

## Y 2021 Earnings Call

### Company Participants

- Gustavo Marder da Rosa, Investor Relations and Treasury Director
- Joao Alberto Fernandez De Abreu, Chief Executive Officer
- Rafael Bergman, Chief Financial and Investor Relations Officer

### Other Participants

- Bruno Amorim, Analyst
- Filipe Ferreira, Analyst
- Lucas Barbosa, Analyst
- Regis Carodoso, Analyst
- Rogerio Araujo, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good morning everyone and thank you for waiting. Welcome to Rumo Conference Call to discuss the Fourth Quarter 2021 Results. today with us we have, Mr. Alberto Abreu, CEO; Mr. Rafael Bergman, CFO and IRO; and Mr. Gustavo Rosa, Investor Relations and Treasury Director. We would like to inform you that during the company's presentation, all participants will only be able to listen to the call. We'll then being the Q&A session, when further instructions will be given. (Operator Instructions). Before proceeding, we would like to mention that forward statements are based on the beliefs and assumptions of Rumo's management and on information currently available to the company. They involve risks and uncertainties, because they relate to future events and therefore depend on circumstances that may or may not occur. Investors and analysts should understand that conditions related to macroeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

I will now turn the conference over to Mr. Alberto Abreu. Please my Alberto, you may proceed.

#### Joao Alberto Fernandez De Abreu {BIO 20362451 <GO>}

Good afternoon, everyone, I'm Alberto Abreu, Rumo's CEO and thank you for joining our fourth quarter 2021 earnings call. As usual, we will start our presentation with an update of our ESD agenda. The environmental, social and governance agenda, the company had important progress in 2021. For the first time, the annual sustainability index were issued by a third party reinforcing the reliability of the data and the company's commitment to

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transparency. The report also brought important improvement, such as the creation of two new commitments to sustainable development focus on developing sustainability action with supplier and customer, in addition to the goal of guarantee 100% traceability of future commodities by 2025.

In 2021, there was also the inclusion of the ESG goals in the variable compensation plan of employees and increasing the number of women members of the Board of Directors, which currently represent 3 out of 10 members. In recognition, Rumo received the Women of the Board seal from United Nation Women. In 2022 for the first time Rumo is part of the Corporate Sustainability Index portfolio. Rumo is also the only logistic company to be part of Brazilian Stock Exchange sustainability index. In the third quarter Rumo Institute was established, which began its activity, focus on the youngster with the first class held in the city of Rondonopolis. Finally, reinforcing the strategy of raising sustainability linked funds, Rumo carried out two operation with this framework in 2021 and we are starting 2022 with roughly 50% of the debit related to sustainability.

On the next chart, we represent the highlights of last year. 2021 was a year for strengthening the work that the company has been carrying out on several fronts of our strategy. On the regulatory front, many developments have been made. We have signed the authorization contract allowing us to be extension from Rondonopolis [ph] to do Rio Verde. This will be a transformational project for the company to which we extend our footprint to the main grain producing region of Mato Grosso. We are optimistic about the licensing process and it's likely to happen before the end of 2022. Another asset improvement was the approval of a new railways Law number 14.273, which reinforces the development of the Brazilian rail infrastructure with greater regulatory flexibility as an important pillar of competitiveness for our country, such as, for example, the possibility of building smaller short lines capable to connect important provisional regions to the country's main railroads. In the Ferradura, last mile before entry in the Port of Santos after the renewal of MRS concession, the pass through tariffs should be reduced by around 60% as well as bringing new investments, which will allow even more gains in operational efficiency and capacity.

In addition, the investment made in the Port of Santos and Malha Paulista, the intensive use of new technology in the operation with 120 railcars for the train is already bringing more efficiency in capacity to our business. With the initiation of the Central network, we entered in a market that we export around 11 million tons of grains in 2022. In the first year of operation, we already reached a significant market share growth in Goias. In addition, we will begin to start the other types of car the coming years, creating additional growth opportunities. Last, but not least, we grew 3.7 points in market share in Mato Grosso throughout 2021, and with initiation of the toll roads on BR-163, we expect a further increase in our competitiveness.

On the next chart, we will talk about the operation Central Network where we had an important advance. Since 2019, when we signed the construction agreement for the North-South railroad, we have been doing investments and improvements in its infrastructure, making it operational after more than 30 years. During 2021, we initiated two grains terminal, which operate in Goias, where we are ready to support significant volume of grains. As a result, we had a significant growth in market share in the second

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semester, reaching 54% in December. In 2022, we will have a new sugar terminal in the second quarter, a new fertilizer terminal by the third quarter and we project the operation of a container terminal for the fourth quarter. Thus we should see even more growth in volumes and value creation in that region.

