

GRUPO TECHNOS ANNOUNCES 6.4% GROWTH IN GROSS REVENUE AND 10.2% GROWTH IN ADJUSTED EBITDA FOR THE FIRST QUARTER OF 2023

Rio de Janeiro, May 08, 2023 – Grupo Technos (B3: TECN3) announces its results for the first quarter of 2023 (1Q23). The following financial and operational information is presented on a consolidated basis, in compliance with Brazilian Corporate Law, unless otherwise indicated.

DATE

05/08/2023

CLOSING PRICE

R\$ 3.07/share

MARKET CAP

R\$ 217.7 million

CONFERENCE CALL

05/09/2023 10:00 a.m. Brasília

Link:

IR CONTACTS

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QUARTER HIGHLIGHTS

- Net revenue at R\$ 63.5 million, with 2.0% growth versus 1Q22
- R\$ 33.9 million gross profit, with 6.2% growth versus 1Q22
- SG&A at R\$29,2 million, an increase of 6,5%
- R\$ 9.5 million Adjusted EBITDA, growth of 10.2% versus 1Q22
- Net Income of R\$3.0 million in 1Q23, reversing a loss of R\$5.1 million in 1Q22
- Net indebtedness at R\$ 12.7 million, and leverage at 0.2x Adjusted EBITDA
- New buyback program of 7.0 million shares and cancellation of 1.8 million shares

R\$ million	1Q22	1Q23	%
Gross Revenue	70.7	75.3	6.4%
Net Revenue	62.3	63.5	2.0%
Gross Profit	31.9	33.9	6.2%
<i>Gross Margin</i>	<i>51.3%</i>	<i>53.4%</i>	<i>2.1p.p.</i>
SG&A	-27.5	-29.2	6.5%
Net Income	-5.1	3.0	-
<i>Net Margin</i>	<i>-8.1%</i>	<i>4.7%</i>	<i>12.9p.p.</i>
Adjusted EBITDA	8.6	9.5	10.2%
<i>Adjusted EBITDA Margin</i>	<i>13.8%</i>	<i>14.9%</i>	<i>1.1p.p.</i>
Number of Watches (000s)	345	362	4,9%
Average Price (R\$/product)	205	208	1,5%

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 2023, Grupo Technos reported positive results that illustrate the success of its strategy based on the impressive acceleration of sales of its brands and channels this year, supplementing the consolidation of efficiency gains achieved in previous periods.

Gross Revenue grew 6.4% in the quarter and Net Revenue was up 2.0% compared to 2022. Volume growth was 4.9% while price growth was 1,5% year-over-year. The positive performance of both the traditional and smartwatches product categories continues to support the high complementarity of the company's product portfolio.

Gross Profit and Gross Margin for the quarter totaled R\$ 33.9 million and 53.4%, respectively, with 6.2% and 2.1 p.p. growth versus the previous quarter. 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 - possible by selective price increases, launching more desired collections, reducing promotional sales and better negotiations with suppliers - and lower technical assistance costs due to the outsourcing model and good management of the provision of obsolete inventory.

Selling and Administrative Expenses for the quarter were 6.5% higher than 2022. 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.

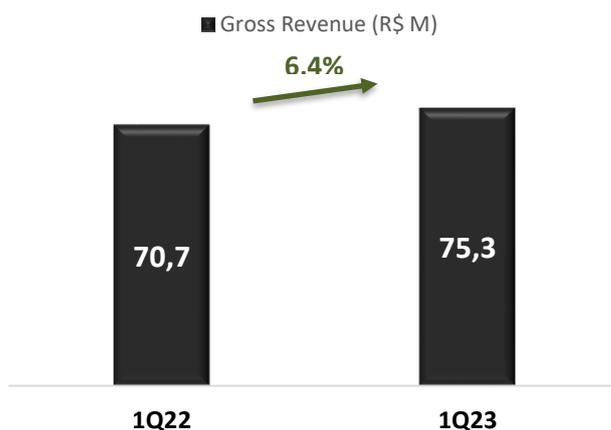
Adjusted EBITDA for the first quarter at R\$ 9.5 million and EBITDA margin at 14.9% represent a progress as compared to Adjusted EBITDA at R\$ 8.6 million and EBITDA margin at 13.8% in the last year. It should be emphasized that Adjusted EBITDA for the last twelve months reached R\$ 83.3 million and EBITDA margin was 23.6%, representing the highest level since 2016. This is the ninth consecutive quarter in which the Company had the best adjusted EBITDA in the last few years, evidencing the robustness and consistency of the structural transformation implemented by management.

