

RANDONCORP

Transcript of the 1Q26 Earnings Video Conference

Caroline I. Colleto

Hello, welcome to the earnings presentation of Randoncorp, related to the first quarter of 2026. It's really good to have your presence here, each one of you. I might inform you that this event is being recorded and it's going to become available in our IR website, which is ri.randoncorp.com, as soon as we finish the presentation. The slides are already available for download. Our event has simultaneous interpreting to English and Brazilian Sign Language. To hear the audio in English, you can click on the interpretation button located in the bar at the bottom of the screen and mute original audio so you can listen only to the translation. Before we get started, I might highlight that some of the information here might contain some statements about future events, so there might be changes and uncertainty related to them. This reflects opinions and expectations for the management. There's no guarantee for the performance, but we encourage you to read the full disclaimer available in our presentation and reports. Now check the schedule for the day. We're going to get started by the message from the CEO Daniel Randon. He's going to be talking about the business environment and the main highlights of the quarter and also our perspectives for this cycle. Then Esteban Angeletti, Director of IR, Finance, FP&A and Strategy, is going to present the operational highlights. Soon after, Paulo Prignolato, Executive Vice President, CFO and IRO of Randoncorp, is going to be giving the details on the financial management. Then Davi Coin Bacichette, Manager of IR and Corporate Finance, is going to be conducting the question and answer session, with Hemerson de Souza participating. Now Daniel Randon is going to share a message, starting our presentation for the day.

Daniel R. Randon

Thank you very much, Carol. Good morning everyone. The first quarter of 2026 was marked by a business environment that is still challenging, especially in the domestic market, with a reflection of macroeconomic factors that impacted the demand for commercial vehicles in Brazil. On screen, as you can see, there's the data of production, sales and exportation of trucks and trailers in the first quarter of 2026 and the comparison to 2025. We managed to notice that pretty much all of the volumes in this quarter presented some decrease in comparison to 2025. We know that the beginning of the year is a seasonal period that usually starts low and then it gets back to normal after March. But the fact is that our markets in general are still impacted by the high interest rate that reduced in this period, but not in a relevant way. Besides that, we have some geopolitical conflicts that generated more instability, especially in relation to the prices of fuel and shipping.

In the moment, we still have the context of a lot of uncertainty. But even before this complexity, we move on generating businesses. I might share with you some important topics here. First, we have a solid portfolio in the OEM vertical with the best demand in agribusiness. Second, we can see initial signs of a possible resumption in the North American market, even though this improvement has not been converted into sales yet. And third, in the aftermarket, the demand remains resilient in Brazil, even though there was a slight retraction, especially because of the stock adjustments in the distributors, considering the high capital cost. In the first quarter of 2026, we also had Move Brasil, a program that boosted the sales of trucks by releasing 10 billion reais in credit that were quickly consumed. Last week there has been announced a new phase, expanding the resources in 20 billion reais, to also include buses and highway implements. Even though it's a positive news, we want to follow up in the next few months so we validate the real impacts in the demand. In short, there is a lot of volatility in the market now, which demands a management that is even more careful for our operations and our capital. Even considering these challenges, we move forward consistently doing fundamental movements for Randoncorp. We kept the focus in optimizing the resources, in the deleveraging and the sustainable value generation. And we move on executing our strategic plan. In this sense, as a highlight, I bring here the inaugurations in Mogi Guaçu with a new unit of Suspensys and a new logistics center for auto parts. Suspensys, for example, has added considerable revenue, compensating the drop in sales for OEM. Now the new logistics center is totally aligned with our goal of continuing to grow in aftermarket. We also have a considerable expansion of the portfolio of AXN Automotive Systems, that now counts on robots and cutting-edge technology for manufacturing of products. And that decreases the dependency of imported products and generates more solutions made in USA. At Frasle Mobility, we wrapped up important phases of migration for our ERP and a new system of logistics automation in the Extrema site. These structural projects bring efficiency, scalability and better operational control in medium and long range. So with this good posture, balancing strategic investments and preserving the financial health of the company, that we move on, always aligned to the business moment and the conditions of the market. Now, talking about the next few months, we have positive news to share with you, such as the stability of the demand in auto parts and a good portfolio for trailers along the second quarter of 2026. Also, we have the beginning of supplying railroad wagons, with deliveries that are going to be happening until November 2027, and new orders for container bases from the United States, up to 1,200 products for the Port Authority of South Carolina. Also, the normalization of the deliveries and the revenue in aftermarket by Frasle Mobility. Also, advances in capturing synergies with Dacomsa, which might contribute to the expansion of the results in the motion control vertical. And the follow-up for the good performance in the coop-payment plan business, that is going to have more potential in the medium and long range with our strategic partnership with Patria. In terms of investment, we're going to keep an adequate level considering the current position of the company, always prioritizing deleveraging, financial discipline and generating value in the long term. So our

