



**Vibra Energia S.A.
Conference Call Transcript
4Q22 Results
March 22, 2023**

Operator:

Good morning, ladies and gentlemen. Welcome to Vibra's videoconference to discuss results regarding 4Q22.

This video conference is being recorded and a replay can be accessed on the Company's website www.ri.vibraenergia.com.br. The presentation is also available for download.

We would like to inform that the participants attending the conference call will be in listen-only mode during the Company's presentation, and we will then open the Q&A session, when further instructions will be provided.

Before proceeding, we would like to clarify that any forward-looking statements are based on the beliefs and assumptions of Vibra's management and current information currently available to the Company. These statements may involve risks and uncertainties as they relate to future events and, therefore, depend on circumstances that may or may not occur. Investors, analysts and journalists must understand that events related to the macroeconomic environment, industry and other factors could cause results to differ materially from those expressed in the respective forward-looking statements. This video conference is attended by Mr. Ernesto Pousada, CEO; and Mr. Rodrigo Galvão, Finance Director at Vibra, in addition to the presence of some of the Company's executives. I would now like to turn the call over to Mr. Ernesto Pousada, who will start the presentation. Please, Mr. Ernesto Pousada, you may proceed.

Ernesto Pousada:

Good morning, everyone. It's a pleasure to be here in my first video conference with you. I have here with me, beside me, Mr. Rodrigo Galvão and some vice presidents, some executives are also here with me in the room. It's an honor to share the presentation with you and then open the Q&A session.

Moving on to the first slide of the presentation. We are going to discuss the 4Q22. We delivered solid results with EBITDA margin of R\$157 per m³, maintaining our level of market share at about 28.2% and with an addition of service stations of more than 59 units. And following our strategy, we had a 4Q which was very important.

Talking about the full year of 2022, it was a very volatile year. Many changes happened during the year. However, we were able to maintain our growth pathway in our EBITDA, adjusted EBITDA of R\$5,260 billion, a total volume of 38.5 million m³, stable in relation to the previous year. It was a year when we did not have any thermal dispatch so there was a relevant drop in our B2B business related to the thermal energy. Our adjusted EBITDA margin was R\$137 per m³. Our normalized margin stood at R\$158 per m³, and this is a margin where we try to eliminate the nonrecurring effect of our results.

Operating expenses, the adjusted ones were R\$64 per m³, and we had an addition of 182 service stations in our network. Talking about our core business, the Company is ever more focused on improving results and the margins of our core business. I would like to draw your attention to the EBITDA margin as we have seen many oscillation, fluctuations. But when we look at the full year, we can see the perspective in a clearer way. We see that in 2022, as we

can see on the top right-hand side, we had 137. In other words, we had this pathway of growth in spite of all the volatility that we saw quarter-on-quarter.

And along the year, we can see that one would offset the other, and we can see a margin which is much more normalized along the year when we observe a longer period. So this is the growth I would like to draw your attention to. And we added this graph, which is very interesting to show you the effect of hedging the inventories and the volatility related to the business. The green, we see the stock effect and the gray is the hedge. They tend to be in opposite directions. We have a disproportional effect in the 3Q22, which was mainly driven by a drop of prices when the taxes were evaded or removed in the 3Q. So the impact was quite significant on our results.

If you look at 1,732, when we compare to the whole year, we see a drop of 864 in terms of inventory loss, this would offset all the loss in inventory because this is double of what we see for the year. If we remove this extemporaneous effect, and we see that there was a reduction of taxes in a period which was very turbulent in the 3Q, we can see that, considering the year as a whole, we would have had the same balance. The inventory bar would have balanced results. So this was a very strong effect in the 3Q22.

In the 4Q, we see a repetition of that to a lesser degree. But this tends to be normalized along the quarters to come. So it's important to point out this effect, which was very strong in the 3Q22 and was having some effects in the later periods.

And talking about our network of stations, we continue making headway in our proposals, and we have a new image, more than 2,500 stations across Brazil. This is a number that we reported in February, so we see more volumes in our stations. We are going to be ever more focused on our line of Grid, Podium gas and all the lubricants products. We are going to talk about them soon. And these are products that bring in additional margins to our business. These are all very interesting products, and our idea is to continue including those more added value products.

