Vibra Energia S.A.
Conference Call Transcript
1Q25 Results
May 7, 2025

Operator:

Good morning, ladies and gentlemen. Welcome to Vibra's video conference to discuss the results for the 1Q25.

This video conference is being recorded. You may watch a recording on the Company's website, ri.vibraenergia.com.br. The presentation is also available for download.

Please be advised that all participants will be in listen-only mode during the Company's presentation, and then we will begin the questions and answer session, when further instructions will be provided.

Before proceeding, I would like to emphasize that the forward-looking statements during this call are based on the Company's beliefs and assumptions, and information currently available to them. These statements may involve risks and uncertainties since they relate to future events and therefore, depend on circumstances that may or may not occur. Investors, analysts and journalists should take into account that events related to the macroeconomic environment, the industry and other factors that could cause results to differ materially from those expressed in these forward-looking statements.

With us for this call are Mr. Ernesto Pousada, CEO; and Mr. Augusto Ribeiro, CFO; and some of the Company's executives.

I would now like to give the floor to Mr. Ernesto Pousada, who will begin the presentation. Please, Mr. Pousada, go ahead.

Ernesto Pousada:

Good morning, ladies and gentlemen. It's a pleasure to be here with you for this call. We finished the 1Q25 with a record high EBITDA over R$2 billion. So in this quarter, it was a historical record for the Company. This has been achieved through solid management, strengthening our profitability path in the last 24 months that the Company has been under this management.

We also had an operating cash flow of R$900 million in the 1Q25, and we also announced to our shareholders R$350 million in interest on equity, or JCP. Our payout policy is 40% in dividends. In the last 2 years, we have definitely been one of the companies in the world that have paid out the most dividends. So these are very expressive figures.

We also advanced in capturing synergies with Comerc. We are positive that we are going to overcome these values that we announced before. We mentioned R$1.4 billion in synergies, net NPV, and we have surpassed that. We have been able to advance some reductions in operational costs, which will help us reach this R$1.4 billion. We are also strengthening our guidance. So we hope to reach R$1.3 billion in EBITDA with Comerc.

Another relevant fact is that we are working on the Company's cash management. At the end of 2025, we should break even in our free cash flow with Comerc. In 2026, according to our first projections, our free cash flow should be positive. So we are very positive about this operational excellence efforts that we have been making with Comerc, and we are going to deliver these results as we had announced before.

We are also becoming tighter in expense controls in 2025. We are going to shed more light on this. We are reducing costs in CPV and SG&A. And in both cases, we are focusing on making reductions so that we can increase our margins and also our relative competitiveness.

So this effort has been led by the Company's management so that we can have even more competitive costs. We are one of the most competitive companies in Brazil, but we want to become more competitive relative to others.

Now let's talk about volume. This quarter, we had a relevant fact, which was that for the first time, we had a 1% year-on-year growth in diesel gasoline and ethanol volumes in this combination.

During this quarter, we still had a negative effect of fuel oil and ethanol. So we saw a reduction in volume for these 2 products, but we are very optimistic about Vibra growing again.

In March, we had already posted a growth of 0.2 p.p. in our market share. So this is a significant factor. We hadn't grown for many months, and we are growing again. We are optimistic about our growth in April. So we believe we will continue regaining market share. Just as we lost it, our market share gains will be gradual, and we will see some consistency there.

We have indicators. March is a first indicator, also combating illegality has had very good results, and the RenovaBio program, where we have enforcement for distribution companies. They are much more restrictive in buying CBIOs, and especially single-phase ethanol. In the first days of May, we are already seeing a significant difference. We will be able to grow in ethanol again. And this was a product that suffered a lot in the last few years. It might have been the most affected product in the last few years, and we will continue to grow. We are starting to see some effects already.

And third, but not least, for the first time in many months, we also saw 49% net growth in flagging, banners. So our value proposal for resale is growing, and we have been very engaged with our resellers. So our optimism about this growth with the same levels of margins is very strong.

The adjusted EBITDA margin was R$215 per m³, and this is also one of the Company's focuses, which is transforming our EBITDA into cash generation. We have a high capacity of transforming into cash. Augusto will mention that we had some one-off effects this quarter, but for the 2Q, we will definitely go back to normal in terms of cash generation.

So this is one of our focuses, so that we can reduce indebtedness, especially gross debt. So we are going to work very hard on this. We want to have a year with strong cash generation so that we can reduce our indebtedness.

ROIC was 15.4%. And it's important to mention that the Company's management is focused on variables connected to our shareholders, that are aligned with our shareholders' interest. And I am referring to ROIC and TSR. This is a strong component of the management's remuneration, and this is also connected to shareholder payouts.

And also, I would like to talk about lubricants. We grew 13% year-on-year, the 1Q25 versus the 1Q24, and this was significant and lubricants have a much higher margin than our fuel business, obviously. So it was a very robust 1Q to start 2025 off strong, and we are sure that this year, we are going to deliver the best EBITDA in the Company's historical series, and also the best cash generation in the Company's history.