annual guidance shared in March covers all of these topics that I've just mentioned in my presentation. And now I'm going to give the microphone to Esteban and he's going to be talking about the operational highlights in this quarter.

Esteban M. Angeletti

Thank you, Daniel, and good morning everyone. Well, I'm going to get started explaining the performance of our net revenue in the first quarter of 2026. As you can see on screen, the indicator presents a slight retraction in comparison to the same period last year. Some of the reasons why: the implementation of Frasle Mobility projects in Extrema that Daniel just mentioned, and that ended up affecting the revenue at this part of the year. The appreciation of the real in comparison to the dollar, decreasing the conversion of revenues from the external market. And the lesser demand of trailers and auto parts for trucks in comparison to the first quarter of 2025 in Brazil and the U.S., and the mix of products sold with a lower average ticket. But it's important to highlight that we also had positive effects in this period, such as the addition of revenues from Suspensys Mogi Guaçu. In the beginning of last year, the unit was still starting operation and now it's already in full operation, in normal operation. Growth in financial services, especially in coop-payment plan. Increase of trailer exportation for countries in South America, that contributed to the advancement of our international revenues in dollar. I'm going to get into more detail on this in the next slide. You can see in this quarter we kept the same level of sales representation in the external market, around 33%. In the sales per region analysis, I highlight the relevance of the United States, Canada and Mexico, especially given the Dacomsa performance, compensating the reduction of sales to the United States. In the Mercosur and Chile, we have different dynamics between the verticals. For OEM, there was a good recovery for sales in the region. But in auto parts and aftermarket, we can see a retraction, especially in Argentina, where they have a more competitive market given the commercial opening, pressuring prices. Now, passing to the adjusted EBITDA, our margin presented a decrease in comparison to the first quarter of 2025, but most of it comes from the negative equity equivalence in the financial solutions and services vertical. Other factors that deserve to be highlighted: better EBITDA margin for auto parts and stabilization of the OEM vertical, that even though there was a reduction of the volumes and a less favorable mix, captured gains of efficiency from the adjustments done in the previous quarters. The momentary decrease in the margin of the motion control vertical, given the punctual impact that I mentioned before and also commercial pressure in some product lines and geographies. In terms of profitability, even though there was an improvement in operational terms, the financial result still pressured the indicators. We are still working to reduce the financial expenses, and with the lower interest rates, we expect a greater improvement ahead. The non-recognition of the deferred taxes also affected the quarter. That elevated the effective tax rate and pressured the ROIC, considering the elevated level of non-recurring expenses in the last 12 months. But I say it again, we are working intensively to expand our future results. And now I give the microphone to Paulo. He's going to present our financial management.

Paulo Prignolato

Good morning everyone. As Daniel and Esteban mentioned, in fact, businesses are still challenging in this quarter, but we have many positive milestones to celebrate, especially when we talk about our financial management. Our net leverage has been reducing, and the result is given by many initiatives. We have better operational performance, also the working capital contributing to the better cash flow. We lowered the debt in foreign currency and the accounts payable for business combinations. And controlling the level of investments. And I'll be laying more comments about this item soon after. Besides that, we also had a contribution of the Selic rate that reduced, decreasing the cost of the debt in national currency, and maintaining a robust cash position, giving comfort, financial comfort and flexibility for us to cross one more challenging cycle. Now going back to working capital, on this graph on screen we can see the variations of the accounts in the first quarter of 2026. One of the most relevant points here is that this indicator presents never-seen dynamics for a first quarter, with the reduction in comparison to the previous year closing, even considering how seasonal the period is. As highlights for this working capital in this part of the year, we have the increase of the accounts receivable, partially compensated by the advancement of suppliers and client advances linked to the contract for the cellulose wagons. The stock levels similar to the fourth quarter of 2025, and our average working capital, measured in days, reduced for the first time since last year, reflecting the optimization initiatives that have been implemented from the second half of 2025. Now, the investments done in the period, we kept prioritizing the ones with greater relevance and impact. You can see on screen, in the first quarter of 2025, we had done great acquisitions, especially Dacomsa in Mexico. In this quarter, the greater amounts were invested in the following way: in Mogi Guaçu, both in the construction of the new logistics center for auto parts and also machinery and equipment in the Suspensys unit. In the expansion of AXN and also the acquisition of inventory as per contract. And paying installments referring to the Dacomsa acquisition. And the other values were invested majorly in maintenance and improvements for factory assets. Before wrapping up, I would like to invite you to participate in Randoncorp Day 2026. It's going to happen on June 23rd in São Paulo. Very soon our IR team is going to send you an invitation by email. But you can enroll already by accessing the QR code that is on the screen. We count on your participation. Now I give the word back to Carol so we can start our question and answer session.