Net indebtedness at R\$ 12.7 million and cash balance at R\$ 103.7 million illustrate 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 period was 2.2 years, according to the renegotiation and payment extension completed in 2020.

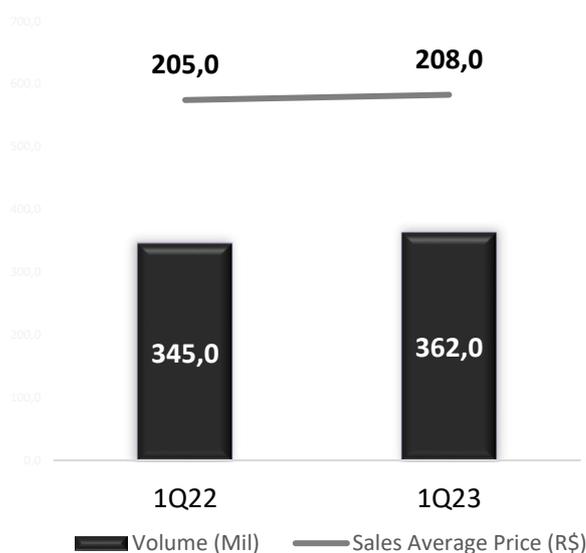
On the date of this release, a new buyback program for the shares issued by the Company was approved - with a buyback limit of up to 7.0 million shares and valid for 18 months - and the cancellation of 1.8 million shares, held in treasury, without reducing the capital stock. Since 2022 the Company canceled 7.6 million shares. After the cancellation of shares, the Company's capital stock is now divided into 70,906,215 common shares.

Gross Revenue for the quarter was up 6.4% versus the previous year, versus the previous year representing growth in most brands, product categories, and distribution channels.

Important factors for the revenue evolution were the successful launch and supply of collections of traditional iconic products. The good performance the traditional and smartwatches product categories continue to corroborate the high complementarity of the company's product portfolio.



In 1Q23, average price reached R\$ 208,1.5% higher than the previous year. The number of watches sold in the quarter totaled 362 thousand watches, with 4,9% growth as compared to 1Q22.