We are going to grow in share without letting go of our margins, and this will all be done with solid management met with a transforming culture to ensure that these results will be perennial. So, we are very positive about the 1Q25, and this shows the resilience of our business, and all the opportunities that we have ahead of us.

I will pass it over to Augusto now.

Augusto Ribeiro:

Good morning. So on the second slide, we have some news, and this complements some other points that Ernesto has already brought up. For the first time, we are hosting Comerc numbers along with ours.

So just to show you how this slide works, on the first column, we have the figures for Vibra, the controlling company, and then we have figures for Comerc Energy with their specific figures, and the third column shows a consolidation of both, Vibra and Comerc.

So adjusted EBITDA, Vibra reached R$1.8 billion, relevant growth versus the 1Q24. Comerc on its accounting result posted R$213 million. And this adds up to R$2 billion that Ernesto mentioned, which is a record for a 1Q for Vibra.

Our operating cash flow was R$0.7 billion for Vibra, up nearly R$900 million versus the 1Q24. Comerc posted R$200 million, and a total of R$900 million, which is R$1.1 billion higher than the 1Q24.

Here, we are also introducing a new concept in our earnings calls. Our adjusted net income was basically maintained as Comerc had been reporting its results. It already reported adjusted net income, which is basically a reduction of the variation of future and derivative contracts. So basically trading operations.

These are accounting effects, not cash effects. So this was deducted from these results to show our net income for this consolidated operation with Comerc and Vibra. And with that, we posted R$1.1 billion for Vibra in the 1Q, a negative effect at Comerc for the 1Q still, R$-115 million, and a total of R$1 billion for both.

Next slide, please. This is one of the few slides where we have a long-term historical series, and our aim is to highlight the quality of the Vibra team. So we have a history of results in history with Vibra, and this is only possible due to the team's quality throughout several management, but it was the Vibra team that posted these results consistently.

Ernesto has mentioned this before, we had a reduction in volume in the 1Q25 versus the 1Q24. In adjusted expenses, we had a different result. It was a significant growth in comparison to the 1Q24, 26%, although there was a reduction of 1% versus the 4Q. And this has followed the Company's profitability growth, but it reflects all the reforms and structural changes that were made throughout 2024.

As Ernesto said, this does not mean that we are pleased about to have at R$90 per m^3. So in order to grow, we need more volume so that our costs are diluted. So growth is a part of this effort, and parallel to that, we also have made a strong effort in cutting costs.

So the last effort of this sort was a while ago. So we are reviewing our cost centers, our expenses and trying to find opportunities to make Vibra even more efficient in expenses. And this refers to expenses and CPV.

And finally, our adjusted EBITDA margin was R$215 per m³, up 31% in comparison to the 1Q24. When we exclude tax effects from both periods and when we exclude asset sales, our recurring margin was R$164 in the 1Q24, a growth 4.5%. And if we deduct inventory effects, which were positive in the 1Q, our delivered margin was about R$150 per m³; R$151, R$152. And this effect is without inventory hedging, it's net out of both.

The next slide shows our capital allocation. As I mentioned, and you know, this is the 1Q in which we are posting Comerc numbers as well. And we got prepared for that. Our leverage moved up to 1.8x. If we reduce the effect of LCs, it would be at 2.7x, and our net debt was at R$26.5 billion.

The Company's focus besides growth is reducing leverage. So we are working on this, of course, with the financial team to reduce leverage. We have done it in the past in different ways, in different situations, and now we are working to accelerate the Company's deleveraging in 2025.

And we have several ongoing initiatives. We invested R$573 million in CAPEX, of which R$151 million were for Commerce. And Commerce has some remaining CAPEX for its distributed generation cycle. As we mentioned before, the cycle is being used now in 2025, and we will talk about Comerc specifically very soon. And Vibra is spending R$290 million in CAPEX, and cash bonuses for clients were R$132 million. Dividends, as Ernesto mentioned, are at R$350 million, a 35% net income adjusted for 2025.

The next slide shows a snapshot of the Company after incorporating Comerc. So we had several results in our liability management operations, and we continue to reduce the cost of debt. Just an example, it was R$1.7 billion renegotiated with a reduction of 1.7 p.p. in the cost of debt and an extension of the average maturity or term of 4.3 years. Our average term is now at 4.5 years, and our spread is at 0.85%.

So here are the 3 main messages underscoring what I mentioned in the previous slide. Our focus is on reducing the cost of debt, not only by improving financial indicators, but also in order to help us to grow and be more competitive in such a difficult market. This is the Company's focus. We are working on our future liability management. There are other operations, and this is good news for a company of our size. And of course, we want to reduce our gross debt.

