

# TECHNOS GROUP ANNOUNCES 95.2% GROWTH IN NET INCOME IN 1Q24

Rio de Janeiro, May 13, 2024 – Technos Group (B3: TECN3) announces its results for the first quarter of 2024 (1Q24). The following financial and operational information is presented on a consolidated basis, in compliance with Brazilian Corporate Law, unless otherwise indicated.

DATE

05/13/2024

CLOSING PRICE

R\$ 4.45/share

MARKET CAP

R\$ 305,7 million

CONFERENCE CALL

05/14/2024 10:00 a.m.  
Brasília

Link

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## QUARTER HIGHLIGHTS

- Net revenue at R\$ 68.8 million, 8.3% higher versus 1Q23.
- Gross profit of R\$ 36.5 million, 7.6% higher versus 1Q23.
- SG&A of R\$ 31.9 million, 9.2% higher versus 1Q23.
- 9.9 million Adjusted EBITDA, 4.2% higher versus 1Q23.
- Net income of R\$ 5.9 million, 95.2% higher versus 1Q23.
- Net cash of R\$ 22.3 million vs. R\$12.7 million of net debt in 1Q23.

R\$ million	1Q23	1Q24	%
Gross Revenue	75.3	79.3	5.3%
Net Revenue	63.5	68.8	8.3%
Gross Profit	33.9	36.5	7.6%
Gross Margin	53.4%	53.1%	-0.3p.p.
SG&A	-29.2	-31.9	9.2%
Net Income	3.0	5.9	95.2%
Net Margin	4.7%	8.5%	3.8p.p.
Adjusted EBITDA	9.5	9.9	4.2%
Adjusted EBITDA Margin	14.9%	14.3%	-0.6p.p.
Number of Watches (000s)	362	391	8.0%
Average Price (R\$/product)	208	203	-2.4%

**Adjusted EBITDA** - Represents CVM EBITDA (net income plus depreciation and amortization, financial expenses, financial income, current and deferred taxes), adjusted for the present value adjustment on sales and sales taxes, non-operational contingency provisions, nonrecurring results, extraordinary, and stock option plan.

In the first quarter of 2024, Technos Group once again confirmed its positive results, illustrating the success of its strategy based on accelerating sales of its brands and channels combined with the consolidation of efficiency gains shown in previous quarters.

In the quarter, Technos Group's Gross Revenue was R\$ 79.3 million, with 5.3% increase when compared to the previous year, while Net Revenue was 8.3% higher in the same period. To face a challenging macroeconomic scenario, the Company continued to benefit from a dispersed customer base and a supplementary portfolio of brands and products.

Gross Profit and Gross Margin for the quarter amounted to R\$ 36.5 million and 53.1%, a 7.6% increase in Gross profit and a 0.3 p.p. drop in Gross Margin, respectively, mainly due to the increased commercial activity in the period. Despite the volatility of the exchange rate, the company remains committed to defending a healthy margin for its products and services.

Sales and Administrative Expenses totaled R\$ 31.9 million in 2024, growing 9.2% as compared to the previous quarter. This increase in expenses is the result of inflation, higher domestic freight costs, labor proceedings and consultancies, offset by savings in variable expenses and a reversal in the allowance for doubtful accounts. Technos Group remains dedicated to maintaining a lean and efficient expense base.

Others, Net account totaled R\$ 0.2 million expenses, versus an costs of R\$ 1.0 million in the same quarter of the previous year. This account was mainly impacted by reversals of provisions for labor and tax expenses, successes and settlements in legal proceedings as well as the provision for profit sharing for our employees and option plan.

Adjusted EBITDA for the quarter reached R\$ 9.9 million, with 4.2% growth versus 1Q23. This is the 13th consecutive quarter in which the Company records growth in its adjusted EBITDA, evidencing the robustness and consistency of the structural transformation implemented by management.

Net Income for 1Q24 was R\$ 5.9 million, representing 95.2% increase compared to 1Q23. The outstanding growth in the company's net income reflects both double-digit growth in operating income and a significant improvement in financial result, due to the lower cost of debt and hedge effects, combined with reversals of provisions.

