

Y 2019 Earnings Call

Company Participants

- Andre Correa Natal, Chief Financial, Procurement and Investor Relations Officer
- Rafael Salvador Grisolia, Chief Executive Officer
- Unidentified Speaker

Other Participants

- Bruno Montanari, Analyst
- Christian Audi, Analyst
- Pedro Medeiros, Analyst
- Regis Cardoso, Analyst
- Thiago Duarte, Analyst
- Unidentified Participant
- Vicente Falanga, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen. Welcome to BR Distribuidora Webcast and Conference Call with Analysts and Investors to present the Results of the Fourth Quarter of 2019. We would like to inform the participants who will participate in the conference call on listeners only-mode. The presentation will be followed by a Q&A session where further instructions will be provided. (Operator Instructions)

Today, we are joined by Mr. Rafael Grisolia, CEO; and Mr. Andre Natal, the CFO of the Company. And we would like to remind you that this meeting is being recorded. And this presentation may contain forward-looking statements. These statements represent the expectations of the Company's executives about future economic conditions in addition to the sector we operate in, the performance and financial results of the Company amongst others. The terms predict, believe, expect, forecast, intend, plan, project, objective, should and other such terms are used to identify such forecasts, which evidently involve risks and uncertainties seen or not seen by the Company. And as a consequence they are not -- they do not provide assurance to the Company's future results. The future results of the Company's operations may therefore differ from current expectations and readers should not solely rely on the information set out herein. The Company undertakes no obligation to update the projections in the light of new information or future development. The figures informed for 2019 onwards are estimate or targets.

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Now we will give the floor to Mr. Rafael Grisolia, that will make his comments. Mr. Rafael Grisolia, you have the floor.

Rafael Salvador Grisolia {BIO 16673583 <GO>}

Good afternoon to everyone. We are here for an additional BR result. We continue here with a lot of enthusiasm, with lot of drive. This is a very important since our IPO in July. Our target that were established since our privatizations were already challenging targets and now in the last stage with the environment and everything that is happening throughout the worldwide market, this is creating other variables regarding our challenges. But once again, I believe that for each threat, we always have to see the opportunity because we are very responsible regarding what we represent to society. We would also like to remind you that we will talk about our projects and this is a marathon, this is not a 100 meter sprint.

So we are working with all of the initiatives. Our entire team is engaged and we're also making progress in all of our projects and all of our target. And all of the plans of each one of our initiatives we do have a very strong corporate governance, I see a totally independent with strong performance that are working with us we also carried out. In 2019 organizational transformation plan in the beginning with the new structure of management that also will provide support so that we can continue on the right path regarding our initiatives and taking our vision to continue being the biggest fuel and energy distributor in Brazil. That will be more profitable and we would like -- and we want to serve the entire Brazilian society also in energy and convenience. And we know that Brazilian society, part of it energy is connected to fuel byproducts. So we continue with this view and all the structure that we have created and organizational structure will deliver this.

Now we continue very strong in expenses. We have created a plan that is a very quick plan of logistic transformation regarding the optimization and the way we hire our freight transporting companies. We also have sourcing activity, we continue also strongly focused on lubricants with our brand, Lubrax and we're strongly focused on our initiatives with our convenience problem with our loyalty program and our portfolio management. We optimize within our strategic view between investment where that are aligned with our strategies and we're also looking for other strategies and other way of investment that will allow us to better serve the society when it comes and seeing how they're going to use energy.

It's important to see that last year when we -- regarding our customer positioning, we launched the brand Petrobras. It is very important, it's a very important moment for BR company. This is a better image that we are conveying with the colors of Brazil, with the colors that we value as a company with symbols energy. And within our gasoline stations with the brand Petrobras, this is very positive for the company. It's important for resellers, for stakeholders, for employees, everybody is highly reassured because this is showing our brand to the market and our gasoline stations have the brand Petrobras.

