



Vibra Energia S.A.
Conference Call Transcript
2Q23 Results
August 15th, 2023

Operator:

Good morning, ladies and gentlemen. Welcome to the Vibra Energia conference call to release results for the 2Q23.

This conference is being recorded, and it can be accessed in the Company's website, www.ri.vibraenergia.com.br. Presentation is also available for download.

We would like to inform that all participants will be in listen-only mode during the Company's presentation. Then, we will start the questions and answer session, when further instructions will be provided.

Before proceeding, please bear in mind that forward-looking statements are based on the assumptions and beliefs of the Company's management and on information currently available to the Company. These forward-looking statements can involve risks and uncertainties as they relate to future events and, therefore, depends on circumstances that may or may not occur. Investors and analysts should keep in mind that factors referring to the macroeconomic scenario, operating factors and other factors could lead results to differ materially from those expressed in the forward-looking statements.

Today, we have with us Mr. Ernesto Pousada, CEO; and Mr. Augusto Ribeiro, CFO, besides the presence of some of the Company's executives.

I would like now to give the floor to Mr. Pousada, who will begin the presentation. Thank you, and please you may proceed, Mr. Ernesto.

Ernesto Pousada:

Good morning, everyone. I am very happy to be here with you presenting the results for the 2Q23. We have Augusto Ribeiro here. He took his role in July of this year.

The first slide shows our great management of operational variables. I believe that we had a number of aspects impacting our results, now with a very significant impact with diesel prices reductions and this impacted the inventory costs for us. We also need to consider imports of Russian diesel. Vibra did not do these imports, but even so we were able to accommodate our results by efficient management.

First, we will start with our EBITDA. We have R\$101/m³. So we also have operational cash generations. We are very much focused on that, and we were able to generate operational cash of R\$900 million. So this is ever more present in the cash allocation for the Company. We have R\$910 million in adjusted EBITDA, that is 43% below the 2Q22, but 32% compared to the 1H23. So we can see that we are in a recovery trend, even though we do have the impacts regarding the Russian diesel and just mind that we have not imported Russian diesel.

Another important highlight under our management is minus 4% in the 1Q23, and we have a growth of 0.5% in the 2Q22. So way below inflation. That represents R\$600/m³, and this reflects the Company's cost management. The sales volume is over 9 million m³, so plus 3% considering the 1Q23 and minus 3% in the 2H22. So this is the contracted clients and flagged

service stations are the focus now. So you see all of the lines here in our P&L, so more efficiency in the Company management.

This next slide shows that in the 2Q22, we had an expressive increase in diesel prices, especially and since then and especially in the 2Q23, we have a very relevant drop in prices, and this impacts the variation of our inventories and in turn, our active results. Just mind that during the 2Q, we have put in place a very efficient price management policy. So we are working strongly on pricing. And of course, we work jointly to try to streamline both our results and that of our clients. Here, the service station networks, interesting facts, we became leaders for premium and additive products. So our market share has been growing. And now we have 44%. We lead the premium fuel market. And another important point is that it's been growing even considering our own product mix. So we have grown by 2 percentage points in our own mix. So ever more, we want to improve in the premium segment. And of course, this is interesting for us because there's more value in this product for us.

Now we have a lot of progress in our value proposition. You see that market share for flagged stations, you had a growth compared to the 1Q22. And we also had drop in the unflagged stations. This shows the focus of the Company to support flagged stations, and we want to work to increase VMM to have a good value proposition for our flagged stations, our clients, so that we can move forward, bringing our brand, our flag into the future and bringing more value to our clients and to Vibra.

The adjusted EBITDA is pretty much in line with the last year. In the 1Q23, we did have some impacts, but this consistency shows that we are working on solid grounds here.

Some interesting progress here, we have over 3,000 stations with the new brand in all of the states in Brazil. We have over 40,000 assistants that have been registered. We want to engage our assistants so that we have a more consistent value proposition at the end of the day.

The Premmia action involved over 4,700 stations and generated a lot of engagement in TikTok and other social media. We had a record engagement into TikTok. We want to be closer and closer to our clients, our consumers and show the value of Vibra.