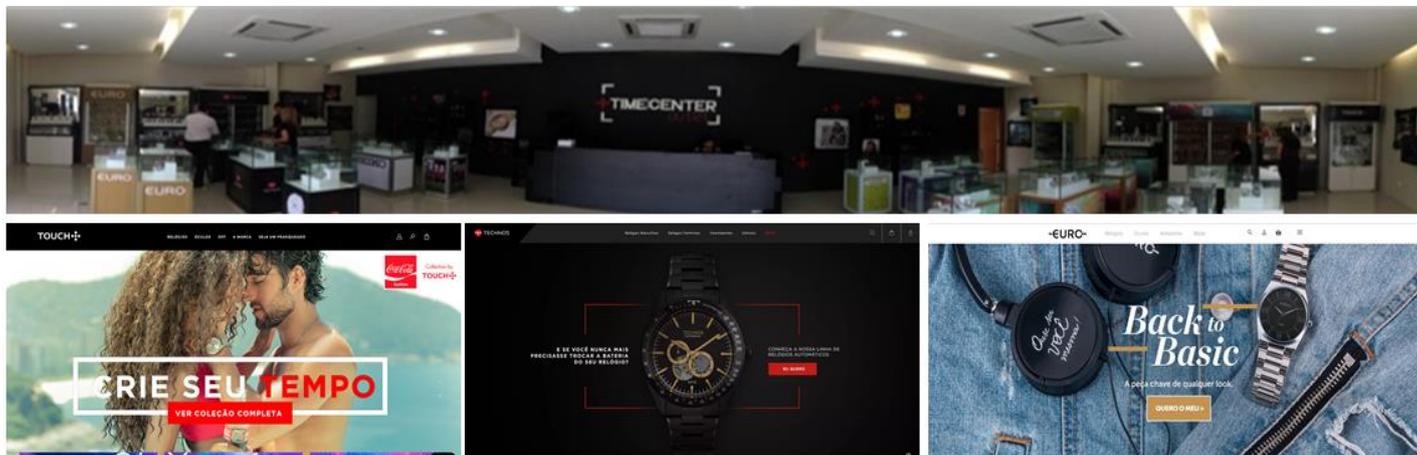
RECEITA BRUTA

RETAIL

In retail, the Company runs its own operations through websites and outlets. The company operates in e-commerce with five e-commerce websites, four of which are dedicated to the brands Technos, Fossil, Euro, Condor, and one, Timecenter, is dedicated to online sales of all brands. The main goal of this online activity is brand building and brand communication

in the virtual environment, as a large number of customers performs online searches before completing their purchases in physical stores, as well as the engagement and allurements of consumers in relation to the category and our brands.

The Company has 16 own stores in the main capitals, including full price stores and Outlets. The mission of the full price sales points is to reinforce the presence of the brand, as well as test products and provide a differentiated purchase experience. Outlets are part of the Company's inventory management strategy, ensuring the sale of low turnover products with lower impact on traditional sales channels.



NET REVENUE



In the quarter, Grupo Technos' Net Revenue reached R\$ 63.5 million, a 2.0% growth as compared to 2022.

Present value adjustment on gross revenue totaled R\$ 3.1 million in the first quarter of 2023. 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	1Q22	1Q23	Var %	Var R\$
Gross Revenue	70.7	75.3	6.4%	4.5
Present Value Adjustment on Sales	(2.2)	(3.1)	43.5%	(0.9)
Sales Taxes	(6.5)	(8.9)	37.4%	(2.4)
Present Value Adjustment on Taxes	0.2	0.3	40.0%	0.1
Net Revenue	62.3	63.5	2.0%	1.2



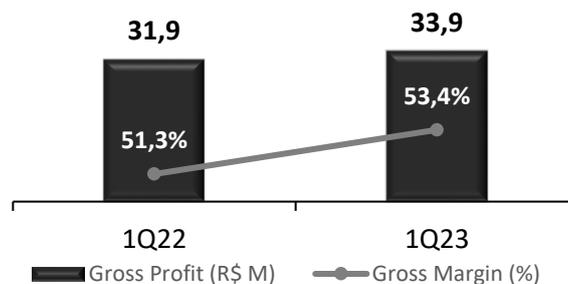
GROSS PROFIT AND GROSS MARGIN



Gross Profit and Gross Margin totaled R\$ 33.9 million and 53.4%, respectively, with 6.2% and 2.1 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 improved product margins through selective price increases, better sales mix, launchings of more desired collections, decreased sales promotions - and, on the other hand, the good management of inventory obsolescence and resulting lower provisions.

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\$ 3.6 million in 1Q23 and R\$ 4.7 million in the same period of 2022.



SELLING AND ADMINISTRATIVE EXPENSES



The Company's selling and administrative expenses amounted to R\$ 29.2 million, with 6.5% or R\$ 1.8 million increase versus the previous year, due to variable expenses, as well as investments aimed to accelerate sales.

Selling expenses increased 12.7%, or R\$ 2.1 million, compared to the same quarter in 2022. 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\$ 0.3 million, or 3.0% drop as compared to the same quarter in 2022.

OTHER OPERATING RESULTS, NET



Other operating results, net, totaled an expense of R\$ 1.1 million, compared to an expense of R\$ 1.6 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.



EBITDA AND ADJUSTED EBITDA

In the quarter, Adjusted EBITDA increased from R\$ 8.6 million in 2022 to R\$ 9.5 million in 2023. EBITDA margin reached 14.9% this year compared to 13.8% last year. This positive result is due to the sales recovery already experienced in the quarter, combined with a better level of efficiency and profitability as compared to the previous years, both due to a better gross margin and a leaner expense structure.