Now in terms of results. We will talk about this in detail during the Q&A the 2019 results are within the expectations when we see earnings. And we're always focused on the

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results that are connected to the adjusted EBITDA and the return over employed CapEx capital. Our earning rate regarding -- although 2019 was better than 2018, we know and we have mentioned this since our privatization, there we have an important gap in terms of profitability. And we're working on this on 2020 to solidify this in 2021. We also continue bringing our financial discipline, very recently we were able to roll out our debt, our gross debt that would mature during April. We just rolled out this debt very successfully before the crisis that has just emerged in the market. Therefore this is very positive for the Company because this provide financial strength to BR that will work with its own cash flow. Of course, our level of leverage is very low. And this shows our financial strength as a company.

Now in terms of volume and market share and market presence, we continued strong. BR has size, scale and national presence. And we pay attention to the scale of BR, there are new policies to reduce our market share. Our brand is present and one of our strengths is our logistics presence, therefore BR has always have to focus on scale and we will continue working this way. Now, of course, we have to pay attention to our profitability per position and also our alignment and better solutions to our customers, regarding our resellers with our customer, with our B2B customers, and our industrial customers, our aviation customers and all our customers by and large where we always want to provide them the best solutions balancing our pricing.

We have to remember that the net profit of BRL2 billion, this is a very good profit level when we consider the impact. The problem of our organizational restructure and considering non-recurrent facts because we have receivables and taxes. We believe that -- about an increase of 300 million of 2019 vis-a-vis 2018 regarding net income. We have to remind you though we are highly enthusiastic, very happy with this project and all the challenges ahead of us will give us more strength as I would like to remind you, this is not a -- this is a marathon. Our entire team is highly encouraged, especially now with the Brand Petrobras, the new brand that we have in our gas station.

Now we will go to Q&A. Andre is here with us and we have distributed material to you, so you also have information in this material.

Questions And Answers

Operator

Now we will initiate the Q&A session. Each participant should pose at most two questions in a clear and slow fashion. And to do it one after the other so that the officers may answer. Please do not pose your questions through loud voice. (Operator Instructions) The questions that are not answered during the conference call will be sent to our ri.br.com.br so that the Company may answer these questions.

Our first question from Mr. Vicente Falanga from Bradesco BBI.

Q - Vicente Falanga {BIO 16406266 <GO>}

Good afternoon. Congratulation for all the progress that you've made in your management. I have two questions here, one is, you already feeling the impact in the Asian volume because of coronavirus, if you know what the impact will be like. And number two, if you see an opportunity in terms of the oil prices in terms of imports and margin because I believe that a you import a great deal of all fuels?

A - Rafael Salvador Grisolia {BIO 16673583 <GO>}

Vicente, thank you. Rafael speaking. Thank you for the question. Our aviation customers, well, we're monitoring their activities and working together with them in a very difficult moment for the world by and large. And therefore it's too early to assess any type of significant impact on our volumes.

In the aviation market, it is a 100% hedged and it's very important to clarify this. Regarding the impact by and large, it's still too early to assess what is going to happen now or of course, the dynamic of branch introduces volume. But when we see our market or fuel distribution in Brazil, the dynamic is different from what we see from importers and Petrobras, when it comes to defining the price and the refinery, we're paying close attention and participating to -- in everything that has happened.

We do not have a conclusion, it's too early. But what we do know is that, as we will continue on working with all of our initiatives and as we're doing this, we're very firm in terms of alternatives, especially when we see sourcing because of our trading and negotiation sectors. And we also have better ways of purchasing products and therefore, these provides safety. We do know that we have the proper tools to work with what will happen in the market.

Q - Vicente Falanga {BIO 16406266 <GO>}

Okay. Thank you very much Rafael.

Operator

Our next question, Mr. Regis Cardoso from Credit Suisse.

Q - Regis Cardoso {BIO 20098524 <GO>}

Good afternoon, Rafael. Thank you very -- congratulations for your results. Two questions. The first question would be your gain. (Technical Difficulty) the organisational structure, you believe this will be lower cost than the 780 million that were budgeted in the first place. I would like to know, I believe that most of these gains will be materialized in 2020 because, most people that were part of the Optional Dismissal Program have already left the company and I would like to know how much is cash and how much do you still have to pay out?