We also have the Premmia. We want to bring value to consumers. Our app has grown in payments by 75%, 79% in transactions and 55% in active users in this quarter. There's a new partnership with Smiles as well. This is a consumer loyalty tool, and we are sure that Premmia is going to be part of our consumers' daily lives.

We have BR Mania, expansion continues. We have 1,235 active shops, and we have 90 new ones to come by December this year. Sales are 17% up in the quarter and 20% accrued in the year. We have 37% of the shops already adjusted to the new branding and 190 shops are on the process of rebranding their layouts.

This is B2B. There were some difficulties regarding inventory, but mainly the Russian diesel. So remember, Vibra did not import Russian diesel. And B2B is the area where we see most impact here. The figure here is 3,365 million m³ in the 2Q. So we were able to hold our ground. But the biggest impact was on market share and on our margins.

So when we look at the market share overall, TRR was the most affected one. It is the last one in the lower right corner. So the difficulties we have is regard to maintaining market share and assisting direct clients. You see that we have some growth in diesel consumer market shares, you see 30% there. Mind that this will be our focus to be working directly with our clients. As for jet fuel, we have some reduction in volume, but we are recovering some impacts regarding the reduction of jet fuel prices have impacted us. But now with oil gone up, jet fuel should also follow.

As for lubricants, we have been growing this market. This is going to be our focus. We want to increase the lubricant business significantly. Lubrax, our brand, is a product that we want to work not only for retail but also in B2B. We believe that we can gain share and company image is doing that.

Now this slide talks about energy. We had a very important milestone with the energization of the Hélio Valgas plant with a design capacity of 662 megawatts. It can provide power to 800 million households. So the projects under Comerc are starting to be started up, and we do not see them reflected on the EBITDA. In the 2Q, we had R\$55 million, but as of now, we are going to see this escalating in the coming months. So as the plants are started up, as Hélio Valgas was, we will see this.

So we have 1,064 megawatts of operating capacity, 50,000 clients. We also have launched Mesa de Carbono with them. It's a program. In the 1H23, we have been refining, we have been refining this with Clarissa coming in, and we will start harvesting the results of the efforts then.

Here, we have the renewable energy plants. We have Hélio Valgas, São João do Paracatu with the solar energy, and we also have some other plants. So it's wind energy in Babilônia and Rio do Vento. We have implemented 70% of our renewable energy pipeline. So when we started the Comerc project, the promises were many, but the capacity is being delivered.

We now have delivered installed capacity of 1,407 million megawatts. And we have 425 megawatts yet to be implemented. We have 184 megawatts installed and the pipeline for implementation 266 megawatts. So as you can see, the units are close to be started up, and we are very strong on that.

Here, some of our partners, we have Evolua Etanol with 943 million m³ in volumes and transactions with Evolua in the quarter. We have about 102,000 m³ exported in 6 ships and adjusted EBITDA of R\$19.5 million. This represents 25.9% of the ethanol market share in Brazil.

We are now leaders in the ethanol market in Brazil. Historically, we have never been before. In the 1H23, we have been so, and Evolua will certainly help us boost that.

We also have ZEG Biogás. They have started up the Jambeiro biogas plant. It's still a small production of 30,000 m³ per day. But we see a potential of 2 million m³ with ZEG produced daily. So it's a great opportunity for our B2B business.

And we also have EZVolt with over 16,000 monthly recharges and 630 chargers that have been contracted in 13 Brazilian states. So what we are trying to seek is to have an electrical corridor. How can we make sure that the consumers will have power available to recharge their cars when they need? EZVolt is our partner put that into place. We have over 4,500 users in the recharging app and everything.

An important milestone in the quarter was the new organizational structure. We have Mr. Ribeiro, our new CFO; Clarissa responsible for Renewable Energy and ESG. She started in August. Vanessa, Business, Products and Market; Bernardo, B2B Commercial; Flavio, Commercial, Retail; we have Henry, our General Counsel, Legal; Aspen with People and Technology; and Marcelo Bragança with Operational Logistics and Sourcing.

