2Q25 Earnings Call Transcript

Operator

Good afternoon, everyone. Welcome to Hidrovias do Brasil's earnings conference call for the second quarter of 2025. Joining us today are Mr. Décio Amaral, Chief Executive Officer; Mr. André Hachem, Chief Financial and Investor Relations Officer; and Ms. Gabriela Colus, Investor Relations Manager.

This event is being recorded and will be available on the Company's Investor Relations website. After the management's remarks, there will be a Q&A session, with further instructions provided at that time.

We highlight that the simultaneous translation tool is available on the platform. To access it, simply click the "Interpretation" button at the bottom of the screen and select your preferred language.

Before proceeding, we remind you that forward-looking statements are based on the beliefs and assumptions of Hidrovias' management and on information currently available to the Company. These statements may involve risks and uncertainties, as they refer to future events that may or may not occur.

Investors and analysts should be aware that events related to the macroeconomic environment, the industry, and other factors may cause results to differ materially from those expressed in such forward-looking statements.

With that, I would like to turn the call over to Mr. Décio Amaral to begin his presentation.

Décio Amaral

Good morning, everyone, and thank you for joining our earnings call for the second quarter of 2025.

This is my first disclosure as CEO of Hidrovias do Brasil, and I would like to begin by sharing some initial impressions.

I have been leading the Company for two months now, and I found a young company—with only 15 years of history—but one that holds high-quality logistics assets and is well-positioned in strategic corridors: the Northern Arc agribusiness, iron ore outflow in Corumbá, and fertilizer handling in Santos.

I see a company with great potential, but one that needs a management focused on productivity gains and higher utilization of existing assets to improve profitability. Today, despite the recent recovery in results, we operate with a single-digit ROIC. I believe that over the next 3 to 5 years, we have the conditions to advance to double-digit levels, consistent with a robust and efficient infrastructure company.

An important milestone for the start of this new phase was the conclusion of the capital increase carried out in May, which brought R$1.2 billion in resources to the Company, of which R$700 million was cash inflow this quarter. This transaction definitively resolves our financial situation and provides Hidrovias with a solid foundation to resume its growth agenda, with capital discipline and a focus on value creation.

In this context, we are carefully reviewing our portfolio of opportunities, prioritizing projects with the highest impact on return on invested capital. One example is the Dobra TUP project, in the Northern Corridor, which has already obtained nearly all the necessary licenses. We are reassessing its timeline in light of productivity opportunities we have mapped, which in the future may allow for volume gains without major additional investments.

Our goal is to act with capital discipline, executing each stage at the right moment and based on concrete evidence, ensuring consistent returns and sustaining the trajectory of ROIC recovery.

We will present more details on this strategic agenda at Ultra Day, at the end of September, when we will share our medium-term vision and growth priorities.

Now, moving on to the quarterly results, please go to slide 5.

We had a positive quarter, with the Northern Corridor supported by tariff adjustments implemented at the beginning of the year, strengthening the operation's profitability. In the Southern Corridor, we observed a consistent recovery in results, reflecting better navigability conditions and the consequent increase in iron ore volumes handled. In Santos, we remain focused on commercial and operational initiatives to prepare the asset to capture its full potential, while Coastal Shipping delivered performance in line with expectations, considering that this is a docking year.

As a result, we reached a record recurring adjusted EBITDA of R$348 million in the quarter and R$604 million in the semester.

With that, I conclude my remarks and hand it over to André Hachem, our CFO, to provide more detail on the results by operation. Thank you.

André Hachem

Thank you, Décio. Good morning, everyone, and thank you for joining another earnings call of Hidrovias do Brasil.

Before we begin, I would like to remind you that the numbers presented in the release are on a pro-forma basis, therefore including the Cabotage operation results, for better comparability, as we also did in the first quarter of this year.

Let's move on to slide 7 with the results of the Northern Corridor.

In the quarter, we handled 2.2 million tons, a 7% increase compared to the second quarter of 2024 and 18% higher than the first quarter of 2025, reflecting crop seasonality. In the first half, we moved 4 million tons, 2% below last year, impacted by harvest delays already mentioned in the previous quarter, partially offset in revenue by the positive tariff adjustments implemented this year.

As a result, Net Operating Revenue reached R$307 million in the quarter, up 17% from 2024, and totaled R$553 million in the half-year, a 7% increase compared to the same period last year.