And the third and last bullet point is that this will all be done while we are still committed to pay out for shareholders, 40% of adjusted net income, as I mentioned before. And this will be done through interest on equity, dividends and share buybacks. These are our 3 main levers right now.

The next slide shows our service stations. Our adjusted EBITDA went up 9% to R$993 million, so nearly R$1 billion for the 1Q. And our total volume, as was mentioned before, went down by 2%, but in diesel auto or also plus diesel grew. And the main offender here was ethanol. We know how single-phase ethanol has an entire story here, and Ernesto will talk about this, but this explains our volume dynamics for the 1Q. The branded network market share was at 30.7% at the end of the 1Q, and non-branded market share was 4.9% or above 5% in market share.

The next slide shows our number of service stations, 7,946, after a long time, and these results, of course, took place in the 1Q. This net growth of 49 stations. But the effort behind this actually started last year.

We had to review our processes and improve our schedules. And of course, there was an effort from the field team to help us grow. With BR Mania, we opened 89 new stores quarter-on-quarter versus the 4Q24. And this is also a record for BR Mania. In additized fuels, we reached 43.2% market share, up 0.4 p.p. quarter-on-quarter. And this is very helpful for the Company's profitability. It has 21.1% of the volume mix, but 28.2% of our gross margin.

The next slide shows our B2B customers. We had significant growth in the 1Q, 57% in adjusted EBITDA. Here, we see some one-off effects that affected B2B specifically. But in comparable terms, we still grew by over 103% in adjusted EBITDA. So total volume, we saw a reduction, and this is affected by fuel oil. When we look at the bottom line in diesel, B2B grew 7% year-on-year, reaching 1.7 million m^3. Aviation is stable from R$1.08 billion to R$1.06 billion. And market share in March was 30.1%. And in the TRR segment, it was at 17.6% at the end of the 1Q.

The next slide shows a small animation relaunching the Lubrax brand. We now have a new logo. As Ernesto mentioned, our volume growth was very strong quarter-on-quarter. We had 147 new franchises, so the number was much higher than the performance we had in the last few years.

We are growing in premium segments such as synthetics, and our retail penetration is also growing. This is one of the main strategies for this growth in lubricants.

The next few slides will be specifically about Comerc. As we mentioned before, we reached at stake of R$213 million, up 15%, and there's a significant seasonal effect here when we compare it to the 4Q24. So R$268 million is in line with our internal expectations. So this was an excellent 1Q for Comerc. And operational cash flow was positive by R$195 million.

And of course, it is negative considering that we have payments on remaining interests and so on. Our expectations are in line with the effort being led by Clarice and the Comerc team, and we hope to recover free cash generation after interest and after CAPEX investments, and we hope to break even in the next 12 months, still in 2025 and start generating free cash next year.

I will not repeat this. Synergies are going very well on all 3 pillars. All efficiencies have been anticipated, financial and synergies from personnel and infrastructure. So we have advanced well. And of course, there are tax efficiencies, which is more for the long term. And our guidance of R$1.3 billion in EBITDA is maintained for 2025.

The next slide shows that we reached 2.1 megawatts at peak generation in the 1Q25. Our capacity goal is 2,200. So in centralized generation, we reached our goal and in distributed generation, we are basically still short, as I mentioned before, due to cycle 3 GD, but we reached 137 gigawatts hour in the 1Q.

At the trader, we concluded with R$510 million in the 1Q. And with that, as mentioned before, we are very happy about our results in the 1Q for Comerc even though we are facing a tougher situation when you consider other issues.

This is being offset by higher efficiency initiatives with Comerc and the Company's continuous effort. So this is one of the reasons why we were able to be at this guidance for 2025. That's why we sustained our guidance.

Ernesto Pousada:

So I am back now to talk about our ESG agenda. First, when it comes to energy transition, we were the first company to offer SAF to Brazil. We are importing small amounts, but we are always basing our energy transition on 2 vectors, our clients' interest and return on capital.

This is a small pilot project, but we are supporting our aviation clients' needs. They are starting to request testing and Vibra was the first to provide them with SAF. We were also recognized by LinkedIn as one of the top companies in Brazil, offering the most growth opportunities, professional growth opportunities. So we are very happy about that. And we are in the B3 ISE portfolio for the sixth consecutive year.

And finally, Vibra is also getting engaged with this movement against sexual violence against children and teens. So we are aligned with the childhood group in Brazil and the Mulheres do Brasil Group, led by Luiza Trajano. So in March, we had an event with over 150 companies joining us in this movement.

So why is Vibra getting engaged with this? A part of sexual violence, exploitation happens in roads. So we have over 200 companies engaged in this, and we would like to invite everyone to be agents for change here. We also have a call number because sometimes these things are closer than we may imagine.

So in March, for 4 or 5 days in front of Shopping Paulista on Paulista Avenue, we had an ‘inconvenience store’, where we were showing in an interactive way what sexual violence means for children and teenagers. So we are very engaged with this, and this is above all something that we will leave for Brazil, and this is a cause for all Brazilians.

