

GRUPO TECHNOS ANNOUNCES 43.4% GROWTH IN NET REVENUES AND RECORD ADJUSTED EBITDA AT R\$ 8.6 MILLION FOR THE FIRST QUARTER OF 2022

Rio de Janeiro, May 09, 2022 – Grupo Technos (B3: TECN3) announces its results for the first quarter of 2022 (1Q22). The following financial and operational information is presented on a consolidated basis, in compliance with Brazilian Corporate Law, unless otherwise indicated.

DATE

05/09/2022

CLOSING PRICE

R\$ 2.26/share

MARKET CAP

R\$ 177.4 million

CONFERENCE CALL

05/10/2022 10:00 a.m.
Brasília

Phone:

Brazil: +55 (11) 3181-8565

+55 (11) 4090 1621

Connection code: Technos

Webcast:

<https://choruscall.com.br/tecnos/1t22.htm>

IR CONTACTS

Daniela Pires – CFO and IR Officer

Luís Ricardo -- Financial and IR Manager

Danielle Barbosa -- Planning and IR Analyst

ri@grupotechnos.com.br

www.grupotechnos.com.br/ri

+55 (21) 2131-8950

QUARTER HIGHLIGHTS

- Net revenue at R\$ 62.3 million, with 43.3% growth versus 1Q21
- R\$ 32.0 million gross profit, with 50.4% growth versus 1Q21
- Gross margin at 51.3%, a 2.4 p.p. growth versus 1Q21
- R\$ 8.6 million Adjusted EBITDA in 1Q22, versus R\$ 1.3 million in 1Q21
- Net indebtedness at R\$ 42.7 million, and leverage at 0.6x Adjusted EBITDA
- New share buyback program for 7.6 million shares; cancellation of 2.0 million shares
- Great Place to Work certification in recognition of the company's culture and climate

R\$ million	1Q21	1Q22	%
Gross Revenue	48.8	70.7	45.0%
Net Revenue	43.4	62.3	43.4%
Gross Profit	21.2	32.0	50.4%
Gross Margin	48.9%	51.3%	2.4p.p.
SG&A	-22.7	-27.5	21.2%
Net Income	-4.0	-5.1	26.1%
Net Margin	-9.2%	-8.1%	1.1p.p.
Adjusted EBITDA	1.3	8.6	583.1%
Adjusted EBITDA Margin	2.9%	13.8%	10.9 p.p.
Number of Watches (000s)	278	388	40.0%
Average Price (R\$/product)	174	182	4.7%

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 2022, Grupo Technos reported positive results that illustrate the success of its strategy based on the impressive acceleration of sales of its brands and channels in addition to the consolidation of efficiency gains achieved in previous periods.

On the one hand, net revenue grew 43.5% in the first quarter, as a result of market share gains in the traditional watch category and market expansion in the smartwatches category. On the other hand, the company has shown a significant increase in profitability due to the perpetuation of a more agile, light, and efficient management model. In view of the sequence of positive sales and profitability results in recent quarters, Grupo Technos reported adjusted EBITDA in the last twelve months of R\$ 70.5 million - the best result since 2013 - and maintained net debt at R\$ 42.7 million.

Net Revenue for the quarter was up 43.4% versus 2021, representing growth across virtually all brands, product categories, and distribution channels. In 1Q22, volume growth was 40.0% while the price increase was 4.7% compared to the previous year. The impressive growth in volume benefited from the significant rebuilding of the company's inventory levels, evidencing good supply chain management in the face of major supply challenges. Other major factor in the revenue growth was the launch and supply of traditional iconic products alongside the introduction of new smartwatch collections. The positive performance of both the traditional and smartwatches product categories in the quarter continue to corroborate the high complementarity of the company's product portfolio.

Gross Profit and Gross Margin for the quarter totaled R\$ 32.0 million and 51.3%, respectively, with 50.4% and 2.4 p.p. growth versus the same quarter of the previous year. The gross margin increase coupled with the sales increase showcases the Company's successful strategy of profitable growth. Gross margin growth was mainly a result of the careful management of product margins - enabled by selective price increases, launching of more desired collections, reduction of promotional sales and better negotiations with suppliers, offsetting the negative exchange rate impact from our inventories - and lower costs of Technical Assistance due to the outsourcing model implemented during 2020 and completed in 2021.

