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YPF bets on business expansion in Brazil

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Pablo Luchetta assumed the position of CEO of YPF Brasil in February with the goal of placing Brazil in a prominent role in the company's business: "Business in Brazil, after restructuring, in terms of billing, within the universe of YPF, are still recent. But because of the size of the economy and the proximity to Argentina, Brazil has a strategic role for the company".

In an exclusive interview with AutoData, Luchetta talked about the company's plans in the country and the importance of the partnership with automakers. According to him, the sector representes almost 50% of revenue. Over here, more than 80% of YPF Brasil's current businesses are with

automakers.
In Argentina, the company has a partnership with Ford, GM, Scania, Suzuki and Volkswagen. And it is under negotiation with Porsche and Volvo. "In Brazil, we make the first filling of the Agritech tractors".
Follow the main excerpts from the interview with Luchetta:

Recently, the company has introduced the new CEO, what are the plans of the new leaders?
The plans are for growth through investments in the distribution network and industrial automation, in addition to the incorporation of new businesses.

How important is business in Brazil for the company?
The business in Brazil, after restructuring, in terms of billing, within the universe of YPF, are still recent. But because of the size of the economy and the proximity to Argentina, Brazil has a strategic role for the company.

How is the business resumption program in Brazil?
It is focused on marketing, distribution network, operational efficiency and new business.

What investments are planned for the Brazilian market?
We plan to invest in the industrial plant and we will continue investing in marketing, where our focus is the exchangers, mechanics, resellers and the entire marketing chain. We have a communication and training program where we provide the necessary technical tools for this audience either directly or through our distributors. We explained the importance of the customer to use the products with the quality that the automaker defines specifically for each engine, quantifying the profitability for the business itself and for the final customer. We have shown that this practice avoids future problems for the vehicle's engine, which is much more expensive to repair than the economy of using a lower specification product.

What are the company's bets for Brazil?
We are betting on the growth of the aftermarket and we are sure that our products are the best option for this segment. Our line, whose products are homologated and have a competitive price, deliver safety and profitability for the entire marketing chain: distributor, exchanger and customer. That is the reason for our positive expectation for 2018. WE

What is the importance of the automotive sector inside the company?

The automotive sector is fundamental to YPF. We have the largest network of stations in Argentina and more than 50% of market share in fuels. It is in the DNA of the company, to work together with the automakers in the search for the best solutions. Therefore, our portfolio of lubricants is oriented to mainly serve this segment. We work with products homologated and approved by the world's main automakers.

How is the business with the automakers structured?

We have an area of P&D in Argentina that develops the products together with the automakers and the companies of chemical additives. In the commercial area, both in Argentina and Chile, as in Brazil, we have specialists who attend them in a dedicated way, whether or not they partner with us. Nowadays, automakers are increasingly looking for a supplier that serves the entire region, and YPF has this breadth as we are present in almost all South America, both with lubricants and with special fuels. And our service does not end at the factory. We are also recognized for the exclusive service we offer to the dealer network, since our products are approved and can be used in the workshops to perform oil change service for vehicles that are still under warranty or vehicles that are not.

Which manufacturers have you closed partnerships with and are there any others under negotiation?

We have partnered with GM, Ford, VW, Scania and Suzuki bikes in Argentina. Porsche and Volvo in negotiation. In Brazil, we make the first filling of Agritech tractors.

What is the company's turnover and what is the Brazilian percentage?

More than US$ 11 billion. Brazil, for the time being, represents less than 1%.

How much does the automotive sector represent from the company's billing?

It accounts for almost 50% of revenue.

And in Brazil is this an important sector within the company's business?

Yes, it represents more than 80% of YPF Brasil's current businesses.

What are the expectations for 2018?

In Brazil, growing above the growth of the lubricants market.

What is the number of employees here?

We have 90 employees.

Are there hiring prospects?

Yes.

What is the production capacity of the company?

4 million liters of lubricants per month.

What else can you add about the company's businesses?

YPF wants to position itself more and more as an integral energy company in the region, and specifically in Brazil, as a Premium lubricant company.

Volkswagen Trucks debuts in new market in Argentina

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MAN Latin America, the manufacturer of the brands Volkswagen Trucks and Buses and MAN, is now playing in the light market in Argentina. The carmaker will take in its offer in the country two new models of the Delivery family: the VW 9.170 and the VW 11.180. The information was released on Friday, 16, on the company's website.

Roberto Cortes, president and CEO of MAN Latin America, said that these launches will help sustain growth at record levels in Argentina: "In the first two months we closed the best bimester of Volkswagen Trucks and Buses' history in the neighboring country, with 638 units shipped to this, which is our largest international market and where we completed 20 years of operations in 2018."

