

Y 2021 Earnings Call

Company Participants

- Marcos Marinho Lutz, Chief Executive Officer
- Rodrigo de Almeida Pizzinatto, Chief Financial and Investor Relations Officer

Other Participants

- Gabriel Barra
- Guilherme Levy
- Leonardo Marcondes
- Luiz Carvalho
- Regis Cardoso

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for holding. At this time, we would like to welcome everyone to the Ultra Group's Fourth Quarter '21 Results Conference Call. There is also a simultaneous webcast that may be accessed through Ultra Group's website at ri.ultra.com.br and through the MCIQ platform.

Please feel free to flip through the slides during the conference call. The presentation will be conducted by Mr. Rodrigo Pizzinatto, Ultra Group's CFO and IRO. And during the Q&A session, we will have the presence of Mr. Marcos Lutz as well, the company's CEO.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company presentation. (Operator Instructions) We remind you that the webcast participants can post their questions that will be posted in advance in the webcast. The replay of this call will be available soon after the closing for seven days.

Please bear in mind, that the forward-looking statements made during this conference call referring to the business outlooks of the Ultra Group projections and operational and financial goals are based on the beliefs and assumptions of the Ultra Group management and on information currently available to the company. They involve risks, uncertainties and assumptions as they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand the general economic conditions, industry conditions, and other operating factors could affect the future results of the Ultra Group and lead to results that differ materially from those expressed in such forward-looking statements.

We will now turn the conference over to Mr. Rodrigo Pizzinato, who will begin the conference. You may proceed, sir.

Rodrigo de Almeida Pizzinato {BIO 21642966 <GO>}

Good morning, everyone. It's a pleasure to be here once more to talk about Ultrapar's results.

And starting off with a short retrospective of 2021, which was an important year for the Group with large-scale transformations. It was a great year for Ultragas, Ultracargo and Oxitenó, which posted record results in profitability. Ipiranga and Extrafarma on the other hand, didn't achieve desired levels of profitability, even when considering the improvement seen in the operations during the second semester.

On this note, at Ipiranga we have carried out several changes and operational adjustments to resume the company's profitable growth trajectory over the course of 2022 and 2023.

In addition, in 2021, we also made significant progress in reviewing our portfolio with the signing of the sale agreements of Oxitenó and Extrafarma, which are still pending approval. Besides the completion of the sale of our equity interest in connected car last October.

Finally, I like to highlight the significant renewal of our management and governance structures, which reinforces Ultra's pillars of perpetuity and growth. Along with our new members of the Board of Directors that added complimentary experiences and skill sets, we have also carried out the succession of the Executive Leadership Position for Ultra Group any Ipiranga. In addition, to planning the succession of the Chairman of the Board of Directors.

I will now go through our presentation, sharing with you our comment on the results of the fourth quarter and of the year of 2021. After that, we will move on to the Q&A session in which we will count on Marcos participation.

Well then, starting with slide Number 2, I would like to highlight two topics on the earnings report. The first one concerns the 2021 financial statements. Due to the signing of the sale agreement of Extrafarma and Oxitenó over the last year, we have classified these companies as assets and liabilities held for sale and discontinued operations. Our annual financial statements released yesterday already reflect this classification. To better enable comparison with previous periods, both the earnings release and this presentation consider the Company's pro forma consolidated information that is Ultrapar's data also comprise Oxitenó and Extrafarma results, adopting the same concept that we have been reporting in the last few years.

The second topic, I would like to draw your attention to is in relation to the non-recurring effects both in 2021 and 2020. We had some one-off impacts that have affected our results, which we have explained in our releases throughout the year. By reading the

explanations you will notice that we have excluded such effects, both positive and negative. So we can analyze the operating performance of our businesses and Ultrapar.

Moving forward now to Slide 3 to talk about Ultrapar's consolidated results. As you can see in the chart in the upper left side, our recurring EBITDA totaled BRL1,144 million in the fourth quarter of 2021, 32% higher than that during the fourth quarter of 2020, driven by better results at the Ipiranga, Ultragaz, Oxitenó and Ultracargo.

Looking at the years result, our recurring EBITDA totaled BRL4,055 million an increase of 22% compared to 2020, with record results of Ultragaz, Ultracargo and Oxitenó and a gradual recovery in Ipiranga and Extrafarma results.