Selling and Administrative Expenses for the quarter were 21.2% higher than 2021 and accounted for 44% of net revenues, an improvement of 8.1 p.p. versus 1Q21. The nominal increase in expenses is due to higher variable expenses and investments focused on sales growth. As mentioned in previous statements, the operational restructuring, accelerated by the pandemic crisis, has implemented a new, more agile, lean and profitable operating model that will provide solid benefits to the company in both in the short and long term.

Adjusted EBITDA for the first quarter at R\$ 8.6 million and EBITDA margin at 13.8% represents an impressive progress as compared to Adjusted EBITDA at R\$ 1.3 million and EBITDA margin at 2.9% in the last year. This is the fifth consecutive quarter in which the Company had the best quarterly adjusted EBITDA in the last few years, evidencing the robustness and consistency of the structural transformation implemented by management. It should be emphasized that Adjusted EBITDA for the last twelve months of R\$ 69.7 million and EBITDA margin of 20.9% represent the highest level since 2016.

The net indebtedness of R\$ 42.7 million and the cash balance of R\$ 88.1 million are evidence the Company's financial soundness. Grupo Technos leverage level at the end of the first quarter was 0.6x Adjusted EBITDA. It is noteworthy that the average term of the Company's gross debt at the end of the quarter was 2.8 years, according to the renegotiation and payment extension completed in 2020.

On the date of this release, new buyback program for the shares issued by the Company was approved - with a buyback limit of up to 7.6 million shares and valid until May 10, 2023 - and the cancellation of 2 million

shares held in treasury, with no reduction in capital stock. After the cancellation of shares, the Company's capital stock is now divided into 76,506,215 common shares.

On the date of this report, the Company approved the new program to buy back shares of its own issue - with a buy-back limit of up to 7.6 million shares and duration for 18 months - and the cancellation of 2 million shares held in treasury, with no reduction in share capital. After the cancellation of shares, the share capital of the Company is divided into 76,506,215 ordinary 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, Grupo Technos was formally named a Great Place to Work, a globally recognized certification of the best companies to work for. This achievement was largely a consequence of the commitment and dedication of our leaders - the vast majority of them formed internally and holding a stake in the company - in building an integrated, collaborative and high-performance culture

The significant improvement in Grupo Technos' results and organizational climate is even more remarkable given the turbulent and unstable external environment experienced earlier this year. Surely the political and economic instabilities including international conflicts and elections in Brazil 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, Grupo Technos will continue to invest in strengthening its operations and culture to ensure even more positive results in the future. For example, intensified investment in Grupo Technos' digital transformation will continue to open up new growth horizons for the company beyond its core business of traditional products and channels.

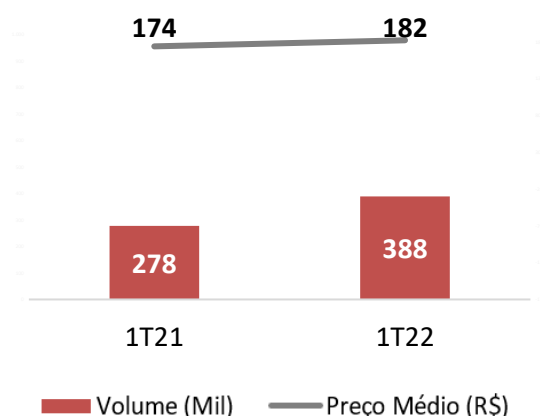
Net Revenue for the quarter was up 45.0% versus the previous quarter, recording growth across virtually all brands, product categories, and distribution channels.

In the first quarter, Gross Revenue reached R\$ 70.7 million, a R\$ 21.9 million growths as compared to the first quarter of 2021. It should be noted that in 1Q21 we experienced supply challenges due to purchasing constraints in 2020. As reported, over the recent quarters the Company has engaged in an effort to adjust and rebalance its inventories, which was a major factor for the revenue growth achieved in the first quarter of 2022.