So it's a very diversified group. We have seasoned professionals, professionals that have been in Vibra for a long time. We also sourced other people from the energy market. It's a very

diversified team. I believe it's a winning team that will deliver results consistently in the coming years.

Finally, this is the last slide, and it addresses sustainability. We have had some acknowledgment that I would like to highlight here. We have the Best in ESG granted by the Exame Magazine. And this is the second time in a row that it happens. We were also acknowledged as the second best company in Brazil in ESG practices in the Caliber Rank ESG Ranking. We were also granted an important award by the Innovative Workplaces in Brazil. We were among the 20 most innovative companies in Brazil.

In safety and environment, we have the Yellow May movement. We had Formula One pilot Felipe Massa engaged in a campaign to raise awareness regarding traffic accidents. We also have the Faça Bonito campaign for human rights to address sexual exploitation of children and adolescents. And we also have the energetic transition. We have made a call for proposals to have projects by women and these are, of course, ESG projects. So this is the sustainable results we have for 2023.

So I will close highlighting what I said in the opening. It was a challenging quarter, but we started sharing our capacity of our operational management and to address each line in our P&L. We have a lot of room for improvement, of course. But when we look at the results, against others, considering all the setbacks we have, we are very optimistic.

So thank you very much. And I will now open for Q&A.

Luiz Carvalho, UBS:

Thank you very much for allowing me to ask this question. Augusto, I want to welcome you and wish you the best of luck in your new role. I have two questions, maybe for Ernesto. In regards to fuel distribution, the 1H23 was very peculiar with the Russian diesel coming in, a change in behavior at Petrobras as they changed management as well. And we saw a relevant increase in diesel and gasoline prices today. So could you share what your take is for the next 6 to 12 months? So what is the perspective you have on the market? How do you think this can impact the way you have to compete with other companies?

The second question is about the new org chart here. You have Hélio Valgas starting up, Clarissa has just come into the Company. So I would like to see what the Company's strategy is for the longer term. So do you have an idea of having a spinoff for Comerc? What is your take on that?

Ernesto Pousada:

Thank you, Luiz, for your questions. Starting with the fuel distribution, as I have mentioned before, we can see that in the 1H23, but the thing is our operational management work has been quite solid and relevant here. So the Company has worked day in, day out to look at all the aspects of the business from inventory. We have daily meetings to talk about prices, inventory costs. So if you look at this P&L, it's been very well addressed.

Petrobras is our biggest partner. It's a chosen partner. In the 2Q, we choose to buy expressive volumes from Petrobras. So regardless of Petrobras' pricing policy, we have done our part of the deal to make sure that we move forward. We advanced year-by-year in our margins, looking at different aspects such as inventory, pricing approach, cash generations and looking at each of these aspects to deliver more value to our stockholders.

And I cannot stress enough that we have to do that, ensuring that we have successful retailers as well. So I have nothing to add regarding inventory. Our inventory is pretty standard now.

We have been covering the demands of our clients at a normal rhythm. So our inventories are at a very standard level, if I may. I cannot make any inferences about future prices. But what I can say is that we must have a management that is very close to the business regardless of the prices going up or down, so that the Company can try to streamline results, whether prices are going up or down and making sure that our clients are also maintaining their margins.

As for your question regarding Comerc, you mentioned that Clarissa has arrived, but she arrived 15 days ago. So there's not a lot to say for the time being. What I can, however, say is that we have not made any decisions regarding spin-off or something like that. What we are going to do in the 2H23 is to invest to delve into this business really. I am sure that one of the purposes here is to leverage synergies in the business. It has a lot of synergies with our B2B clients.

And we are going to check what's the adequate capital structure for the business. Once these levers are defined, we will go to Phase 2, which is whether Comerc will remain with Vibra or not. I do not see this as a short-term discussion. The discussion that needs to happen now is how to streamline the processes and our actions for the next year. And as Clarissa arrives, she will certainly bring more clarity to us.

Luiz Carvalho:

Thank you very much. I have more questions, but I will now thank you.