On the next slide, the market share highlights. 2021, we started with the good competitiveness giving the highest spread beating the truck freight compared to Miritituba and Rondonopolis, since the origin of Lucas de Rio Verde. A record of soybean crop increasing the volume transported with the grain. On the other hand, in the second semester, due to the corn crop failure, truck price were reduced, despite the rise in fuel price. Rumo as a strategy, we improved market share of grain in Mato Grosso and obtaining an increase of 8.3 points in this period, 3.7 points of market share year-over-year. The competitive scenario in the second half of 2021 impacted the negotiation of tariffs for 2022, especially for soybeans in the first half. For 2022, with a good soybean harvest and the record corn harvest, there is a room for normalization of truck freight, which tends to be reflected in new gains in the second half of the year.

Looking ahead, we expect the start of the toll on the BR-163, which should result in an improvement in our competitiveness when compared to the north part. To continue the presentation, I would like to ask Raphael Bergman, who became Rumo CFO in January to join us. Thank you.

### **Rafael Bergman** {BIO 18619281 <GO>}

Thank you very much, Alberto. Good afternoon, everyone. I'm very honored to join Rumo's team. And moving on to Slide 11, starting with volumes. We transported reported roughly 16 million RTK in fourth quarter of 2021, 2% below fourth quarter of 2020, despite the drop of more than 22% in corn volumes. We continued with our strategy of gaining market share, advancing even more to capture the available volumes of grain, in line with what we had been doing throughout the year. We focus on occupying the maximum of our capacity, capturing the benefits of our scale.

Looking at 2021 as a whole, we made more than 64 billion RTK, that's 2.5% above 2020, even with adverse scenario regarding corn crop. In our North Operation, we grew 3.2% in volumes, which resulted in an estimated market share of 43% in the export of grains from Mato Grosso and almost 28% in Goias with the consolidation of the Central Network. In the South Operation, the transported volume dropped 1.9% due to the even more severe effect from the crop shortfall, which led to a 78% reduction in the corn transported volume. On a more positive note, both the container operation and the fuel and fertilizer segments showed double-digit growth and positive performance for both.

On Slide 12, I'll cover the results of each of the business units and also the consolidated results for Rumo. We have just seen the volumes of speaking of yields. The yields in the first half reflected the good performance of soybean crop and the pass through through of fuel price. On the other hand in the second half of the year and even more in the fourth quarter of 2021, we accepted lower tariffs in our North Operation in order to continue capturing grain volumes in further regions and also due to the greater pressure on spot prices for grains in a scenario of crop shortfall. EBITDA for the Northern Operation totaled

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BRL2.8 billion in 2021, that's 13% lower than 2020. If we exclude the non-recurring effects on the provision efforts in both years, the decrease would have been 6%. The EBITDA for the South Operation reached BRL492 million due to better tariff financings [ph], an increase of 31% versus 2020. In this case, the provision for impairment of BRL144 million in the Western Operation, we realized in 2020 helped in the comparison. And looking at the consolidated figures for the Rumo, the 2.5% growth level in volume and 4.5% increase in yield were not enough to offset the increase in variable costs and also the inflation pressure on our fixed costs.

On Slide 14, the financial result in 2021 improved 8% when compared to 2020, despite the higher interbank rates, the cost of net debt was positively affected by a non-recurring gain in the winding process of the derivatives linked to the '24 and '25 bonds cover prior to maturity. Also the figure for 2020 was negatively affected by a change in the mark-to-market methodology of our derivatives. The reduction in other financial expenses is mainly due to the repayment of BRL5 billion in concession fees, which we affected last year. Net income in 2021, reached BRL156 million due to the same factors that influence our EBITDA performance.

On the next slide, I will cover more details of our debt profile. We ended the fourth quarter with a leverage of 2.8 times net debt over EBITDA mainly due to the corn crop shortfall, which caused a negative effect to our EBITDA. When we look at our debt amortization schedule with the (inaudible) bond issuance and the repayment of the '25 bond last January, we can see that Rumo doesn't have any significant amount of principal repayments until 2027, which helps with the execution of the new railway extension to Lucas do Rio Verde.

On the next slide, we have the market outlook for soybean and corn. So moving on to Slide 17 according to Agroconsult's projections, the soybean 2022 harvest in Brazil will reach a 127 million tons of which 78 million tons should be exported. Despite the draught experience in the South region in the states of Mato Grosso and Goias, where we have a more relevant presence maintained their growth projections, both in terms of production and in terms of exports. And among the main regions where we operate until 10th February, the soybean harvest in the South and Midwest states presented good effects in particular in the states of Mato Grosso and and Parana, where the harvest reached 56% and 23% respectively, higher than the 5-year average for the same.

On Slide 18, we will see the outlook for corn. So as for the corn market in 2022 also occur according to Agroconsult, Brazil have an all-time high harvest of 111 million tons, a 25 million tons increased compared to 2021, of which 34 million shall be exported, more 60% above the exports in the biggest crop. Together Mato Grosso and Goias states are expected to exports around 9 million tons more than in 2021. And unlike 2021, when there was a delay in the soybean harvest, the anticipation of planting and harvesting of soybean compared to the last five years average allows for a more favorable window for cultivating and harvesting corn, which brings of positive perspective for 2022 crop. And throught the 10th of February and now, the corn corn planting of Mato Grosso reached 63% and in Parana 33%, while the historical average for the states on the same date is 42% and 50% respectively.