The automaker also more than doubled its international shipments in the accumulated of January and February of 2018 against 2017, reaching the best bimestre of its history, with 1 thousand 893 units.

"We had never seen such a positive February. And the result is a greater diversification of the countries to which we export, reducing concentrations in certain markets."
As a result of an investment of more than R$ 1 billion in the creation of the new family, the Delivery 9.170 and 11.180 models will reinforce the position of the automaker in a segment representative of the Argentine cargo industry: the light truck market accounts for more than 30% of total sales.

Cade files case against vehicle manufacturers

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Cade, the Administrative Council for Economic Defense, on Wednesday,14, filed a lawsuit against the makers of Volkswagen, Fiat and Ford vehicles for allegedly anti-competitive practice of abuse of intellectual property rights over industrial designs in the aftermarket auto parts market, through judicial and extrajudicial measures.

According to information published on the website of Cade, the representation was made in 2007 by Anfape, National Association of Manufacturers of auto parts. According to the organization,

the three companies would have misused their intellectual property rights over industrial designs in order to prevent the manufacture and sale of auto parts by independent manufacturers represented by the association.

The automakers alleged that there would be no illegal conduct, since it would be a legitimate exercise of industrial property rights granted by INPI. They also asserted that there would be no legal provision for restrictions on the exercise of the registration right for different markets.
In his point of view, which guided the decision of the competition court, counsel Mauricio Bandeira Maia positioned himself for the filling of the case. For him, the mere exercise of exclusive rights independent of the markets does not provoke the conviction of the automakers. Still according to the counselor, there is no proven conduct capable of establishing abuse of industrial property right.

The majority of the Court followed the vote of Maia Flag.

Voting - At the meeting of November 22, 2017, the rapporteur of the case, counsel Paulo Burnier, voted for the conviction of the automakers. In the opinion of Burnier, there was abusive exercise of intellectual property rights, with negative effects on the competitive environment of the country, causing damages to consumers without the existence of economic efficiencies that justified the form of exercise of the right by the automakers.

Randon returns to profit

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Allex Chies

After accumulating net loss for two years, Randon Implementos e Participações resumed the path of profitability: last year the company of Caxias do Sul, RS, recovered and closed the year with important consolidated growth rates. Its gross revenue grew 14.6% to R$ 4.2 billion and net revenue increased 11.9% to R $ 2.9 billion. Ebitda, earnings before interest, taxes, depreciation and amortization, totaled R$ 308.2 million, a margin of 10.5% over net revenue - in 2016, it amounted to R$ 142.7 million and a margin of 5.4%.

Net income reached R$ 46.7 million, with a margin of 1.6%, reversing a loss of R$ 67.2 million and a negative margin of 2.6% in 2016. In 2015, the loss was R$ 24.6 millions.

According to the group's management, performance is a result of the combination of the new positive scenario with internal actions carried out since the beginning of the crisis, involving process improvements, expenditure and investment control, product launching, strengthening of sales channels and reduction of fixed costs. Although far from the consolidated figures in the years prior to the crisis, the company understands that the 2017 profit brings the confidence that the decisions made and the changes made are giving results, and that they tend to be expanded in the coming exercises. David Randon noted that "there is hope, even if cautious, that the country will grow again after almost three years practically at the same place."

By 2018 the group estimates gross revenue of R$ 5 billion and net of R$ 3.6 billion, up 19% and 24%, respectively, on consolidated last year. Foreign revenues, sum of exports and operations abroad, should total US$ 300 million, growth of 25%. US$ 51 million of imports and R$ 140 million in investments are projected.

Domestic increase - The domestic market was the main driver of Randon's revenue increase in 2017. Value over gross R$ 3.7 billion was 18% higher than in the previous year, slightly more than R$ 3.1 billion. Foreign revenue, sum of exports and amounts generated by operations in other countries, was R$ 493.8 million, down 6%. When considered in dollars, the total external revenue of US$ 239.7 million represented an increase of 6.8%.

In 2017, the automotive division accounted for 43.4% of total net revenue, equivalent to R$ 1.3 billion, 77.7% in the semi-trailer account, 18.2% in the wagon and 4.2% in the vehicle segment special. The share fell 1 point in the composition of revenue compared to 2016.

The auto parts division accounted for 51.5% of net revenue, 1.5 percentage points higher, totaling R$ 1.5 billion. The division is made up of Castertech, Suspensys WE, Fras-le, Jost, Master and Suspensys, a subsidiary of Randon Implementos e Participações.

