



**Vibra Energia S.A.
Conference Call Transcript
1Q23 Results
May 15, 2023**

Operator:

Good morning, ladies and gentlemen, and welcome to the Vibra Energia conference call to release results for the 1Q23.

This conference is being recorded, and you can access it through the Company's site, www.ri.vibraenergia.com.br. The presentation is also available for download.

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

Before proceeding, please bear in mind that the forward-looking statements are based on the assumptions and beliefs of the Company 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 depend on circumstances which may or may not occur. Investors and analysts should keep in mind that factors referring to the macroeconomic scenario, operating factors and others could lead to results that differ materially from those expressed in the forward-looking statements.

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

I would now like to give the floor to Mr. Ernesto Pousada, who will begin the presentation. You may proceed, Mr. Pousada.

Ernesto Pousada:

Good morning to all of you. It is a pleasure to be with you to share the results for the 1Q23. We are going to go quickly through the presentation to open for questions and answers. In the first slide, something we have discussed, something very relevant.

We had a quarter with a significant cash generation. I highlight that this was not only due to prices, we also had a reduction of our volumes in inventory and worked on the working capital. And of course, we are going to work with our inventories in a range somewhat below what we had in terms of volume. This is an opportunity to optimize the Company and maintain services to our gas station network and our customers.

This meant that we released US\$1.9 billion of operating cash generation. Our adjusted EBITDA was R\$688 million with an adjusted margin of 36.9 meters per m³. Now this is a carryover of the last quarter last year. I had already mentioned previously, the relevant impact we had in mid-January. In February, March and April, the dynamic is quite different from the figures you see on the screen.

And of course, we had an impact referring to the month of January with this carryover of inventory from the 4Q22 with a negative impact on our EBITDA margin. As I will show you in the graph, we also had price reductions with a significant impact in the quarter. Adjusted operating expenses, R\$66 per m³, they continue to be under control. And we worked with

9.323 million m³ in the 1Q, a growth vis-à-vis the 1Q22. We continue to show our resiliency in the market in terms of fuel and remain as leaders of course.

In the next slide, I shed some more light and focus on the lower fuel prices. I would like to underscore this, many people look only at gasoline and diesel, but this quarter specifically, besides the reductions in diesel, we had reductions in jet fuel and oil fuel and differently from our competitors, this has a relevant impact on the Vibra figures. If gasoline with the return of taxes had a slight increase of valuation in our inventory, it was reduced because of the effects of diesel, jet fuel and fuel oil. Now this combination has brought that impact of devaluation or reduction in the cost of our inventory.

In the next slide, in our gas station network, we continue to move forward in our value proposition. Our margin continues to grow. We have more than 2,600 units with the new image. We have a new campaign with Marcelo Adnet, focusing on 50,000 forecourt attendants to better connect with them because in the final account, they are the ones servicing our customers.

At the end of March, we had a forum with over 2,000 resellers in Sao Paulo, among the 400 franchises from BR Mania. I was able to be with them in these 2 days and I have and had the opportunity of interacting with our resellers, listening to them and see how we can move forward in this value proposition. We also have an interesting plan for the training of gas station personnel, enabling them to better manage these stations. We grew 56% in stations accepting payment via Premmia.

We have implemented the use of PIX. And of course, we now have cash back that is growing. In BR Mania, interesting results, we had a growth of 21% in sales vis-à-vis the 1Q22. We continue to have new stores. And in the rest 18 and 24 months, we would like to speed up the growth of BR Mania and the contribution to financial results of other products such as additive enhanced and premium fuels with a growth of 34% in volume. The margin evidently is also better. We have Siga Bem that is growing in diesel and Lubrax that has grown, and we will speed up the growth of these products.

So the performance in the gas stations has been quite satisfactory with a good evolution. You can see that in sales volume, we have grown our market share with a branded network. Now we have gone to 32.8% and the adjusted EBITDA once again impacted because of the inventories.