So we have now 1,238 stores. We are growing the market share of stores. We are managing to create value, considering all those franchise stores to our network of stations and ever more bringing in these loyalty programs so that this can generate value to the consumers and attract this flow of consumers to our stations.

Down there, I would like to talk about the closing of branded gas stations. And of course, we always look at the regions which are interesting for us, all the regions where it would make sense to be investing and having more branded stations so that we can have the profitability expected.

In the next slide, we are going to discuss the B2B business. I would like to draw your attention to the EBITDA for the 4Q in this business, which was strongly affected by the variation of the stock of diesel. The B2B has some different characteristics because it's more focused on the diesel fuel, and the impact was very relevant in the last quarter, especially because of those variations in relation to the hedge inventory.

Volumes to the right, we can see the volume without the thermal dispatch. So we see an important growth in the B2B business when we compare the 4Q22 in terms of m³ to what we reported in 2021. So there was a growth in the volume when we exclude the volume of the thermal energy. And also aviation, there was a recovery that went back to the pre-pandemic levels. The EBITDA was very important in the last quarter of R\$211 million, and the volumes are going back to pre-pandemic levels.

Now about lubricants. This is something that we have been discussing a lot and we have been focusing a lot on. We can see the growth of our margin in the past few years. We almost tripled, so we reached 1447. So this is the margin, so we are focusing on this business. We reached EBITDA of R\$372 million last year. And on the graph to the left, we are going to be discussing our work on the channels of distribution.

So the lubricant is way ahead. We have a newer structure of all the network across the country. There are still some states that need to be affected, and we have a new discipline that is improving our image. Lubrax is a very strong brand. We want to continue growing our business across Brazil. It's an opportunity of transforming this business into a franchise, which is more important with good results.

In terms of renewables, especially talking about Comerc, we can see a more relevant EBITDA. Last year, the proforma EBITDA was 48.7%, and ours is R\$141 million for 2022. Synergies are becoming stronger. So we have 26 energy businesses, and it's a B2B business, which is all embracing and increasing the synergy with Comerc. Centralized operations also growing. It's important to say that the products are making headway within the deadline and according to the budget. So we are really managing to invest in Comerc and make headway in energy. The same happens in energy distribution. We have several projects being implemented, and many projects have already been delivered.

On the next slide, we can see some of the plants that started operating. Castilho, Coromandel. So these are all very imported plants, these are very relevant units, which are already operating, generating cash to Comerc. And the wind farms, which are also starting operating.

The same happens in distributed generation. Comerc follows this process of making headway, evolving, delivering projects on time, on budget, and this brings a lot of value to our Company as we move on into the synergies that we are applying to our business.

In 2022, we had an important evolution with our partners. Last week, I got to meet the Evolu's team. We already have been generating a very important volume, and this is going to bring in a lot of value to our business of ethanol, or biofuels in Brazil.

Zeg Biogas, we have 2 new plants, and Jambreiro is a highlight for us because it's already in the phase of commissioning and it's going to start operating with 30,000 m³ a day, and it will soon be operational. It's a biogas plant that's made in a landfill.

Ezvolt has also been advancing, providing solutions for recharge and for corporate fleets also. So our energy platform is searching for consolidation. We have been making a lot of progress together with our partners, and we have made good headway along 2022, and we are going to continue going for this consolidation with renewable energy.

And finally, in the last slide, I would like to talk about ESG. The Company continues receiving awards, a lot of recognitions, which are very relevant, showing how seriously ESG is approached by our Company in terms of sustainability.

And we continue reaching our goals related to the emissions, reducing emissions of Scopes 1 and 2. I would like to draw your attention to the diversity and inclusion in the Company. So we have affinity groups that we are creating. We have specific goals for new leadership and management, and we had achievements in 2022, and we have important targets for 2023 so we can increase the diversity of the Company, and also the inclusion of different groups within our team.

And in the social area, we had the corporate volunteering program in different social projects, allowing us to be ever more bringing in return to the society to Brazil as a whole.

I conclude my presentation here, and we are now going to start the Q&A session.

Christian Audi, Santander:

Thank you. First of all, Ernesto, congratulations on your new position as CEO. I wish you the best of luck process. It's very important to listen to your comments, the positive comments in relation to the recurring EBITDA margin, which is being maintained, and this is so important for the Company.