The adjustments made to Adjusted EBITDA in 1Q23 refer to taxes on the provision for obsolete inventory, in the amount of R\$ 0.5 million and the impact of present value adjustment on Operational Result, in the amount of R\$ 2.8 million.

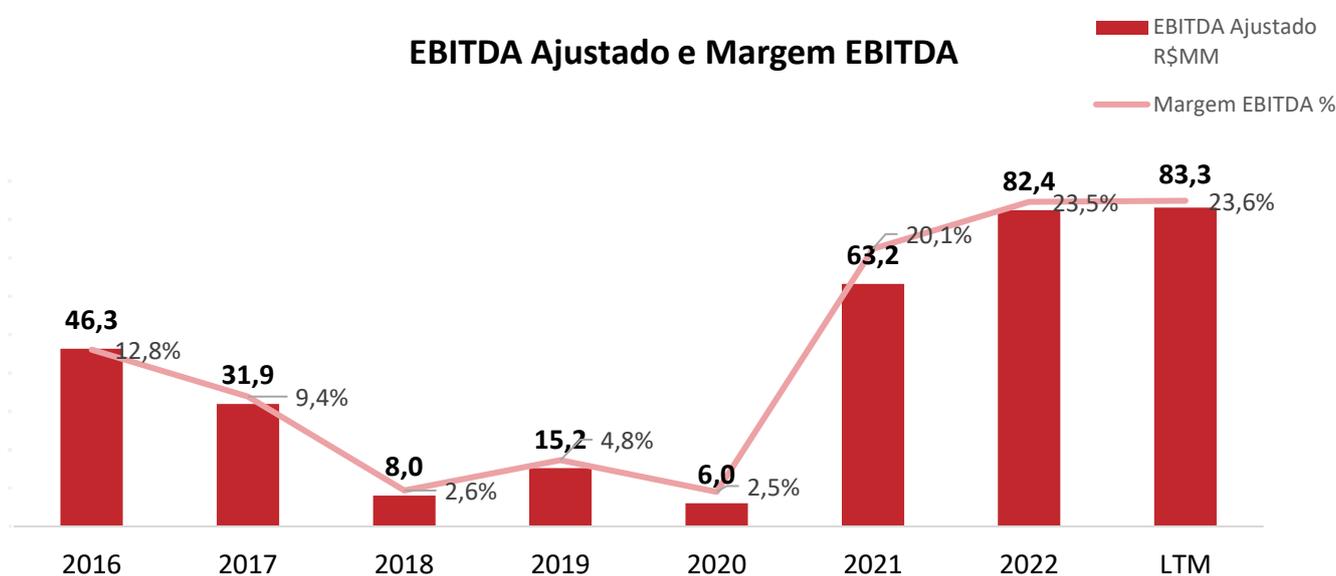
R\$ Million	1Q22	1Q23
(=) Net income	(5.1)	3.0
(+) Amortization and Depreciation	(3.1)	(2.4)
(+/-) Financial Result	(8.6)	(0.3)
(+) Current Taxes	(3.2)	(1.0)
(+/-) Deferred Taxes	3.8	0.6
(=) EBITDA (CVM 527/12)	6.1	6.1
(+/-) Provision for Contingencies ¹	(0.6)	(0.5)
(+) Other Non-Recurring Expenses ²	0.0	0.0
(+) Impact of present value adjustment on Operational Result ³	(2.0)	(2.8)
(=) Adjusted EBITDA	8.6	9.5

¹ Adjustment of tax on provision for obsolete inventory

² Non-recurring or non-operational expenses

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 for the last twelve months of R\$ 83.3 million and EBITDA margin of 23.6% represent the highest level since 2016.