Other important factors for the revenue evolution were the successful launch and supply of collections of traditional iconic products, as well as the launch of new models of smartwatches. The expansion of both the traditional and smartwatches product categories in the quarter continue to corroborate the high complementarity of the company's product portfolio.

R\$ Million	1Q21	1Q22	Var %	Var R\$
Sales of Watches	48.2	70.6	46.4%	22.4
Technical Assistance	0.5	0.1	-83.7%	-0.4
Gross Revenue	48.8	70.7	45.0%	21.9

In 1Q22, average price reached R\$ 182, 4.7% higher than the previous quarter. The number of watches sold in the quarter totaled 388 thousand watches, with 40% growth as compared to 1Q21.



NET REVENUE



In the quarter, Grupo Technos' Net Revenue reached R\$ 62.3 million, a 43.4% growth as compared to 2021.

Present value adjustment on gross revenue totaled R\$ 2.2 million in the first quarter of 2022. This is a non-cash adjustment, 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	1Q21	1Q22	Var %	Var R\$
Gross Revenue	48.8	70.7	45.0%	22.0
Present Value Adjustment on Sales	(0.8)	(2.2)	188.9%	(1.4)
Sales Taxes	(4.7%)	(6.5)	38.8%	(1.8)
Present Value Adjustment on Taxes	0.1	0.2	173.9%	0.1
Net Revenue	43.4	62.3	43.4%	18.8

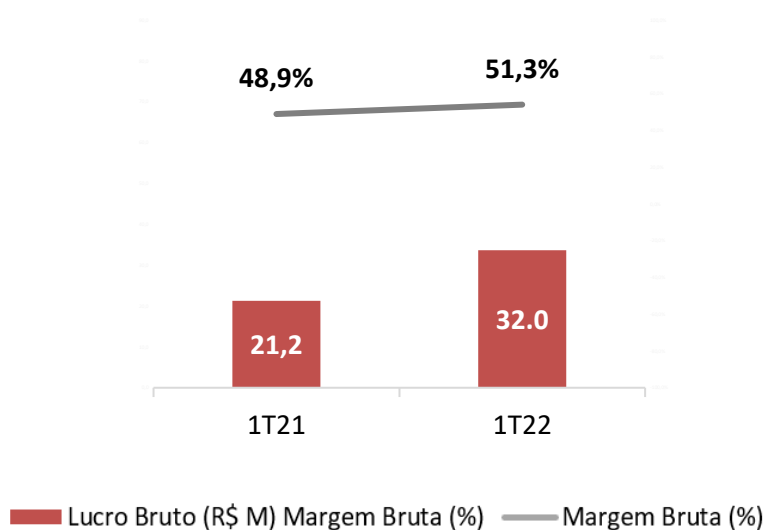


GROSS PROFIT AND GROSS MARGIN



Gross Profit and Gross Margin totaled R\$ 32.0 million and 51.3%, respectively, with 50.4% and 2.4 p.p. growth versus the same quarter of the previous year. This increase is primarily due to the implementation of the strategy to recover the Company's profitability and efficiency.

The key factors accounting for increased gross margin were the good management of product margins, through selective price increases, better sales mix, launchings of more desired collections, decreased sales promotions - offsetting the effect of the average U.S. dollar from the higher inventory, as well as lower aftersales costs as a result of the outsourcing of the network. Finally, it is important to highlight that as of the first quarter of 2021 and up to October 2023, the company enjoys an increased use of the ICMS tax benefit. This effect represented R\$ 2.3 million in 1Q21 and R\$ 4.7 million in 1Q22.



SALES AND ADMINISTRATIVE EXPENSES



The Company's selling and administrative expenses amounted to R\$ 27.5 million, with 21.2% or R\$ 4.8 million increase versus 1Q21, due to variable expenses, as well as investments aimed to accelerate sales.

Selling expenses increased 14.6%, or R\$ 2.1 million, compared to the same quarter in 2021. This increase was primarily due to sales expenses, including investments in marketing and trade actions, travel, and compensation of the salesforce.

General and administrative expenses recorded a R\$ 2.7 million, or 33.0% growth as compared to the same quarter in 2021. This growth is due to the increased personnel expenses, reflecting the collective bargaining and legal counseling related to success fees in a legal proceeding already provisioned for in previous years and reversed in others, net.