So that concludes our opening session. We will now begin the Q&A. We will now begin the question-and-answer session for investors and analysts.

Luiz Carvalho, BTG Pactual:

Thank you for taking my questions. I have 2 questions. And first, I would like to hear from you. I know that this is a broader question, but we have been talking about a concern on this loss of share for the 3 main players. And of course, Vibra is on the list. So my question is, how do you see the Company's current market share? Do you intend to recover that? And what does that mean when it comes to your margins? You are at relatively healthy levels, ROIC is close to 15%, and we see that the regulatory environment has improved with biodiesel, CBIO and ethanol, as you mentioned. So if you can tell us a bit about this dynamic with shares versus margins.

And my second question is, I would like to understand a bit more about single-phase ethanol. We know how different it is to capture this. Vibra might be the player that will benefit the most from single-phase ethanol. So for the rest of the year, how fast do you believe you can capture these R$$0,10 per liter? And if you can give us some visibility on how you are seeing the 2Q with these adjustments and the changes with import dynamics.

Ernesto Pousada:

Luiz, thank you for your questions. I will let Augusto also add, if he has anything to add. Our share in the last few years has been worked on very strongly. We are aiming to improve margins, and we are trying to provide operational efficiency internally. And this happens through cost improvements by improving our own models, pricing. And so we are growing with our EBITDA margin year-on-year.

And we are at a different cash generation level for the Company. This is partly due to a loss of share in some specific segments. And this happened gradually. We are very optimistic about the fact that we are going to recover our share gradually. In March, we grew by 2.2% versus February, and we will continue growing.

So there were moments in which we grew in the past, but why am I positive? I think the regulatory environment is changing. We have a significant improvement in RenovaBio, and this gives us an advantage of R$40, R$50 per m³, and we are engaged with this. And we also have single-phase ethanol, which will be a win for the entire industry. And we are already seeing this in our results for May. We are starting to see this happen in ethanol.

So resales went up significantly since 2024, and those 49 service stations that were added were not just done overnight. This was a process that began in 2024 that accelerated in the 2H24, and we will see this continue in the next quarters. So we have indicators showing that we are going in the right direction. It's a very competitive market.

It's a market in which there is a big competition for space and volumes and to sustain margins, but we are positive that with these 3 pillars, we will be able to grow and sustain our margins.

And I would like to highlight one more thing. This year and for the next years, we are doing or making a big effort to reduce our costs. We are one of the most competitive companies in Brazil, and we will be even more competitive.

And this is going to give us even more strength so that we can grow with more. So the management and the entire team are confident that this will happen gradually. We are not going to see market share leaps, maybe for ethanol, but we are not going to see big volume leaps. And just as we lost this gradually, we are going to recover it gradually. So we are going to have a unique value proposition with our resellers. We are going to expand with new stations, and this goes hand-in-hand with our cost reduction.

This combination will allow us to deliver growth with the same margin levels that we are seeing today. So single-phase ethanol. Well, we are seeing a positive effect. We believe that with ethanol, we will be able to simply recover what I would call our fair share in many states where ethanol was leading. We weren't leading or we weren't even second place.

So we see a lot of potential for this. And this should happen faster. We hope to see some market share gains in May in ethanol. We have been feeling this since we started with single-phase ethanol. Of course, we still have very few days. We will have to wait. But at least initially, we are starting to see this happen.

And your third question was about this comparison quarter-on-quarter. Of course, there are significant accounting impacts since there was a reduction in diesel prices, but what we are seeing and what we believe we can do is exclude these one-off effects, in line with what we saw in the 1Q25.

Matheus Enfeldt, UBS:

Good morning. First, I would like to congratulate you for changing the earnings release. I think that was very clear, and it helps us to understand the Company's moment. I would like to ask about how we can consider CAPEX for the year. Even if we deduct that CAPEX from the third cycle of GD, the distribution CAPEX was very high. Last quarter, our expectation was that this year, it would be more in line with 2023, but it was actually 2x the CAPEX that was posted in the 1Q24.

So I do not know if you have a high CAPEX concentration there. I would like to understand this level of investment, and what we should consider for the rest of the year, especially on the distribution side, so that we can understand what the fair run rate for the year is and if we will be closer to 2023 than 2024.

And my next question is how you have been looking at supply. There's been a lot of price volatility in this month, and when we look at ANP data, and I do not know what the quality is for this data currently, but you showed a high volume in January, a bit less in February and a little in March. So what have you thought about for your supply? Do you have enough product to overcome this? Do you have any arbitration in trading? So how will you navigate this high volatility moment? That's all. Thank you.

Augusto Ribeiro:

Matheus, distribution CAPEX 2025, with Comerc, this is the remaining CAPEX, as I mentioned before, to conclude these GD projects and maybe any other solutions that will provide a return.