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On the next slide, I'll cover the short-term guidance projections. In 2022, we expect to reach a volume between 72 billion and 76 billion RTK with a midpoint that is 16% higher than last year's volume. In terms of EBITDA, we estimate a range between BRL4.1 billion and BRL4.5 billion, which would represent a 28% midpoint increase. This is due to the expected growth in volumes and tariffs, noting as Alberto said earlier, that part of the transportation volumes in particular that's of the soybean in the first half of 2022 were price a launch of the second half of 2021 and therefore in the less favorable competitive scenario.

On the other hand CapEx should be reduced if compared to the average, we said at the end of all-term guidance. The efficiency gains with the 120 railcars per train in addition to the improvements in the Port of Santos offer gains in the operating cycle that should reduce the need for the acquisition of rolling stock. Therefore, we foresee investments between BRL2.7 billion and BRL2.9 billion in 2023 without considering the extension to look at the few bid, which should begin as soon as the licenses are updated. The EBITDA and CapEx figures we expect to deliver into 2022 should allow us to reduce our financial leverage prior to starting the construction of the extension Cuiaba and Lucas do Rio Verde. And with that, I finish the presentation and remain available for the Q&A session.

## Questions And Answers

### Operator

Thank you. We will now begin the Q&A session. (Operator Instructions). Our first question comes from Pedro Bruno, (inaudible).

### Q - Unidentified Participant

Alright, good morning everyone. Thank you very much for taking the question. My question is around the discussion between short-term and long term, if you will. We've all known that the fourth quarter was expected to be -- the second half actually of 2021 as a whole should be weak, given what happened to the corn, this is old news for everyone. You guys -- I think surprised the market positively on the top line side, I would say right with strong volumes at the end of the day with that there is that compared to best periods was not -- the end of the day was not that bad, but you didn't cover that the higher fuel cost as everyone saw now with results. This was somewhat I guess expected, what was not expected recently was that, that would roll over, I would say for 2022, right. So that was kind of I guess a surprise.

So I think we're past that point now, so my point here and what we're trying to understand is how we can see a rollover of this evolution or of this market share strategy that you were undergoing after 2022, right. We understand 2023 should have an important step in terms of improvement you already discussed that Alberto was just talking about that, but my question is how can -- if you can walk us through how that communicates with the 2025 guidance that you still have ongoing in terms of I guess the three main guidance is that you have there right for volumes, for EBITDA and even for capex, which I would like to understand? How structurally, it is the reduction of CapEx that you we're undergoing and how that also communicate in terms of free cash flow generation going from here,

let's say to 2025, but the -- but the, however you want to go about the answer, but my main point is trying to -- if you can help us connect the short-term with the long-term given the market share strategy that you were taking, which of course is not -- is not one that looks one quarter ahead, I understand? So thank you very much, that's the question.

## A - Joao Alberto Fernandez De Abreu {BIO 20362451 <GO>}

Thank you. Pedro. This is Alberto speaking, it's a very broad question. As you suggest I would trying to cover it, going firstly to volume and then may be set up EBITDA, let's talk to cost and yield and then let's talk about the CapEx, okay. And so, starting with the volume, we are considering of course that the global demand for what we transport, we keep growing and I think we have to agree here that we really understand that we have the most competitive solution in the areas that we operate. So I must say that there is a gap between our solution and the other alternatives, mainly, let's say Mato Grosso and Goias. We have to say that we see this gap increasing in the short-term and I would say in the medium and long term increasing dramatically in terms of the competitiveness and we all know the reasons for that -- for that gap. So when we saw the results this mainly in the last quarter, we e saw a huge market share in Mato Grosso was around 70%, in Goias the market share in the second semester were around 40%.

So I'm trying to say, firstly, covering volume and we really have all the solution and the capacity to keep it growing and reaching the guidance that We have. So -- but when you talk about market share, you also have to talk about yield, which is one of the things that's part of the EBITDA. And of course, a shortfall of 14 million tons to 15 million tons of corn, does not help and it's -- and of course there is always learning this process. We always can do better, but I have to say there is no regret the team regarding the strategy to grow market share that we have put in place. So we understand that this is a lot, so we will do it again. So trying to really test our capacity, and -- but I think the main message here, regarding yield is that we can consider the second half of 2022 as of transition period for a different, completely competitive environment in 2023, that's what we have to take into account in this moment and we can talk about the reasons further. So that's on the yield side.

But EBITDA is always -- is also above cost. So, let me mention here two important levers on the cost side, what I think it's important to mention, one is efficiency energy, very important a moment like that with level of fuel price. So we have been reducing 5% on an annual bas and that will keep like that in the next few years. So we are sure that this level of efficiency will keep reducing and in the other lever, when we talk about costs that we must take into account although was not part of the guidance in 2022, it's the throughout -- pass-through tariffs that we're going to pay in the last mile Port of Santos. Everyone knows that (inaudible). So as we know this process was approved already. The Infrastructure Minister who has approved it already and it's in the TCU. So we are talking about for instance, for Rumo cost of BRL250 million only in 2022 and we're expecting to have this approval -- we don't always exactly when, but what's in the document says, it's a reduction of 60%.