Ultrapar's net income in the fourth quarter was BRL390 million, 10% lower than the fourth quarter of '20, due mainly to the worsening in the financial results attenuated by the increase in EBITDA. The worsening of the financial result was driven by three factors. First, higher extraordinary tax credits in fourth quarter '20, which totaled BRL160 million. Second, the temporary negative effect of mark-to-market of hedges of the bond, which has no cash effect. And third, the CDI rate increase over the greater average balance of net debt, despite lower cost of debt.

In 2021, Ultrapar's net income was BRL884 million, 5% lower than 2020, due to the decline of the financial result and Extrafarma's impairment, which also has no cash effect attenuated by higher EBITDA.

Our Board of Directors has already informed approved the payment of BRL186 million in dividends for the second half of the year equivalent to BRL0.17 per share. Investments totaled BRL1.9 billion in 2021, an amount 27% higher than they are in 2020, in line with the planned announce in December '20 for the year and directed mainly to Ipiranga, Ultracargo, and Ultragaz.

We recorded our cash flow generated by operating activities of BRL2.6 billion in 2021, compared to BRL3.1 billion in 2020. The lower generation resulted from investments made in working capital throughout the year, driven by higher fuel, LPG and raw material costs despite the higher EBITDA.

Moving on now to Slide number 4 to talk about our liability management. We ended the year with a net debt of BRL11.7 billion, an increase of approximately BRL1.2 billion compared to the net debt of 2020. The increase is explained by three factors. The payment of dividends in the 2021 in the amount of BRL698 million. Worst financial results as I mentioned in the previous slide with an impact of BRL219 million and the FX variation on the portion of bonds designated for hedge account. The exchange rate rose from BRL5.2 in 2020 to BRL5.58 in 2021. Adding BRL201 million on the net debt position with no cash effect.

Throughout the year, we have been carrying out a liability management to improve our financial results. Including assessing the market through incentivized issuances of infrastructure debentures and an Agribusiness Receivables Certificate along with

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anticipating the payment of debts with higher costs. We have also reduced the surplus cash level reducing the effects of carrying costs. By these measures the average cost of debt went from 154% of CDI in 2020 to 114% of CDI in 2021. And finally, our leverage went from 3.0x net debt to EBITDA in December 2020 to 2.9x at the end of 2021. Due to higher EBITDA level in the last 12 months and we also kept the duration stable at 4.6 years.

Let's now move on to Slide Number 5 to talk about Ultragaz. Sales volumes during the fourth quarter were 2% lower than that in the fourth quarter of 2020. Despite the 1% increase in the bulk segment due to the 4% reduction in the bottled segment as a consequence of lower demand for LPG bottles.

In the bulk segment, we had also an increase in the volume sold to the industrial, commercial, and services segments, which were more affected by the pandemic in 2020. In 2021, the volume sold was 1% lower than that in 2020, with a 4% reduction in the bottled segment. As a result of greater demand for LPG bottles in 2020, mainly in periods of greater social isolation and a 5% increase in the bulk segment and reflect a higher number of sales to industries commercial and services segments.

Ultragaz SG&A in the fourth quarter of 2021 was 6% higher than that year-over-year. Due to the greater personal expenses, provision for doubtful accounts resulting for the updating of accounting parameters, higher expenses with sales commissions in freight, all attenuated by lower expenses with information technology.

Ultragaz EBITDA totaled BRL222 million in the quarter, 44% higher than that in the fourth quarter of 2020, due to the pass-throughs of LPG cost increases offset by a higher concentration of expenses in the quarter. In 2021, Ultragaz EBITDA was BRL729 million similar to the level reported in 2020, mainly because of greater operational efficiency and expenses management. Regarding the current quarter, we expect results to continue expanding relative to that of the fourth quarter of 2021. Driven by higher operational efficiency, despite of the lower demand in the bottle segment.

Now, moving on to the next slide, Slide Number 6 to talk about another great quarter of Ultracargo. The average installed capacity reached 917,000 cubic meters in the fourth quarter of 2021, a 9% growth year-over-year. On the back of the startup operations of the Vila do Conde term now in December 2021, and the expansions in tank capacity implemented in Itaquí port over the last 12 months. Ultracargo's net revenues were BRL187 million in the fourth quarter, a 13% growth year-over-year, led by contractual adjustments, improvements in the mix of products and terminals, and the expansions above-mentioned.