Recurring adjusted EBITDA was R$194 million in the quarter, the highest quarterly figure in the operation's history, growing 16% versus 2024 and 28% compared to the first quarter of this year. In the half-year, EBITDA totaled R$346 million, a 5% year-on-year increase.

For the third quarter, considering normalized navigation conditions, we expect continuity of the strong results observed in the second quarter, supported by similar volumes with the corn harvest and the aforementioned tariff adjustments. It is worth highlighting that, on a year-over-year basis, the third quarter of 2024 already reflected the impacts of lower draft levels in the operation, which we do not expect to occur in 2025.

Moving on to slide 8, regarding the results of the Southern Corridor.

In this operation, navigation conditions remain adequate, as Décio mentioned, driven by seasonal rainfall in the region as well as ongoing dredging and rock removal efforts. This has translated into volumes closer to what would be considered normal for the corridor. In the quarter, we handled 1.4 million tons, significantly higher than both the same period in 2024 and the previous quarter. In the half-year, we reached 2.5 million tons, a 46% increase versus 2024, highlighted by the normalization of iron ore volumes and a product mix similar to that seen in 2023, a record year for this operation.

Net Operating Revenue was R$284 million in the quarter and R$492 million in the half-year, up 48% and 65%, respectively, compared to the same periods of 2024.

As a result, recurring adjusted EBITDA amounted to R$140 million in the quarter and R$232 million in the half-year, reflecting both higher volumes and operational normalization, as well as reduced expenses, which returned to usual levels after the non-recurring impacts of asset transfers between corridors in 2024. With that, the EBITDA margin for the half-year reached 47%, a 28 percentage-point improvement over the same period last year.

It is also worth mentioning that in 2025 we ended Hedge Accounting in this operation—an effect that was already adjusted by the Company in Net Operating Revenue and Adjusted EBITDA metrics for greater clarity of results.

Looking ahead, we expect that in the next quarter results will continue to reflect the navigability conditions seen during the second quarter, with iron ore volumes maintained at elevated levels—though slightly below the historical record of 2023—and consequent EBITDA growth versus 2024.

Moving on to slide 9, with the results of the Cabotage operation.

We handled 872 thousand tons of bauxite, 13% higher than in the first quarter, but below the same quarter of 2024, as in the first half we docked one of our vessels. This incurred not only maintenance costs but also chartering costs for a third-party vessel with lower capacity. In the half-year, we handled 1.6 million tons, 15% below last year, for the same docking reasons.

Net Operating Revenue totaled R$68 million in the quarter and R$134 million in the half-year, increases of 7% and 12%, respectively, reflecting FX effects on dollarized revenues and voyages completed within the accounting period.

Thus, recurring adjusted EBITDA in the quarter was R$24 million, 22% below last year, and R$45 million in the half-year, 18% below the same period in 2024, reflecting the same docking and FX impacts.

Looking ahead, we expect results in the next quarter to reflect the conclusion of the docking process, with recovery in volume and EBITDA in line with last year.

Finally, moving to the Santos operation results, on slide 10.

In terms of volume, we handled 431 thousand tons in the quarter, a 22% increase compared to the same period in 2024, and 871 thousand tons in the half-year, a 23% increase year-on-year. This performance mainly reflects the start of salt operations in the second half of last year, while fertilizer volumes were lower compared to 2024.

Net Operating Revenue was R$31 million in the quarter, up 10% from 2024, and totaled R$65 million in the half-year, also up 10%. This increase reflects the addition of salt to the operation, but also mix effects, as salt has lower tariffs than fertilizers and represented about 30% of the volume handled in the semester.

Recurring adjusted EBITDA was R$10 million in the quarter, in line with 1Q25 but 19% below the same period of 2024, totaling R$20 million in the half-year, a 20% decline year-on-year, mainly due to challenges we have been facing at the terminal.

For the third quarter, we expect results similar to those observed in the second quarter, reflecting the difficulties we have faced since the beginning of the operation.

On slide 12, we present the consolidated results:
The Company handled 4.9 million tons in the quarter, the second highest quarterly volume in its history, and 9 million tons in the half-year, exceeding the same period last year, mainly driven by the recovery of navigability in the Southern Corridor.

Net Operating Revenue, on a pro-forma basis, reached R$690 million in the quarter, up 27% compared to 2Q24 and 24% versus 1Q25, totaling R$1.2 billion in the half-year, an increase of 25%

compared to the same period in 2024, with highlights being the consistent recovery in both main corridors: North and South.