Pedro Soares, BTG Pactual:

Good morning. I have two questions. You mentioned the focus on the flagged stations, the B2B clients that have been contracted already. I would like you to discuss this, considering the loss of share that you have mentioned, especially for the unflagged stations. So I would like you to consider that regarding the impact on the inventory in the quarter. So considering margins, could you elaborate on that? Do you believe that we would still have more loss in the spot segment, if I may? Or do you see that the less profitable product cycle is coming to an end? And that, of course, includes the unflagged stations and TRR progressing in a more stable way in the coming quarters.

Then my second question regards to supply, and it's somehow a follow-up of the previous question. Of course, that with the Petrobras price increase, this will change a bit. But you stressed that you did not import Russian diesel in the 2Q. So if you can please comment on that. Would that maybe be a possibility if that makes financial sense for the group? Or are you still leaving that out for a prolonged period?

Ernesto Pousada:

Pedro, thank you very much for your question. As for the first question regarding market share, I will repeat what I have been saying since I joined the Company. The thing is there is an opportunity for our brands to evolve and for our market share to be maintained. Vibra does not want to leave any market share out.

This movement this quarter was not a deliberate movement to improve our client base. No, it was about the Russian diesel. As the Russian diesel came in, if you look, most of our losses were in TRR. So we see that Dow was completely atypical or out of the ordinary. So I would like to reinforce that.

The Company management understands that we will gradually improve our margins, while we keep our market share. So I believe that we have increased our share in the past few years, and we have no intention of reducing this.

But this is going to happen gradually. No abrupt movements are going to happen. But gradually, we are going to recover this market share that was lost, and we will resume or go back to the size we were before. But that's a gradual process. And this is very much more related to the Russian diesel coming in.

As for the second question regarding the Russian diesel, even though this diesel is not available for a number of reasons at the moment, we have started to include Russian diesel in our sourcing alternatives.

There are 2 points that need to be considered here. We have invested quite a lot to make sure that we had all the operational processes under control so that we could well control the operations. That includes compliance, finances, operations. All of the teams have very much clarity as to how to properly do the Russian diesel operation in terms of compliance.

Another point I would like to say is that Vibra is not going to benefit or take advantage from opportunities in a bad way. So we only made this approach when we saw that, that was something that really did make sense, and it was not opportunistic. So the Russian diesel has been included as our sourcing alternative. At the moment, it cannot be as important because there's a price cap issue, so that affects compliance. But we have a robust operation to ensure best practices if that happens.

We have also understood that when oil prices are low, the Russian diesel can be a structural alternative for the country. Therefore, it's been included in our sourcing alternatives as a structural way rather than an opportunistic one.

Pedro Soares:

Thank you, Ernesto. That was very clear.

Gabriel Barra, Citi:

It's great to talk to you. Thank you for answering my questions. Augusto, good luck and best of luck in fact in your new position. And I will start with a question with you. I hope you do not mind. Can you tell us about your first impressions? I know you have been here for a few months, not even 100 days yet, but I would like to hear you talk about your first impressions and what the main focus is for the new company's CFO. So what would Augusto's major priority would be?

My question to Ernesto has been addressed here. The thing is that the competition dynamic has changed over this year. So the Vibra brand has a lot of value to consumers. But then we have to think of sourcing. You need to have fuel available for your network. We have been seeing some news about adjustments, shortage, fuel because the domestic market has become more complex. So I would like to hear your take about the Petrobras fuel pricing going up today.

And also, how Vibra is going to behave in a scenario where you might have less diesel, for example? How does Vibra intend to behave in such a market? So what kind of guarantees you can give to your dealers and things like that? So if you could talk a little bit about how Vibra will behave in such a market, that would be great.

Augusto Ribeiro:

Thank you, Gabriel. The first 45 days flew by, it's amazing. So I am very well impressed with Vibra. The team is very energetic. They always want to do the best. Of course, it's an industry

that is different from others I have been in the past. You have a volatile company. So the margins are very small. We have a lot of new energy, renewable energy, a lot of new things that can be done. The thing is there are a lot of opportunities. If I can summarize this, I would say that our focus needs to be in operational excellence.