In 2021, Ultracargo's net revenues reached BRL713 million, 11% higher than that in 2020 due to the same reasons of contractual adjustments, mix, and expansions. Combined costs and expenses were 5% higher than those in the fourth quarter of 2020, as a result of higher depreciation costs arising from expansions and capacity. In addition to higher information technology expenses to support productivity gains and digital transformation projects.

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Ultracargo's EBITDA was BRL101 million in the quarter, 32% higher than that in the fourth quarter of 2020, due to the expansions with profitability gains, contractual readjustments and productivity gains. The EBITDA margin which is 54% in the fourth quarter of 2021, well above the 46% margin of the fourth quarter of 2020. In 2021, Ultracargo's EBITDA reached the record level of BRL396 million, an increase of 22% compared to the recurring EBITDA of 2020. And for the current quarter, we expect the continuity of the positive operational performance of Ultracargo, with similar levels of results as those seen in the last quarters. It is worth noting that we will gradually ramp up the Vila do Conde operations throughout 2022.

Moving now to Slide 7, to talk about Oxitenó. Volume sold in the fourth quarter of 2021 were 6% lower year-over-year, mainly driven by the 34% reduction in commodity sales. Due to the prioritization of specialty chemicals and the mix of products during periods of schedule shutdowns. The volume of specialty chemicals decreased 1%, as a result of lower sales to the home and personal care segment, offset by higher sales to the crop solution segment. We will also register a 35% growth in the U.S. plant. In 2021, the volume sold by Oxitenó was 3% higher than that in 2020, with an 8% growth in specialty chemicals, driven by higher sales in the crop solutions and coating segments, in addition to 25% higher sales in the United States while commodity sales dropped by 17%.

Oxitenó's SG&A increased by 16% year-over-year as a consequence of higher expenses with freight and storage, resulting from higher unit costs in Reais and personnel expenses in line with the progression of results. It is worth mentioning that in the fourth quarter of 2020, Oxitenó's results were benefited from the constitution of extraordinary tax credits in the amount of BRL85 million.

Oxitenó's EBITDA was BRL252 million in the quarter, an increase of 42% when compared to the recurring EBITDA of the fourth quarter of 2020. Such an increase is due to better margins which were affected in 2020 by the negative effect of the Zero Cost Collar hedging and of the more devaluated exchange rate attenuated by higher costs and expenses.

Oxitenó registered a record EBITDA level in 2021 in the amount of BRL1,104 million, an increase of 75% over the recurring EBITDA of 2020. And for this first quarter of 2022, we expect Oxitenó's good results to continue with recurring EBITDA higher than that of the fourth quarter of 2021.

Moving on to Slide 8, let's talk about Ipiranga. Volume sold were 2% lower year-over-year, with a 7% decrease in the Otto cycle, ideally due to greater participation of gasoline instead of ethanol in the product mix, while diesel increased 2%. In 2021, Ipiranga posted sales volume of 5% higher than that of 2020 due to lower effects of the pandemic and the fuel consumption in Brazil in 2021, with an increase of 3% in Otto cycle and 6% in diesel. We enter the fourth quarter of 2021 with a network of 7104 service stations, 16 more than the third quarter of 2021 with 127 openings and 111 closures in the quarter. The average volume contribution of the new service station is 438 cubic meters per month, while the closed ones had volumes below 19 cubic meters per month. In addition, we ended the fourth quarter of 2021 with 206 AmPm's company operated convenience stores, 57 more than we had in the third quarter of 2021.

SG&A increased 50% in the quarter with some large effects. Of course, the one-off concentration of extraordinary provisions for contingencies in the amount of BRL88 million, which involves mainly civil and fiscal proceedings with recent decisions that increase the risk profile of such losses.

In addition, we also had the impact of inflation on expenses, higher provision for that full account and the growth of AmPm's company-operated stores, which went from 55 stores in the fourth quarter of 2020 to 206 stores in this last fourth quarter. It is important to keep in mind that in 2020 Ipiranga had temporarily held back expenses on several fronts due to the pandemic, which contributes to this reported increase.

The other operating results line totaled BRL15 million in the quarter, lower than that in the fourth quarter of 2020 mainly due to lower extraordinary tax credits attenuated by higher merchandising revenues with suppliers and lower costs with the buyers. The disposal of assets line totaled BRL 128 million in the fourth quarter of 2021, due to the registering of a capital gain reflecting the sale of ConectCar of BRL 76 million and they hire CEO of real estate assets in the last quarter.