OTHER OPERATING RESULTS, NET



Other operating results, net totaled an expense of R\$ 1.6 million, compared to an expense of R\$ 0.7 million in the same period in the previous quarter. The major impacts in this item in the period refer to expenses with profit sharing, option plans, provisions and reversals related to assets and contingencies.

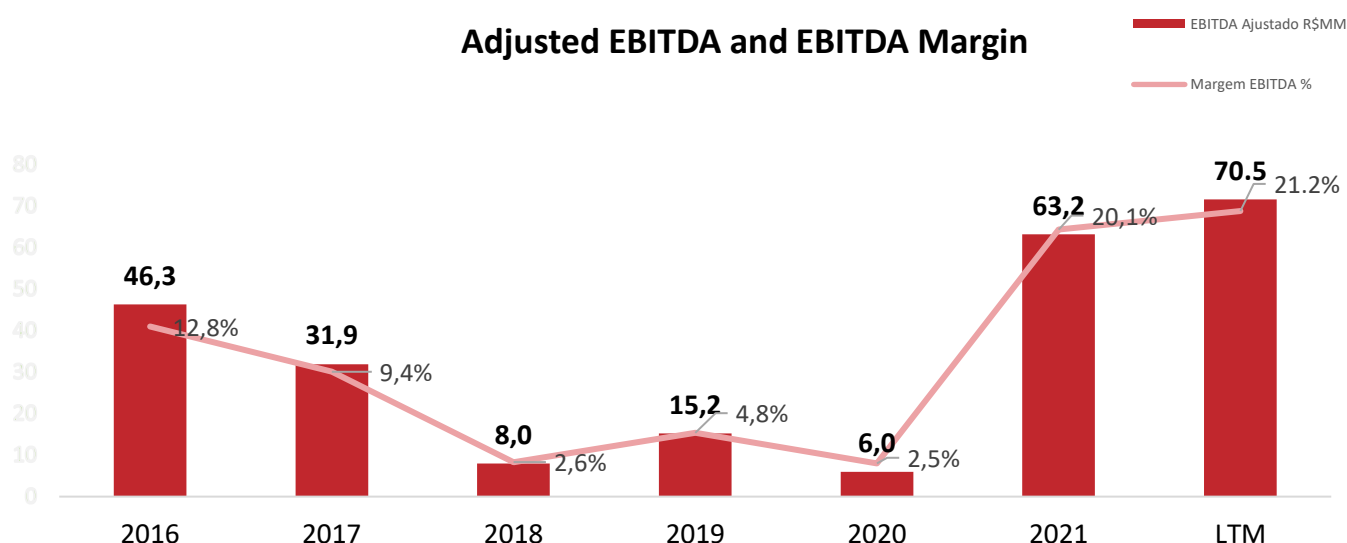


● ● ●

The adjustments made to Adjusted EBITDA in 1Q22 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\$ 2.0 million.

³ 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



The net financial result in the first quarter of 2022 was negative by R\$8.6 million, with R\$6.1 million worse than the previous year, which had a negative net result of R\$2.6 million. In the quarter we have negative impacts of R\$6.1 million from interest on the debt and R\$6.5 million mainly related to the exchange rate variation on the contracted hedge. The hedge policy that has been used by the Company aims to reduce the uncertainty of the Company's cash management in day to day and have no effect in the long term, but generates loss in moments of abrupt valuation of the real against the dollar, like the one that occurred in the last three months from R\$5.57 on December 31, 2021 to R\$4.73 on March 31, 2022.

R\$ Million	1Q21	1Q22	Var %	Var R\$
Expenses	-3.7	-6.1	66.6%	-2.4
Revenues	0.5	2.2	324.0%	1.7
Revenues - PVA Reversal	1.3	1.7	36.9%	0.5
Exchange Rate Variation/ Derivative Operations	-0.7	-6.5	839.5%	-5.8
Net Financial Revenues/(Expenses)	-2.6	-8.6	237.4%	-6.1

NET INCOME



In the quarter, Technos Group had a net loss of R\$5.1 million, a result R\$1.1 million lower than the previous year. This result is the result of sales growth, associated with a better gross margin, better expense efficiency as positive impacts and the negative impact of exchange rate variation on the contracted hedge. Importantly, due to the seasonal sales, the first quarter is traditionally the weakest in terms of result. The Net Profit recorded in the last twelve months was R\$27.0 million.