So this kind of thing that gives us the confidence that cost with the yield in the medium term will bring the EBITDA that we are projecting in the medium and long-term. But we also have to talk about the CapEx and this is very important because all the investment

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that we had been doing, we started with the (inaudible) as you know, the Port of Santos, port was completely transformed last year in terms of investment, the use of technology on the whole process for the site extension that we have implemented in the network. So a lot of things have been implemented. And the Central Network brought not only volume, one very important thing was the -- was the optionality that this new business drop for the whole system. So all those things together, it's bringing on level of the CCC that I have to say, it's way far from what we were expecting. So if we go back to 2020, we were running in terms of cycle, the business with almost 100 hours. So that was time. We don't talk a lot about time, but this is a key lever of our business.

Last year we run it well with around 90 hours and we started 2021 -- 2022 below 80 hours. So this is absolutely -- let's say amazing in terms of efficiency, again by far from what we expected and the impact on the CapEx is very important. So we run it already, the second semester of 2021 with BRL1.4 billion of CapEx, we should run in the same amount in the first semester of 2022 and again in the second semester of 2022. So it's BRL2.8 billion and we are expecting to test this as the new level of CapEx from now on. So that's -- that's our view regarding CapEx and again a 100% related to efficiency and as the main driver to link gaming capacity. So I would say this is summary of volume cost, yield and CapEx to link the current, let's say guidance to the long-term guidance.

### Q - Unidentified Participant

No, that's perfect. Thank you. Thank you very much. I have a quick follow-up, just on BR-163, which you mentioned for 2023. If you guys have any update in terms of the evolution, we understand the signing was postponed somewhat of the new concession? Just if you have any insights in terms of when -- a timeline for the beginning of that -- of that concession that would help? And I would leave any further questions for the -- for the end. Thank you very much.

### A - Joao Alberto Fernandez De Abreu {BIO 20362451 <GO>}

Yeah, Pedro, a very quick one. We are expecting to sign through for March. We already heard that might be signed in April. We know that the signing was postponed because there is no way to do any kind of work in the rail with this level of rain that we have today, but should happen shortly. But we are not considering let's say any -- any you talk, a tariff in the current year in our guidance. We're really considering this for 2023.

### Q - Unidentified Participant

Perfect, thank you very much. I'll leave the room for other questions. Thank you.

### Operator

Our next question comes from Lucas Barbosa with Santander.

### Q - Lucas Barbosa {BIO 20835372 <GO>}

Good afternoon Alberto and Gustavo. thanks for taking my question. I actually have two questions from my side. First, can you comment on the assumptions that were used when building the 2022 guidance? The main point I want to hear is if we have the corn crop in

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Mato Grosso reaching 40 million tons this year, could there be upside risk to your assumptions or this is a figure that Rumo used and assumed when building the guidance. So, and also is there any -- is there anything that could be a positive surprise this year and that was not incorporated in the guidance assumption. I think I just heard Alberto mentioned in the MRS concession renewal, but maybe there is other points that could be positive surprises for the guidance? That's my first question. Thank you -- thank you very much.

**A - Gustavo Marder da Rosa** {BIO 20594191 <GO>}

Hi, Lucas. This is Gustavo. Good question. We took as assumption the visibility that we have on the volumes that we negotiate so far. So we have a good idea on seasonality, especially for the first half of the year, where most part of the volumes were already negotiated with customers. It's kind of tough to predict how much volumes we'll have in the low season of findings. So very likely for May and June, we still have some idle capacity to sell in the market. And how much volume we could additionally be selling in those months depend on this seasonality and in the region of exports that the trading company will be doing in the market. So it's hard to predict, but we have a very good visibility as of now.

When it comes to the second half, right now, we have very good data about the planting of corn, but it's still too early to say. So, we are forecasting an all time high crop. And again seasonality matters to us. So we are trying to be accurate in terms of seasonality. We are not trying to be way too optimistic and nor way conservative as well. And with regards to MRS and the pass-through fees, as Alberto mention, we are not taking that to accounts right now, because we don't know for sure when exactly will be in place. The potential impact of it could be meaningful, but we are not sure if we are going to have six months, three months of impact this year. For 2023, it's likely that is going to help us throughout the year, but this year, it's really hard to know and to be certain about this.

**A - Rafael Bergman** {BIO 18619281 <GO>}

Perhaps, Lucas, this is Rafael here. Just perhaps to go back to one of the points that Pedro mentioned also in his question, which is related to cash flow. So with the projections for 2022, we decided to reduce our CapEx as Alberto said, that is part of our strategy to level off our cash position and to finished 2022 with reduced leverage. So -- and that's also a consideration when we look at the long-term guidance for company. So when we look, of course the at the EBITDA going forward, there might be some challenges related to the competitive scenario and it is our job as management here to make sure that we find ways to compensate that in terms of the amount of expenditure that we -- that we realize in the company and CapEx, we will be testing the flexibility of that. So 2022 is a very important year for that. We are confident that this strategy will deliver the results we're expecting here.