In this next slide, we speak about B2B and how we are ever closer to our customers. Adjusted EBITDA in this segment with a significant increase, especially because of the lower hedging effects in commodities. And the work that we are carrying out with our margins, working better with our pricing and margin model with our customers. In B2B, we had volumes very much in line with those of last year.

In the 1Q22, we still had some thermal plants that had been dispatched in the 1Q, beginning in the 2Q and into the 1Q23. This volume has dropped to 0. And despite this difference, we have been able to achieve the same volumes that we achieved in the 1Q22. In B2B, we maintain our market share with a slight reduction in market share in jet fuel, something that we expected, but we continue to be leaders in the sector with high volumes. And this is a sector that is recovering and resuming its pre-pandemic levels. This is a very interesting segment for the Company.

In the next slide, we will refer to our joint ventures, Comerc Energia, an EBITDA of R\$48 million pro forma, which means that it is not part of our general EBITDA. Last year, we worked with equity equivalents. We no longer do that. We have been making strides. And of course, EBITDA suffers from seasonality. There is a trading difference in the 4Q and the 1Q. And

because of the installed capacity at the end of last year, we have a very interesting position. And because of this EBITDA will become more regular and should grow significantly in the coming quarters as these capacities come into operation. I will show you some of these capacities.

The most important is in Helio Valgas with 655 megawatts. It will go in, in the 4Q. I am sorry, and then begin to scale up. We had 2 that came in, in the last quarter of last year that are already in operation, Coromandel and Castilho.

And perhaps the most important message of Comerc is that they are coming in on time and according to budget. As foreseen, we have significant ability as they come in on time and on budget. And we have sales contracts that have already been signed for the long term for this. This is something we will see ever more during coming years. The cash generation through Comerc growing in coming quarters.

Other partnerships that are under evolution at Etanol began in June of last year. We began with more expressive volumes. We have been growing. We are at 677,000 m³, 11.2% of market share. Therefore, we have had good evolution in Evolua and it should become a very successful case in the coming years. We do not have the Etanol assets, but we have begun a significant trader that is increasing its efficiency, not only in our purchases, but through Evolua itself, that is growing the volumes. Zeg Biogas, speeding up. It has 2 new plants were working based on an aggressive plan for the growth of biogas in the coming years.

And we have greater growth in EZvolt. For example, we have an electrical station in Sao Paulo. And these electrical stations have led to partnerships with companies and corporate areas so that we can continue growing and have a footprint in the market as it develops. EZvolt is a leader in this segment. We have a partnership with them. Their charging stations, and we are going to continue to grow with them, offering an additional solution to our customers in terms of electrical charging.

In the last slide and to conclude the presentation, a special highlight for 2 points here. First of all, the ESG recognition. We continue on with our ESG practices. This is a very relevant point for us to reduce scopes 1 and 2 continuously. We have gone beyond the limits that we have set forth. We have a lower consumption of steam, and we have been able to surpass our goals in scopes 1 and 2.

Other important points, perhaps minor, but they are in the right direction the fleet of airports in Rio de Janeiro are using HVO, which is something that we underscore and 100% electrical trucks for refueling with 0 emissions. Therefore, you can see the focus we have in terms of climate change, not only in our operations, but also in our strategy for diversification.

In diversity and inclusion, on March 8, International Women's Day, we are investing ever more in diversity and inclusion in the Company, not only with women, but also with race and gender, always in that quest to have a more diversified Vibra, one that generates inclusion, enabling us to obtain better results. We believe that diversity and inclusion allow for different viewpoints, changing our status quo, and we will become a company with ever more better results and an important component of this is to have a very diversified team, including all different nuances of our team to have different viewpoints aligned with the Brazilian society.

With this, I would like to conclude the presentation, and we will now go on to questions and answers. We are at your entire disposal. I will be here with Rodrigo. And if necessary, we have other executives of the Company to help us.

Milene Carvalho, JPMorgan:

Good morning. Thank you very much for taking my questions and for the call. I have 2 questions here. The first referring to the supply scenario. Yesterday, we were discussing price policies and the import policies of Vibra and the increase in the imports of diesel. I would like to understand how this dynamic is working out, if it has had an impact on margins, and if you will also adopt that strategy of importing fuel?