WORKING CAPITAL



R\$ million	1Q21	Days	1Q22	Days
(+) Accounts Receivable	97.8	143	123.0	133
(+) Inventories	91.1	253	126.1	289
(-) Accounts Payable	26.5	74	46.7	107
(=) Working Capital	162.4	322	202.4	315

The Company's working capital in the first quarter of 2022 totaled R\$ 202.4 million, accounting for 315 days. In the same period in the previous quarter, working capital amounted to R\$ 162.4 million, a R\$ 40.1 million or 24.7% increase.

The Company's balance of Accounts Receivable totaled R\$ 123.0 million compared to R\$ 97.8 million in the previous year. This increase reflects the sales growth in the last 12 months as well as improved compliance that has remained at healthy, positive levels versus historical levels. The average sales term in the last twelve months shows a 10-day increase as compared to the same period in the previous quarter.

Inventory totaled R\$ 126.1 million at the end of the period, representing a R\$ 35.0 million increase compared to 1Q21. The increase in this line in the first quarter of 2022 reflects the rebuilding of inventories that took place throughout 2021. Due to the long lead time in the chain and the supply restriction in 2020, the Company had a 1Q21 with less-than-optimal inventory, with disruptions in important lines. It is noteworthy that, despite the current healthy inventory level, the management of the international chain has been a challenge and the global logistics scenario has not recovered to normal levels yet.

The Company's balance of Accounts Payable amounted to R\$ 46.7 million versus R\$ 26.5 million in same period of 2021, as a result of the resumption in purchases and inventory rebalance, as well as the management of payment terms with suppliers.

Grupo Technos closed 1Q22 with a net debt in the amount of R\$ 42.7 million and financial leverage at 0.6x Adjusted EBITDA LTM. Net debt for the quarter showed a R\$ 6.4 million increase versus the position as of 4Q21, due to the payment of dividends of R\$ 6.0 million. Compared to the first quarter of 2021, net debt showed a R\$ 10.9 million increase, mainly due to the investment of a portion of the cash balance in rebuilding of inventories, as well as dividends paid in 2022.

R\$ million	1Q21	4Q21	1Q22
Gross Debt	(137.7)	(133.7)	(130.8)
(-) Cash	105.9	97.3	88.1
(=) (Debt)/Net Cash	(31.8)	(36.4)	(42.7)

¹ In net debt calculation, we considered cash plus restricted cash of R\$ 8.0 million in 1Q22



INCOME STATEMENT



R\$ Thousand

QUARTER

	Consolidated	
	1Q21	1Q22
Net Revenue	43,424	62,273
Cost of goods sold	(22,184)	(30,323)
Gross Profit	21,240	31,950
Sales expenses	(13,487)	(16,603)
Provision for impairment of trade receivable	(960)	48
Administrative expenses	(8,205)	(10,909)
Others, net	(696)	(1,578)
Operating profit	(2,108)	2,908
Financial result, net	(2,562)	(8,605)
Financial income	1,790	7,597
Financial expenses	(4,352)	(16,202)
Income before income tax and social contribution	(4,670)	(5,697)
Income tax and social contribution	658	638
Deferred	(1,358)	(3,174)
Current	2,016	3,812
Net income	(4,012)	(5,059)

BALANCE SHEET



R\$ Thousand

	Consolidated	
	March 31, 2021	March 31, 2022
Assets		
Current		
Cash and cash equivalents	94,460	80,079
Restricted cash	11,480	7,972
Accounts receivable	97,766	122,988
Inventories	91,147	126,134
Income tax and social contribution recoverable	11,028	20,164
Taxes recoverable	31,444	33,272
Derivative financial instruments	66	0
Other assets	13,148	10,987
Assets held for sale	2,725	1,452
	353,264	403,048
Non-current		
Advances to suppliers	3,326	2,375
Marketable securities	3,731	0
Taxes recoverable	24,063	3,159
Judicial deposits	2,509	2,861
	32,680	8,395
Investments		
Intangible assets	190,631	189,495
Property and Equipment	27,091	24,690
	217,722	214,185
Total assets	603,666	625,628