I have 3 questions. First, when we look at the EBITDA margin per m³, we saw that there were some adjustments related to the PIS/COFINS taxes and also related to the divestment of the assets, and somehow helped to offset the negative pressures related to hedge and everything else. My question is, is this PIS/COFINS tax adjustment something that we could expect to be recurring down the road? And also, how should we look at all those other properties, and also the taxes. So how can we look at that in the future?

The second question is related to Comerc. You have already shown the slide and that helped us a lot to understand how the projects are going, Castilho and Helio Valgas. I would like to know if the project is according to the schedule, or is it impacted by the inflation? So if you could give some idea of what's happening, or when we are going to see the EBITDA growth. Is it expected for the 2H23?

And one related to allocation of capital related to dividend and the leverage. Considering the cash generation of the Company, can we expect any dividend that is significantly higher than we have been seeing so far, or not necessarily? And how do you see the leverage of the Company for 2023, considering that we reached this point of 2.5x net debt to EBITDA? Thank you.

Ernesto Pousada:

Christian, thank you very much for the question. Answering your questions related to the PIS/COFINS taxes and the sale of assets, we had some extemporaneous in relation to PIS/COFINS taxes. We can expect something recurring but at a lower amount. The sale of properties, we still have some properties, some assets to be sold down the road. But again, the amount is likely to be lower because there were some factors that made us have relevant amounts. That made us offset some of the negative results related to the variation of hedge and variation of the inventory.

For both cases, we would not expect this to be recurring and the intensity that happened. PIS/COFINS taxes effects are going to happen but at are lower levels. In relation to Comerc, in relation to the impact, we have the long-term price agreements, so everything is very comfortable. There will be no impact. So we are going to see a constant growth in EBITDA as those plans are implemented. And we are going to see an accelerated growth in the curve, especially after the second half of 2024.

And in relation to your last question that was related to leverage and dividend, may be to follow our dividend policy. And we are going to make all the efforts to distribute 40%. I think this is the best guidance or guideline that I can provide you with. And all the management of the Company is focused on cash generation. We understand that cash generation is something very relevant, which is going to generate the reduction of our leverage.

So we understand that the leverage along 2023 is going to reduce as we improve our margins, as we look at the working capital. And we are going to have a different level of leverage, and this is going to be very positive for the Company.

Christian Audi:

And what about decision related to the PIS/COFINS taxes? Why did you decide to make this decision just now? Was it something strategic?

Rodrigo Galvão:

We had some favorable decisions that made us comfortable to make this decision for the 4Q. Basically, this was the reason.

Christian Audi:

OK. Thank you.

Thiago Duarte, BTG:

Good morning. Thank you for the opportunity. I would like to focus my question, it's very important, this breakdown that you provide us with so that we can understand how we are going to reach a more normalized and recurring result. What happened in this quarter is not the fact that those events happened, but the magnitude, especially when we look at the other major players who have already announced their results.

So I would like you to provide more color on how you feel you did different in relation to your major competitors along the quarter, considering all the scenario of volatility, all the elections' situation. And I would also like to know how you think we should look at this in the future. Of course, I do not think I am judging anything, but it seems to me that you are taking more risks now, especially in relation to diesel. So I would like to talk a little bit more about diesel, so we can understand the level of volatility that the Company is willing to take in terms of risks. Because I think this is a very essential question looking at the results of the 4Q.

And in addition to that, I would like to understand your views on the network of service stations, because the relationship seems to be very healthy when you look at the resellers and how you are adding stations and the net sale per station. So do you think it's going to be possible to continue adding stations at the same level of last year? Do you believe that the franchise system has the strength of growing at this level of magnitude? And what level of growth can we expect? So you have mentioned bonification, the conversation for the resales. So what's the order of magnitude that we can expect?

Ernesto Pousada:

Thank you for the question. Now talking about what happened with Vibra last year, what we can say is that in October, we believe that the market would be stronger, so we imported a higher level of products. And right after that, we reduced some of the volumes in a significant manner.

This also helped increasing the volatility in which is something natural that was already happening. But we went in the opposite direction because we see a high level of imports up to October. The demand was not as expected and this led us to reduce imports. And that added to the volatility that was already present, and this may have impacted our results of last year.

So what are we going to do in the future? We have a strategy that has already been defined with the team. So we are going to normalize our imports basically. We are going to avoid considering the market is so volatile, and we are going to try to always to find a balance in the

volatility, considering the imported volumes so that we are going to avoid all those major swings that bring more risks and volatility. So we are going to reduce the volatility that we have been seeing in our results.