The second question refers to working capital. Of those R\$2 billion of cash flow that you generated in the 1Q, most of it was the release of receivables and working capital and also because of your inventory levels, aiding and abetting the Company margins. What can we expect for the rest of the year? Thank you.

Ernesto Pousada:

Good morning, Milene. Thank you for your questions. First, regarding your questions on the Petrobras prices and the Russian diesel, initially, I would like to go back a bit to something we said in another call. Vibra in the last few years has adapted very well and has maintained its margins at a good level regardless of changes in imports and otherwise, we have been quite resilient and in a market with high volatility.

We are going to wait to see what comes from Petrobras. This has not been disclosed publicly, not fully, at least we are going to wait to see which will be the scenario and see which will be the behavior of Petrobras prices. We will only continue to import if our margins are positive. If they are not positive, it would not make sense for Vibra to continue the importing process.

Regarding the question on Russian diesel, we are following up on the development of this in the country. For the time being, this is restricted to some regions in the country. We are following up on this very closely. Vibra has already analyzed this for the time being. We have made the decision not to continue on with these imports of Russian diesel, although it would be possible.

But we have decided to wait and see what will happen in the coming weeks and months. Once again, we are awaiting for the Petrobras prices because very soon, we might face some changes regarding the working capital. Our vision and how the behavior will be going forward, we have unharnessed quite a bit of working capital in the 1Q.

There are some components of the reduction of prices, but other components and work carried out by the Company management to reduce the entire level in terms of volumes, and we are going to continue to operate with those volume levels at which we have been operating. There are no significant actions for new reductions of the working capital.

Of course, we are dependent on price. If price drops, we will continue to release our working capital. There is a direct correlation. The price drops reduce our EBITDA because of accounting issue, but releases working capital and cash and the other way around as well. So what we will see is this level of working capital with variations in price and eventually some entries as we will have in coming months of the resources coming from ES Gás that we have sold. Despite the external events, it is the price variation that will impact our cash generation in the final account.

Milene Carvalho:

Thank you very Much.

Gabriel Barra, Citi:

Thank you for taking our questions. We have 2 questions, and a follow-up on one of them as well. First of all, I would like to understand that discussion we have been having between dividends and deleveraging. You released relevant cash this quarter, perhaps somewhat below what was expected due to your leverage level. Perhaps this year, there will be a strong leveraging increase because of the investments in ES Gás. So I would like to gain a better understanding of your discussion in terms of these 2 options, which is the Company focus on present to carry out an exercise until the end of the year, where should your leverage stand and what will happen with payments in 2023?

The second point refers to fiscal credits. Without commenting on the results of other companies, other companies are taking advantage of the payment of PIS and COFINS. And you still have a relevant value that you can take advantage of. What is happening with that discussion in-house, if throughout the year, we can expect this credit to come into Vibra, if you have adopted a more conservative stance regarding this?

And a quick follow-up of the last question regarding margins in the 2Q. When we look at the diesel scenario in the Brazilian market, well, some companies are giving relevant discounts in some markets. Will this impact your profitability in those markets? Is this relevant or not? And which is your outlook regarding this?

Ernesto Pousada:

Thank you for the question, Gabriel. First of all, let's speak about leverage and dividends. The management focus at present is to reduce our leverage. It would be more comfortable with a leverage between 2 or 2.5x. And we have to see how this will behave in the coming quarters.

What we observed, as I mentioned, we are leaving a rather complicated January. Our margins are back to sounder levels, but there will be expressive price reductions, which may have an impact on our inventories and EBITDA because of this. And we do not see a very rapid reduction in leverage as we expect. At some point, this will stabilize. We will continue to generate cash. And during the next 12 months, we should get to a level below 2.5x. This is our priority to reduce leverage to less than 2.5x. And this would, of course, enable us to work and breathe better and it would be a relief to avoid future surprises.