Caroline I. Colleto

Hello once again, guys. We're going to get started with our Q&A session. So if you are interested in participating, just follow the instructions that are going to be remaining on screen for a few minutes. Our first question for today comes from the analyst Gabriel Tinem, from Santander. Good morning, Tinem, feel free to ask your question.

Gabriel Tinem - Santander

Good morning, Carol. Good morning everyone. First question here, more for trailers. If you can lay more comments on how you've been seeing the evolution in the past few months, both in mix and volume expectation. I know you mentioned a few things about the industrial side, but I'd like to understand if the worst part is already gone. And also if you can lay comments on the recurrence of orders at Hercules, where you closed 1,200 units, up to 1,200 units for this year. And the second question is related to the negative surprise in the loss. If you could talk about the recurrence of what we saw for Addiante and the effective tax rate. If you can comment on that and how you expect this going forward. That's it. Thank you, guys.

Davi C. Bacichette

Thank you, Tinem, for the questions. For the OEM and Addiante, I'm going to ask Esteban to address both topics. And in OEM, I think Daniel can also share some insights. He's been at Fenasoja, which is an important fair here in the South related to agribusiness, and he can lay some comments on the agribusiness side of it. And lastly, Paulo, I ask you to address the effective tax rate and talk about the perspectives. So, Esteban, let's start with you, then Daniel, and lastly Paulo.

Esteban M. Angeletti

Thank you, Davi. Thank you, Tinem, for the question, and for following up on our results here. In terms of the trailer market, first of all, talking about Brazil, we have been seeing in the margin a slight improvement in relation to the demand. A lot of this coming from the need of the client in renovating their fleet. We're getting into the third year, especially in agribusiness, of a postponement of this renovation. There's a moment in which the product gets obsolete and the cost of operation more than justifies renovating the fleet. It is still too early, and Daniel is going to talk about that, to say that this is a generalized recovery. So specifically about Brazil, even taking Anfir's own projection, we're still working on a scenario for stable volumes versus 2025. I think the great improvement here comes from the door inside. So everything that has been done by our teams to get better operational efficiency, which already stands out, already shows in our results in the first quarter. You have to take the hats off, because the team has been working hard and looking for opportunities in all lines of our results to get better efficiency. Since last year, and we were talking to you about that, it takes some time to mature and for this to show in our results, and we are starting to see that already in the first quarter. You can see, even with a smaller revenue, we can have a better margin. Talking about Hercules before giving the word to Daniel, and the North American market as a whole, in Hercules we had a tough first quarter, and if it wasn't for Hercules, the result of the operation in Brazil was even better, actually. And basically that's because of the lack of orders. The American market is going through the worst market in the last 20 years. There has been three years in a row since 2024 that we've been seeing volumes much lower than the historical average. On the other side, it brings us a better perspective going ahead, for two reasons. One, more practical, for conquering these 1,200 units for the South

Carolina Port Authority. The delivery starts in April already. We had some units being delivered, and it's going to keep going on until the end of the year. And the second reason is because we have been seeing a detachment in the relation between trucks and trailers in the United States. Trucks have been presenting a recovery in demand. This could be an indicator for the recovery of the demand in trailers that might start happening in 2027. The good news is that our unit today is able to get at least a break-even with the minimum volume. Now with the addition of the other units, we may even get better margins. And with the improvement in the market, which is what we expect in the next few months, it should contribute even in a more significant way for the OEM margin. So now I pass the word to Daniel to comment a little about the agribusiness side.