	Consolidated	
	March 31, 2021	March 31, 2022
Liabilities		
Current		
Borrowings	6,865	15,112
Accounts payable	26,549	46,697
Income tax and social contributions payable	5,920	11,368
Deferred income tax and social contribution	298	1,712
Amount payable for the acquisition of non-controlling interest	1,103	1,103
Salaries and social charges payable	6,186	7,150
Dividends payable	1,371	1,371
Derivative financial instruments	420	8,183
Lease payment	2,027	2,279
Other payables	11,720	9,119
Provision for success fees	1,812	1,669
Payables - assignment of credit right	16,765	0
	81,036	105,763
Non-current		
Borrowings	130,852	115,650
Income tax and social contributions payable (Note 14)	1,653	1,528
Deferred income tax and social contribution	13,543	17,717
Provision for contingencies	54,494	57,067
Amount payable for the acquisition of equity interest	3,230	0
Lease payment	1,423	3,403
Provision for success fees	4,633	1,709
	209,828	197,074
Total liabilities	290,864	302,837
Equity		
Capital stock	130,583	130,583
Treasury shares	(11,208)	(21,464)
Share issuance expenses	(10,870)	(10,870)
Capital reserves	204,917	204,009
Profit reserve for reflex tax incentive	(4,012)	18,619
Carrying value adjustment	(14,100)	(13,981)
Additional proposed dividend	3,205	3,205
Profit reserve	18,163	17,749
Loss for the period	0	(5,059)
Total equity	312,802	322,791
Total liabilities and equity	603,666	625,628

CASH FLOW

R\$ thousand

QUARTER

Consolidated

	1Q21	1Q22
Income before income tax and social contribution	(4,670)	(5,697)
Adjustments for non-cash items		
Amortization and Depreciation	2,245	3,155
Allowance for recoverable value of inventory	596	2,123
Allowance for recoverable value of accounts receivable	960	(48)
Reversal of inventory provision due to write-off	-	-
Adjustment to market value in noncurrent assets available for sale	-	-
Provision for contingencies (reversal)	556	1,080
Results from disposal of permanent assets	31	150
Impairment of permanent assets	(1)	(1)
Interest on loans	2,284	4,467
Other interest expenses and foreign exchange variation	(149)	438
Derivative financial instruments	761	8,399
Stock option premium	485	521
Others	27	(14)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	34,726	19,852
Decrease (increase) in inventories	(14,764)	(21,433)
Decrease (increase) in taxes recoverable	1,271	4,732
(Decrease) increase in other assets	(280)	628
Increase (decrease) in suppliers and accounts payable	9,962	(8,683)
Increase (decrease) in salaries and social charges payable	1,727	(4,550)
Increase (decrease) in taxes, rates and social contributions payable	(1,394)	2,944
Interest paid	(2,291)	(5,285)
Income tax and social contribution paid	(206)	(481)
Net cash (applied in) generated by operational activities	31,876	2,297
Cash flow from investment activities		
Redemption of escrow accounts	672	13
Acquisition of equity interest	(1,016)	0
Restricted cash	0	(3)
Purchases of property and equipment	(732)	(1,406)
Amount received from the sale of property and equipment	946	201
Purchases of intangible assets	(442)	(440)
Net cash (applied in) generated by investment activities	(1,231)	(976)
Cash flow from financing activities		
Deposits as collaterals - restricted cash	(97)	(66)
Borrowings	0	0
Payment of borrowings	(559)	(2,238)
Lease paid	(787)	(547)
Acquisition of own shares held in treasury	0	(1,389)

Acquisition of equity interest	0	(636)
Dividends paid to non-controlling interest	0	(5,999)
Net cash applied in financing activities	(1,443)	(10,875)
Increase (decrease) in cash and cash equivalents	29,202	(9,554)
Cash and cash equivalents at the beginning of period	65,258	89,633
Cash and cash equivalents at the end of period	94,460	80,079