So short-term, medium-term actions, sourcing follow-up, balance between imports/exports, better distribution, having inventories in the proper locations, focus on customer surplus value for our flag services. These are all aspects that we can work on. Of course, as Ernesto mentioned, gradually we will recover the market share that was somehow lost. But the first 45 days were interesting.

I like the team that I found and that we are now seeing what we can do in terms of continuous improvement. A lot of things were very well done before, but there's always room for improvement.

And thank you very much for your question and for the opportunity to allow me to talk a little bit about that.

Ernesto Pousada:

Gabriel, let me give you some food for thought in regards to sourcing. In the past 2 weeks or months, we had 2 very interesting aspects related to sourcing. The first is the Russian diesel. I cannot say that enough, there are no regrets regarding our decision of not getting it. We are focused on value in the medium term. We needed to assess if that was not opportunistic or anything.

And once we realized that, that is the case, we decided to include it as a sourcing alternative as the competition was already doing. So this decision brought some impacts that were mitigated. And they were mitigated with operational management, operational excellence and you will see this more and more in our results.

I would like to remove this myth regarding adequacy. We are really talking here about image management. Vibra has enough products for our regular customers, so there's no shortage of product. What we need to do here is to manage image. You will see this more and more. We need to manage our business, reserving our inventories for any time when there is speculation in the market, we will not leave our clients short in products. Of course, we might have some issues with clients that wanted to have more than that was agreed, but that's a one-off. But this is what we have to do.

Managing this is the tool we have to date. We need to balance our inventories and manage the brand. So I need to be very clear here because there's been a lot of discussion on this, but I can say that this is based on image management.

Our flagging stations are receiving their products as usual. Our flagged clients with regular volumes, with contracted products, it's all good. I have received no calls from many clients. We are really delivering the standard volumes for them.

Gabriel Barra:

That's very clear. And that's why I raised this issue here. I would like to understand the competitive scenario here. It looks to be better for you, at least as I see, when you work with sourcing that is more spot approach. Is that right?

Ernesto Pousada:

Yes, no doubt, this is our market. I have worked in commodities and the market changes. So nonrecurring effects are very welcome when they are positive. But this is not what feeds us. What feeds us is operational results, what we can manage, the results that we can deliver. So if you look forward, the market changes quite fast. But in the coming years, we see a more favorable market, in the coming months.

Gabriel Barra:

That was very clear. Thank you very much.

Bruno Amorim, Goldman Sachs:

I have a follow-up question on supply and market dynamics and consequences. So when you close the imports window, Vibra has a lot of access to Petrobras and better benefit. On the other hand, when Petrobras is closed their to parity, importation becomes more profitable and Vibra is also an important player in imports. So my question is, in your understanding, in which of these scenarios does Vibra best perform? Or do you believe that the Company can deliver similar results in both scenarios?

Ernesto Pousada:

I have been with Vibra for 6, 7 months only. But what I can tell you is that we can deliver results in both scenarios. The 2Q somehow shows this. The absolute result is not yet what we planned for, for recurring effects. What I can say is that Vibra's positioning in the country is very well to be the most competitive player with Petrobras molecule or important molecule, whichever.

We used to say that we were the biggest importers of diesel products in the country. We have been so at some point. And if that makes sense in the future, we will go back to that. So Vibra is ready to work on either scenario. The idea is that regardless of the scenario, we need to work B2B very close by.

Bruno Amorim:

A quick follow-up, Ernesto. Thank you. Do you understand that the Company is currently where it should be when it comes to exports efficiency? If you need to export more, will you need to do some investments or something?

Ernesto Pousada:

We have had significant progress, but there is room for improvement still. So this is not a process that happens overnight. Part of the results that you see here are already related to gain in efficiency. But it's continuous work and we will work diligently to be more efficient in our opportunities. The 2Q has captured some of these opportunities, but there's still room for more.

Bruno Amorim:

Thank you.