In this quarter, the Company recorded a cash balance of R\$ 112.3 million, gross debt of R\$ 90.1 million and net cash amounting to R\$ 22.3 million, reflecting the Company's financial robustness. It is noteworthy that the average term of the Company's gross debt at the end of the period was virtually 2 years, according to the renegotiation and payment extension completed in 2020.

In February 2024, the Company announced the payment of interim dividends amounting to R\$ 10.2 million, referring to 2023 results.

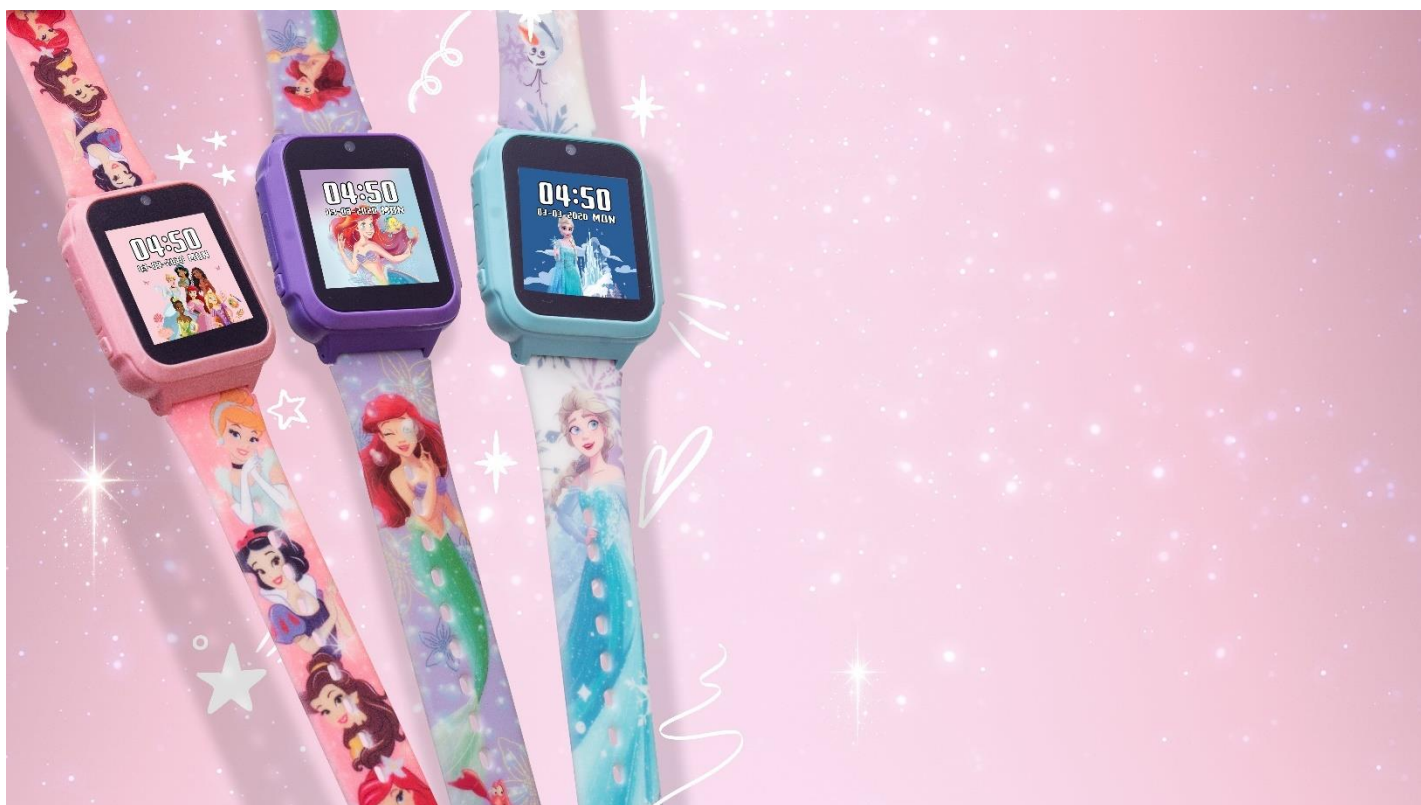
In the date hereof, the Company approved the cancellation of 2.2 million treasury shares, with no capital reduction. After the cancellation of shares, the Company's capital stock is now divided into 68,706,215 common shares.