And in relation to the second question you asked is related to the network of stations. Yes, we have grown quite significantly. I have been talking to resales and into the northeast and part of Brazil. And we have a convention in Rio next week. And thousands of resellers are going to take part in it. And we see how successful we have been, and all those players are very happy with the results. But we do not have a target related to numbers when we talk about the future.

Whenever we look at the region and see that it's going to make sense to have a branded station, and then we are going to consider that, and we are going to consider all our ROIs. And we are not going to see a standard saying we are going to grow the same number of stations that we had the previous year. We are going to see where we are going to open or get into branded stations in regions that would make sense to our business so that the business can generate more value to our Company and to our stakeholders as well.

Thiago Duarte:

Okay. Let me rephrase my second question. Do you understand the scenario for branded stations is more or less healthy than in the recent past? The reason I am asking you this is that, considering this import window that seems to be more difficult or more limited, I understand that the value of branding stations for the franchise system is more attractive.

Ernesto Pousada:

Yes, it's healthier, you are right, but I do not like to generalize. I understand that's healthier, but we have to be very caution when we allocate capital. This is a mantra that we have, and we are going to continue repeating it. Allocation of capital has to be very careful so that we can have the expected returns.

So yes, it's healthier. However, we are going to do an analysis state by state, region by region, so that we can make sure that the allocation of capital is going to bring the expected results to the Company.

Thiago Duarte:

That's clear. Thank you.

Luiz Carvalho, UBS:

Good morning. Thank you very much for answering my questions. I have 3 questions on my side. Ernesto, I would like to welcome you and wish you the best of luck. I would like to focus lights on profit. Since this is your first interaction with the market, I would like to understand the strategic side of the Company. You have just come on board. So what are your main objectives? What is making you lose sleep? What are the pains, the urgencies on your side? If you think about a hallmark that you would like to leave on Vibra. So my question is, what are your main goals?

And the second question, I would like to go back to the previous question but in a different way. Thiago touched upon the dynamics of imports. But when we talk about the resale team and all the players in the distribution side, in the past 3 years, we see that there was a big movement in the market share. Vibra came in the process of cleaning up the base after the privatization and the regional players gained relevance. There was a consolidation of the

sector in the market share, and there was also a time when we saw a strategy that led the Company to a loss.

And when we talk to those players, it seems to me that the sector is much more balanced. There is not a fierce eye for market share. So we do not see any change, organic or inorganic, that would be possible. So what about this more stabilized market scenario? How is this affecting the competitive scenario?

And if you allow me another question going back to what we have already mentioned, you mentioned the magnitude of those external impacts, hedge and inventory levels. And what called my attention was the magnitude, because the EBITDA was close to R\$600 million and the hedge loss was close to R\$500 million. So if you could go deeper into the strategy going forward, both related to inventory management and also the hedge management, because we are going to see volatility in the metal price. So there is mark-to-market which is downwards. So if you could provide more details about this, I would be grateful.

Ernesto Pousada:

Luiz, thank you very much for the question. I am going to start backwards, talking a little bit about the issue related to hedge. Hedge is something necessary. The moment we do the imports and bring in the product into the Company, so this is something that we use to protect from this variation. And obviously, when everything is following the price parity at the international level, we see that this is going to be offset along the way. So we are going to continue applying our hedge policy.

And it's important to mention that we have a committee involving different people where we calibrated on volume that we are going to include in the hedge. So it's not a one-person decision because there is a whole process that is followed. So the Company addresses this topic in a very serious manner. It's not something that is decided overnight.

We look at this volatility and consider it and somehow it's going to continue being present in our business. I do work in commodities, and we see that there are some year which are up the curve. And in 2022, this is something that happened with more atypical behavior.

But this was something that changed when you compare the dynamics of 2016, 2017. Now we have a more open market, and we are going to continue using this hedge policy. We are going to reduce our volatility, as I mentioned before, so that we are going to bring in less volatility to the business. And then, we are likely to see smaller swings in relation to hedge and also in relation to the inventory levels, because we intend to work with lower inventory levels.

So we are ever more optimizing our processes of sales estimations, our import processes so that there so that we can work with lowering inventory levels, reducing the working capital of the Company and normalizing our imports. And naturally, this is going to make this volatility to decrease.