Daniel R. Randon

Thank you, Esteban. Thank you for everyone to be here, the analysts, the investors, in our event here. And as Davi mentioned, I think it's important to highlight the week at Fenasoja, and it shows the potential not only in the past few years in which agribusiness has impacted positively the businesses. As Esteban said very well, in the past two years, agribusiness in buying trailers has been a little more stable and it has been presenting some demands in this moment for fleet renewal. And what I highlight here, in the positive aspects of agribusiness, many investments in the forestry, cellulose, in the long term. And also, as we've seen, biofuels. There's a big investment in this area, and this generates demand for biofuels, an even bigger investment in area for grains. So it has been showing potential for growing demand. And also people have been talking about the free trade agreement between Europe and Mercosur, which shows potential for growth in the exportation of our agribusiness. But on the other side, there's a concern about the volatility in diesel, oil, with the geopolitical situation, and also the concern for the high interest rates and the growing number of RJs that are impacting. But even so, our view is one of caution, but a caution looking at the long term, as many investments continue strong in agribusiness. And that, for sure, puts us in a positive position to continue in a trailer market growing in the medium to long term. But the challenge, still with a lot of caution, is the capital cost and RJs of the sector.

Davi C. Bacichette

Thank you, Daniel. And now, Paulo, I give you the microphone to comment a little about the effective tax rate, please.

Paulo Prignolato

Good morning everyone. Gabriel, thank you for your question. And actually, we have always been saying that, of course, we have a posture that is very conservative in relation to the constitution of the deferred income tax. So there is a situation where the results are under more pressure, both by the high interest rate and by the operational side of it, that, as Daniel and Esteban mentioned, has been recovering. So we, in fact, have this effect, this higher effective tax rate, basically by the non-constitution of the deferred income tax at Randon. We are

working actively to assess opportunities for the recovery of this constitution, always keeping in mind that this is not lost, it's just off balance. And when we have a better horizon of projections, for sure we will start constituting again. So we will keep the market informed on these updates so that you are able to update your projections. But basically, that is the effect.

Davi C. Bacichette

Thank you, Paulo. And now, to wrap it up, I pass it to Esteban to comment about Addiante.

Esteban M. Angeletti

Thank you, Davi. So, Addiante, we registered in the equity equivalence line the result. It derives from mainly three sources, which is the depreciation of the equipment. Of course, a step back first. The main reason for the loss in Addiante is the result of an RJ of an important client, that represented an important share of the portfolio of Addiante. And this loss is the sum of three sources, as I was saying. The first one is the depreciation of the equipment. The second one is the financial expense tied to the acquisition of these equipment, the financing of these equipment. And the third one, just as occurs at Randon, a non-constituted deferred tax. I think it's important to mention that, excluding the result of this client in RJ, the operation of Addiante, excluding this client, it stands on its feet, so it has a positive result. Us and the partner, we are working to solve this situation, alongside Addiante, and we continue believing in the business. The leasing business in Brazil has a low penetration, especially when we compare with other markets like the United States. And we believe that there's a lot of opportunity here in Brazil, whether in trucks, trailers, or the yellow and green lines as well.

Gabriel Tinem - Santander

All right, guys. Very clear. Thank you very much and good morning.

Caroline I. Colleto

Thank you, Tinem, and good morning. So let's move on to the next question. It comes from Lucas Laghi, analyst Sell Side at XP. Good morning, Laghi. We're opening your microphone. You can ask your question.

Lucas Laghi - XP

Thank you. Good morning, Carol. Good morning everyone. I have a follow-up on the previous question about agribusiness, but first I'd like to understand better how much today agribusiness has represented in the consolidated revenue of the company. We know that's around 50% of the OEM division, right? But now thinking about if you have an estimate — I know it's hard to break the final demand for auto parts — but if you have an estimate of how much agribusiness represents in the consolidated revenue today. And in the context that Daniel mentioned, there's the cellulose expansion in Mato Grosso do Sul, there's ethanol business going better, but thinking about the more traditional dynamics in agribusiness. What do you see

that is weighing more today in the investment decision of the client? Because this context is tough. You have inflationary pressure that delays the interest rate cut cycle, pressure on diesel prices, fertilizer prices going up, in the end it's a very uncertain scenario. But thinking here, trying to have a better reading of the turning point of the sector. I think there was a better data point from March, when we look at the Anfir data, April was a little worse. So what do you think should be the main metric for us to monitor here, to think about this turning point of agribusiness? Credit, interest rates, elections. So how can we better monitor this turning point in the chain? Well, just to understand the relevance of agribusiness in the consolidated base and how you see the timeline of this turning point of the sector going forward. Thank you.

