante, so we have covered his question here as well. Lucas, if you have any follow-up questions regarding Sérgio's and Paulo's answers, feel free to ask.

**Caroline I. Colleto**

Let's move on to the next question. It comes from analyst Luiza Mussi from Banco Safra. Good morning, Luiza. How are you? You can ask your question now. We are opening your microphone.

**Luiza Mussi**

Good morning, everyone. Can you hear me?

**Caroline I. Colleto**

Yes.

**Luiza Mussi**

My question is about the Auto Parts Vertical. If you could explore a little more, what would be the margin expectation for this vertical going forward, considering there are several moving parts here, such as the logistical issues that affected this quarter, but also the ramp-up of Castertech, the Suspensys contract, and more recently EBS. So, how can we think about this in a more structured way going forward? Thank you.

**Davi C. Bacichette**

Thank you, Luiza, for the question. Sérgio, I'll pass it to you to answer about the Auto Parts margin, not only the very good margin we are seeing this year but also looking ahead, what we have in mind for this vertical's margin, please.

**Sérgio L. Carvalho**

We have, let's say, our traditional businesses, which obviously evolve through productivity gains, dealing with variations, Luiza, variations in raw material costs, price transfers. Much of what we do in our Auto Parts vertical has to do with supply contracts for major vehicle manufacturers. So, this basic dynamic should continue, and our team has done a good job of ensuring that productivity gains improve and allow us to have positive evolution over the years. We still buy many cast parts externally, and our new Castertech operation in Mogi Guaçu is still in the ramp-up process. We are now operating the second shift, starting to think about a third shift, and all this leads to significant internal operational efficiency. In the first months of operation, as you can imagine, it is not profitable. We have already crossed the break-even line and are now on the positive side, and we will be increasing this operation. On the other hand, we have a major launch from Suspensys in the first quarter of 2025 with the front axles for Mercedes. As with any initial phase, it is a bit more delicate. But, on the other hand, we have a significant growth in our mix, where we want our Auto Parts to also act more in the aftermarket. So, all of them, whether Castertech, Suspensys, Master, or Jost, all these units have been striving to expand their presence in the aftermarket segment, for numerous reasons: profitability, revenue stability. And Master, as we mentioned earlier, today completed the acquisition process of EBS, whose segment of operation is predominantly aftermarket as well. So, in addition to the OEM business, which has its dynamics as I mentioned, we are seeing growth in the aftermarket segment within our Auto Parts Vertical.

**Luiza Mussi**

Thank you, everyone.

**Caroline I. Colleto**

Let's move on to the next question. Gabriel Rezende, are you there?

**Gabriel Rezende**

Yes, Carol.

**Caroline I. Colleto**

Perfect. You can ask your question.

**Gabriel Rezende**

Thank you for the opportunity. Two quick follow-ups. Sérgio mentioned at the beginning of the call about the changes in governance. I'd like to understand, Sérgio, if this new division of the directories and VPs can change the margins between the manufacturer vertical and the auto parts vertical. Are we going to see a shift in margins for attachments with this new change? The second question is about the expectation of increasing volumes and mix for 2025 due to the agribusiness. I understand it makes sense, and the mood for agribusiness has improved, but interest rates are a bit pessimistic. How can we balance that? How can agribusiness overlay this interest rate dynamic, especially when talking about auto parts being sold to truck manufacturers?

**Davi C. Bacichette**

Sérgio, can you comment on the first one? Esteban, if you can comment on the market, interest rates, and agribusiness, I thank you. Let's begin with you, Sérgio.

**Sérgio L. Carvalho**

Thank you for your question, Gabriel. Our primary vision here is to maximize synergy, and we have been trying to do that forever. We upgraded our structure as we judged we could optimize our performance in several areas. All possibilities are open, and if we see the potential to optimize our operational efficiency or tax efficiency, we will consider it. But the main reason for these governance changes was to improve production and realign investments in verticals to maximize returns for Randoncorp as a whole. If we can achieve better tax efficiency through this rebalancing, we will certainly consider it.

**Davi C. Bacichette**

Thank you, Sérgio. Now, Esteban.

**Esteban M. Angeletti**

Thank you, Davi. Thank you, Gabriel, for your question and for following the call. Being very objective, we see that this improvement in the agribusiness mood should overcome the perspective of an interest rate increase, at least at the levels we have observed or that the market projects, around 100 to 150 basis points. This should not be a barrier to the resumption of investments. What we observe with this positive harvest outlook is not only a return to normal sales volumes for agribusiness but potentially an increase in demand for the fleet that was not renewed this year. So, next year, we might see both the regular demand for a normal year of product renewal for agribusiness and additional demand for what was not renewed this year.

Regarding volume, not only in the domestic market but also in the external market, we see this recovery. In South American countries like Chile and Argentina, some Argentinian clients were at Fenatran negotiating products. And mainly in the North American market with our Hercules.

**Gabriel Rezende**

Great, very clear. Thank you, everyone.

**Sérgio L. Carvalho**

Gabriel, Esteban, if I may, just to corroborate Esteban's answer, what we are seeing this week at Fenatran is very relevant because it is very active. The agribusiness representatives are having a tough year, but they are well-capitalized, and many do not need financing for their transactions, and we are seeing that.