Our dividend policy continues to be the same to work with 40% of dividends. Let's wait and see what happens in the coming quarters to see how we are going to work with this and how we can reduce the leverage, which is more fundamental. Regarding the fiscal credits, our stance is indeed somewhat more conservative. We have an asset, we are awaiting to see which will be the coming movements to understand which steps will be taken. And of course, this has an impact on EBITDA, but we do have additional credits.

This credit to be recognized in cash will take some years. It's nothing for the short term. The Company has adopted a more conservative stance. We are awaiting the next movement so that this makes sense. We are waiting to see what we can do. Of course, we are interested in doing that, but we are being more conservative. And we think that this is the correct thing to do as it is not hampering the Company at all at this point in time. We do have other credits that we are taking with a lengthened impact.

Regarding the Russian diesel. We are following up on this discussion. It is a topic that brings about concern, and I want to clarify that for the time being, the impact will be restricted to some states in the country, and it will not impact Vibra as a whole throughout the Company. We are following up on this closely. Of course, it is a reason of concern. And up to May, of course, the impact has been restricted to a few regions of the country.

Bruno Montanari, Morgan Stanley:

Good morning. Thank you for taking my questions. The first question refers to the headlines we see frequently regarding the Petrobras brands. Do you consider this a small average or high risk for Vibra? And we should recall the mechanisms that can lead Petrobras to change these brands, a renegotiation or a breach of contract. I recall that in the last quarter call, you would seek less volatility in the results in 2023, greater stability now, which is the point in the cycle that debris at present to have less volatility. And have you already been able to make strides within the quota system?

Ernesto Pousada:

Regarding the brand contract, and let's be pragmatic. We foresee that this will have very low probability for the Company. It's a contract with a dead end for both parties. We are quite sure from the legal viewpoint that there is no possibility, whatsoever, to review this politically for the time being. Therefore, to be quite straightforward, I think this is something that will not happen. It is difficult for this to happen when it comes to the review of this contract and simply to underscore this that nowadays, this contract has no way out. You simply have to comply with what is in the contract as well as Petrobras.

Now regarding volatility. As I mentioned before, we have been working on this in the 1Q. It's one of our focuses. We have devoted a great deal of efforts to this, and the Company has the entire management. The team and I are devoted to this in 2 aspects to reduce the business volatility and to increase our margins. The volatility reduction is priority number 1.

And as I said, the 1Q was impacted because of the carryover impacts of the 4Q22, specifically in January, and that reduction of volatility is something that we can see beginning in February, March and April. We have had less volatility. Our market inherently is volatile. There's a fluctuation in oil prices and impact on our inventories, but the volatility that we could add to our results, that has been significantly reduced beginning in the month of February. And very soon, we hope to be able to share with you this significant enhancement that we have had regarding volatility. Of course, we have more to do. That was simply the springboard in this. But since February, we have already seen less volatility in our business.

Regis Cardoso, Credit Suisse:

Thank you, Ernesto, for taking my questions. Some very quick topics for discussion. The dynamic of competition and the recurring margins, which is something we have discussed. We see this in all of the reports. You have already mentioned the impact on inventory, the effect of imports now, which has been the evolution of margins through time, we are already halfway through the 2Q, which has been the evolution of margins so far? And which should be the level of recurrent margins at present? If we look at the inventory results in the 1Q, the level is 140. We normally see the commercial margins expanding and going downward. So perhaps it's not fair to simply adjust the inventory without taking into account the competitive dynamic. So evolution of margins at this point in time of competition.

A second question, an update on the CFO position. When do you think you will fill in this position? And if you have carried out an assessment on present day discussion.

Ernesto Pousada:

Thank you for the questions, Regis. Regarding the margin evolution, I would like to say that we are working towards the reduction of volatility of our margins to ensure that we will have greater clarity of the level margin at which we stand after the impact in January, we have had

sounder and less volatile margins since February until the month of April. May, it's too early to say anything regarding May. We still have the opportunity to improve our margins. And as I have been saying, this will be a significant focus throughout the coming years. We are going to work to have an evolution in our margins. And this evolution will come about, thanks to several elements.