**Q - Lucas Barbosa** {BIO 20835372 <GO>}

Perfect. It should be clear Rafael and Gustavo, thank you for taking my first question. And then if I may, a second question, it's on the contracts for the corn expected to be transported in the second half. Can you comment on how much of your expected volume



for the second half is already sold and how the yield is looking like for those contracts on a year-over-year basis? Thank you very much.

**A - Joao Alberto Fernandez De Abreu** {BIO 20362451 <GO>}

Yeah, thank you for the question. It's Alberto. Firstly, as Marder just mentioned, we are -- with most of our capacity in the first half sold, but in the second half, we were not disclosed the amount of the capacity sold. This is of course a strategic information for us, and but again, what is important here and are expecting all-time high crop with more than 110 million tons of corn, that's what we are expecting today. So let's see if we can confirm the number and have a good let's say crop -- corn crop this year is completely different from last year.

**A - Gustavo Marder da Rosa** {BIO 20594191 <GO>}

And also Lucas, if I may. We have to remember that the outlook for the freight market in the second half should be way better than what we had in the first half. So, we are also trying to balance well volumes with price. So we are not in hurry as Alberto said, we have an all-time high crop. So we are in a good shape to deal it -- to negotiate the volumes in the second half, but we will not be disclosing any information on that right now.

**Q - Lucas Barbosa** {BIO 20835372 <GO>}

Terrific. That's fair enough. Thank you very much for taking my question. Have a good day.

**Operator**

Our next question comes from Rogerio Araujo from UBS.

**Q - Rogerio Araujo** {BIO 17308156 <GO>}

Hi guys, thanks a lot for the opportunity. I have a couple of questions here. One, I understand you may have already sold most of the soybean volume for the first half of '22. But if you were to negotiate -- if you were to negotiate the conference today, how much of the price gaps you believe that Rumo currently has versus the market value? I'm trying to think about the potential for you would expansion in the second part of the year. So how much is the gap you believe you have versus market prices for this first half of the year? That's my first one. Thank you.

**A - Joao Alberto Fernandez De Abreu** {BIO 20362451 <GO>}

I guess let me start with this one and then I will hand over to Marder to complement. It's -- I think, it is difficult to talk about the price gap after -- after the game. I'll say that a rare opportunity, but if you look for the fourth quarter last year, we have a huge gap between fuel price and truck freight. So those kind of thing happen. So that was the moment that we were negotiating let's say, the volume for the first harvest. And what we saw in -- let's say in the first two months in the -- and your saw that the volume in January was a crop very difficult to harvest owing to the rain. So I would say that we might -- maybe we lost an opportunity in terms of price, you might be right, but I will say that was the wrong mov

to do it. And I think it's -- we'll see what happened in the first two months of 2022, I think was the right move in terms of entry, let's say sold with most of our capacity for soybean.

**A - Gustavo Marder da Rosa {BIO 20594191 <GO>}**

Rogério, it's right to help here. I think we shared in the presentation some competitiveness data that pointed out that during the first half of 2021, we saw the spread in the truck prices between Miritituba and Rondonópolis reaching slightly higher than BRL120 per ton. And even with a higher fuel prices in the second half of last year, we saw a decline in that spreads going to be low BRL80 per ton, which means that you know price -- truck prices went down at least BRL40 per ton, during the second half in a moment where fuel prices were skyrocketing.

So that shows how difficult it was to negotiate volumes in the second half of last year. And also that we carried over part of the debt and efficiency when we negotiate the volumes for 2022, especially for the soybeans that as Alberto mentioned arrive much earlier, so we had to take I stand on that to be able to capture the volumes. And if you look later, how much market share we earned in January, it was unbelievable high -- unbelievably high, the level of market share, just because we negotiated to take our base in advance. So it's always a trade off. I cannot argue that we -- our strategy is 100% accurate, but we did the best we could and we are taking advantage on volumes, maybe price -- there will be a gap in time, but sooner or later, we'll be capturing any market opportunities as long as truck prices pass through fuel prices and inflation.

**Q - Rogério Araujo {BIO 17308156 <GO>}**

Okay, great. Thank you. And my second question is on costs. Do you see any one-off expense in the fourth quarter? We saw some renewals where other expense line of about BRL60 million, so can you can you say if there was any one-off cost there? Thank you.

**A - Gustavo Marder da Rosa {BIO 20594191 <GO>}**

Hi, Rogério. This is Gustavo. Regarding other expenses, what we saw in the year was pretty much a phasing issue between the quarters. If you look as a whole for the year, the only one-off that we had was last year when we had almost BRL300 million being recognized in Malha Paulista due to the write-off of some liabilities that we had in the past. So, during the -- the early renewal process, we did the write-off of those the liabilities and they were accounted as gains in other revenues and expenses. But between the quarters is pretty much phasing, because if you adjust that and you can see that information available on our comparable results, it's pretty much even. There is a small difference between the figures of 2020 and 2021. So when we look to the volatility in the fourth quarter, it's a bit bigger, but it's more related to phasing than another one offs.