It is worth emphasizing that a key ingredient in the success of our results has been the company's heavy investment in developing our people and improving our work environment. Earlier this year, for the third year in a row, Technos Group was formally named as a Great Place to Work, a globally recognized certification of the best companies to work for. This achievement was largely the result of the commitment and dedication of

our leaders - the vast majority of whom were trained in-house and hold shares in the company - in building an integrated, collaborative and high-performance culture.

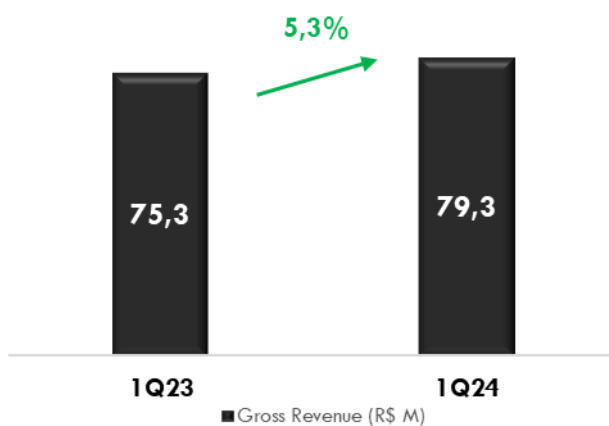
The positive spiral and continuous improvement of both the results and the organizational climate of Technos Group is even more remarkable in view of the turbulent and unstable external environment. Surely the domestic and international political and economic instabilities will continue to put pressure on the company, with effects on its supply chain, price inflation, and cost of capital. In response to these external challenges, Technos Group will continue to invest in strengthening its operations and culture to ensure even more positive results in the future.

Finally, at this time of so many difficulties for the population of Rio Grande do Sul, the management of the Technos Group stands in solidarity with its employees, customers and partners living in the state and impacted by the recent weather events. The Technos Group began its national business activities in Rio Grande do Sul in 1956 and still maintains very strong links with the community in the region. The company is dedicated to providing support in the human reception and subsequent economic recovery process of the region, while paying attention to the needs of our internal and external public located in the lands of Rio Grande do Sul.

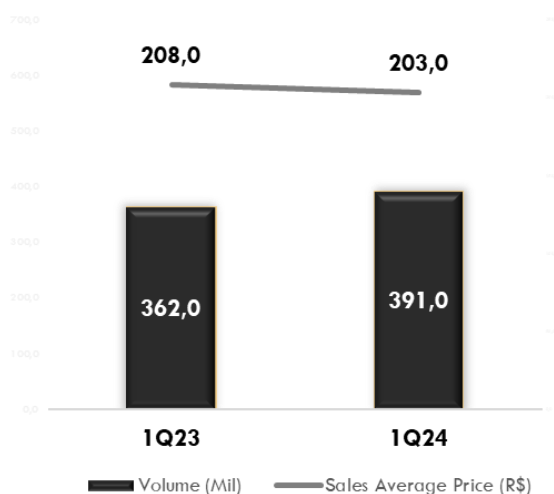


## GROSS REVENUE

Gross Revenue for the quarter showed 5.3% growth versus the same period of previous year.



In 1Q24, average price reached R\$ 203, a decline compared to 1Q23. Volume totaled 436 thousand, with 8.0% growth versus the same period in 2023.







## NET REVENUE



In 1Q24, Technos Group's Net Revenue reached R\$ 68.8 million, with 8.3% growth as compared to the same period in 2023. The adjustment to present value on gross revenue was R\$ 2.8 million in 2024, below sales revenue for the period. This change has a positive impact on the Company's Net Revenue and is related to the drop in the basic interest rate in the period. This is a non-cash adjustment with no impact in EBITDA, as the portion deducted from gross revenue at the time of sale returns to the Company and is credited to financial income at the time of receipt.