Well, the second question would be, how to balance market share and margin because the fourth quarter was very weak in terms of market share as well as January. My question is the following, if you do have a diagnosis regarding the weak margin in January, if this a reminiscent effect from the fourth quarter of the high margin that was realized or if you

already expect something? You will try to offset the losses of stock by the replacement margins.

A - Andre Correa Natal {BIO 21073585 <GO>}

Hi, guys. Hello Regis, thank you very much for your questions regarding Optional Dismissal Program. Yes, when we communicated that PDO, that wasn't only the PDO, we would like to clarify the Optional Dismissal Program was a part of the equation of the structural, organizational restructuring program.

In 2019 when we were launching this program, we obviously calculated the cost as well as the savings that we expected. Now obviously we clarified during this period that it's just an expectation and of course, we adopted certain assumptions. And afterwards, after the end of the program everything that happened throughout the program throughout its execution were as a matter of fact, we can verify that when you see, you know 2021, we believe that we can verify a drop of BRL650 million vis-a-vis 2019.

This is why today with all the information that we have, we are confirming our expectation, it has not changed. After everything that we have executed now, when we see the cost of implementation of this transformation program, yes, this cost was lower. And it was lower due to a number of reasons because as a matter of fact and there are a number of aspects that complement everything to reach this result. But at the end, answering your question here is the trend.

The drop level of this saving, what we observed is the following, we're -- we are going to see the benefits in 2021 and why not 2020, for a number of reasons, because price of people that participate in these programs, the Optional Dismissal Program. And Optional Dismissal Program. This personnel will lead throughout the year 2020, therefore we will not have the whole benefit throughout this year. We will not be able to see the savings of these dismissals.

Another important theme, as this calculation of BRL650 million is not only PDO, but all the transformation program. There is still a part that is not the PDO, that will be third parties that are regarding other contracts. And this is something that we did not observe in 2019 and we will see in 2020. And one of the main important reasons I would say is that, throughout this transformation construction, we have had deferred bonus, so the benefit of the savings will not be seen during the first year because of this initiatives that were very important within our transformation process.

So, when you add all of these factors the gradual exit of the people and the transformation plan of 2020, I believe that 2020 benefits will not be seen now. How much benefits will we have in 2020? We will still -- not announced it to the market, but this transitional result is very relevant. And as Rafael said, we are analyzing the long-term -- we are in a marathon, so what is important is that, in 2021, we will achieve this total savings with everything working as expected.

And the last part of your question, before Rafael talks about the market share is the cash flow. We announced a provisional figure that was around BRL560 million, the cash flow

that in 2019 was slightly above BRL300 million -- BRL320 million, BRL330 million. Now the rest is cash flow for 2020. And now, Rafael can talk about market share.

A - Rafael Salvador Grisolia {BIO 16673583 <GO>}

Regis, thank you very much for your question. Now, just to finish Andre's line of thought, I would just like to clarify, this is a cultural transformation plan, it's cultural and organization and now, we're in the stage of solidifying our culture. And this is very important and these type of plans are very specific. So, all the actions regarding this Optional Dismissal Programs restructuring, they come to an end, there's no continuity. The people that decided to remain in the Company, they're very happy, we have a complete team. The ones -- the people that decided to exit, they left as well. And as Andre said, this is a gradual process. So, we will see all the evolutions in terms of figures quarter-on-quarter, but now we have a complete team. And we have a team that is highly encouraged. And they're part of this process. So we're turning today to a new page. And this is a symbol of our new brand.

Now your second point. You were talking about volume, during the month of January, we continue firm, we -- regarding the optimum points of volume and price and our brands margins, and also with our partners and with our industrial customers as well January is a month where there the price of the molecule suffers an adjustment. And this can -- this causes dynamics in more sensitive markets like B2B markets. Therefore we are still feeling the impact of January, but I believe that in February, we have been able to find better solutions.