**Q - Rogério Araujo {BIO 17308156 <GO>}**

Okay, very clear. Thanks so much. Have a great time.

**Operator**

Our next question comes from Bruno Amorim with Goldman Sachs.

### **Q - Bruno Amorim** {BIO 17243832 <GO>}

Hi, thank you for taking my question. Actually, I have two. I'll go with the first one. So the first question is a follow-up on Pedro's questions at the beginning of the call. There are several moving parts, of course, but I'm trying to get a sense of what all that means for the next two to three years in terms of volumes, prices and then EBITDA? Your guidance is used it to imply on some roughly 10% volume growth with pass-through of cost inflation, which drove some mid-teen growth in EBITDA through time, call it 16%, is it still the case? I'm particularly interested in understanding how it reconciles with the fact that North and Mato Grosso grows faster than South and Mato Grosso, to which you are exposed? Of course, for now, we are leaving aside the Lucas do Rio Verde extension, which could be an upside longer-term, but I'm just trying to understand if that's let's say a framework is to apply? Thank you very much.

### **A - Gustavo Marder da Rosa** {BIO 20594191 <GO>}

Hi. Bruno. This is Gustavo. Again I think Alberto already commented a bit on this, but from revenue standpoint, first, we believe that our strategy for market share will allow us to capture additional grain volumes. When we combine that with the fact that the harvests are improving, we should be able to capture more volume in regions more close to our terminals, so that could help us also in terms of normalization of crops that last year was really bad, especially in the second half. Also we are having some discussions with strategic customers, especially for other cargos rather than grains, which could provide a significant amount of volumes in the upcoming years. So we are doing a lot of effort in our commercial area and we are going to bring additional volumes to the company on top of our market share strategy. When it comes to price, we have some triggers that will be in place, hopefully, next year -- early next year. So the first one is the toll roads in BR-163 and the second one is this -- let's call it normalization of truck prices, which were somehow affected by the shortfall of corn in the end of last year, which was somehow carried over for the first half 2021.

And when we think about costs, you know, today given the hikes in the fuel prices, we are -- we are spending quite a significant amount in fuel consumption. So if you take 5% every year in fuel efficiency that could mean a lot of money and the company it's really committed to pursue this reduction in fuel consumption. It's well aligned with our ESG agenda and strategy and if you take into account what could mean in terms of reduction in costs, the agreement that MRS will negotiate with the entity to renew their concession, you know, maybe for 2025, we could be talking about more than BRL200 million per year in costs that we will be saving just because MRS is lowering the tariffs and that is a mandatory condition on their renewal. So with all of those levers, we believe that we could -- from 2023 onwards catch up and recover, as Rafael Bergman just said, we recognize that we are slightly behind our schedule in terms of growth, but we are confident that we have the levers to catch up with the plan and you know, go back to our growth strategy, but being consistent with the fundamentals in the long term of this business.

### **A - Rafael Bergman** {BIO 18619281 <GO>}

And Bruno, Rafael here again. I think we appreciate that the EBITDA at the end is as dynamic as the competitive scenario that we face. So we do have some important triggers

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as Gustavo just said 2023. For 2022, we are growing volumes, we're testing capacity, but it's a transition year in terms of margins that's our expectation for 2023, we expect to be much better year from a margin standpoint. But of course, the long-term guidance is a figure in the future. So the -- when we look at the EBITDA stated in long-term guidance, I think you should take a snapshot using the best view of the competitive scenario and I think all of -- most of you did that, projected something on the lower end of the EBITDA guidance, which is fair for what we have to seen. And this is something that of course we would need to see as a movie, not as a picture. I restate the point around the CapEx, which is an important part of the financial figures for the guidance and without compromising growth and I say that again, we got compromising growth, we are already working with the scenario that is in the low part of the range of the guidance. With a view on testing this year, if you get, which is below that and hopefully be able to roll over the strategy for CapEx for the following years as well.

On your point around Lucas do Rio Verde, I think in the call that you guys had when the project was discuss, Gustavo mentioned that there was a discussion around combining the fee, because there is a long-term guidance for 2025 and there is also some guidance, which is not with the exact scope regarding the figures for Lucas do Rio Verde. I think it is natural to assume that at some point during the year as we approach the start of the construction of this extension that we consider combining those figures and something that we are also doing is the benchmarking that will -- the type of metrics that are appropriate for our company has long-term guidance. So we are look at what the companies have been doing and we for sure be talking to some of you in that process as well.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Thank you very much for the comprehensive answer. If I may, I have a follow-up. If we look at your guidance for this year, for EBITDA, the range is pretty similar to your guidance for last year. This year we have a fairly strong crop outlook, the Central Network is ramping up, diesel prices is higher, we should stay relative competitiveness versus truck. So can you help us understand why we are not seeing a guidance, which is superior to last years guidance? What's getting worse in passing those positives? Thank you.