With that, in the fourth quarter of 2021, excluding ConectCar capital gain, Ipiranga totaled EBITDA of BRL627 million, 29% higher than in the fourth quarter of 2020. This growth is the result of better margins, a higher result from the disposal of assets, partially offset by higher expenses and lower sales volume.

In 2021, excluding the capital gain from ConectCar, Ipiranga's EBITDA totaled BRL2,010 million, 17% higher than that in 2020, due to better margins and higher sales volume attenuated by higher expenses. We started this year by implementing important operational adjustments in order to recover Ipiranga's profitability over the coming quarter.

For the first quarter of 2022, we see results too below our expectations and of the level seen during the first quarter of 2021. Keeping in mind that the first quarter of 2021 was benefited from relevant inventory gains. We also remain attentive to the macro environment in the few sector.

Now moving on to the final slide to talk about Extrafarma Slide Number 9. We ended the quarter with 399 stores, our network 1% smaller than in the fourth quarter of 2020. Our result of a more rigorous approach to underperforming stores. It's also worth noting that 12% of the stores are still in their ramp up phase.

Gross revenues were BRL528 million in the quarter, a 4% reduction year-over-year due to the lower number of stores and strong base of comparison in mobile phones sales in the fourth quarter of 2020 as an effect of the pandemic in that period. Extrafarma gross revenues in 2021 was BRL2.1 billion stable compared to 2020. During this quarter we have registered an impairment of assets with no cash effect in the amount of BRL33 million due to the difference between the book value and the value announced in the transaction with (Inaudible) is still subject to closing adjustments. Extrafarma recurring EBITDA totaled BRL24 million in the quarter, a decrease of 30% year-over-year as a result of lower sales

in the effects of inflation and expenses many personnel partially offset by reducing expenses and productivity gains measures. In 2021, Extrafarma's recurring EBITDA was BRL74 million, 12% lower than that in 2020 for the same reasons I mentioned in the quarter. For this first quarter of 2022, we expect a result above that observed in the first quarter of 2021 and below that of the four quarter of 2021, due to the seasonal variation between periods.

So now I conclude my presentation. I appreciate your attention and your interest and let's now move to the Q&A session. And Marcos and I are available to answer your questions, now. Thank you.

Questions And Answers

Operator

(Question And Answer)

The floor is now open for questions-and-answers only for analysts and investors. (Operator Instructions) If you are following the conference call via webcast, please click on questions to the host to send your question to the company executives. Our first question is from Gabriel Barra from Citibank.

Q - Gabriel Barra {BIO 22244309 <GO>}

Good morning, Marcos and Rodrigo. Thank you for the presentation. I have two points that I would like to discuss with you. The first perhaps is the main concern of investors regarding Ipiranga. When we look at margins, there was a significant improvement in the last quarter of the year without a doubt a relevant gain. But when we compare this with the two main competitors that has already reported results. It was a very strong quarter for everybody. And Ipiranga is still under performing in this sector.

Now we take advantage that Marcos Lutz is in the call with us and can interact with analysts if you could discuss, which are they coming steps at Ipiranga if you have important results, changes in terms of your team and which is the diagnosis presently regarding Ipiranga, and which would be your future steps. We speak a great deal about sourcing pricing. If you could further explain, which will be the gains for the company regarding Ipiranga, perhaps this would help us to understand what will happen with the margins.

The second point that I would like to discuss with you refers to capital allocation for the Ultra Group as a whole. This plan of investing from Extrafarma in the past, you have the possibility of acquiring a refinery which did not materialize. If you could explain, which is the mindset of the company, in terms of the future of Ultra after the sale of Oxiteno, an Extrafarma, which are the group priorities going forward? And are you going to focus on the billions that you have presently in your portfolio or are you thinking about other avenues of growth in the short term, concomitantly with this turnaround of Ipiranga? Thank you. These are the two points for discussion.

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

Gabriel, this is Marcos. Now, these two questions would take six hours of call to truly respond to them. But I will be very clear and straightforward, Ipiranga does not have a structural reason quite the contrary to have performance below that of the two competitors nationwide. It has a brand that is deemed to be by the end consumer as being a prime brand. It has a very similar structure. And in truth there is no gap that would justify the differences in terms of results that we have had and evidently, it has an issue of software people and processes that need to catch up.