First of all, a reduction of volatility that we added to the business, greater growth of some products or services with higher margins, lubricants, additive, gasoline as well as other products and well, a reflection of work we have been doing in revenue management to focus on each different gas station, our pricing to be able to advance in our margins.

What you will see in the coming quarters is less volatility, margins stabilizing more. And based on that, we can move forward with structural movements that will take us to a new level of margins where we can build an even more successful history in terms of having a more consistent cash generation.

Regarding your second question, the position of a CFO, we hope to close this position at the end of the 2Q. We are seeking somebody with experience not necessarily in the sector, but somebody that has experience in a listed company, someone that can become part of the Vibra team with technical competence, capacity and the profile to adjust to the Company future and of course, to be a healthy component in our Vibra team.

Regarding deals, there are no discussions in the Company. After the IPO, we have what has been given something that is disclosed public, and presently, we are not thinking of a change in this, which has already been defined and has been publicly disclosed.

Thiago Duarte, BTG:

Good morning. Thank you for taking my question. I would like to go back to the discussion of the past question and perhaps reword the question about margins. You have always been very transparent with the market in that attempt to share with us, which would be your replenishment margin for the business, excluding that inherent volatility that you have. And in these last 2 or 3 quarters, the magnitude of that volatility differently from the margin that you reported vis-à-vis the replenishment margin, taking away the inventory levels and hedge, it seems to be so large that the market has somewhat lost reference of your replenishment margins, your benchmark margins. We have discussed this at length, and I think the answer will be yes.

But I would like to hear that from you. Does it make sense, when we look at this quarter to adjust based on the evolution of inventories, the replenishment margin is R\$140 per m³. Of course, there are other effects, the parachute effect, but if we think of order of magnitude and with what you have done to reduce inventories and volatility, does it make sense to imagine margins of this magnitude? We already spoke about February, March and April. Simply to re-anchor our expectations because we all have the expectations that the inventory variations will not have the same magnitude as previous quarters. That's the first question.

The second question is a follow-up of your presentation. Simply to clarify a point in one of these slides, you speak about the increase of penetration of premium fuel, and you speak of a gain of volume and 4 p.p. in your mix. What is that 4% referring to? And if you could speak to us about the present day penetration of the premium fuels in your gas station network?

Ernesto Pousada:

It's about 18% to 19%, to clarify this. Let's speak about margins. Thiago, thank you for the question. To be very frank, and we do not offer guidance and let's speak about going forward, but the order of magnitude, what I would expect would be that kind of margin. And I would work with a range varying from R\$120 to R\$140. I think it makes sense to imagine this.

What has passed, we look at it becoming more normalized. We try to withdraw some effects. As you said, in the last 3 quarters, the effects were very relevant going up or down. And since I came into the Company, I am trying to understand what would make sense. And I would say that it would be R\$120, R\$140 per m³. And by reducing volatility, we can carry out this work and show the market an enhancement in this margin first of all, by stabilizing it and showing the results of our work by stabilizing the margin in the coming months.

Regarding your question, the penetration of premium fuel is 18% to 19%. And this will become one of our significant focuses so that, that volume of premium fuel can continue to grow. It has very interesting margins and the effort of the Company will focus on this.

We are beginning to revisit the plans on how to carry out this expansion, and we will work broadly in the coming months on this working in-house. We have already made changes in our team. We had alterations recently to allow for greater focus, not only on lubricants, but also on premium fuels to show that this will be part of our plan in the coming years to attain growth. And so that this will contribute towards the enhancement of our margins. Now the penetration is 17% to 18% presently.

Luiz Carvalho, UBS:

Good morning. Ernest, thank you for being here. I would like to go back to some topics we have already approached and look at them differently and begin with that question on margins posed by Thiago. We understand that since the beginning of your process in Vibra, you have spoken about reducing the volatility to have more recurring results. When we look at the last quarters, the margin was closer to R\$70 for a variety of reasons. We are speaking that it is substantially higher than it has been in these last quarters, more in line with what the Company delivered some time ago. How can we build this path from R\$70 to R\$120, R\$140 based on these hedge practices and imports? Is that where the gap lies? Or do you require an additional action that we can monitor?