I would like to go back to the main point BR, there is an aspiration of working with its sale to remunerate for example the assets that it has, therefore a break-even point of market share is sufficiently large in order to accommodate what we have in terms of asset and we will continue working as a leader in the market that we're working in.

Q - Regis Cardoso {BIO 20098524 <GO>}

Thank you very much for your answers.

Operator

Our next question Mr. Christian Audi from Santander.

Q - Christian Audi {BIO 1825501 <GO>}

Thank you, congratulations Rafael and Andre for the results that you have presented. And also congratulations for the process of the initiative. I would like to ask you, about a dynamic that you have -- that is an initiative is ongoing, but it's the pricing dynamic. Can you tell us, how this is evolving and when will this be reflected on your results?

My second question, going back to B2B, because you explained this already and now you're going to focus more on what is really valid in terms of customer. How much of this process has been done and how much is still needing -- how much is still missing and what could be the impact?

Now, of course, we're in the moment of a market, that is difficult. I would like to see how you see it. And if -- and I believe that all of this should not radically impact the way you cut costs, correct me if I'm wrong, but any clarification regarding this point would allow me to better understand the situation.

A - Rafael Salvador Grisolia {BIO 16673583 <GO>}

Okay, Christian, this is Rafael speaking. Thank you for the questions. One, your first question, regarding pricing, I believe that we are in a stage where we systematize our structure to work with the best point of pricing when they come to resale and B2B. I believe last year we made great progress together with the management and all the team that is working with us in the market. When you adjust visibly always maintaining the spirit of having great relationship with our customers, with our re-sellers, with our TRE customers, our B2B customers. We have a strong foundation in terms of relationship. We like to have a good relationship with our customer and we knew that the resellers are an excellent franchise system.

So, we do follow this principle, but yet there were certain imbalances in the moment. And these were points that we had to align the number of solutions between -- to provide profitability to everyone. Now what we need is to maintain this and how do we maintain this is through systematization with the continued flow of information, the market dynamics are changing. We know that there is a dynamics of market. We have a special manager for highways and everything we see followed us systematically aligned with all our department of costs and their entire companies so that we can provide the best solutions to everyone. And always thinking about our final customer, our reseller and also society. So I believe the pricing evolution taking place this way. And also as Andre already strengthened, we have talked about privatization, we're not giving guidance from promising more than what we announced during those moment, because all the expectations continue in 2020. And we believe that the conclusion of all these expectations will be felt at the end of 2021. But we have to see when we're going to announce these expectations because these are expectations I have to reflect on our results and on the value proposal of our customer.

Now B2B, there is no customer that is worthwhile and customer that is worthwhile. But all customers are customers, we see the TRE market vehicle, this is a differential market, because their purchase decision is decision different than in the retail. So it's not that you have customers that are worthwhile and others that are not worthwhile, but they have different profit positioning point. But we continuously are analyzing these points and once again, I believe that when we see the market share, we will see what our balance will be throughout the year, we monitor everything on a daily basis.

This is part of our homework. Now regarding the market, as I mentioned at the beginning, it's that we already have all the value delivering after the privatization and after the first valuation of the IPO will we know that we need to carry out internal exercises that go through the cultural transformation, organizational transformation, I believe that the order of expenses.

Now regarding your first question, everything is reflected in our initiatives, we continue -- we will continue this way. And this is why I feel so reassured and I feel firm that we have the correct tools in order to control this external variable that will affect the -- that will result in a lower economic activity. Now, this doesn't discourage us -- encourage us. This encourages us because we know that we're going on the right track.

Q - Christian Audi {BIO 1825501 <GO>}

Now thank you very much Rafael.

Operator

Our next question from Pedro Medeiros, Citibank.