Davi C. Bacichette

Thank you, Laghi. As you mentioned, there are many moving parts for us to consider in these evaluations when we look into businesses especially connected to agribusiness and to the transportation in Brazil. So I'm going to give the word to Esteban so he can address both topics. And Daniel, also, if you'd like to add something, feel free to do so.

Thank you, Lucas, for your question.

I think Esteban had a little problem with his connection. He's reconnecting now. Can you hear us, Esteban? I think you just need to unmute.

Esteban M. Angeletti

Do you hear me well?

Davi C. Bacichette

Now yes.

Esteban M. Angeletti

Just to confirm. Thank you. I had a problem with the equipment here. But, Lucas, thank you for your question. So, in relation to the percentage of the consolidated revenue, today it represents 15%. It has been something like 35% in the past. So it's a very relevant decrease for our business. We believe that it goes back to the historical levels at some point. And within the factors that can unlock this demand in agribusiness, we have at least two handfuls of drivers that can unlock this demand, that can trigger additional demand. Whether it's the harvest, the prices of commodities, the cost for the producer of fertilizers and inputs, credit, the exchange rate and the freight prices as well. All of these things are a combination of factors that end up delaying or speeding up the investment decision by our clients. But if I could, within these factors, if you had to monitor three main ones, I would say, first, unquestionably, the Selic rate. As long as the interest rate is at this level, the cost of capital for making an investment decision ends up weighing a lot. The second one is the election scenario, remembering that this year we have elections and this could cause a postponement until this scenario is more defined

for the client to then take the investment decision. And the third one is the exchange rate. A more appreciated real ends up also weighing on the profitability margin of the client. So it's a combination of factors that leads to a decision. There's another point that I mentioned in the previous answer, which is that at some point the equipment needs to be renewed, otherwise it ends up costing more than a new equipment to operate. Whether because of maintenance stops, or because of losses — the trailer used for grain transportation, the older it gets, the more losses it has during transport, and that ends up directly affecting the margin of the client. So those are the main factors, and I highlighted the three that I think deserve to be on the radar.

Lucas Laghi - XP

Thank you. Just to confirm, but the 15%, in the end, is the revenue from dump trailers, bulk trailers and such, or does it also take into consideration your estimate of the auto parts revenue that goes indirectly to agro? Just to clarify.

Esteban M. Angeletti

Together with the auto parts that go to agro as well, Lucas.

Lucas Laghi - XP

Okay, good. Thank you, guys. Good morning.

Caroline I. Colleto

So your questions are all answered, Laghi?

Lucas Laghi - XP

Yes, yes. Very clear. Thank you.

Caroline I. Colleto

All right, thank you very much for your participation. Let's move on to the next question today. It comes from Kiepher Kennedy, analyst Sell Side at Citi. Good morning, Kiepher. Feel free to ask your question. Can you hear us, Kiepher?

Kiepher Kennedy - Citi

Hi, can you hear me okay?

Caroline I. Colleto

Yes, now we can hear you. Thank you.

Kiepher Kennedy - Citi

All right, thank you for the opportunity to ask a question. On a point that you mentioned in the initial introductions, you said that you are seeing a stability of demand in auto parts and a good portfolio of orders for trailers as well. I know you already touched on some of these topics along the presentation, but we see an improvement, a strong recovery in auto parts quarter-over-quarter in this first

quarter of 2026, which is positive, even quicker than we predicted. I'd like to understand if this strong sequential improvement, should we expect some level of volatility in this division, given that the improvement was strong quarter-over-quarter, or if this stability in demand that you mention brings us a greater level of consistency for all the quarters going forward. And also, with regard to the good portfolio of orders for trailers, if this better portfolio means in some way a better profitability for the division along this year. I think the work has been done internally, as you said, very well done despite a lower volume. So having a good order portfolio, I'm understanding that we should expect a better margin, given again the internal work that has been done, adding up to the better portfolio. So, taking this comment that you made in relation to auto parts and trailers and trying to break the impact for the two divisions here along the remaining of the year. Thank you.