The second question, and I go back to a topic that was touched upon 2 questions ago. The credit was PIS/COFINS in my understanding. And the figure mentioned was very close to R\$7 billion, I believe. If we use the same term of amortization of the credit of approximately 10 years, it would represent R\$4 billion to R\$5 billion in present day value. So I would like to better understand how we can look upon this in terms of company priorities and how much you will take in? And what it is that we have to monitor going forward? Thank you.

Ernesto Pousada:

Thank you for the question. Let's go back to the margins. We have had very complex quarters in terms of analysis. If you look at what we used to call a normalized margin, it navigates around those figures of R\$120, R\$140. The problem was a strong oscillations. We had margins adjusted of R\$170. Now when we attempt to withdraw nonrecurring effects and price variations and their impact on inventory, we see that our margin should stand at R\$120 or R\$140.

And this is the efforts that we will deploy in the coming quarters so that this can be observed recurrently R\$120, R\$140 was what the Company had in terms of margin, but with several

nonrecurring events, this cause fluctuations, and we have lost sight of that. And I hope to be able to give you greater visibility in the coming quarters. And it will depend on a single factor that we will have significant price variations. The months until April have not brought this. They did bring negative variations, but we still observe stable and sound margins. We will see what happens going forward, where enormous price variations could have a significant one-off impact on our inventory. But this is the order of magnitude of margins.

And I would like to reiterate the following to clarify a point. The Company is quite focused and interested in bringing in the results of the tax. We understand that this is an asset contingent on the Company. And we want to, of course, recognize this in our balance and our cash. We understand the value that this could generate. We are taking a more conservative stand. We understand there are other paths for this, and we hope to account for that still this year. This is our challenge. We are focused on seeking this, but we do not want to take an additional risk at this point in time and have a more conservative approach, at least for the time being.

Vicente Falanga, Bradesco BBI:

Thank you for the call. If you could speak about the competitive environment of the sector, if there's still a surplus of fuel. And when it comes to volumes, which are the outlooks for jet fuel, while you are awaiting the Azul contract. And if you are doing something differently to avoid losses of that magnitude in the future?

My second question refers to net leverage. I would like to focus only on the nominal net debt. For Comerc, the net debt was R\$9 billion to R\$10 billion. I think you have reached a peak of almost R\$15 billion in the 3Q. You are presently at 12.5%. There will be money coming in as cash. Now would it be normal to go back to those R\$9 billion or R\$10 billion and if you can reach that until the end of the year? Thank you.

Ernesto Pousada:

Good morning, Vicente, and thank you for the questions. Let's go back to our viewpoint of the competitive environment and the volumes. Well, this competition continues in resale and retail with less effects in terms of the Russian diesel, somewhat less effect, but with a concentrated effect on our B2B business, and therefore, for the Company overall, our volumes are according to what had been planned, not different from what we had planned with minor effects in B2B. And although our business is B2B, we have been growing the business, and we have made positive strides in this segment with interesting margins and good volumes.

When it comes to jet fuel, Vibra has a large footprint in several airports throughout the country despite having the change of a contract with one of our large customers, we still work with that customer. We are still in a process of reduction, and this will come to a very positive conclusion.

Our volumes are good. We practically have not had a drop in the jet fuel volumes with the growth in other volumes and this lack of growth among our customers is good. We see an interesting process in terms of volumes. And we believe that the resumption of this market will enable us to have a volume very much in line with what we had last year throughout this year. So in volumes, there is a trend for increase when you look at Vibra as a whole.

Now regarding your question of the net debt, this is our effort. We are deploying 2 efforts in the same direction. They are not necessarily impacting each other. One will not resolve the other, definitely, but we are going to work towards reducing our net debt. And we hope and it is possible to get to the end of the year with R\$10 billion of net debt.

And if we have an improvement in EBITDA and stability, we will avoid those price reductions with an impact on EBITDA, and we will bring our leverage down to 2x, 2.5x. I think this would be the positive part. Net debt to around R\$10 billion with a leverage between 2 and 2.5x. This may take some quarters because in the 2Q22, we had a very strong quarter in terms of EBITDA. We had the war in Ukraine, Russia, the price of fuel sort. And of course, this had an impact on our inventory.