Q - Pedro Medeiros {BIO 16187063 <GO>}

Good morning. Thank you for taking my questions and congratulations for your result for all the work that you've done. The results are excellent and I do have a number of questions. Number one, would be, due to the market and the events of the fourth quarter regarding gains of stock and gain in fuel. What can you say about maintenance trend of these margins?

Number two, in the past, the Company said that there was a gap regarding the margin of ethanol between BR and its competitors. I would like to understand how the ethanol margin has evolved throughout the quarter? And in your opinion is there still a margin, or there's still a gap in the margin?

And my last question would be, now when we add the dividends, there will be a payout of 75%, have you already defined what the dividend policy will be like from here on and will there be a growth in payout, dividend payouts?

A - Unidentified Speaker

Hello, Pedro, thank you very much for your comments and for your questions. Now, speaking about margins and the maintenance, I believe that these results presented a number of important effect for the quarter where it was very positive for the sector by and large, because the gain of stocks, because the upper variation of prices and also because of the arbitrages that we captured.

And this also contributed with the quarterly margin and on the other side, we had all the effects of the transformation plan. So therefore, we were very careful and we tried to help the market to navigate and to realize where we were before all of these positive and negative effects that were present during the quarter. So obviously, we have already published and adjusted EBITDA including transformation to facilitate the interpretation because otherwise it would be a figure without meeting, we try to help the market showing other effects that according to assessment seem to be non-recurrent, but they're not adjusted in the EBITDA, this is why you see a difference between 96 and 104. But we also insist in highlighting that this 104 within it, we include the strong contribution there

will be gains of stock and this part of the business. But obviously, these are things that fluctuate and they can represent contrary signals.

So it is very important to be aware that this level of 104 it is not a recurrent level currently, okay. Yes, as a matter of fact, it will have a positive effect when we see the inventory effects. When you see the first quarter, the price trajectory was the other way around the prices dropped, I believe.

So, naturally, we would expect and here we have to be very careful, I do not want to anticipate anything regarding future results, but thinking qualitatively, you can see that the prices are dropping, and we -- the inventory levels to be different than the fourth quarter. Now, of course, what we -- when we see domestic and international prices, this opens to possibilities of new arbitrages and also to be able to save in our sourcing that -- and we after our privatization, we had a much more active sourcing in terms of trading.

So now obviously, when we see savings, perhaps we have further possibilities, now in terms of inventory, I don't think so. So naturally what I can say right now is that, obviously that this 104 is not the place that -- it's not a stable figure, okay. It's not where we will remain. So we are building to reach levels of profitability that are high, well all this will dependent on a number of expectations and this marathon that we're running right now. But this is not a recurrent result, okay, according to the current situation.

Now regarding your ethanol question, yes, we have seen from the third to the fourth quarter a recovery that was very important in our replacement margins, so ethanol has also benefited from the gains of inventory. We have also the contribution of the product that we launched last year, that is ethanol Grid that is a premium product line of ethanol and resale area, place this product in the market and it has been positively accepted and it's repositioning our brand. And not only because of the price repositioning, but also, Rafael mentioned our selectivity, our balance and market share.

Therefore we're also working to structure, restructure ourselves for the future. We always update our direction regarding ethanol and this is part of our sourcing strategy and we're making progress on this point. And there are other things that will drive our ethanol brand. But I believe that our ethanol margin is stronger from the accounting and also regarding the replacement margin.

Now, at last is, it's important to highlight, something that is very important in terms of dividend. Just to clarify to you, the dividend that we announced they already include -- we announced the dividend of BRL1,124 million, but within these dividends we're including the BRL540 million that had already been announced during the end of last year. And just to clarify our position of one point something we will have already the BRL540 million included. And will be paid out until June of 2010 -- or 2020. The rest of the dividends still do not have a date and we will see when this will take place, it will have to be a very good moment of cash flow. We will have to see what the best moment is.

So, this is our current situation. And thank you very much for your questions. Pedro, just like to add something.

Q - Pedro Medeiros {BIO 16187063 <GO>}

Please continue.