In relation to your second question, I think you are reading this correctly. On Vibra's side, we had an important loss of share and we recover it part of this market share now. And we are at the moment where there is a level of stabilization. We are going to continue with branded stations. So our search for market share is going to continue in our branded stations. So these are places where we can place our brand, we can bring in value. We can bring in more value-added products, but we can expect part of the Vibra concentrated on improving the margins, going after more healthier margins, but without losing market share.

But we are not so eager in going for higher market shares, especially related to stations which are not branded. So we want to grow in the branded stations. In relation to your first question related to the strategy. So I have been in the Company for 50 days now. But the answer is yes, on those first days, we are repositioning the Company. We are rebalancing the Company in the core business. We have a very relevant core business. And we have an opportunity, as I see it, because Vibra is a leader in the sector and it did an excellent job, the previous management, the excellent work to reposition Vibra at higher level.

When we look at the margin that we have acquired, we get so surprised. And now it's time for us to become a leader of the market to go to another level in terms of margins. So we are going to reduce costs, adopt actions, bring in products that would bring more added value-added. So this is going to be the first focus that I would like to mention. So we are doing, after another level of margin in the energy migration. It was very important to position Vibra to the future because this is an agenda that we are going to follow.

Now is the time to consolidate, to digest, to bring in all those synergies, I think these are the words that have been using often. We are going after a stronger synergy in order to consolidate everything that we have done so far, especially in the 18 months in the energy transition. There's a very important opportunity for us to bring in the synergy, and also consolidate the several activities that we are doing. So this is the challenge that we have ahead of us, so that we can then think about the future.

Right now, we are not looking at new acquisitions because this is the time we understand to consolidate, and maybe in the future, we are going after new acquisitions, new pathways, new ways, new journeys.

So this multi-energy platform is fundamental for the future of the Company. We see many industries going in this direction, and we are going to follow that. I see a lot of value, and this is a story that is being told.

And I would not say a full stop, but I would like to put a comma so that we can close this point with a significant additional value to our shareholders, and also position Vibra in terms of ESG at a higher level.

Another platform, which is important and that I would like to mention, because there is a cultural evolution in the Company, and this is an ongoing journey. Without any doubt, Vibra is a startup that is 51 years old. I see a lot of things happening at a very quick pace in the last 3 years, but there is still a cultural transformation ongoing, and we are going to have a very important agenda of transformation so that everything that we do can be sustained by a modern transparency and top-notch culture when compared to other companies operating in the same market, so that we can better more show Vibra as a market leader that is not going to be transformed, but also transforms the market where we operate.

Luiz Carvalho:

Thank you.

Marcelo Gumiero, Credit Suisse:

Good morning. Thank you very much for taking my questions. I have 2 questions. Maybe the first 1 would be in the line of the questions already asked by our colleagues. So this is related to the hedge for imports. I understand the hedge, the strategy was not to look so much at imports. And what we saw in the 1Q23 and the quarters before that, we saw a reduction of prices by Petrobras, both diesel and other fuels, so that we can look at imports. My question is, did you maintain the strategy of reduced volume of imports in the 1Q? And what can we

expect in terms of hedge? You mentioned that you expect to decrease the volatility. is this an intention in the short term?

And the second question is related to cash generation and cash management in general. We saw in the 4Q22, Vibra was able to free up a lot of capital for the working capital. There was a repayment of finance with suppliers, but there was an accounts receivable, which was very negative. I would like to know how the dynamics are going to play out in the future. Is there going to be a reversal of this accounts receivable, which was very negative? Or are we going to have any monetization, and tax credits, is there anything negative that is going to affect the cash? What's the cash dynamics? And is there any metrics for the leverage that Vibra is going to lose? Thank you.

Ernesto Pousada:

I have already mentioned a lot about hedging the imports, but I think the question is more related to the 1Q. So we are going to see some effect in January related to what happened in the 4Q22, but along the quarter, we are likely to see a normalization of imports, the hedges and operating at normal levels. So we are going to have a quarter with the mixed results or effects, but we see that the consolidation is going in the direction of normalizing the imports.

In relation to your second question, in relation to cash generation, we had a very important quarter in terms of cash generation. We do not see those in the statements, in the financials yet. That is important to say that we have a cash generation of R\$2 billion, but we settled all the risk that was overdrawn of about R\$1,6 billion.