Bruno Montanari, Morgan Stanley:

Good morning. Thank you for taking my question. My question is, if you think of the capital structure, the Company is close to a leverage peak. I would like to see what your take is on the deleveraging that is to happen. Is it going to happen quickly? Do you have some strategies to bring some fluidity to the whole process?

Then, along the same lines, my next question is, how can you think about having a better, or clearer discussion on dividend distribution?

Ernesto Pousada:

Starting with the second, we will continue with our policy with the best efforts to distribute 40%. I do not think this is going to change. This is the path we expect to take forward.

As for the capital structure, we will continue working. And we intend to resume a 2% to 2.5% leverage. And this, of course, will depend on improving our app today. The 1H23 was quite complicated. I showed you a graph that showed price reductions of diesel, especially, but also of other products, and this affected our EBITDA. We did generate quite a lot of costs and in the 1Q. So we still continue working with that and everything. So it's not a cash generation issue.

But when we look on the coming months, you see that deleveraging is going to slow down considerably. The idea is to keep working to have it between 2% and 2.5%. It does not make a lot of sense if you reach, for example, 1.5% leverage, which will increase dividend distribution. Well, the 2%, 2.5% strategy is reverse strategy. Now if we have 1.5%, if that is the case, we need to have an internal discussion as to how to improve that. Today, considering the scenario as is today, what I can say is we need leverage to be between 2% and 2.5%.

As to how the capital is going to be better allocated if we reach 1.5%, this is something that we still need to discuss. Yes, we need to take one step at a time, but our market is too volatile. There are many variables that will affect our accounting aspects. When we get to 2% or 2.5%, then we will think about the next step. And then eventually, if we get to 1.5%, then we will have the proper discussions to allocate this cash.

Bruno Montanari:

Thank you very much.

Leonardo Marcondes, Bank of America:

Good morning. Thank you for answering my questions. Most of them have already been answered. But my first question is about the competitive environment. Ernesto talked a lot about the current market. But could you elaborate on the margins that you have seen in August? I know that you cannot talk about the figures, but I would like to maybe see if your margins for the 3Q are better than the second.

My second follow-up question is about the Russian diesel. You have not imported it yet to date, but I am sure that you are following up on the prices and parity and things like that. So could you talk about what your take is on parity and how Petrobras plays rolling that?

Ernesto Pousada:

As for the competitive environment, what I can say is that it is better for us as compared to the 1Q or even the first half of July. So we see the environment being more favorable to our business. And we will continue with the image management. We intend to deliver consistent results despite nonrecurring events.

So every quarter, we want to progress and to improve our margins gradually. This is our main takeaway message here. We will see progress in branding and margins. You will see margins going up gradually. So I see that the next quarter, we will see more favorable margins, yes.

Now for the Russian diesel parity, this has just happened. But of course, this is very similar to international parity. So we need to consider that carefully. But just have in mind that Russian diesel is not even available today. Today, the diesel that we can import comes from the Gulf, but the idea is that parity is going to favor imports as well.

Regis Cardoso, Credit Suisse:

Thank you very much for answering my questions. So I have a quick follow-up question. The first one is on the Russian diesel. Do you know, on top of your head, what the figures were comparing the Russian diesel and the Gulf diesel? So maybe you can talk about some figures. So it's clearer for people. So maybe if people see the figures, they will see that Russian diesel is no longer interesting nowadays.

The next aspect I would like to discuss is inventories. So we have higher inventories in the 1Q. So I am presuming that your inventories are going up. I do not know why. Maybe it's competitive, strategy or something. But this could pay off now because if your inventories are high and the prices have gone up, that's a good thing. So can you talk a little bit about the inventory and inventory management?

And another quick question is about the drop in sales for comp. Do you have any changes in the sales strategy for coke or something?

Ernesto Pousada:

Let's start with coke. Coke is a very specific product. So the market is limited. Therefore, there was a stronger retraction there. But basically, it stemmed from consumption reduction of a major client of ours. We do not see anything structural happening, but this is a discussion that we will have to keep an eye on or keep doing.

As for your question regarding Russia, Gulf product, you see that the spread between these 2 is right now about R\$100. It has been R\$200, R\$300, it's R\$100 currently. So between R\$100 and R\$300.