**A - Gustavo Marder da Rosa** {BIO 20594191 <GO>}

Hi. Bruno. This is Gustavo. You're right, when you say that arguably the higher the fuel prices, the better for our competitiveness. But indeed, what we have is some mismatch in those -- in this process, because last year, we not only had fuel prices going up, but we also had a crop shortfall. So as I pointed out at the beginning, instead of seeing prices going up in the second half of 2021, we saw a huge decline in truck prices that was brought by the crop failure. So that somehow compromised our ability to pass -- to fully pass through fuels and inflation part at the beginning of 2022, especially because the crop arrived earlier. So either we would wait to negotiate better tariffs, risking to lose volumes in the short-term or we would prioritize volumes, making sure that we are going to use all the our installed capacity, especially in the periods where typically the market is idle.

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And then some sometime later, we could seek to recover these prices, as we see truck passing through inflation in the market. So I think with that process, we will add some money over the table and was not a decision of the company, but as a reality in the markets. So it was not easy to pass through inflation and fuels when we saw lower truck prices in the markets. But that's again we believe is a temporary mismatch, is not something structural that should remain over time. So that's one of the reasons why you were seeing closed figures. Another thing that is -- could be also an issue and we have to take into account is the seasonality, especially after the payment of the BR-163, we saw higher capacity in the North parts [ph], which provide the trading companies, the ability to concentrate exports. So, it's harder to make sure that we will be able to do the same amount of the volumes in the low season. So, we are also taking into account a seasonality that -- that is not as good as the seasonalities that we had in the past when there was no payment of BR-163. So that's another thing to take into account.

**Q - Bruno Amorim** {BIO 17243832 <GO>}

Thank you very much, Gustavo.

## Operator

The next question comes from Regis Carodoso with Credit Suisse.

**Q - Regis Carodoso**

Hi, good afternoon, everyone. Thanks Alberto, Rafael and Gustavo, thanks for taking my question. Two questions and two quick follow-ups, the questions are, do you have already any kind of capacity limitation? I mean, do you have to choose at any one point in time, for instance, whether you want to -- let's say, reduce prices to capture more volumes in the North Network, but that would be limited against the volumes it could grow in the Central Network for example? I mean, is this capacity already a limitation? That's the first question. Second question is, how should I think about volumes and in particular, why do the volumes in the new guidance not grow over the guidance that you had provided for last year, right, because I know we had a crop failure last year, but the guidance didn't account for that crop failure. Now we have a better -- a better year with a full year of Central Network and so on so forth? So these are the two sort of main questions.

And if I may, just two quick follow-ups on previous questions, to see if I understood them correctly. One is on the other expenses, which was a total amount of BRL60 million, but within that there was a BRL49 million of others, right. I just wanted to understand if that is recurring, so when we think moving forward, should we keep those expenses in the other expenses or eliminate them? And the other -- and the second follow-up is just regarding the guidance, if I understood it correctly, the 2025 guidance still stands, but it's very likely that you would be looking to reach the lower end of that guidance, is this correct? Thank you.

**A - Rafael Bergman** {BIO 18619281 <GO>}

Rafael here, so let me take the last one since I was talking about it earlier in the call. What I said was that the EBITDA is a dynamic figure due to the competitiveness scenario. We still have the range that was provided last year, but it's fair to say that given that we are behind

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the implied curve, that if you take a snapshot of the projections as they stand. They are closer to be year lower end of the guidance, but there are of course uncertainties with upside risk that will fall within -- within the range up to the other side of it. I also said that on the CapEx side, we have the range, but we are already working with implementing the lower -- the lower range -- the lower side of the range. And of course that will be very important to test a capacity this year with perhaps less acquisition of rolling stock, but benefiting from all the work that has been doing that was -- was done over the years in terms of modernization of lines and so forth. So just you to be very clear on that. So Gustavo?

**A - Gustavo Marder da Rosa {BIO 20594191 <GO>}**

Yeah, Regis, very quickly here regarding other expenses, what I meant was that last year -- sorry on 2022 -- '20, we had a one-off in Malha Paulista of BRL316 million. So that was what made the number better last year. I think the level of other expenses that we had this year, it's kind of the normalized level, we don't see much one-offs this year, but rather only last year. And if you could remind me the first part of your question, Regis?

**Q - Regis Carodoso**

There was a question about the limitation on the capacity for volumes between the North and Central part of the network and also the comparison on this year's guidance over the next 2022 guidance for volumes?

**A - Gustavo Marder da Rosa {BIO 20594191 <GO>}**

Regis, regarding the interactions between North and Central, of course during the peak, it's an issue because we don't have an unlimited capacity. For several months throughout the year, it's not an issue. We could seek to have higher volumes in both operations. It's important to understand that throughout last year, we made very important improvements in the Port of Santos, so we delivered additional capacity. We also implemented the round-trip of 120 railcars, which is going to maximize the way that our trains run in the network providing also additional capacity. And we entered with two terminals in the Central Network giving us more flexibility as Alberto mentioned at the beginning of the presentation. So we kind of have this flexibility to balance between the two operations, but it's unavoidable that during the peak of the harvest, there will be some kind of constraints and that's perfectly normal and that's why seasonality matters a lot. So if we could negotiate volumes to secure a better use of seasonality throughout the year, that could add a lot of value for us.