Recurring Adjusted EBITDA reached R$348 million in the quarter and R$604 million in the half-year, growth of 39% and 45% year-on-year, respectively. These results reflect the more normalized navigation conditions in the South as well as the more favorable tariff environment in the North.

On slide 13, we present Hidrovias' financial results, highlighting the reduction in leverage, which ended the quarter at 4x net debt/EBITDA, down from 5.7x in the same period last year. This improvement reflects both operational gains and the effects of the capital increase completed in May this year.

During the quarter, we concluded the repurchase of part of the Company's Bonds through a local debenture issuance—the first since the change in the shareholder structure. This transaction brought significant benefits by maintaining a competitive cost of debt, enabled by Ultrapar's guarantee, and by reducing FX exposure, which decreased from 79% in U.S. dollars in 2024 to 38% in June 2025. This transaction also eliminated covenants associated with the previous bond, bringing greater flexibility and alignment with Hidrovias' new risk profile.

This strategic move of substituting foreign currency debt for BRL-denominated debt strengthens our financial structure, preserves competitive funding costs, and mitigates risks associated with FX volatility. It is worth noting that this was the first issuance carried out in the market after Ultrapar's assumption of controlling shareholder status, already backed by the parent company's guarantee—which was reflected in our risk perception.

At the end of the quarter, our average duration was 4.5 years, with a weighted average cost equivalent to 102.7% of CDI.

Operator

With that, we conclude this presentation. Mr. Décio and I are now available to answer any questions. Thank you very much.

We will now begin the Q&A session. If you wish to ask a question, please click the Q&A icon at the bottom of your screen and type your question. To ask a question via microphone, click the "Raise Hand" icon.

Our first question comes from Ms. Fernanda Recchia of BTG Pactual. Please, Ms. Fernanda, you may proceed.

Fernanda Recchia

Hi everyone, good morning. On our side, we would like to explore a bit how you see the competitiveness of the Northern Corridor. As you mentioned, one of the big drivers of results was the tariff in the North, and it is worth noting that your competition has been keeping prices flat. So I would like to understand, looking ahead, do you think this tariff level is sustainable? How do you see the outlook for the second half of the year and also for next year? And secondly, I would also like to take this opportunity to welcome Décio and wish him success in his new role. I would also like to ask about short-term priorities—Décio, how do you see the short-term focus for Hidrovias? Should we expect any major change in strategy in the short term? These two points, thank you.

André Hachem

Good morning, Fe, this is Hachem. Thank you for the question. I'll address the first point and then pass it to Décio for the second. Regarding competitiveness, I'd like to remind you of two things: first, every year we enter the market 100% sold, so we are not exposed to the spot tariff market at this moment. Specifically for the crop, we saw a slightly delayed soybean harvest this year, but a large one. And now, as we look at the corn harvest, we also see growth, though producers are holding back a bit more on commercialization. So, from our perspective, we see demand behaving a little weaker than we had imagined, but we believe this will adjust later in the year. And again, as I said, for our tariff environment, we are already 100% sold for this year, so we are not exposed to the spot market right now. Let me now pass it to Décio.

Décio Amaral

Fernanda, good morning, thank you for your question. I'm completing nearly 60 days leading Hidrovias, and as I said in my introduction, I think we are positioned in very attractive markets: the Northern Corridor, with strong growth prospects; the fertilizer market in Santos, where there are clear port bottlenecks today, meaning there's room for Santos to grow; and the Paraguay waterway, already one of the most relevant in the continent with significant growth forecast.
But when I look at the markets we are in and the quality of our assets, I see something inconsistent: our ROIC, which is still single-digit. This doesn't make sense given the markets we operate in and the quality of assets we have. Personally, I care more about ROIC than EBITDA, which can sometimes mislead us. So the short-term priority, and something we are already working on, is to identify the internal and external bottlenecks that prevent us from increasing the utilization of our assets. Our management's first priority is to maximize asset use, reduce operating costs, gain productivity in operations, and make very assertive capital allocation into removing bottlenecks that require investment.
We want to have a plan to bring ROIC to double digits within the next 3 to 5 years, as an infrastructure company should have in order to be sustainable and continue investing with adequate leverage. And just to complement Hachem's point—price we don't control, what we do control is being the lowest-cost player and the one that adds the most value to clients. That will always be our focus.

Fernanda Recchia

Perfect, thank you very much.