Davi C. Bacichette

Thank you, Kiepher. Well, continuing with the previous answer from Esteban, I think we can address both topics here, auto parts and the portfolio for OEM. Remember that we managed, along this first quarter, with the entry of orders, to guarantee a portfolio of approximately 90 days, which gives us some comfort. But I think we can lay some comments on the drivers, what has helped. And the auto parts, indeed, they have been recovering very well versus the last quarter. And I think, Esteban, it wasn't specifically asked, but we can also comment a little about the Move Brasil program, that has been in the news, and it can address some questions that could eventually come up for us to comment on the program's effect on demand. So, Esteban, please go ahead.

Esteban M. Angeletti

Thank you, Davi. Thank you, Kiepher, as well for your question. Now, talking a little bit about auto parts, I think there's a combination of factors that justifies this improvement. The first one is the comparison base itself. The fourth quarter was a very weak quarter in volumes. The fourth quarter is traditionally already weak, but in 2025 specifically, it was weaker than the historical average. And because the OEMs themselves were also trying to reduce working capital, reduce their stocks, very much in function of the Selic rate itself — carrying stocks gets more expensive. And that translated directly into the volumes for our auto parts. And the recovery in the first quarter, it comes partially from this replenishment of stocks, partially from Move Brasil — I'm going to give you more details about this program shortly — and from the ramp-up in our site in Mogi Guaçu, which we inaugurated during the first quarter of this year. So this combination of factors leads us to better volumes, and tied to all the adjustments that were done last year that I mentioned briefly in the opening, it allows us to recompose margins, to pursue margins at better levels. And now moving forward, I'd say that, yes, we continue pursuing internal efficiency, but I'd say that mainly it's an expectation of at least a stability of these volumes versus the first quarter. There's another detail: during this year we're also going to have Fenatran, and traditionally this brings an improvement in

volumes. Even before Fenatran, there is this effect of pre-orders ahead of the event, and then after the event as well, some negotiations that started at the event end up being closed in the following weeks. So there is this expectation that at least we can maintain the volumes, with potentially some upside in the third and fourth quarters. Talking specifically about OEM, our operations, our industrial activities, OEM is perhaps the one that depends on operational leverage the most. So even though we have done all the structural adjustments, especially focusing on fixed cost reduction, the margin improvement from now on depends a lot on better volumes and mix, especially that we can see the market for dump trailers and bulk trailers going back to the historical levels, so that helps us to boost the OEM margin. For this year specifically, given that it's too early to talk about an improvement in the agribusiness market, on the other side, we have the production of wagons, with a relevant order that was signed in the beginning of the year, that start being delivered in the second quarter. Wagons are a more serialized product that brings us volume and helps with fixed costs. So we believe that with the volume of wagons coming in and the adjustments done during this year, it helps us to at least sustain the OEM margin from now on. Now, the Move Brasil program, I think it's important so everybody is on the same page. We had a first stage of the program, where the government announced 10 billion reais for financing, mainly for trucks. And recently they announced a second phase, increasing the program to 20 billion reais, including, which is more interesting for us, trailers and buses as well. So in all of the sectors of Move Brasil, we have some exposure, whether with trucks, given that we supply auto parts, or more directly for implements and for buses as well, once that we also supply parts for buses. We cannot identify how much of the improvement in auto parts or trailers comes specifically from the program, but there is an expectation that it could unlock more demand in the coming weeks.

Kiepher Kennedy - Citi

Thank you, guys. Super clear.

Caroline I. Colleto

Let's move to our next question today. It comes from Andressa Varotto, analyst Sell Side at UBS. Good morning, Andressa. We are opening your microphone. Feel free to go on.

Andressa Varotto - UBS

Good morning. Thank you for the opportunity. I have two points here, quickly. The first one about working capital and also the leverage. In this quarter, we had a certain stability of working capital, retaining all the gains that the company managed to achieve in the past few quarters. So I'd like to know, still on this point, what we can expect for the remainder of the year. And also in relation to leverage, what you are seeing. And the second point would be about the Financial Services vertical, after the entry of Patria with the partnership in coop-payment plans. What

you are already observing and can share with us, and what you are expecting along the year for this vertical, also after the changes that have happened. Thank you.