But for Vibra specifically, and I did not mention this, this is on the footnotes, but this is a cash perspective. So that's for bonuses and for CAPEX. And we have all of the comparison numbers since 2021 on the same base. So for our CAPEX number, first, we had a carryover from last year. So bonuses, growth, and this is aligned with our strategy growth, and it influences our numbers for the 1Q.

And before I conclude, I have to make it clear that if our strategy, market share and costs and returns are in line with our expectations, we will continue growing in service stations.

Considering the market situation, the cost of capital, we are going to have to work on the investment pace for 2024. We are seeking what we saw in 2024, 2025. If we spend more on bonuses, this will need to be offset by other points.

But this is not a guidance. This is more of a CAPEX estimate. So we are in line with the expected results for these investments. If our strategy, again, is growth, and this is in line with everything we are doing, and if indicators start establishing a trend, that's 1 point, 2 points in the 3Q, and our investments will support this strategy. That would be the right way forward.

But in summary, looking at the spreadsheets, cash, expenses and so on, 1.7 is appropriate for this part of the year.

Ernesto Pousada:

I can answer your question about supply. Matheus, our supply has been sustained. Our strategy has been to give preference to our Petrobras quotas, but our trading is increasingly active.

So we have designed our trading company for that, and we are seeking some additional opportunities that might give us results. Our goal is distribution. Our trading is not separate from distribution, it's under the same operation with Marcelo Bragança, our Operations VP.

So the trading company is here to maximize our results so that we can see opportunities, trading and sourcing. But we are always going to see small changes. This is something that I mentioned in the past, and this is something we have been doing before.

We are avoiding making big changes to our trading. We are always optimizing sourcing or seeking additional volume in the trading when it is possible.

Augusto Ribeiro:

If you allow me to add to that, this goes a bit beyond your question, but it's important to say the market has been reducing total inventory days. Since January, over 40 days down to 36, 37. And what we are seeing with all this volatility, and we have a good vision of vessels at port in June, of course, we will have more variability, but this demand is still much higher than the supply. So inventory days will reduce.

Of course, it depends on strategy, price, Petrobras. But what we have been seeing is that at the beginning of this quarter, we saw 3 price reductions with Petrobras, and we believe that this will continue so that we can sustain competitiveness at a relevant level.

So when it comes to supply and demand in the 2Q, we will not see so many imports coming in, although this is very high in comparison to the first price operation.

Ernesto Pousada:

Volatility inhibits imports because this generates uncertainties for the values. So the effective margins that you are going to get, especially when volatility is high. So this just concludes what Augusto mentioned.

Vicente Falanga, Bradesco BBI:

Thank you. This is a follow-up question about CAPEX. I would like to understand this R$1.4 billion. If that includes the bonus, it was at R$1.8 billion. And this R$1.4 billion, about half of that has been performed. So will there be a spillover for next year? The market wants to know what your CAPEX cash will be this year. That has generated some volatility in your share prices.

And my second question is if you plan to hedge PPA with Hélio Valgas.

Augusto Ribeiro:

Thank you, Falanga. So CAPEX is what I mentioned for the cash effect, R$1.4 billion this year. There was some change at the end, and this is the figure that we are working on for the year. R$1.8 billion was the accounting effect which we mentioned at the end of last year. So you said it well, there is a carryover cash for the year, that's the vision that we have right now.

PPA, volatility and Comerc results, we usually have blocks and hedges for the next year. So for 2025, this is set, and from 2026 onwards, we have a long position for the dollar. And this lock has 2 challenges on the long term. First, the cost, and it's about R$15 million in yearly positions.

And the second point is the uncertainties about the rates you are going to have. So that's why the operation is locked in the current year. You have to hold the open position for a long time and it will generate some volatility. We always look at these possibilities if it's worth accelerating and advancing this, but this is our current strategy with Comerc.

Bruno Amorim, Goldman Sachs:

Good morning. Thank you for taking my question. I have a follow-up question about market share gains. Stepping away from that month-by-month discussion, if you can give us a long-term perspective, the smaller players have been, for about 2 years, gaining share in diesel. Some volatility, of course, but there is a trend towards that even with single-phase diesel being implemented. So I would just like to hear from you, why do you think this is happening? And this is not only Vibra, but there's also a trend that smaller players are gaining share. And why do you think this trend will be reversed? This is something that has been taking place for some time.

And also, with your visibility being closer to the industry, how are your competitors doing? Are these smaller players gaining share consistently? Maybe they have better return levels. And of course, there's a discussion on combating informality, but I would just like to hear your take on that, on what has been happening in the last years, specifically with diesel, and what we should expect from now on, if you think that this trend will be reversed.

And I also have a quick follow-up, if you can help us to quantify the impact of partial single-phase ethanol margins or volumes, especially margins. If you can tell us a bit about how the ethanol margins are doing, and where do you believe that this margin should be in a world without any informality? That will help us to quantify the upside. Thank you.