But the EBITDA result was very good. And we substitute this with other EBITDA, and this could lead to a balance in leverage, perhaps not a reduction. This is what we are working towards.

Vicente Falanga:

Thank you. Simply a follow-up. When will the money of ES Gás come in if it is approved?

Ernesto Pousada:

It was approved last week at the antitrust agency, the CADE approved before what we expected. It should come in at the most until August. We are hoping it will be before, but at the most until August.

Monique Greco, Itaú BBA:

Good morning. Thank you for taking my questions. I have 2 questions as well. In the results release, there is a change in the segmentation of the reporting. If you could comment on what led you to deciding on that change and if that means a change of route regarding your renewable portfolio. And what this represents for the lubricant portfolio? Ernesto said this would become a focus. So does the change in segmentation converse with any change in-house regarding these 2 segments?

And second, the branding. In the release, you mentioned that during the 1Q, you were going to work with the plans for the branding and the flag of this year for resale. Can you share with us what has changed in your criteria and in the value proposition at the gas stations?

Ernesto Pousada:

Thank you for the questions. the change in the report is simply a new way that the management is attempting to look at its results to carry out a better in-house management of our different businesses. The dynamic of several businesses, we were breaking them down too much. And many of them behave similar businesses and the breakdown would generate greater complexity without giving us a different result for the internal analysis at the Company.

I remind you that we are still one of the companies that most break down their results. We do this in a relevant way. We are still complying with full transparency towards the market and breaking down several of our information, enabling us to better manage the business without adding additional levels of complexity.

Now regarding the flags, the brands. Thank you for the question. We have not discussed this. Now Vibra has grown a great deal. We had 500 new flags last year, a significant number, and we are going to continue to grow with this.

The 1Q was a quarter of small adjustments getting prepared for the year. But we think that the time has come for perhaps a more modest growth vis-à-vis other years, we are going to have a significant focus. We have several contracts. We need to renew, redo. Therefore, our rate of growth will be reduced as in everything else, the Company has gone through a significant

expansion process, and we are now going to adjust to a lower growth of these flags, but a lower rate of growth vis-à-vis the year 2022.

In the attempt to optimize, we are speaking about value proposition, and we are able to look upon our gas stations individually to understand exactly where we would like to renew the contract or change the flag or secure healthy margins. This was work that we were already doing. We are now going to enhance the lens that we use for this and do this in an ever more focused way to be able to ensure return on the capital invested. This is an important measure that we analyze, and we want to make sure that there is a value proposition with each flag that the seller does value having our brand.

The Petrobras brand is very important. Our partnership with Petrobras is also important. Resellers like the brand, and we want to value the brand even more. This is the proposal, and this is what we will reinforce going forward so that the Petrobras brand will bring our resellers to us ensure that they remain with us. And we want to have the expected results, the expected profitability so that Vibra can have the margins and the growth it also expects. So we are being somewhat more analytical about these aspects and reduce the rate of growth of these gas stations somewhat.

Operator:

The question-and-answer session ends here. We would like to return the floor to the CEO, Ernesto Pousada, for the Company's closing remarks.

Ernesto Pousada:

I would like to thank all of you for your presence. Thank you for the call. We are going to continue to focus on a continuum in the reduction of volatility to give you greater transparency in terms of the margins that Vibra is looking for, give you a very clear idea of the path that we are focusing on a significant focus on our core business.

We are going to evolve the margins where it is still possible and build that margin evolution with greater efficiency and do this alongside with our gas station network with the retail market, so they can have interesting margins in their businesses to have longevity and so that we can enhance our margins. This is the main focus of the Company in coming quarters, and our entire team will be focused on enhancing the Vibra results, reducing volatility and increasing margins.

Thanks once again, and we hope to see you in the coming quarter.

Operator:

The Vibra Energia conference call ends here. We would like to thank all of you for your participation.

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