Operator

Our next question comes from Mr. Matheus Santanna of XP. Please, Mr. Matheus, you may proceed.

Matheus Santanna

Hi Décio and Hachem, good morning. I have two questions. First, I'd like to revisit the concession of the area for installing a buoy, a floating terminal, which you won back in 2023 in Vila do Conde. Last Friday we saw the PDZ approval, which I believe was one of the last steps for the installation approval, correct? I'd like to hear your view on that asset and concession, considering this nearly 2-year delay. Second, I'd like to hear your current view, both short and long term, regarding draft levels, thinking about both the North and the South. In the short term things seem positive in both, but I also want to touch on concessions of the waterways and DNIT's (National Department of Infrastructure) actions. Thanks.

André Hachem

Perfect, thanks for the question. This is Hachem. I'll address the first point, and Décio will comment on dredging. Regarding the PDZ, they are not exactly correlated with our buoy project. As we've been mentioning, the buoy project is delayed. We've faced difficulties obtaining some licenses needed to start operations, but it's not directly linked to the PDZ of CDP. At this moment, we have no updates on the project. Our expectation is to bring more details at Ultra Day, especially about this intermediate stage, which we referred to as the buoy and the crane.

Décio Amaral

Matheus, this is Décio, good morning, thank you for your question. Speaking about draft levels, one thing you can expect from Hidrovias going forward is that we will be more proactive in addressing external issues that impact us deeply. In the South, dredging outside Brazil—in Argentina and Paraguay—is progressing well, with important advances in rock removal and dredging. In Brazil, there

are still licensing hurdles, but in the short term the hydrological regime has been favorable. The medium-term trend is that we won't see a repeat of last year's situation.
In the North, conditions are also favorable. DNIT carried out some dredging earlier this year, not fully, but we are working proactively with them so that, if needed, interventions can take place. Looking further ahead, things improve because the government now understands the importance of waterways for Brazil. A definitive step is the concession of the waterway. We are working closely with the government to make those concessions happen. The first one expected is the Paraguay waterway, currently under TCU's final review, with plans to auction still this year, which will bring a concessionaire responsible for long-term dredging.
In the North, the concession is further ahead, but the government has said it intends to establish a 3-year dredging contract until the concession takes place. So, we see a mobilization from the government to have, through long-term contracts or concessions, this issue permanently resolved. And we intend to be a protagonist in helping build the regulatory framework and, at the right time, evaluating whether it makes sense for us to participate in the concession.

Matheus Santanna

That's very clear, thank you.

Operator

Our next question comes from Mr. Gabriel Frazão of BofA. Please, Mr. Gabriel, you may proceed.

Gabriel Frazão

Good morning, thank you for the opportunity. This is a follow-up on the ROIC increase mentioned earlier. Could you give us an idea of some initiatives you are studying or already implementing to improve ROIC, and when they should be implemented?
Also, results this quarter came slightly higher than usual, particularly due to derivatives and funding cost amortization. Could you explain what justified this, if there was anything non-recurring, or if this was normalized?

André Hachem

Perfect, thank you. On ROIC, we expect to share more detail later, but in general, as an infrastructure company, most of our capital is tied to fixed assets. In the North, we have two terminals—ETC and TUP—plus eight push boats. In the South, we have about 18 push boats, which make up most of our fixed assets, plus the Santos terminal. The main point is to do more with the same assets. So, it's about increasing throughput with the same base, improving efficiency and productivity, reducing costs, including working capital, and thus improving asset utilization. This involves better fleet planning, route reviews, and operational improvements.

Décio Amaral

Let me give you two very tangible examples, Gabriel. Sometimes people think this is rocket science, but it's really about focus and proactivity. This year, we had numerous interruptions receiving trucks at ETC due to road issues. The asset is there, but if the trucks don't arrive, the asset doesn't generate returns. Hidrovias has been working closely with Via Brasil to support building a new access road. Topographic studies are underway, and this new access should be ready by year-end, which will allow better asset utilization.
Another example: vessel docking and undocking windows in Barcarena are restricted due to tides. Ships are ready, but can't depart. Hidrovias conducted all the studies and is presenting them to the navy to authorize maneuvers at currently restricted times. This will let us use the terminal more efficiently. So, these are internal and external examples that will allow us to run assets more, generate more revenue, and improve ROIC. Our goal is to be proactive in solving such issues.