Davi C. Bacichette

Thank you, Andressa, for the questions. So, three topics here: working capital, leverage, and the coop-payment plan partnership with Patria. And for these three topics, I'm going to ask Paulo to address. And we had a working capital that actually even reduced a little in the first quarter, which is a little different from the usual, from the historical pattern of the company. And I think Paulo can lay comments on the actions that we have been taking, not only now, but over time, to optimize the working capital, and obviously with the benefit on leverage that this brings as well. And lastly, Paulo, afterwards we can comment a little about Patria, how the conversations have advanced in terms of our partnership with them. Thank you.

Paulo Prignolato

Good morning, Andressa. Thank you very much for your questions. And since the beginning of last year, we have been talking again and again about the importance of the working capital theme. So last year we started with an amount that was quite elevated. We reached almost three months equivalent of revenue in our cycle of cash conversion. And with the actions that started in June last year, we managed to reduce this working capital considerably until December last year. And the challenge now is for us to maintain the stability in this indicator, with a cycle of cash conversion around 60 to 65 days. We don't see now great variations in this working capital. Our idea here for your projection is to maintain this at these levels from here to the end of the year. Why? Because, in reality, we need to take care so we have enough stock to meet the market's demand. That's extremely important. Have discipline in the accounts receivable. As we mentioned last year, we launched our FIDC alongside Banco Randon, which has helped us to keep these levels under control. And a series of initiatives to extend the deadlines for our accounts payable with our suppliers, both with the main suppliers here in Brazil and also with our suppliers abroad. So our commitment here, from now to the end of the year, is to keep this under stability. Without a doubt, financial leverage is a fundamental point for us. We managed to reduce this leverage a little bit from December to now, March 31st. And we move on with this journey and this discipline. And we expect to reach by the end of the year a leverage between 2 to 2.5 times net debt to EBITDA. We are working so that this happens by the end of this year already. And that is the level in which we like to work with. To get to a level of one to two times, that's the level that we understand is adequate for us to go back to thinking about new investments, new expansions. So first we get to these levels, and then we go back to thinking of a new cycle of growth. So the focus for this year is financial discipline, financial discipline and financial discipline. Regarding the Patria topic, we are very happy with this partnership. We have been mapping a series of opportunities, and our partner, with their knowledge, they have been supporting us on this. And we have an ambitious plan for organic growth, inorganic growth as well. This is a very important market, extremely profitable, with a level of growth

that is quite elevated. So we expect that we can take the next steps in this business and share with you as soon as they happen.

Andressa Varotto - UBS

Paulo, thank you.

Caroline I. Colleto

We appreciate your participation, Andressa. And now we're going to move on to the next question today. It comes from Gabriel Rezende, analyst Sell Side at Itaú. Good morning, Gabriel. We're opening your microphone. Feel free to ask your question.

Gabriel Rezende - Itaú

Good morning. Thank you, Carol. Good morning everyone. Taking advantage that Andressa brought up the Patria topic, and seeing the current context, I'd like to investigate how the company has been seeing capital allocation and portfolio management, when we look at Randoncorp also as a holding. So we understand that there are big segments that dominate the revenue dynamics, the EBITDA dynamics, but Randoncorp also has many other smaller parts that eventually generate volatility in the results, and maybe they're delivering numbers that are lower than what the company expected at the time of building these businesses or acquisitions. I'd like to understand if the company has something on the radar, in the pipeline, to eventually rethink this current portfolio of companies under Randoncorp as a holding. If there's any segment that the company understands that maybe hasn't been as synergistic as expected, or that is a more challenging industry. So, this dynamic of capital allocation, it would be nice to understand how the company has been seeing this. Thank you.

Davi C. Bacichette

Thank you, Gabriel, for the question. I'm going to give the word to Paulo so he can address that. And I also leave Daniel free to lay some comments, talking about capital allocation and looking at Randoncorp also as a portfolio manager. So, Paulo, please.