Ernesto Pousada:

Bruno, good morning. Thank you for that question. So going back to market share, you mentioned diesel specifically. Talking about margins, the first point is combating illegality. Many of them are happy with their margin levels; not all of them, let's make this clear, but not all of them are playing within the rules. They are evading CBIO purchases. They are not adding biodiesel. So if you look at that, there are only about 8 or 12 months since ICL has really accelerated its initiatives. And this is structural.

This is a complex effort, but this is something that you cannot return from. This is not only an agenda for the industry, but for the entire country. So we see this in the media, we see several government agencies discussing it. So this is something that we cannot reverse. And this will change. We will have the competitiveness we need so that we can grow at this level. And this has been happening gradually. So this is the main point that explains that.

And not only that, but you will see in our next results, we have the power of the brand. We have our value proposition with BR Mania, with Lubrax+, training service attendants. There are many things that we make available to our resellers. And we see a high engagement in our resellers who want to be with Vibra and who want to have the right conditions so that they can be engaged with us.

So we see that this is very close to a reversal, and it will be gradual, as you said it yourself. So this loss in market share might be higher in the next few years, but we always see a recovery at the same level.

So we will gradually recover, and the first insights are given in the 1Q. We saw a net increase in the number of stations, and this was very relevant. We saw a significant number of new stations with monophase. We see strong effects.

And I would just like to reinforce for the third time, something that I have been mentioning. How are we going to stand out when it comes to diesel? We are trying to reduce our costs in a relevant fashion in the next years, and this will give us a competitive edge so that we can continue growing with margins, fighting irregularities, planning our resellers, and this has been proven by the NPS lead that we had with our resellers, and reducing our cost base, becoming more efficient in logistics so that we can be more relevant and grow with the same margin levels.

When it comes to ethanol, we are going to prioritize our share. So this is a strategy that we designed in advance to the single phase coming in, but this has been adjusted every day in the Company. So at least at first, we are going to prioritize gaining market share.

Augusto Ribeiro:

Adding to that, what Ernesto was mentioning is all quantifiable. We cannot share these numbers, and there's a soft internal part that is very relevant. So we have someone working with intelligence and technology and there's a lot that we need to invest in to ensure our degree. Do you remember, we talked about our intensity. We changed internal flows. We have strategic projects. Some of them are starting to show effects in numbers. But there are many things that still need to impact that will still see the impact in our operation.

So we are expanding stations. This was one of the projects that started in our war room. And the fact is that the smaller you are, the more agile you can be in making decisions. And then, of course, assuming that everyone is working to maximize our results, working within the rules. So we opened space for operators, and we need to be faster.

So war rooms, people in several functions, working on projects, different ways of working. It's soft in the sense that you cannot quantify it, but our work since Ernesto started in his position a number of years ago, there are many things that have been implemented, and we believe that the results will start showing now in 2026. This is what we are doing to deliver results.

Monique Greco, Itaú:

Thank you for taking my questions. I have two. First, I have a question on lubricants. Ernesto mentioned that there was a significant growth in volumes quarter-on-quarter and that this is a strong business when it comes to margins. Can you give us some color on this ramp-up speed for the plant? At what level of utilization are you? And when do you expect to reach 100%? And how will that translate into EBITDA gains? When will we reach that R$1 billion that the Company mentioned they wanted for this segment in EBITDA?

The next question is a point that other analysts have asked about. When we think about margin levels for the rest of the year, Augusto mentioned an expectation for the 2Q of margins being in line with the 1Q. Considering this margin level for the entire year, would this be consistent with your expectations? Ernesto mentioned, posting the best results in history. So are these margin levels consistent with your expectations, or do you expect to expand on margins by the end of the year? Thank you.

Ernesto Pousada:

I can answer your question about lubricants. So with lubricants, volume has been growing. We have had a higher occupation in the plants. Of course, we have a plant that, after the expansion, is significantly bigger than our sales. So this will be a gradual process. We are at around 60%, 65% occupation at the plant. So we still have a long a way to grow.

Of course, there are opportunities for this year specifically. And we also have to mention that these volumes are locked in 2- to 3-year contracts. So this is not a spot price. We are also ensuring that the volumes we are getting are long-term volumes so that we can ensure these plant volumes since we have this availability.

So the B2B team has been working to ensure that these volumes will be based on long-term initiatives. So this will accelerate our growth ambition in lubricants, which is one of our main avenues. So in 2025, we might be able to achieve what we had planned for 2026. So that is acceleration in EBITDA. And our highest goal, as we mentioned in our Investor Day, is to be a stronger company across Latin America and to surpass R$1 billion. So we might be able to do this in 2025.