The financial services division had a slight decrease of 0.4 percentage point in the share of net revenue. Net revenue was R$ 149.3 million, an increase of 3.4%. The division is composed by Randon Consórcios and Randon Investimentos, Banco Randon. WE

Tupy is ready for new acquisitions, says new presidente

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Fernando Cestari de Rizzo will assume the presidency of Tupy on April 2 with the mission of continuing the projects to accelerate growth and internationalization of the company:

“We are prepared to grow and make organic investments, like in the machining lines, and we are also ready to expand through acquisitions. We are looking at machining and casting opportunities both in Brazil and abroad.”

Founded in 1938 in Joinville, SC, Tupy currently has 13 thousand employees, of which 8 thousand are in Brazil alone. Last year, net revenue was R$ 3.7 billion, up 13.8% over 2016. For Rizzo, the growth in demand for infrastructure and agricultural machinery in the world will contribute to the company’s business:

“We are experiencing a favorable cycle for the industry and the expectation is for growth in the main segments in which we operate.” According to the executive, in the first two months of the year there was a 5% increase in sales compared to the same period last year.

INVESTMENTS - The company will apply 3.5% of this year’s revenue for plant maintenance, in projects to gain efficiency and expansion of the machining area. Rizzo said, however, that if they find new business opportunities other values can be destined for this.

The companies in the automotive sector are the main customers of the company, with about 90% of the revenue coming from this segment. It is also worth noting that in 2017 two-thirds of Brazil’s production was exported.

In Brazil, the company has operations in Joinville, SC, and Mauá, SP, and two units in Mexico, which were acquired in 2012 . They are specialized in the manufacture of engine blocks and heads. In 2013, the total physical sales volume, consolidated Brazil and Mexico, was 634 thousand 806 tons and reached 490 thousand 504 tons in 2016. Last year, the consolidated volume of tons sold was 554 thousand 479 tons.

Rizzo is the current vice president responsible for the company’s automotive business unit and will succeed Luiz Tarquínio Sardinha Ferro, who has held the position of president for 15 years.

Graduated in mechanical engineering from FAAP, with an MBA from Indiana University and specializations at FVG and Stanford School of Business, the new president has started in the company for more than 20 years and worked in the areas of engineering and strategic planning. In 2004, he became vice president of sales and marketing. In 2012, he became the vice president of the automotive business unit, responsible for more than 90% of the company’s revenues.

CHANGES - The change marks the strengthening of a cycle that began in 2003, when Tarquínio assumed the management of Tupy in order to solve serious financial problems that the company faced.

After the initial restructuring, Tupy retook its strategic aspirations and acquired two companies in Mexico. This step gave the company the leading role in the segment of iron blocks and heads for engines. WE

Surplus trade balance of US$ 1.9 billion

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In the first two weeks of March, with seven business days, the trade balance had a positive balance and the automotive sector played an important role in the scenario - which is not comprehensive but may prove to be significant in the accumulated year: according to data released by MDIC on Monday, 12, in the first days of the month there was a 22.7% increase in imports compared to the same period of last year, US$ 690.3 million, against US$ 562.5 million the first two weeks of 2017.

The sectors responsible for this growth were those of organic and inorganic chemicals, up 45%, fuels and lubricants, 38.7%, and vehicles and parts, 30.5%.

Exports increased 11.4% compared to the same period of last year, US$ 972.6 million, against US$ 872.8 million during the same period last year.

The expansion was boosted by the rise in sales of three categories: semimanufactured, a 19.4% increase in pulp, ferro-alloys and raw sugar, manufactured, with na increase of 11.8%, due to fuel oils, oxides and hydroxides aluminum, aircraft and cargo vehicles, and basic, with expansion of 8.9%, driven by soybeans, soybean meal, copper ore and corn grain.

In total, the trade balance of the first two weeks of March registered a surplus of US$ 1.9 billion, a result of exports of US$ 6.8 billion and imports of US$ 4.8 billion.