R\$ Million	1Q23	1Q24	Var %	Var R\$
Gross Revenue	75.3	79.3	5.3%	4.0
Present Value Adjustment on Sales	(3.1)	(2.8)	-11.0%	0.3
Sales Taxes	(8.9)	(8.0)	-10.0%	0.9
Present Value Adjustment on Taxes	0.3	0.3	0.4%	0.0
Net Revenue	63.5	68.8	8.3%	5.2

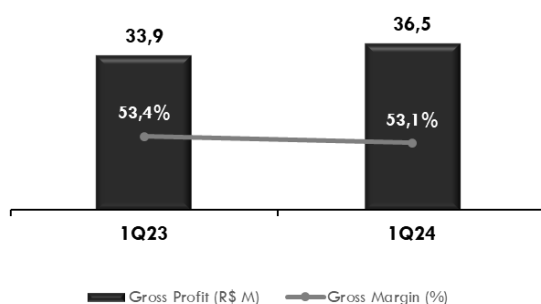


## GROSS PROFIT AND GROSS MARGIN



Gross Profit and Gross Margin for the quarter amounted to R\$ 36.5 million and 53.1%, respectively, with 7.6% increase and a 0.3 p.p. drop in margin versus 1Q23, mainly due to the sales mix. Despite the volatility of the exchange rate, the company remains committed to defending a healthy margin for its products and services.

It is important to highlight that as of the first quarter of 2021, a tax benefit was approved which allowed the company to enjoy an increased use of ICMS tax benefit. This benefit, initially approved for 2021, has already been renewed twice and currently has a term until December 2026. This effect represented R\$ 3.6 million in 1Q24, flat as compared to the same period in 2023, with R\$ 3.6 million.



## SELLING AND ADMINISTRATIVE EXPENSES



The Company's selling and administrative expenses amounted to R\$ 31.9 million, with 9.2% increase versus the same period of previous year.

Selling expenses increased 17.6%, or R\$ 3.3 million, compared to the same quarter in 2023. This growth was due to expenses with media, higher investment to foster sales, freight, commercial travel and the impact of inflation.

General and administrative expenses dropped R\$ 0.6 million or 5.6% compared to the same quarter in 2023.



Other operating results, net totaled an expense of R\$ 0.2 million in the quarter, versus an expense of R\$ 1.0 million in the same period of the previous year.

This quarter this account was positively impacted by the success or settlement of legal proceedings, labor and tax provisions and with a negative impact from option plan and profit sharing expenses.







EBITDA margin reached 14.3% in 1Q23 compared to 14.9% in 1Q23. The adjustments made to Adjusted EBITDA in 1Q23 refer to taxes on the provision for obsolete inventory, in the amount of R\$ 0.6 million, and the impact of present value adjustment on Operational Result, in the amount of R\$ 2.5 million.

<sup>3</sup> Present value adjustment that results in a decrease in the Company's gross revenue (affecting CVM EBITDA) and an increase in the Company's financial income (not affecting CVM EBITDA), leading to a mismatch in connection with the CVM EBITDA view

### Adjusted EBITDA and EBITDA Margin %



## NET FINANCIAL RESULT



Net financial result in 1Q24 was positive by R\$ 5.1 million, while in the first quarter of 2023 it was negative by R\$ 0.3 million, R\$ 5.3 million better than the previous quarter, with lower financial expenses, lower present value adjustment revenue and reversal of interest on legal proceedings.

R\$ Million	1Q23	1Q24	Var %	Var R\$
Expenses	-5.7	-3.7	-34.3%	1.9
Revenues	3.8	3.5	-7.5%	-0.3
Revenues - PVA Reversal	3.5	3.3	-6.4%	-0.2
Exchange rate impact	-1.9	-0.2	-91.0%	1.7
Other	0.0	2.2	-	2.2
Net Financial Revenues/(Expenses)	-0.3	5.1	-1973.7%	5.3

## NET INCOME



In the quarter, Technos Group's net income reached R\$ 5.9 million, with 95.2% growth versus 2023. The outstanding growth in the company's net income reflects both double-digit growth in operating income and a significant improvement in financial result, due to the lower cost of debt and hedge effects, combined with reversals of provisions. In February 2024, the Company paid interim dividends amounting to R\$ 10.2 million.