NET FINANCIAL RESULT

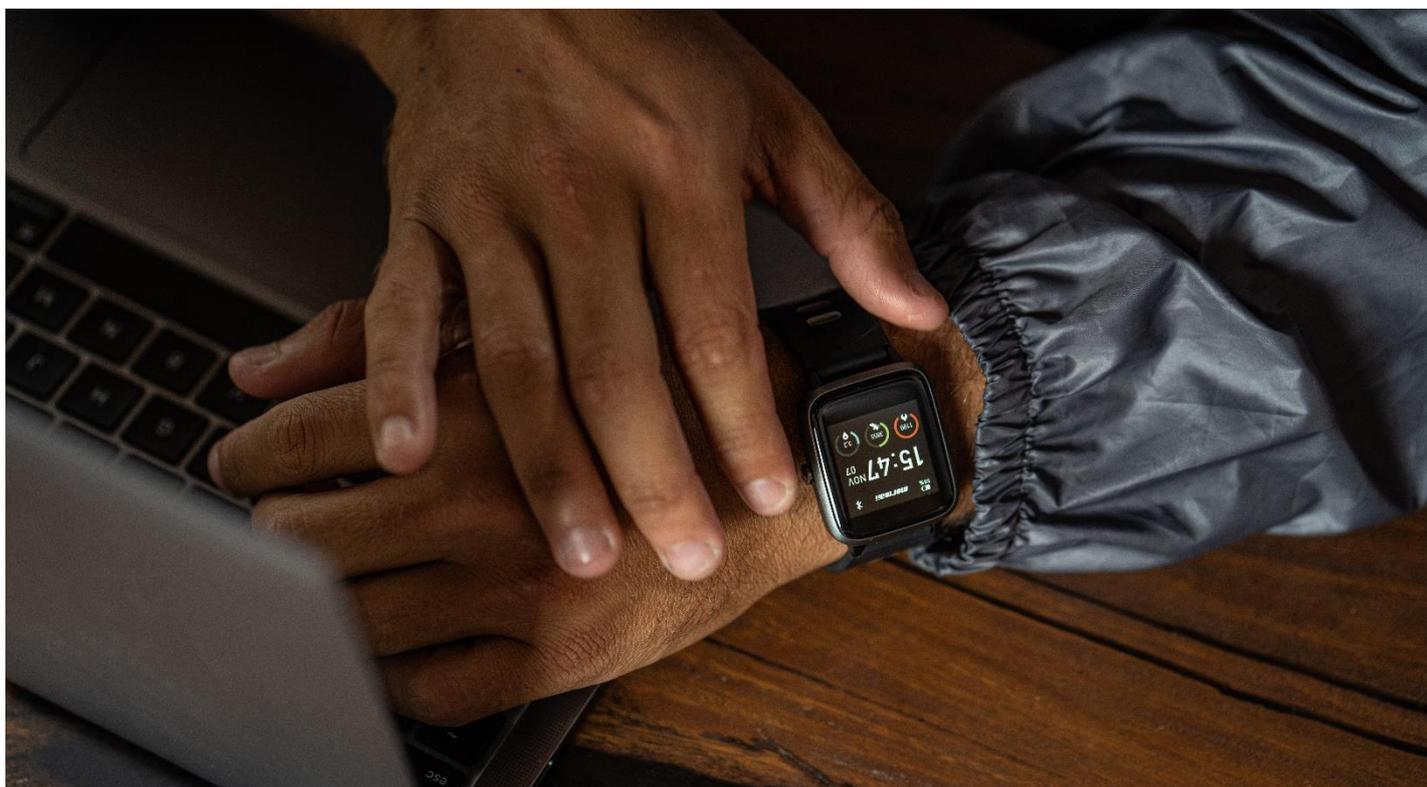
Net financial result in 1Q23 was a negative balance of R\$ 0.3 million, R\$ 8.2 million better versus the previous year, which showed a negative net result of R\$ 8.5 million. In 2022, we had an impact of R\$6.5 million, mainly due to the result of the exchange variation on the contracted hedge. The Company's hedge policy aims to reduce the uncertainty of

the Company's cash management in the short term and was not changed in the period. The better result of 2023 comes mainly from a lower volatility of the dollar.

R\$ Million	1Q22	1Q23	Var %	Var R\$
Expenses	-6.1	-5.7	-6.7%	0.4
Revenues	2.3	3.8	63.5%	1.5
Revenues - PVA Reversal	1.7	3.5	100.9%	1.8
Exchange rate impact	-6.5	-1.9	-71.3%	4.6
Net Financial Revenues/(Expenses)	-8.5	-0.3	-96.8%	8.2

NET INCOME

For the quarter, Grupo Technos reported a net income of R\$ 3.0 million, a result R\$ 8.1 million higher than previous quarter. This result is the result of the sales growth, associated with a better gross margin, better expense efficiency and a better financial result. The net income recorded in the last twelve months was R\$47.9 million.