A - Unidentified Speaker

We don't have a dividend policy. But we have to see our financial management, so we are generating a strong cash flow, this is premium [ph], we are going to maximize the amount of investments that are needed for it to be long lasting. And our net, the one time -- 1.5 times the EBITDA is, we want to fulfill this. So in reality our objective is not to be sub-leveraged. There is no guidance here about payout numbers, but as your strong cash generator, our need for investment before the investment that hasn't had already been done is low. But there is specific things that we have to focus on logistics, for example. But we still have a strong policy. After all of this, we want to -- we have 1.5 times. Last year, we paid out around BRL3 billion in dividend payouts. Now we also want to pay out these type of dividends, of course if our financial situation continue sound. Thank you very much.

Operator

Our next question from Mr. (inaudible).

Q - Unidentified Participant

Thank you very much for your question. Regarding your margin changes, could you talk about the new visual of the brand, this was an investment of BRL1 billion, and throughout 5 year there will be a change in of identity. I would like to know how you're doing this as the reseller. And you said that this is going to be divided between the brand and the reseller, can you give us details on how you're going to do this, especially the reseller that is part of the BR network. Two, could you please talk about convenience and your competitors. Will you adopt an in-house measure in order to develop the convenience business?

We know that BR signed an agreement with (inaudible), I believe that we have had and meaning no updates regarding this memorandum of understanding. And what your conveniences will be, when you see highway convenience or end local convenience. And could you give us some details on how this process is being developed?

A - Rafael Salvador Grisolia {BIO 16673583 <GO>}

Hi Gabriel, this is Rafael speaking. Now regarding the margin, we are undergoing a very positive moment. We have been able to put the Petrobras brand in our gas stations, I believe that the look and feel is very good. All our stakeholders are complimented, are very happy with the new image and we have very positive perceptions regarding the new design of the gas stations in Rio de Janeiro from the middle of (inaudible), and who goes to our gas station has an excellent visual experience and a service experience. But not only with the Petrobras brand, but also Lubrax lubricant and also our convenience store, our branded BR Mania and the color is green, yellow, these are colors that represent a lot of energy. And we are very enthusiastic with this.

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Now what we have here, well, we have to see this, but we can't give you a guidance. We believe that our gas stations that will be part of our network and follow our values, well, we believe that these are the gas stations that will present our image. And in the normal renegotiations with our current re-sellers when we renew the contracts, there would -- sometimes the contracts vary five years and when they mature, these contracts will be renegotiated and both sides have to be consensual when it comes to changing to a new image. Well this is a new negotiation, business as usual and everything that you do with resellers, it is important that all -- to say that all our customers, resellers, all our stakeholders, the image I believe is causing great acceptance because we can add value to our resellers.

And I believe and as this is positively conveyed to our resellers, this is conveyed to society, well, our BR Mania convenience stores is very important. These -- there are two paths to follow, we always have to paths. One you have to touch the business. We have a good experience with the convenience stores. And what we want to do is, we want to grow the number of stores in our network. And of course we have to see our potential here, and we have the new structure, the new transformation restructuring, we have a new management that is spearheaded by Leo that is marketing and convenience. And we also have people with a lot of experience from the market that know a lot about convenience. And they are helping us to develop this in-house. Of course, we have to solidify this, so that we can think about a second pathway that would be.

We believe that this is a business with great potential. And we also believe that we add a lot when we work with a partner that has elements that are not present in a company that works with fuel like BR. When you analyze this business and you see how you calculate everything according to the square meter, the cost structure. So how do you think as a reseller, how do you think about the front office -- how do you see back office? What are the level of decisions that are very important.

So, we believe that this pathway is also possible. And also as a matter of fact, we have announced to the market and we have talked a lot to partners, but we have been dialoguing with other candidates. And we are explaining our joint view that involve our brands. There are two exercises, one would be to solidify our relationship with BR Mania and to find the joint solution be it with other candidates or other candidates that want to share the future view with BR.