To answer your question on margins for the rest of the year, we expect to see incremental growth as volumes come in due to cost dilution, but it will be incremental. If you take a proxy from the last 2 years, that is around what we expect. This is our main goal, and our margins should improve incrementally since our costs will be diluted. But our focus is on growing at this margin level. So this is what we see for the rest of the year.

Augusto Ribeiro:

As a reminder, we have seasonal effects. In the 2H, we have higher volumes than the first, and this is gradual throughout the year. And that's it.

Regis Cardoso, XP:

Good morning. Thank you for taking my question. I will ask a single question, but this is something I want to know from you about your capital allocation, specifically banners. 2024 had a far lower number of banners that amortization. And I understand that you want to migrate to cost, but it does not seem to explain a delta of 60%. And with this quarter, we got closer. If I am not mistaken, it was at R$130 million with an amortization of R$170 million.

Typically, the 1Q is a bit slower. So it seems like you have accelerated. So what I would like to know is this. Have you made shorter contracts? Is this a goal? Are there any benefits to it? What explains this? Do you believe that it will accelerate now? We see that the number of stations has gone up. So this is a broader discussion, but I would like to hear from you about capital allocation into banners.

Ernesto Pousada:

So I can talk about this strategy. We started an effort in the last few years, focusing on gaining operational efficiency and consolidating our management model. And throughout 2024, we structured our growth strategy in stations. We redesigned processes, our team, personnel, systems, automation so that we could accelerate at the end of the last year, especially in the 1Q.

So if you look at 2024, we did have a low level of flagging or banners. So in 2024, it was lower, and now we are accelerating to a level that we believe will position the Company in higher growth. So we will see this growing. The 1Q, as I said, shows this, with 49 new net stations, and this is a part of our strategy.

As you mentioned, there is a shift in our strategy. We were much more conservative. We were building the basis so that we could grow in flagging efficiently and post good returns. That's very important. We are not investing on every flag station. We want to have returns to make sure that we will sustain or increase our ROIC at the end of the day. So that's the main indicator that we are always looking at. There's no reduction in contract duration.

Augusto Ribeiro:

Yes, these are some small examples. So contracts and negotiations to be concluded in 5, 6, 7 or 8 months. You cannot conclude a negotiation. Your capital commitment will be locked because, from the financial perspective, this is considered cash used and it does not happen throughout a long period. So we had to look at the returns per harvest, why some harvests are better than others and what happened throughout some time without changing the average term.

So these were so many small movements. We have been looking at this from the end of last year, and we are starting to see the benefits now.

So that's a simple explanation. In 2026, we expect to grow in expanding the number of stations, and this can be done through bonuses. So this has to do with returns. obviously. This is our appetite, CAPEX versus EBITDA and so on.

Regis Cardoso:

If I can ask a follow-up question about this, I understand that the current moment is favorable for flagging considering that interest rates are expensive, but it's not favorable because imports are open and we are not short of products in the market, quite contrary. This context is even more competitive. So I would like to hear your perspective on that, and if you can tell us about capital allocation with PP&E. You have been above amortization in the last quarters. So I know that you were expanding in the Midwest, and I would like to understand your trends there.

Ernesto Pousada:

This might be something I did not mention. I mentioned engagement in the interest, an increase in interest in flagging with us. We are having revenue management. So we are selecting the best opportunities. We have many opportunities on the table and our pipeline in the last 2 years for flagging has never been this robust. And we are doing revenue management, selecting the best options, the best operators. So what we have seen is that the import window, what is changing is our presence in the field, how close we are to our suppliers.

We have partners that value this relationship, who wants to grow. And after this much time looking at the last 2 years, this has been echoing. So we see that our resellers are engaging at a different level that we did not have before, along with our own internal adjustments, as Augusto mentioned, processes, systems, the team. So we are very optimistic that we are going to see that the Company's flagging level advance in the next quarters.

Augusto Ribeiro:

When it comes to investments in other assets, you mentioned 2 events last year. And there was a higher carryover for 2024 to 2025, and that justifies an expense above our historical levels. So again, referring back to what I mentioned, that R$1.4 billion in cash between bonuses, investments in technology and fixed assets and so on. This all needs to fit into this calculation, and this is our projection for 2025.

Gabriel Barra, Citi:

Thank you for taking my questions. I have two. We talked about dividends. Augusto mentioned the Company's focus on deleveraging, and you have a high base for payments on interest on capital, R$1.6 billion or R$1.7 billion. So in that context, what are your priorities? And what can we imagine given this scenario of interest on capital? How will that be split this year? Would you pay interest on equity? I would like to understand that better.

And another thing was ethanol. One of the points you mentioned was, when you had your JV with Coper, you had this possibility of gaining competitiveness with ethanol. And it's always been difficult to compete with ethanol. So I would like to hear from you, with the JV, how does that affected you considering this JV with Coper? What is your strategy there? Thank you.