And regarding increased inventories, we have increased our inventories indeed. And as you mentioned, it is something that is very welcome at this point, but it stands much more because the Russian diesel was coming in, sales opportunities that we had, also opportunities that we had to get product with Petrobras. So we made a mix that made sense to us.

And since the beginning of the year, I have been saying that Vibra is not here to speculate over purchase. We are here to manage our operations. So increasing the inventories was about operational management. We found interesting prices. We decided to stock it. So basically, that was how we managed the inventories. But yes, there's no doubt that the strategy is very welcome because we start the next quarter with higher inventories as the prices are high.

Augusto Ribeiro:

Just a point, I would like to mention here, price cap and parity are different concepts here. So we need to consider a maximum margin in an operation. This is defined by a price cap. So theoretically, countries should not be able to buy from Russia if they are selling over their price cap. Vibra is signatory to a number of international agreements and needs to comply with that.

Regis Cardoso:

Thank you. Just a follow-up question. When you can buy at a price cap and the price cap is higher than our local market price, I would say it's time to buy. So I would like to understand that a little bit better.

Ernesto Pousada:

What happens is that this diesel often time goes to other places where sanctions are not relevant. So this diesel finds its way in the world. It's in regions where sanctions are not imposed. So they are able to sell over price cap to markets that are not limited by sanctions or compliance or anything.

Vicente Falanga, Bradesco BBI:

Thank you. Welcome, Augusto. My question is about the B2B volume in the last quarter. It reduced consistently, and you explained that is just to do with the TRR market. It makes sense to me. But we also see that coke volumes are below expected. So I would like to note what you expect to happen in terms of coke volumes from now on. So if you can please elaborate on those aspects.

Ernesto Pousada:

Vicente, I think the biggest impact on that led to reduction in B2B is not about coke because this is not going to change the game for the Company or the Company's results. Now diesel and TRR or increasing diesel in B2B, this is what's going to be a game changer. I will say that again. In the coming years, I expect to see an increase in direct clients, which does not mean that we are not going to sell for TRR. We did not sell for TRR because the Russian diesel came.

But yes, gradually, we are going to recover this market share, especially in TRR. This is not going to happen overnight. We do not want to have any trouble with margins and prices. But the idea is that eventually, we will resume our market share position with direct clients contracted and spot, both, to recover some of the volumes, and that includes, of course, TRR volumes that were lost to the Russian diesel. So the more significant drop in volumes in B2B is non-recurrent.

Vicente Falanga Neto:

I would like to see about the lubricants. Are they doing well?

Ernesto Pousada:

Are you talking about volume ramp-up?

Vicente Falanga Neto:

Yes. How are lubricants doing?

Ernesto Pousada:

Vanessa has joined us in April. We are now developing our long-term plans. We have great ambitions for the lubricant business. The volumes have improved timidly still, but we see a lot of opportunities and expanding the lubricant business, especially with higher volumes in lubricant.

Lubricant margins are sound. And we need to increase volume consistently. And by the end of 2023 and throughout next year, we are going to see important progress in the lubricant business. In addition to Vanessa, we brought in a seasoned executive in the lubricant industry. So we are investing to grow the lubricant business. It is going to happen towards the end of the year, especially next year.

Vicente Falanga:

Thank you, Ernesto.

Operator:

The Q&A question is now closed. We would like to hand the floor to our CEO, Mr. Ernesto Pousada, for his final remarks.

Ernesto Pousada:

Once again, thank you very much. It's very good to be able to share results with you. And I would like to reinforce a point I made some times during this call. Regardless of price variations we cannot control, regardless of content impacts in our inventories, we are increasingly confident on a consistent operational model that will consider volume, prices, market share, generated cash flow.

Each one of these aspects, when we focus on them, we will see opportunities and value leverage that will increasingly bring important value to Vibra and its stockholders.

I will now close. Thank you very much. And I will see you in the next quarter.

Operator:

This call is closed. Thank you very much for your attendance, and have a great day.

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