We have undergone a highly relevant transformation in the company, I feel extremely comfortable with the team that we have at present and the focus and the focus of each of the teams and this catch-up will end up being something natural. We began to catch up somewhat in the last quarter, although the figures do not reflect this we do have things beyond the financial results that show to us that we have had enhancements. The net promoter score for example, as a company, we are the company that most increased its network for the brand and the last quarter as well as in the last month of this year.

We are making great strides in our pricing structures as mentioned, we're very close to the 100% that we would like to obtain to consolidate a new culture to deal with pricing, going beyond the pricing infrastructure that is very well established and in terms of sourcing and trading, we still need to make great strides. We do have only one area that is well advanced or we still have a long path to go down and you don't do this in four months, it will take us a year or two years. Approximately this catch up, the gap will have to be closed and it will be closed and in the final analysis, this is my response, I don't know if I was very vague but we do have multiple initiatives, which I do not control their underway with a team and I see that they will produce very positive results.

Now, this is the response that I would like to give to your questioning. And all together, they will make a big difference. Now for the Ultra group, as a whole I can say the following Ultrapar in the future, should become a company that will generate value in the future, it will be a company that will invest in businesses that they touch will increase value. It has a strong cultural strong team, stringent discipline and in the long term, this is something that will be built. Evidently this is not something for the medium-term or something that will be done through acquisitions presently. The focus is how to carry out this catch up for Ipiranga. We do have two businesses Ultracargo and Ultragas with very good performance with very relevant accelerated expansion paths going forward. And of course eventually minor M&As especially in the two businesses that I have mentioned to accelerate a structured growth. This would make sense for us. So summarizing this is what I would like to share with you.

Q - Gabriel Barra {BIO 22244309 <GO>}

Very clear indeed. And the first point if you allow me to ask a very broad question, if you could further explain the issue of logistics. I know that this has already been discussed and this is not a gap that you have but perhaps, there will be a logistic gap among the B2C groups in the sector. You will observe that this gap does exist. Well, I observe that there exists a gap and this gap does not justify the gap that we have in results and there are regions, where we are better than the competitors in the south for example, we have a

better infrastructure. There are regions in the country where so far we are still structuring ourselves, we need to work harder.

And what I am underscoring here is that there is a great deal to do, some of this is already underway. We have some things that are being inaugurated by the sake of the logistic infrastructure. Depends on three or four significant players, large part of the volume is something that we share with companies. We truly cannot say that this will justify BRL20 per cubic meter of course not. This is a minor issue. Now the software, linked to the logistic perhaps does have a greater GAAP, the intelligence -- of how to program, how to carry out deliveries perhaps there. We do have a gap that we're going to pursue but in the software category and not in the hardware and CapEx category. Thank you. Thank you very much for the clear answer.

Operator

Our next question is from Regis Cardoso from Credit Suisse.

Q - Regis Cardoso {BIO 20098524 <GO>}

A good morning to all of you.

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

I'm sorry we were not able to hear you well, your voice is somewhat muffled.

Q - Regis Cardoso {BIO 20098524 <GO>}

There we are, has it improved?

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

Yes, it has improved.

Q - Regis Cardoso {BIO 20098524 <GO>}

Thank you for taking the questions. Thank you for the presentation and Marcos and Rodrigo thank you for your participation. We have two questions. First, regarding capital allocation Ultrapar has a very relevant cash position and perhaps it is preparing for a transformational acquisition. But it seems that this did not go through the question. Therefore is if you foresee other opportunities, perhaps about smaller size or opportunities with the same size that are as representative as this acquisition. If you could remark on this industries that you imagine that the Ultra Group to could expand to we have already spoken about natural gas and biofuel, but in fact there has never been a more decisive movement in that direction or ultimately a different type of solution the payoff of debt, that's that you have a broad, the debt of Oxiteno's with respect to the dollar. Therefore, how do you intend to allocate your capital. A second issue to take the discussion once again towards Ipiranga and I do thank you for your response to the previous question.

Have you identified a set of low-hanging fruits that is to say opportunities that could be expanded in an accelerated way or do you have a learning from your previous experience at of course, you could make the most of in the company? Thank you.