Q - Unidentified Participant

Thank you very much.

Operator

Our next question from Mr. Bruno Montanari, Morgan Stanley.

Q - Bruno Montanari {BIO 15389931 <GO>}

Thank you for taking my question. Regarding your stock, I know that this figure was significant as this is part of the business now, due to the relevant meaning of this quarter. I would like to know what is the trade margin of the company without this effect. I would

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like to -- I would like as much I'd like to know that. Number two, I would like to know from you, where would be the middle long term CapEx, would it be around BRL630 million that we observed in 2019 or the idea would be to increase slightly the level of the investment. And the third quick question, we would like -- I would like you to talk about your partnership with Golar again and what kind of investment would you make in this type of a chain?

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A - Andre Correa Natal {BIO 21073585 <GO>}

Okay, Bruno, thank you for your questions. Now regarding stock, we have never disclosed our stock, this is something that affected us and it is part of the business. We always clarified qualitatively when it helps us, when it was an obstacle. Nonetheless, in the middle and long-term window we always like to see this window in the middle and long-term. So, there is no wrong interpretation regarding the level of stock that we have currently because of volatile effects.

Now, what is interesting of our sector is that, our margin is not very sensitive, so throughout the decades, we have had stability, it has been long lasting, we've been able to increase our margins regarding any type of volatility in the oil market. Now when you see the long-term, perhaps this will make a difference in your figures. Now, with the figures that have been -- that had been made public, the level of stock exchange rate and public information, I believe that with this you can calculate properly.

Nonetheless, but the figure because we want to also protect our sourcing strategy that is part of the margin gains. Our option here is not to disclose these type of details. And what we could say about the CapEx is that, we just reviewed our 5 year business plan and we continue -- and our assumption continues fairly, so we have a major installed base as a result of the volume trajectory and the demand of Brazil in the last year. So, we have a possibility of growth here.

So we see -- so during the next years, our CapEx levels will be very similar to the CapEx levels of the past years. But we do not disclose these details in our plan. But yes, we can say that the trajectory of our CapEx presents a number of things that will be concentrated during this first year because it's the first year of plan because we have a transformation plan and there are other digital transformation actions. And we believe that all of this will contribute with our company.

Now, if you see a 5 year window, our CapEx will not be different from what it has been during the past years, because this is -- and this is something very positive. And I believe that this will provide us an opportunity of growth without major capital allocations. And now, Rafael, will answer your question.

A - Rafael Salvador Grisolia {BIO 16673583 <GO>}

Bruno, thank you very much for your question regarding the partnership that was announced. G&L this is within our vision to pay attention to the decisions regarding the use of energy and how mobility works.

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We are -- Golar has experience and have knowledge with G&L in the world and in Brazil. And I believe that this represents an excellent opportunity for both companies and we see solutions that we can deliver to the Brazilian market and to the Brazilian society. We are just starting this partnership. Well, I believe that in brief, we will communicate the solutions that we are going to create.

Q - Bruno Montanari {BIO 15389931 <GO>}

Thank you very much.

Operator

Our next question from Mr. Thiago Duarte, BTG Pactual.

Q - Thiago Duarte {BIO 16541921 <GO>}

Good afternoon to everyone. Thank you very -- thank you for taking my question. I have three questions. The first one would be the quarterly margin. I remember that last year if I'm not wrong during the second quarter, you shared with us an average quarter of the first semester, around BRL70 per cubic meter. And this was the proceeds and this was going to stay stable. And how do you believe this evolved between the second quarter and the fourth quarter of 2019, do you -- are you still on proceeds? And capturing perhaps the first gain of 2020 regarding the turn around.

Now second question, market share. It is very clear when we see (inaudible) the segment that there have been improvement in your promotional policy. But when we see the Company's share has declined, not in diesel, I would like you to talk about this. Members of (inaudible) that there has been in formalities with ethanol and this can affect you. Could you give us -- could you tell us if there has been a loss of share?