And in the statement, we see that the generation was lower, but we settled part of our gross debt. So this is very important, because the Company is going to continue making efforts to generate cash in all its lines.

Of course, we are going to have variations quarter-on-quarter, considering where the cash generation comes from. There is no way we can possibly specify in which line this is going to occur. What I can say that this is something dynamic, and we are making constant efforts when we have managed the cash flow.

So this effort is constant. Constantly, we are going to be working in order to maintain our annual cash generation in the same level that we had in 2022.

Marcelo Gumiero:

Very clear. Thank you.

Bruno Montanari, Morgan Stanley:

Good morning. Thank you very much for taking my question. Welcome, Ernesto. Good luck in your journey. I hope it's very fruitful. I have 2 follow-ups to make. One is related to the long-term strategy. It may be too soon to talk about this topic, but from the conceptual viewpoint, when we think about Vibra, do you see Vibra as a company which would be 50-50 distribution and renewables, or maybe renewables would account for more than half of the business in the long term? I just want to understand what's in your mind.

And a specific follow-up on the dynamics of financing loans. Do we have 0 risk? Are you going to look at different lines of loans? Are we not going to see all those noises, all those frequent changes in the cash flow? Or can we assume that the risk is no longer present and will no longer make sense as a source of financing?

Ernesto Pousada:

Our strategy in terms of overdrawn risk is to use it at specific moments where we regard to be necessary. Our strategy with overdrawn risk is not continuing is. We are going to use it at the moment that seems to be interesting to us. Maybe occasionally when the market is tougher for taking a loan or when the loan is more expensive, we may resort to the overdrawn risk. I would not refer to it as a volatility.

Rodrigo Galvão:

Perfect. I think this is rather part of our strategy of having the overdrawn risk as an option at the moment where we need to have a credit line or a financing line. This is our strategy. We are always trying to zero the risk and take it at occasional moments, depending on the situation. We do not want to use this risk as a way of taking loans.

Ernesto Pousada:

In relation to your first question, in relation to the strategy, what I can say is that I expect that in the future, the energy business will be relevant. And our size is quite relevant. We are not going to go into any business and use the focus and the energy of the corporation on something that is going to be slow in the long term in terms of the results.

So the exercise was going to be 30%, 60% of the business. This is not the point, but what I would like to make it clear that our intention is that in the future, this is going to be a relevant business to the Company, so that this can have an important share of our cash generation, of our results, when we consider the period of quarter-on-quarter or year-on-year.

This is our objective. We want to transform our multi-energy platform into something that generates value and results in a very significant manner to our business.

Bruno Montanari:

Very clear. Thank you.

Monique Greco, Itaú:

Good morning. Thank you very much for taking my questions. I am going to ask 3 questions, one of which is a follow-up to a point that was mentioned by Ernesto in 2 answers. The effort of having more branded stations. You made an interesting comment, because you said that you do original analysis to understand what would make sense from a geographical viewpoint.

First, I would like to understand if this is it, is that a criterion at the regional level to understand in which region you need to have more stations, and understand how this is going to be connected to the effort of reinforcing the core business since the branded stations are very important to maintain this, since your market is going to be ever growing. Because we see that the core business is going to grow in the future, so when you mention the regionalized analysis, this is what you mentioned.

And in the multi-energy platform, you mentioned that you are going to focus on the synergy and consolidating the portfolio that has already been built. I was curious because I wanted you to recap on the intention of Vibra to repositioning in the gas, because with Wilson, the previous management, at times, they mentioned that, yes, there's a missing part in the portfolio. So I would like to understand if this idea is still living, or is it going to be an idea that is going to be in the standby mode until you consolidate the values in the portfolio.

And the last question is a point that we do not talk so much about, but in the future, in the next few months, it's going to become more relevant, which is Evolua. During the presentation, you mentioned this, it was very nice to have more data about it. But we would like to further understand what you expect in terms of the evolution of the Company when it starts in its full operation. When it's fully operational, how do you expect this ramp-up in terms of volume to play out? And what is the order of magnitude that we can expect in the line of the results?

Marcelo Bragança:

Good morning, Monique. Evolua started operating this year, as of August. So operations started in August, but it's still very modular, incipient, bringing in ethanol operations into Evolua.