André Hachem

Regarding the financial result, 2Q25 was impacted by some extraordinary movements. We repurchased our Bond 31 and issued a new debenture to refinance it. Additionally, we have been reducing FX exposure through derivatives. Structurally, the goal is to reduce FX exposure—Hidrovias began 2025 with 80% of debt in USD, now around 40%, and we want to reduce further. Our strategy is FX neutrality, so derivative positions are hedges, not speculative.

Going forward, our debt profile should be simpler to model, since we no longer have hedge accounting. Most of it was tied to Bond 25, which we repaid in January, and a small portion remains in cabotage, which we expect to divest in 2H25. So, Hidrovias' financial results should be much simpler going forward, mostly in local currency, without hedge accounting distortions. Regarding leverage, we are now at 4x net debt/EBITDA, but our LTM is close to 1H25 results, so we expect meaningful deleveraging in 2H25.

Gabriel Frazão

Great, thank you, Décio and Hachem, very clear.

Operator

Our next question comes from Mr. Pedro Tineo of Itaú BBA. Please, Mr. Pedro, you may proceed.

Pedro Tineo

Good morning, thank you. I have two questions. First, as you mentioned Hidrovias being the main low-cost provider—in a scenario of soybean prices under pressure and delayed commercialization—do you still see room for tariff increases in the short and medium term? Also, regarding ROIC expansion, how much could be achieved simply by tariff adjustments?

Second, I'd like to ask about cash generation. This quarter you had about R$300 million in operating cash flow. For the rest of the year and for 2026, do you have any guidance? How should we think about EBITDA-to-cash conversion and CAPEX in the short and medium term?

André Hachem

Perfect, thank you. On pricing, I won't go into specific details, but overall, yes, there is opportunity. For Brazil and next year, we expect crop growth, leading to more outflow pressure, with no relevant new capacity coming online, neither in Santos nor in the North. So bottlenecks that already exist will be exacerbated. This could allow us to optimize pricing and services.

For the South, much of demand is already contracted, but we also see a more stable river and appetite for growth in the mining industry. So demand remains healthy.

On cash generation, assuming good navigability conditions continue, we should keep improving operational results. This, combined with Décio's ROIC agenda, should allow results to grow without major CAPEX. We are focused on productivity gains. We also expect leverage to decline, reducing debt service, and we are working on tax optimization. So, looking ahead, the expectation is continued strong results, controlled maintenance CAPEX, financial deleveraging, and tax efficiency. This is the closest to guidance I can give.

Pedro Tineo

Thanks, very clear.

Operator

Our next question comes from Mr. Filipe Nielsen of Citi. Please, Mr. Filipe, you may proceed.

Filipe Nielsen

Hi, good morning. Thank you for taking my questions. My first is about system capacity in the North. As you mentioned efficiencies and floating buoys yet to come online, how should we think about system capacity? In the past, in good hydrology periods, you've done 1.7–1.8 million tons per quarter. This quarter was impacted by truck access issues. So what should we expect in 2H?

Second, regarding Santos, you still face mix effects and inefficiencies. How is efficiency evolving there, and when should we expect a normalized operation?

Décio Amaral

Hi Filipe, this is Décio. In the short term, we expect some improvement in truck access at ETC-Miritituba, which should lead to slightly better performance than 1H. In the longer term, we aim to gain productivity across the system and benefit from ongoing investments like the buoy and the crane. We will provide more visibility at Ultra Day. We also have an important capacity expansion option, our Dobra-TUP project, for which we expect final licenses soon. But the decision to invest heavily will come only once we are sure we've fully optimized the current system. Until then, we want to maximize what we already have, but we keep the option of expansion if strategically needed. Regarding Santos, you are correct—we had important learnings from handling a mix of salt and fertilizers. 1Q was weak in fertilizers for everyone. We now know what needs to be done and see potential productivity and capacity gains, but this won't happen overnight. It involves contract negotiations and other steps. So, it's a journey—the asset will gradually improve semester by semester, but not instantly.

Filipe Nielsen

Perfect, very clear, thank you.

Operator

That concludes today's Q&A session. I would like to invite Mr. Décio Amaral for his closing remarks.

Décio Amaral

I'd like to thank you all for participating and for your questions. If any were left unanswered, our IR team will follow up in the coming days. We look forward to seeing you at Ultra Day, where we will provide more visibility on our strategy to build a healthy ROIC for the Company. See you at our next meeting.

Operator

This concludes the conference call. Thank you all for participating, and have a good afternoon.