And I would like to know, if you could share with us a piece of data, one would be about the new gasoline use, last year you had more or less 200 gas stations. If you could tell us what the addition or the loss of gas stations in order to (Technical Difficulty) with us how Grid fuel has evolved in terms of sales percentage?

A - Rafael Salvador Grisolia {BIO 16673583 <GO>}

This is Rafael speaking. Thank you for your questions. And thank you for your participation. I will refer to that three points now. (Technical Difficulty) this is something that is very important, we do understand that professionally when we analyzed 2018 and this is how we privatized our BR, the EBITDA level -- the EBITDA margin during the movement of 2018 was BRL60, BRL62 per cubic meter. This is 2018, now 2019, at the end of 2019, I believe that we can understand that here we have a recurrent margin, that is BRL60 per cubic meter and everything that we've done to sustain this recurrent margin. Because, we've been trying to optimize price and volume, so we want to show you that in 2019, we had a recovery rate of BRL70 cubic meters and this is what we're starting from, target [ph].

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And we have a long path to pave because this is a marathon and we believe that BR has the potential to deliver the figures that we see in the market. And this is regarding potential profit because we do aspire to be. And this is something that we commented during our privatization. This is on our radar and this is part of our ten initiative and the ten initiative is a way to see how can BR deliver a proposal value to its customers and to society and the great drivers here of our business that is our retail area will be B2B (inaudible) the whole of these initiatives represent a proposal, a value proposal that is for relationship that will allow us to have proper expenses, to have proper pricing and also to have very good logistics.

So this is everything that we're bringing to the value side. We have internal homework to deliver the value proposal. And we're making the best of everything that BR has done up till the day. Like for example, the new images of our gas stations that we have to see how we deliver the value proposal and this is highly connected with our history and with our future. And everything that we see here has been consolidated for our resellers, we do want to have a partnership. We want to have this joint strength with our resellers. Of course we see market share numbers. And I believe that they're highly connected with what I've mentioned. And also when you go to a highway, you need the presence of diesel. So this is something that we have in BR.

Now the strength is that, we are encouraged, that we are inspired and we are thrilled to run this marathon. Everything that we see in the Brazilian market and the stress, there is no doubt that this concerns the industry. And this is concerning for the Brazilian -- Brazil because we still have a great level of informality. So, this is something that concern us and this effects everyone. This effects the country and society and the industry is organizing itself so it can become stronger, because we want competition. And BR is holding the flag of competition in all the levels of the market within the -- within legal terms because we do not work illegally. And as a Brazilian, I don't want to give a country to my children that has these type of activities -- illegal activities.

So, a lower base. Well, this is (inaudible) internal exercise. So we have to see what happens in the industry by and large. Now your third question.

New gas stations and the percentage of Grid sales. We generally do not disclose this type of information. We see the net value and of course we know that the network has to grow. We expect our value proposal to be accepted by our resellers and old resellers and new resellers and we still do not disclose more data regarding the penetration of our Grid products. I can disclose that it's a strategy to work with our premium products. Yes, we have volume [ph] that is certain of gasoline that is a premium gasoline, we're number one with this type of premium product. We also have our Lubrax product from BR lubricants, that is also premium products. Therefore, we have a vocation and aspiration to work more with premium products.

And ethanol, yes, we have taken -- we have ethanol Grid in the market. This product is part of our network, this is a very important action that we've carried out. So, this is part of our strategy that allows us to focus on premium products.

Q - Unidentified Participant

Thank you very much Rafael.

Operator

Thank you to all. We are bringing our Q&A session to an end. Mr. Rafael Grisolia will make his final comments.

A - Rafael Salvador Grisolia {BIO 16673583 <GO>}

Well, I would like to thank everyone, good afternoon and I would like to strengthen that we continue in our marathon. And although we're facing very challenging moments, but we are very happy with what we've achieved until today and thank you very much for participating.

Operator

Ladies and gentlemen, the audio version and the slides will be available through ri.br.com.br. Thank you very much for your participation.

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