Ernesto Pousada:

About ethanol, although we are publishing these results, a part of it is in ethanol. And of course, a part of it is not in the results. And this partnership with Copersucar is something that we are assessing constantly. What we perceived is that right now, it is not delivering everything that we had planned for. It has positive results, but it is not being as productive as we had imagined.

We are in full operation as of last year. This is the second year of full operation, and it's a bit more premature, but we have not been delivering what had been in our premises before, and we are going to continue analyzing this so that we can provide more competitiveness.

Augusto Ribeiro:

Just as we did in the 1Q, we announced R$350 million in JCP. And we are going to try to maximize our returns for the Company, whether it is by dividends or share buybacks. We are going to work with these tools throughout the year, and our aim is 40% adjusted net income. Of course, there are accounting effects that are being deducted so that we can provide a better estimate on what a run rate would be.

So it's important to mention that in capital allocation, Vibra is still on the target of providing returns for our shareholders through these 3 strategies that I mentioned, which includes share buybacks when they are strategically relevant.

Leonardo Marcondes, Bank of America:

Thank you for taking my questions. When it comes to Comerc, you reaffirmed this guidance. And I am wondering what you are expecting for trading within this guidance.

I would also like to ask for more color on the synergies that you mentioned before, especially in OPEX, considering that with liability management, this is a bit clearer for us.

I also have a question on capital allocation. Earlier in the call, Ernesto reiterated your dividend payout policy of 40%. So I would like to hear from you about what we can expect about capital allocation. Since the Investor Day last year, some things have changed. So I would like to hear some color on that.

Ernesto Pousada:

Thank you for your questions. About your question specifically on Comerc, of course, we are working across all businesses, trying to maximize each of the Company's business verticals. We cannot give specific information about one business unit.

So we continue in line. Of course, there is an impact in curtailment in centralized generation and all other businesses are making an additional effort and reducing costs, so that we can sustain this guidance of R$1.3 billion.

And when it comes to specific synergies on costs, what we have found since last year and have been seeing since January is a significant opportunity to reduce costs for Comerc. We call this synergy, but we are actually reducing costs given that the focus of the organization has always been about growth.

What we have been seeing is that there is a higher opportunity than we had imagined initially to reduce costs, not only SG&A, but also operational costs related to our CPV, and some operational improvements as well, generating more with our GDs. So there are several opportunities there.

So we are finding more opportunities than we expected in the cost of opportunities to reduce costs in Comerc. And I said that our agenda is focused on 2025 in providing operational excellence, ensuring that we are delivering synergies, that we are going to cash generation. We want to have breakeven until the end of the year. We are generating positive free cash flow, so we have a lot of confidence that we are on the right direction.

Augusto Ribeiro:

And to answer your next question, Leonardo, within the strategies that we announced in our Investor Day, as Ernesto said, we are still focusing on lubricants. It has had strong results. It's a pro-growth market with everything we have been seeing recently, market share versus organic growth.

So lubricants have been doing well in our strategy. Logistics have been a discussion, having higher operational efficiency. We have started to make investments for this year, and this is also being reviewed with our footprints.

So I mentioned CPV, logistics. Our attempt is not only to cut costs, but also becoming more efficient. You asked about competitiveness and players in the market. So logistics have advanced in this direction.

Expenses in B2B, we do not have any news, or we do not have anything to share. And returns on renewables, as Ernesto mentioned, we have Comerc's reference. Our capital allocation is continued with the remainder of distributed generation and stations. Everything we mentioned, bonuses, capital allocation to provide the expected growth in this segment for the Company.

As a reminder, this is a very volatile year. So we had a positive impact in accounting due to price increases from Petrobras in the 1Q, and the 2Q will have a negative impact for sure. But you know this, you understand the market. The accounting impact is a bit different from our impact in commercial margins.

So when we look at our estimates for the 2Q and how we can pass on prices to the market, we are still very confident. And as a reminder, price reductions have a significant impact to cash, working capital. We often talk about the impact of EBITDA, but we do not talk about this. And this has another consequence, which is for the use of cash in the Company.

So this is something that we have been doing very well, and that's what makes us confident that 2025 will be a good year for Vibra.

Operator:

This concludes the question-and-answer session. We will now hand it over to Mr. Ernesto Pousada for his closing remarks.

Ernesto Pousada:

Thank you, everyone. I would just like to underscore a couple of points. First, the Company is focused on 2025 to have expressive cash generation and reduce our indebtedness. That is the first point. As Augusto mentioned, we will have lower prices, which will free up cash for us to reduce our indebtedness. So the Company is focused on generating more cash to reduce indebtedness. And this is what we will do in 2025.

The second point is ensuring that 2025 will be Vibra's return to growth. We will continue to grow in the diesel, gasoline and ethanol market, and we will be at the margin levels that you are seeing. So these are the Company's 2 main focuses in order to deliver this in 2025.

Thank you, and have a good day.

Operator:

This concludes the Company's conference call. Thank you, and have a good day.