## WORKING CAPITAL

R\$ million	1Q23	Days	1Q24	Days
(+) Accounts Receivable	128.7	131	136.1	141
(+) Inventories	122.8	276	121.3	281
(-) Accounts Payable	30.8	77	41.0	95
<b>(=) Working Capital</b>	<b>220.8</b>	<b>331</b>	<b>216.4</b>	<b>327</b>

The Company's working capital in the first quarter of 2024 totaled R\$ 216.4 million, accounting for 327 days. In the same period in the previous year, working capital amounted to R\$ 220.8 million, a drop of R\$ 4.5 million, or 2.0%.

The Company's balance of Accounts Receivable reached R\$ 136.1 million versus R\$ 128.7 million in the previous year. Net receivable days for the last twelve months showed an increase of 10 days compared to the same period in the previous quarter, with a flat and healthy default rate compared to the indicator's history.

Inventory closed the period with a balance of R\$ 121.3 million, R\$ 1.5 million lower than in 1Q23. Discipline in inventory management, as well as the agility of the supply chain's response, enabled the Company to end the quarter with a reduction in coverage, even in the face of a more challenging sales scenario.

The Company's balance of Accounts Payable totaled R\$ 41 million versus R\$ 30.7 million in the same period of 2023.

## CASH BALANCE

Technos Group ended 1Q24 with net cash of R\$ 22.3 million. Net cash for the quarter increased R\$ 13.7 million compared to the third quarter of 2023. Compared to 1Q23, over a 12-month period, there was an increase of R\$ 35.0 million, from net debt of R\$ 12.7 million in 1Q23 to net cash of R\$ 22.3 million in 1Q24. Compared to 4Q23, net cash fell by R\$9.2 million. In the period, we paid out dividends totalling R\$10.2 million and repurchased shares worth R\$7.9 million.

R\$ million	1Q23	4Q23	1Q24
Gross Debt	(116.5)	(93.8)	(90.1)
(-) Cash	103.7	125.3	112.4
<b>(=) (Debt)/Net Cash</b>	<b>(12.7)</b>	<b>31.5</b>	<b>22.3</b>

# INCOME STATEMENT



R\$ Thousand

## QUARTER

	Consolidated	
	1Q23	1Q24
Net Revenue	63,519	68,766
Cost of goods sold	-29,598	-32,256
<b>Gross Profit</b>	<b>33,921</b>	<b>36,511</b>
Sales expenses	-18,658	-21,942
Administrative expenses	-10,584	-9,989
Others, net	-978	-235
<b>Operating profit</b>	<b>3,701</b>	<b>4,345</b>
Financial result, net	-270	5,056
<b>Financial income</b>	<b>7,681</b>	<b>6,423</b>
Financial expenses	-7,951	-1,367
<b>Income before income tax and social contribution</b>	<b>3,431</b>	<b>9,401</b>
Income tax and social contribution	-423	-3,531
Current	-997	-725
Deferred	574	-2,806
<b>Net income</b>	<b>3,008</b>	<b>5,870</b>



# BALANCE SHEET



R\$ Thousand

	Consolidated	
	March 31, 2023	March 31, 2024
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	95,005	112,328
Restricted cash	8,704	97
Accounts receivable	128,736	136,135
Inventories	122,838	121,306
Income tax and social contribution recoverable	6,795	9,068
Taxes recoverable	16,162	14,640
Derivative financial instruments	175	54
Other assets	15,777	17,947
Assets held for sale	1,753	438
	<b>395,945</b>	<b>412,013</b>
<b>Non-current</b>		
Marketable securities	0	0
Advances to suppliers	1,625	875
Taxes recoverable	3,214	3,252
Judicial deposits	4,078	4,935
	<b>8,917</b>	<b>9,062</b>
Investments		
Intangible assets	190,137	191,050
Property and Equipment	26,862	26,963
	<b>216,999</b>	<b>218,013</b>
<b>Total assets</b>	<b>621,861</b>	<b>639,088</b>