**Q - Regis Carodoso**

Very clear, thank you.

**Operator**

Your next question comes from Filipe Ferreira with Citibank.

**Q - Filipe Ferreira {BIO 16384928 <GO>}**

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Hi everyone. Thank you for taking my question. I have two questions on my side. The first one is regarding ESG goals. We saw you have a sustainability report that focuses a lot in carbon emissions and deforestation efforts and mitigation efforts. And I'd like to know from you, is there any plans to include goals and actions related to tracking the correct use of soy by clients in terms of using pesticides? And how is the new project in pesticides that is being voted in the Senate includes additional risks for the ESG goals of the company? That's -- that's my first one.

**A - Gustavo Marder da Rosa {BIO 20594191 <GO>}**

Hi, Filipe, a good question. We are proud always to share our ESG agenda. First of all, I think it's important to -- to explain that our main goals in terms -- in the environmental side today is the reduction of CO2 emissions, which we are doing quite well over the past few years. And we still have eager plans to deliver significant gains in the upcoming years. And we are also in our last sustainability report, we disclosed very eager target of having 100% of traceability of all the grains that we are transporting through our network. So this is a very ambitious plan that enforces us to work alongside with our customers to implement it.

And it was designed to make sure that after 2025, the company could guarantee that we will not be related to any grain that is being harvest in any area, really with any issue related to the fuel station. When it comes to pesticides, right now, we are not focusing or prioritizing this agenda, but of course we are always studying, but it's something that is more on the farmer side. Today, we are trying to influence, especially the trading companies that could send the right message to farmers to first of all to be in compliance with the (inaudible) in Brazil. And also by providing additional capacity that in turn could allow trading companies to shift from trucks that for instance are six times less efficient when it comes to CO2 emissions. So those are our priorities right now, but of course we are open to analyze any other opportunity together with customers, with farmers that could fit well in our ESG agenda.

**Q - Filipe Ferreira {BIO 16384928 <GO>}**

Alright, thanks. Thanks for the answer. And my second question is regarding to the partnership that you announced that at the end of the last year with Hidrovias at the Santos Port. I'd like to hear about what are the current stages of this partnership? And since Hidrovias has stopped operations at the Santos Port for maintenance, what is your expected timeline for the contract to be signed? And when can we see benefits starting to appear at the results of the company?

**A - Joao Alberto Fernandez De Abreu {BIO 20362451 <GO>}**

Hello Filipe, this is Alberto speaking. So regarding the partnership with Hidrovias, the contract was signed. Actually actually many contracts were signed last year. We have Hidrovias, we have the 20 years contract with Suzano [ph]. We have 25 years contract with (inaudible). We have the contract signed with (inaudible) to build the fertilizer planting (inaudible). We have the contract signed and we should have the new terminal of sugar in Iturama this year. We have the new terminal of container that should be opened this year also in the Malha, also many contracts have been signed last year. This is one of them, which is 500,000 tons for fertilizer that we should be able to carry in 2023 -- by the end of

2023, okay. So, as you know, there is a huge bottleneck in Santos in terms of capacity for fertilizer. So that's the limitation from that.

**Q - Filipe Ferreira** {BIO 16384928 <GO>}

Thank you so much and have a good day guys.

**Operator**

Thank you. I would like to turn the floor over to Mr. Alberto Abreu for his final remarks. Please, Mr. Alberto, you may proceed.

**A - Joao Alberto Fernandez De Abreu** {BIO 20362451 <GO>}

So, thank you very much for the call. Thank you to everyone. I think the first thing to do is that, regarding the first quarter, which is the quarter that we are discussing here, we know that's is never disabled. We are not happy with the financial results for the fourth quarter and for the year, but we are happy with the strategy that we put in place and we are confident that we are in the right road, in the -- with the right strategy. And we must take into account a few things and final message that I would like to leave with you, the first one, do not underestimate the level of impact that our operational excellence will will bring to our capacity, that's a very important thing in our business. The second one is that, again 2022 is a transition period and we manage the business not for the quarter, in that case not specifically for the year, we are managing the business, looking for a specific period of time, we're looking for the long term.

And second half, it's a transition period and 2023, we know there's many things going on and we're going to find a completely different competitive environment, that's the second thing. And the third message is, we are very confident that we will be completely available to start, Lucas do Rio Verde in the current year. So there are many things available that doesn't mean that we will stop. But there was no -- we are expecting that we're going to be allowed to do it. Everything is running very well and better than we expected. So a lot of the structural things with huge impact in the NPV that happened, not necessarily the P&L as we were expecting, but a lot of actions with huge impact in the net present value for the business. So again, thank you very much all of you.

**Operator**

This concludes Rumo's conference call for today. Thank you very much for your participation. You may now disconnect. Have a good day.

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