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

Very well, we'll begin with the end. We don't have a key that if we flip will increase the company capital by R\$15 million in a fortnight in the final account, what does exist is an industry without grade novelties.

We're speaking about doing things in the normal way and we have been doing this for years in terms of distribution. Now the present-day CEO is highly focused on operation. He has a culture in the past for this. So what we want to do is focus on the basics, perform them well and this will suffice to allow us to grow more than the competition in some cases. It will depend on the market moment. This is our focus. There is no expectation to change everything in a single quarter. We want to carry out structural role changes in the company. We are in a very comfortable position, we can say that this is fully feasible, there's nothing terrible pending over our heads and with the sale, we have a historical relationship with excellent ties.

So, all of these issues, which were issues of concern, when I was outside nowadays enabled me to feel more comfortable with this process. We're carrying out efforts day after day, with the commercial team, and Frederico the Commercial Director does this, things of course are advancing. And as I mentioned, we already see concrete results and increase in our branded network. And this is something I would truly like to underscore. There is no miraculous key, that will transform the company, this does not exist.

Now, when it comes to our portfolio, I truly don't want to be repetitive. There's another question where I answer the same, we're not going to do anything gargantuan or gigantic now. The refinery, that was a project at this point in time, perhaps will not be propitious for us because of the interest rate and the lack of stability of oil. If we penetrate the sector more we have different positions and we have a very well protected point for sales. So I'm quite calm with this and we will have a portrait of the company with a reinforced balance. And if we think of our focus 12 months ago, in terms of the CDI, we now find ourselves in a completely different world compared to 12 months ago and if we carry out at an M&A at large scale we're going to leverage Ultragaz more specifically.

Operator

Our next question is from Guilherme Levy from Morgan Stanley. You may proceed sir.

Q - Guilherme Levy {BIO 20821639 <GO>}

A good morning and thank you for taking my question. My first question, if you could speak about the draft bills in the Congress to change the way that the taxes are collected and what this will represent further distribution sector going forward. And if the way in which taxes are collected could have an impact on Ipiranga still this year.

My second question. Referring to Extrafarma if you have a more updated timing for this company, and if you hope that the antitrust company will come up with some sort of remedy for this situation.

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

I will answer the first question and then we will go on to Extrafarma in the last 12 months. Brazil and perhaps the entire world have felt the pressure of fuel in the world and in several regions, especially those that are more political and difficult to follow-up on. We have a hard time of seeing final results, we have had provisional measures draft bills, regulations and many things of that sort and our comment and our focus is a lighter way of collecting taxes because the model that we have in Brazil has an enormous impact.

Brazil should have a better infrastructure for fuel distribution, it that does not have one because part of the segment truly is working with physical evasion and creates hyperbolic noise in the sector. So along those lines, the draft bill that is about to be voted will allow for organization, it will not resolve the issue but it will make it easier for the government's to collect taxes. Perhaps reduce taxes in some cases, enabling the entire system to become simpler, and I do see a positive impacts for their consumer and for the sector at least for those that are serious, who want to carry out structural investments and allow the country to grow, when it comes to fuel.

I look upon this positively, this will be voted on after the Carnival holiday. I will now give the floor to Rodrigo.

A - Rodrigo de Almeida Pizzinatto {BIO 21642966 <GO>}

Good morning Guilherme, thank you for the questions. Regarding Extrafarma we hope that the antitrust agency decision, the CADE will have a decision on the second quarter or at the most in the third quarter. Now the situation is quite complex, they are attempting to regulate the process and this statement of complexity, of course does not mean a remedy. If the remedy comes up we do have a contractual clause that will resolve this.

Q - Gabriel Barra {BIO 22244309 <GO>}

Thank you. Thank you very much.

Operator

Our next question is from Leonardo Marcondes from Itau BBA. You may proceed Sir.

Q - Leonardo Marcondes {BIO 20870206 <GO>}

Can you hear me?

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

Yes.

Q - Leonardo Marcondes {BIO 20870206 <GO>}

Thank you for taking my question. And in truth my question is a follow-up on the capital allocation question. I would like to know your opinion on, if there is a more attractive sector that you are evaluating now to avoid going into details that you cannot share with us. Perhaps if you could share, if there is a sector that you deem to be attractive and where you intend to go into, after more in-depth assessment, if there is any link in the chain that would make any sense for you. That is my question. Thank you very much.