WE

3D printing can eliminate auto parts stock

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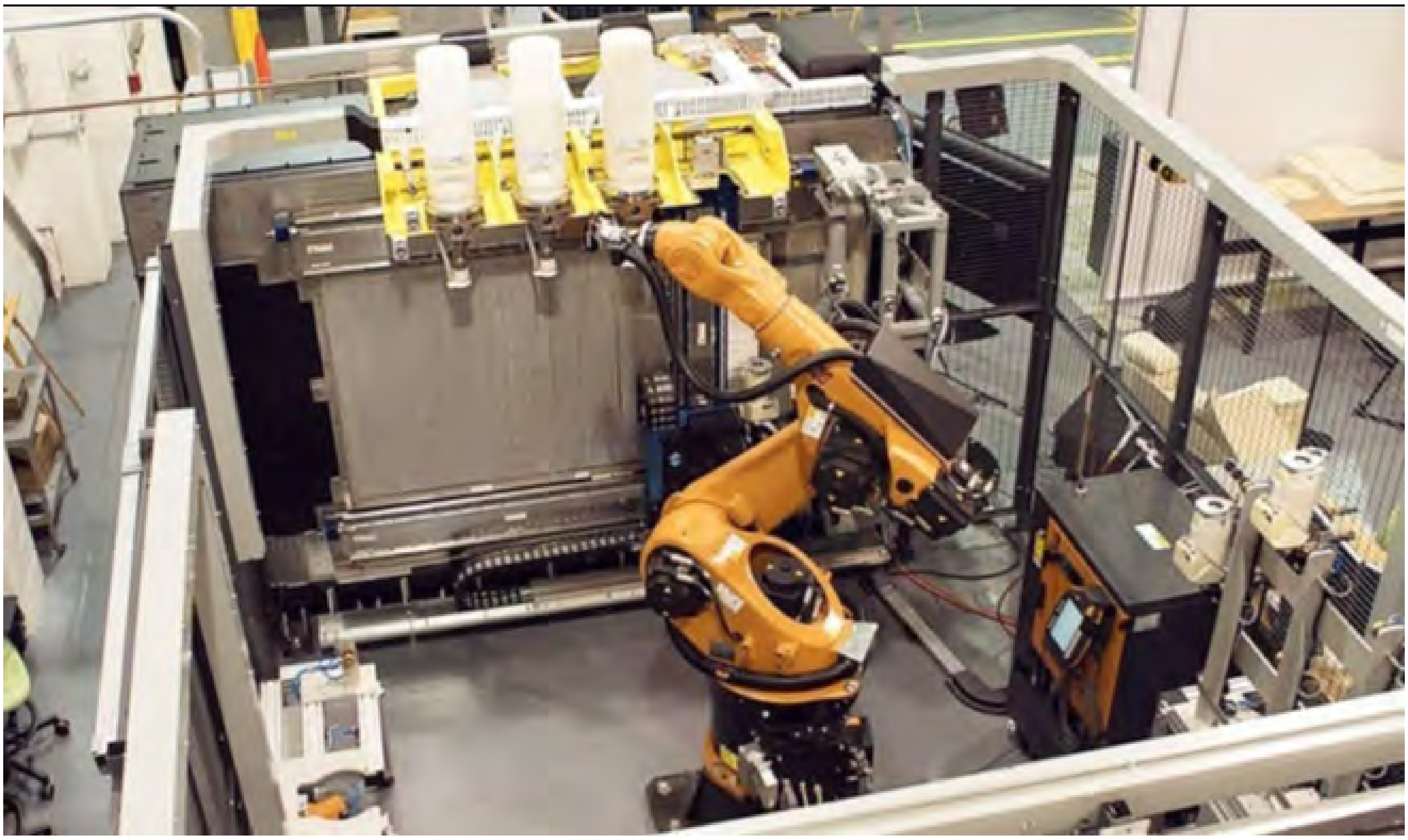

Disclousure

The 3D printing is already very present in many industry sectors and in the automotive industry it can be used to put an end to the stock of low volume parts that equip cars that are not produced anymore for example. This is what Marcelo Fontoura, commercial manager of UL, a company specializing in 3D printing, says: "It is possible to produce according to the demand, because 3D printing allows the manufacturing, in a few hours, of a certain part without the need to stock . Automakers can already do this and get even a reduction in costs, but it is necessary to change their behavior."

According to him the industry already uses 3D printing and, together with the aerospace, consumer and medical sectors, it represents 67% of the market. There are manufacturers of vehicles that already invest heavily in this segment and already get results. This is the case, for example, of Renault, where the action allowed the reduction of costs of about € 190 thousand: since it began, experimentally, 3D printing in 2015 has already produced more than 2 thousand items. Among them the nozzles for the application of glue to the glass, which guaranteed an 83% reduction in cost per unit.

In the future 3D printers will certainly be part of more production line items of the automakers, being responsible for manufacturing a part of the vehicle:

"This may happen, but it will depend on how the technology will advance in the future, to work in sync with the other parts of the assembly line. But this is not far from reality, because in China they have already been able to build a six-story building with only 3D printers."

For Fontoura, the automotive sector and others can benefit from the on-demand production, without the need for an inventory, as well as decentralized service, with production in several regions of the country, reducing the cost of logistics and bringing commercial advantages.