# BALANCE SHEET



	Consolidated	
	March 31, 2023	March 31, 2024
<b>Liabilities</b>		
<b>Current</b>		
Borrowings	17,608	17,536
Accounts payable	30,666	40,336
Obligations payable for purchasing goods	306	708
Taxes and fees payable	6,924	4,489
Withholding income tax and contributions	1,735	1,632
Amount payable for the acquisition of equity interest	1,103	0
Salaries and social charges payable	7,781	8,041
Dividends payable	1,371	129
Derivative financial instruments	1,352	217
Lease payment	1,475	1,547
Other payables	14,181	8,469
Provision for success fees	0	249
	<b>84,502</b>	<b>83,353</b>
<b>Non-current</b>		
Borrowings	98,849	72,598
Income tax and social contributions payable (Note 14)	1,445	1,408
Deferred income tax and social contribution	19,840	29,618
Provision for contingencies	62,368	50,983
Lease payment	1,911	2,787
Provision for success fees	1,709	1,709
	<b>186,122</b>	<b>159,103</b>
<b>Total liabilities</b>	<b>270,624</b>	<b>242,456</b>
<b>Equity</b>		
Capital stock	130,583	130,583
Treasury shares	-10,020	-7,529
Share issuance expenses	-10,870	-10,870
Capital reserves	178,869	170,713
Profit reserves	17,816	26,209
Carrying value adjustment	-13,831	-13,965
Loss for the period	3,009	5,871
Profit reserve for reflex tax incentive	55,681	95,620
<b>Total equity</b>	<b>351,237</b>	<b>396,632</b>
<b>Total liabilities and equity</b>	<b>621,861</b>	<b>639,088</b>

# CASH FLOW



R\$ thousand

QUARTER

Consolidated

1Q23 1Q24

Income before income tax and social contribution

3,432 9,400

## Adjustments for non-cash items

Amortization and Depreciation

2,457 2,437

Allowance for recoverable value of inventory

547 -358

Allowance for recoverable value of accounts receivable

-102 438

Reversal of inventory provision due to write-off

0 0

Adjustment to market value in noncurrent assets available for sale

0 0

Provision for contingencies (reversal)

-1,082 -5,579

Results from disposal of permanent assets

-44 1

Impairment of permanent assets

0 0

Interest on loans

4,950 3,483

Other interest expenses and foreign exchange variation

-151 113

Derivative financial instruments

704 -1,121

Stock option premium

449 996

Other

252 -82

## Changes in assets and liabilities

Decrease (increase) in accounts receivable

19,550 15,538

Decrease (increase) in inventories

-3,883 -3,423

Decrease (increase) in taxes recoverable

8,281 2,599

Decrease (increase) in other assets

-6,171 -1,608

Increase (decrease) in suppliers and accounts payable

981 -3,939

Increase (decrease) in salaries and social charges payable

-3,616 -2,739

Increase (decrease) in taxes, rates and social contributions payable

-124 -2,981

Interest paid

-4,949 -3,397

Income tax and social contribution paid

0 -115

Net cash (used in) generated by operating activities

21,481 9,663

## Cash flow from investing activities

Redemption of escrow accounts

0 0

Acquisition of equity interest

0 0

Restricted cash

0 0

Purchases of property and equipment

-2,160 -1,003

Amount received from the sale of property and equipment

92 2

Purchases of intangible assets

-644 -1,113

Net cash (used in) generated by investing activities

-2,712 -2,114

## Cash flow from financing activities

Deposits as collaterals - restricted cash

-168 22

Borrowings

0 0

Payment of borrowings

-3,877 -3,884

Lease paid

-407 -349

Acquisition of own shares held in treasury

-11,638 -7,952

Acquisition of equity interest	0	0
Dividends paid to Company's shareholders	-5,999	-10,226
Stock Option exercise	0	2,016
<b>Net cash used in financing activities</b>	<b>-22,089</b>	<b>-20,373</b>
Increase (decrease) in cash and cash equivalents	-3,320	-12,824
Cash and cash equivalents at the beginning of period	98,325	125,152
<b>Cash and cash equivalents at the end of period</b>	<b>95,005</b>	<b>112,328</b>