But in this period, we expect, because we have always mentioned the order of 9,000 m³, so we expect to have this kind of movement. Evolua has a very great potential to capture synergies. When we increase this visibility of the supply and demand, it has the potential to generate a lot of value to the Company.

We started to report the results just now, and we are very confident that during this period, this crop will bring the results that are expected by the Company.

Ernesto Pousada:

Thank you, Marcelo. Monique, I would like to thank you for asking about the gas, because this is a very important point. Because when I talk about the consolidation, we believe that this is a missing part in our strategy.

We are going to go after a partnership related to gas. But I do not believe that we are going to have a very relevant CAPEX for this business at this moment. And this is why I mentioned that the moment is more to be on cost consolidation. And it's my understanding, it's the understanding of the management that we have to fill this gap in terms of gas offer.

And your first question in relation to the branded stations, the new ones. And we have criteria but it's not the only criterion that we use. We have to consider not only region and geography, we have to consider the profitability potential, the commercial situation in a certain region and what is already operating in the region. So there is a number of criteria that are being considered.

Monique Greco:

OK. Thank you, Ernesto. Thank you, Bragança.

Gabriel Barra, Citi:

First of all, best of luck in your new step of the Company. I believe that many of the points have already been discussed. I think one important discussion is related to net debt and dividend. This is going to be a very important debate for this year, because when we look at the dividend policy of the Company, and we look at the net income, there are important events. One of them would be the receivables that we have an auction, and also the divestments and the properties, and also the service stations that you mentioned along the call, in addition to the cash flow of the Company.

So it seems to me that you are able to pay more than 40% of dividends, according to your policy. So I would like you to talk more about the net debt. Because you mentioned 2.5x as a

target, when we think about the leverage. So, what would you be comfortable considering the interest rates, which are higher in the domestic market? Would you prioritize a deleveraging, or would you have an additional cash level?

The second point, we saw that some players wanted to use this thesis of increase and decrease of taxes. I would like to understand how you operated this in this quarter. Are we to expect an extraordinary gain in inventories, considering this fluctuation of taxes?

And another one, which is an internal debate that we have, how to increase the margin in the sector. When we look at the history track, we see that there is a segment where the return is lower than we had expected, and we see that there are times when the margin would not follow the results in the sector as a whole. And something that Ernesto mentioned was this focus on the margin. How are you going to do? And this is also related to pricing, because Vibra has a more aggressive attitude in terms of pricing, trying to push the margin up, which can be a bit dangerous, but I would like to understand how you intend to do it because we understand that in terms of expenses, a lot of actions have already been made. But what else can be done?

Ernesto Pousada:

Thank you for the question. I am going to try to answer them all. Now thinking about the first question in relation to the dividend. I am going to refer to our distribution policy, which is to distribute 40%. Of course, along the year, the Company is going to evaluate how to best use this cash generation. If it really becomes consolidated, it may lead to something different from the 40%.

But in principle, we are going to maintain this policy of 40% for dividends. So this is the first point. I am going to reinforce this in along the quarters. We are going to see how everything plays out to what would be the cash position and income of the Company so that we can enlarge the distribution.

We are in the direction that you mentioned. Of course, this is very dynamic, but at this time around, we are looking for leverage that will take a bit more effort to go to the 2x. But our target is to reach 2x or 2.5x, and this is the challenge that we have ahead of us. And it's in relation to the same direction. We are following the same direction.

And the third question related to the margin. It's a challenge that we have ahead of us. I think the Company did an exceptional work in reducing costs, but there are still some opportunities out there to reduce costs in a more structured manner. We are redesigning some of the processes. We are going to be becoming more efficient point from a logistical viewpoint. We are becoming more efficient by using the S&OP. We have commercial and operations meetings where we see opportunities in terms of cost reduction. And without a doubt, we are going to start looking outside, because this relates not only to prices, but also to distribution channels.

As I mentioned, in Lubrax, we have to look at the distribution channels in all of our business, and there's a stand where we could improve the distribution model so that we can add more value, reducing the variability in 1 extreme, when we see lots of variability.

So we want to have more discipline in distribution channels, which without a doubt is going to improve our results, and it's an effort that we are making together with the branded units. It's a focus that we are going to have evermore so that we can have a closer partnership with the resales of the branded service stations.