**Gabriel Rezende**

That's clear, Sérgio. Thank you.

**Caroline I. Colleto**

Let's move on to our next question. It comes from J.P. Morgan sell-side analyst Marcelo Motta. Good morning, Marcelo. You can ask your question.

**Marcelo Motta**

Good morning, everyone. Thank you for taking my question. It's a quick question about the tax benefit from Mover benefit program. If our calculation is correct, there was a benefit of around 15 million this quarter. Is this a recurring line? I'd like to understand these benefits and how you plan to use them in the coming quarters. Thank you, everyone.

**Davi C. Bacichette**

Thank you, Motta, for your question. I'll pass it to Paulo to address the Mover issue. Paulo, can you respond to Marcelo Motta, please?

**Paulo Prignolato**

Motta, thank you for your question and participation. Yes, this impact, this estimate you made is in line with what we registered this quarter. This is a long-term government program, and since we have several projects aligned with innovation, green fuel, and sustainability in almost all verticals, we will continue capturing these benefits. Of course, the government has a system where it approves this project, and the intention is for it to be long-term. Every year, the government needs to approve a specific budget for this project, but we understand that it will undoubtedly bring important contributions to all verticals over the coming years.

**Marcelo Motta**

Thank you Paulo, perfect.

**Caroline I. Colleto**

So now we are moving to our last question that comes from the sell-side analyst of Citi, Kiepher Kennedy. Good morning Kiepher.

**Kiepher Kennedy**

Good morning, everybody. Thanks for the opportunity. Two quick questions. You mentioned logistic challenges and the increase in freight costs. How do you see that, and how can you mitigate those impacts? Regarding the factory units, Castertech is initiating operations, and Suspensys is concluding by the end of this year. Given the challenging macro context due to all the factors we discussed, how do you imagine the use of the factories for 2025 and incremental revenue opportunities for next year? The agreement for front axles with Mercedes has no impact, but what about potential new agreements and updates for this factory plant?

**Davi C. Bacichette**

Thank you Kiepher. Regarding freights, Esteban will talk about that. Sérgio, if you could talk about the Mogi plants. Besides the contracts we have in our pipeline, it opens doors for us with new clients and new projects. The Mogi site is very relevant to us. So, first, I'll comment on this first point, and then Sérgio will finish. Esteban

### **Esteban M. Angeletti**

Thank you Kiepher for following our call and for your question. Regarding freight, since Frasle Mobility is our vertical that has more exposure to the international market, it felt a little more pressure from the freight costs in the third quarter. We saw that in the earnings release by Frasle. But our role here is to manage that, to be able to navigate around that. Our mantra is to solve that internally to preserve our margins and eventually expand opportunities that we can see looking ahead. Of course, it's going to normalize, the availability of containers and, as always, the law of supply and demand will normalize the cost of freight as well. Sérgio, any comments on the second part of the question, please?

### **Sérgio L. Carvalho**

Yes, perfect. Kiepher, thanks for your participation. Our perspective is that Castertech Mogi is in the ramp-up process. As I mentioned in a previous question, we are starting the second shift, we have crossed the break-even line, so it has a positive impact on our results. But the business volume we have is significantly superior to our production capacity. So, we have all the variables aligned for having 2025 operating at full capacity in our Castertech Mogi unit, even though we will need more capacity. We will continue purchasing materials, and we have many opportunities that will demand expanding production capacity for the future. We have a significant level of confidence that the evolution will be positive and sufficient.

In parallel, in this very same site, we have the front axle unit for Mercedes. There are many stages, and we will not have a full year at the beginning. It involves some processes that we are starting safely in Caxias do Sul, in machining, and some equipment from Mercedes is being transferred to the operation in Mogi Guaçu. Once the equipment is there and installed, we will start machining those components there. Then, we will begin the assembly and different categories and segments. At some point in 2025, we will supply 100% of Mercedes-Benz's needs. It's a long project that involves many stages, different vehicle models, and different levels of added value that we will see throughout the year. The purpose is to perform well to avoid any issues and ensure the success of this launch.

From there on, once the project is well-rounded and established, we can think of new expansions. Possibly, we will assemble axles for our own operations, such as semi-trailer axles that we currently manufacture in the south, which we will transfer to Suspensys to improve logistics and our manufacturing vertical in Araraquara. Other products will be added, and we have negotiations to expand the front axle activities to other clients. These negotiations are ongoing, and we cannot



specify when they will conclude, but we intend to do that in the years following 2025, aiming for higher production volumes. So, our perspective regarding auto parts in this industrial complex is very positive.

**Caroline I. Colleto**

Well, now we conclude our Q&A session. We thank you very much for your participation and our executives as well. Now, I pass the floor back to Sérgio for his closing remarks.

**Sérgio L. Carvalho**

Thank you, Caroline. Once again, thank you for your participation. We have all this material available on our website. We have many posts and much material available about Fenatran, what is happening this week, also available for you. If you have any further questions or need more details or clarification, please do not hesitate to contact any of us on this call, and we will do our best to respond. Once again, thank you for your participation. Have a great Friday and a great weekend, everyone.

**All**

Thank you, guys. Have a nice weekend. Bye, guys. Thanks. Thank you. Thank you all. Have a nice weekend.