But... some questions about 3D printing are still a doubt even for experts: "There is no study that shows how 3D printing harms the environment yet. We do not know the level of emissions of toxic gases and particles that pollute the environment. Some studies are already being done in other countries so that it is possible to quantify the level of pollution that is emitted."

Last year this market represented US$ 6 billion and is expected to reach US$ 12 billion by 2020.

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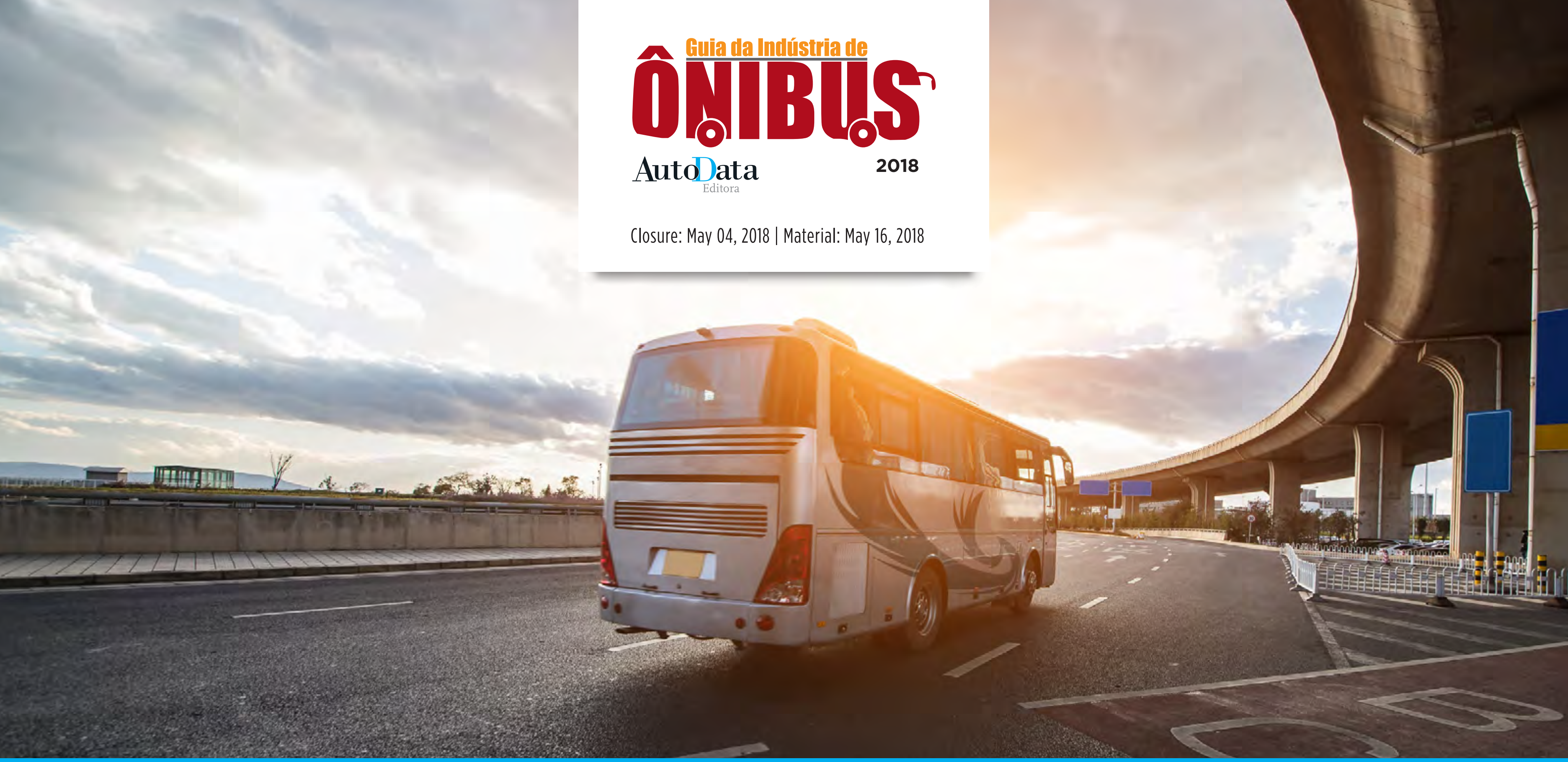

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Besides, with specific reference to the production chain, it will bring complete files of all automakers and bodybuilders, with factory locations, production capacity, commercial director and dealer network or representatives.

Obviously it will also bring the complete datasheets of all the chassis and bodywork manufactured by each of these companies

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