And this also has to include pricing, where we have to be very cautious because our business is very leveraged and depends a lot on volume. Scale is fundamental. So we have to balance this.

We are going to have ever more discipline in terms of prices without any doubt, but we are always going to make this balance of volume and price, which is a very complex equation, and we cannot forget that this brings in a lot of value to our scale.

Gabriel Barra:

Do you have a more aggressive strategy in order to capture those advantages related to the taxes?

Marcelo Bragança:

Gabriel, at the end of the year, we made efforts in order to bring the inventory levels at normal levels. We had a higher inventory level in October because we wanted to meet the expected demand. That did not happen.

Now we have the PIS/COFINS tax imposed on some fuels, but at a different level, and all those would put pressure on ethanol. The price of diesel dropped. This has just been announced, and this is not greater than the opposite effect of the molecule price. So the strategy, as mentioned by Ernesto, is to remove the volatility to work with more adjusted inventory levels in our operations, and also in imports.

Gabriel Barra:

Very clear. In relation to the receivables, can we expect that part of this amount can come back in the beginning of the year?

Marcelo Bragança:

This accounts receivable is a recurrent question that we receive, especially yesterday. So those were basically related to the weekends. If we divide the invoices, you will see that this is related to nonbusiness days.

Gabriel Barra:

Very clear. Thank you. Good luck.

Leonardo Marcondes, Bank of America:

Good morning. Thank you for taking my questions. I would like to congratulate Ernesto and wish you lots of luck in this new journey. I have 2 questions. Since we are in the end of March, I would like you to make some comments on the dynamics of the sector in the first months of the year in terms of competition.

My second question is a follow-up on the focus of the Company, in terms of branded companies and the analysis of regions and microregions. Could you provide more detail on which region do you consider that has a more attractive return, and if there is any that we are not to expect any expansion of Vibra?

Ernesto Pousada:

Good morning, Leonardo. Thank you very much for the question. Beginning from your second question, this is very dynamic. There's no specific region. You are not talking about state, so there's nothing really specific to share with you.

So we could not say our focus, this or that. Our focus is basically to constantly analyze, and this is the dynamics that we adopt, and then we are going to determine which is the microregion the municipality in the area where we are going to have this process implemented. So this is something very dynamic and there's nothing predefined that we could share with you. This is something that changes quarter-on-quarter.

In relation to the 1Q, of course, there are many things that are being consolidated, and we still do not have anything more specific to share with you. We said that there are price variations that have to be considered and also PIS/COFINS taxes that returned at a certain degree on the gasoline, and the market dynamics was very similar but with the lower volatility in comparison to what we saw last year. All this excessive volatility of hedge has not been seen, and the price drops have impact on our inventory levels.

Leonardo Marcondes:

OK. Thank you.

Operator:

The Q&A session has come to an end. We would like to turn the call over to the CEO, Mr. Ernesto Pousada for his final remarks.

Ernesto Pousada:

So first of all, I would like to thank everyone. It's an honor to be here attending this first call. I would like to point out 3 points especially. 2022 was a year where there was a high level of volatility. And even so, Vibra managed to deliver a result which was very much in line with the previous quarters and also a very good cash generation. This is something that continues to be very positive in the Company.

We also showed our capacity to respond very quickly to some events. We had the large imports in October, and we were able to respond quickly. It's undeniable that the capacity of the Company has been quick, and in 2023, we are focusing on improving our margins of the core business and considering everything that is possible to be done reduce the volatility. So the business has this volatility nature, so we are going to do whatever we can, and we are not going to add more volatility to something which is already volatile.

So we are going to focus on the margin, expanding the margins as the leader of the sector and reduce the volatility in our everyday business. We are going to be focused on the core, our branded station network. We want to offer the best experience to our clients. And we are going to make an effort in searching for product and services that can offer a larger margin.

BR Mania, Podium, Grid gasoline and Lubrax, these are products and services that can bring in additional margin, and we are going to be focused on those items because they bring in higher values to us and to our resale system. And we are going to look for synergy in our multi-energy platform. We want to consolidate this business and show the value that this is going to bring to our shareholders in the long term.

And obviously, also in ESG, we are going to complement this portfolio, also in the gas segment.

These are the focus for 2023 and this is what we are going to be after in this year to come.

Operator:

The video conference of Vibra has come to an end. We would like to thank you for attending this video conference, and have a good day, everyone.

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