Paulo Prignolato

Good morning, Gabriel. Thank you for your question. It's a very important question, and it is closely related to the matter that I mentioned previously about financial discipline. Without a doubt, we look in each and every project for a minimum ROIC of 15%. And that means we look into the new projects, but we also look at the entire current portfolio. So that is what we have been doing, looking into all of our verticals, looking into all of our companies, how's the creation of value in each one of them. And that means that, at some point, we may take other decisions involving this portfolio, in a way that those decisions help us achieving this minimum ROIC of 15%. So we are talking about portfolio. Portfolio means you get in and out of businesses, or you think about some assets, like fixed assets, that we could think

of monetizing. Since last year, we set up a crisis committee and squads, looking at the entire organization. So we can take decisions based on that, as I mentioned, that can take us to a minimum ROIC of 15%. We are also evaluating new partnerships. The partnership with Patria has been one of them. We are also evaluating partnerships in other projects, other businesses, especially those projects and businesses that demand a lot of capital, and that we could, for instance, decrease this need and also split the risk. So, at the right moment, Gabriel, we're going to share with you. And Daniel, if you have anything else to add, feel free to do so.

Daniel R. Randon

Well, thank you, Paulo. Just to complement here. Thank you, Gabriel, for the question. If you look into the past few years, especially the two last big projects, Dacomsa in Mexico and EBS in Europe, those acquisitions in the auto parts area is where Randoncorp historically has allocated most of its capital. And this reinforces Randoncorp today, with one-third of our revenue being external market and 45% of the revenue in aftermarket, which are markets that give us more resilience, especially on the commercial side, and less volatility in the net revenue of Randoncorp. So that's what Randoncorp has been pursuing, just to reinforce what the company has been doing. And as Paulo said, we're going to be looking for projects that can have a minimum return of 15% and projects that put Randoncorp in an even more resilient position in terms of revenue and margin as well.

Gabriel Rezende - Itaú

Sure. Thank you very much, Paulo. Thank you, Daniel.

Davi C. Bacichette

Thank you, Gabriel. And we have a last question that came written here from Joel Neto, from JP Morgan, asking about the American market, especially what's the outlook for the second quarter regarding Hercules and AXN. And here, just recapping a little of what Daniel and Esteban already mentioned, Joel, what we see in the American market is an entry of orders that increased a lot for trucks, especially in March and April. But when we look at the production, it's not yet translated into higher production levels. We're going to need more recurrent months of high order entry for the production of the year to increase more considerably. So the trend is starting to get better, but we need a little more time to observe this. And in trailers, we still don't see the same trend, or at least not at the same magnitude. As Esteban mentioned, there's still a delay, a gap, that we'll need to follow up and see how it translates into the market. And from the operations perspective, Hercules has a closed order for up to 1,200 units. Started production in April, goes through September. So we have production at Hercules guaranteed for two full quarters. And AXN, we recently re-inaugurated the new building, the new pavilion, now with more capacity to make products made in America, which protects us regarding tariffs and anti-dumping, gives us more conditions to compete in that market, and we are also prepared with a very good capacity to take

advantage of this recovery in the American market that we know is going to come. It has been low for approximately three years in trailers and one and a half to two years in trucks, and we know that this is basically the usual historical low cycle of the American market. We are prepared for this recovery, and we're following these movements that apparently have been demonstrating that this market should recover along the next few months and quarters. So now I pass the word back to Carol so she can wrap up our conference.

Caroline I. Colleto

And now we wrap up our question and answer session. We appreciate everyone that participated. Now I give the word to Daniel Randon, our CEO, for his final message.

Daniel R. Randon

So now we wrap up our results conference. I appreciate once again the presence and the interest of everyone. We move on strong with our operational discipline, with a strong focus on execution, control and efficiency, always aligned to our long-term strategy and the consistent, sustainable value generation for our stakeholders. The results presented today reflect not only the resilience of the company, but also its capacity to execute with consistency and discipline, even in a challenging business environment in constant transformation. We're going to move on, paying attention to the movements in the market, prioritizing the initiatives that reinforce our operational efficiency, boosting innovation and sustaining growth with profitability and cash generation. I appreciate the trust and the partnership as always, and our Investor Relations team is always at your disposal for further clarification. I wish everyone a fantastic afternoon. Thank you very much.

Caroline I. Colleto

Thank you, everyone. See you next time.

Davi C. Bacichette

See you next time, everyone.

Paulo Prignolato

Thank you, everyone.

Esteban M. Angeletti

Thank you, everyone.