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

Leonardo, we like sectors with high profitability and low risk of course. Notwithstanding this and joking apart, what, I believe could be an example, the natural gas market for example is one that we deem to be interesting but it's not simple. We looked at the privatization of a distributor in Rio Grande do Sul.

However, we were not able to enter this sector with profitability as an umbrella for investment for the company. Evidently, everything is what is below the world of energy which is where we find ourselves now and whatever is surrounding this. Our focus at present will be to look in house.

If opportunities arise if we are able to conclude some conversations we have small negotiations. Once again under this umbrella of Ultracargo and others, and we're going to prepare the organization for the long-term. So that we will become an organization that when it makes an investment, will create value vis-a-vis the other controlling companies to make a difference. I believe that this is fundamental to guarantee that this structure will be in place for larger movements.

Q - Leonardo Marcondes {BIO 20870206 <GO>}

Thank you. Thank you very much for your reply.

Operator

Our next question is from Luiz Carvalho from UBS.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Good morning, and thank you for taking my questions, and for the recovery of Ipiranga in truth, I have three questions here. The first question making the most of Marcos Lutz presence in the call, if we could look at this from another outlook in 60 or 50 days you have participated in the commission, and what can you say to us in terms of a two-year plan or a five-year plan. What is it that you would take into account, as the main accomplishments or the main objectives within those three horizons that you have just mentioned.

The second question. And it's a question that I have posed previously in other calls. It refers to your dividend policy. Very clearly, the company policy is foreseen in the bylaws

and we understand that you will have an inflow of cash from Oxitenio and Extrafarma. But if we look at the 3.0x time leverage of the company. It would not make too much sense to pay dividends. Is there any survey or an intention of making this process more flexible.

If you allow me a last question. Ipiranga in truth is a highly acknowledged brand and if you could give us further examples of what has already changed. Now that's perhaps as CFO or the head of training will change, what is something more palpable that you have perceived as a change in Ipiranga. Thank you.

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

In point to avoid speaking about dividends, I do agree with your vision, this has to be reviewed as part of our bylaws.

In my reading this will have to be debated but through assembly this is what I can share with you at present, when it comes to Ipiranga and Linden's shoes soles, he's visiting all the clients. This is only the tip of the iceberg, it is a process of the company to getting closer to clients to understand operational problems and much more. And for a person like Linden, this will represent a huge contribution after every trip he comes back with a huge list of things to do, organization, new data and much more. And of course he does not do this alone, he does it with his board through reviews. And in the final account this ends up being a backlog of actions to improve our efficiency at the other tip, which is where we make a difference. We have resiliency, we have quality and despite past associations, well he still is with us embracing this project and this resumption, this recovery.

And the other question is a 100 day plan. It's so difficult to speak about this. It's a dream and it's not a dream that will become real instantly. It's a benchmark in the sector and as our companies we have broad growth projects to be able to double our results. But first of all we have to work with that catch up and once we have caught up we have to have a very sound growth pipeline. Evidently, we have to work on this first stage go on to a second stage and what we have to have in our culture is to always take the first step before going on to the second step. When I was a child, I would try to leap to the third step of course but it's about this. We need in fact to build one brick on top of the other and the 100 day plan is a plan, which is already underway. And the processes have all begun to change. Unfortunately of course, we can't say, while, we have gotten here, we can now hire 100 people or hire a new consultant. It's not about this. It's about hard work, effort resiliency, it's more connected to all of this. And what happened in the past perhaps was this desire that those 100 days would resolve everything.

Perhaps it worked in the past but we need a transformation and during the phase of Marcelo many castles were brought down and restructured and this new construction is also working in an accelerated way. We don't have a big bang to share with you unfortunately.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Thank you that is very clear. Thank you for taking my questions.

A - Marcos Marinho Lutz {BIO 6779636 <GO>}

Thank you.

Operator

As we have no further questions. We would like to return the floor to Mr. Rodrigo Pizzinatto for the closing remarks. Mr. Pizzinatto you may proceed sir.

A - Rodrigo de Almeida Pizzinatto {BIO 21642966 <GO>}

Thank you very much for your questions for your attention, for those questions who have come through internet the IR team will return the contacts. Thank you very much once again, have a good day.

Operator

Thank you, the earnings result Ultra Group conference call ends here. You may disconnect your lines now.

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