CAPITAL DE GIRO

R\$ milhões	1T22	Dias	1T23	Dias
(+) Contas a Receber	123,0	133	128,7	131
(+) Estoques	126,1	289	122,8	276

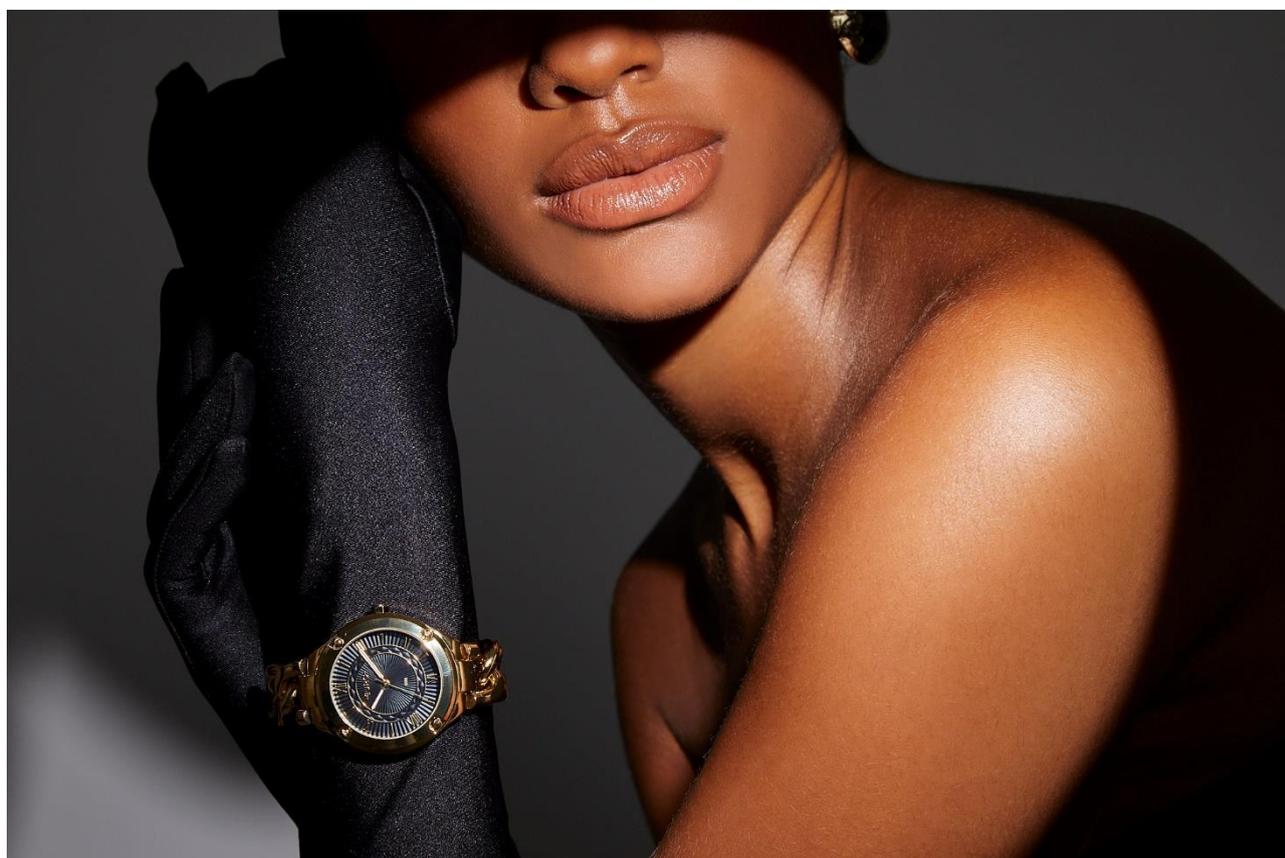
(-) Contas a Pagar	49,7	107	30,8	77
(=) Capital de Giro	202,4	315	220,8	331

The Company's working capital in the first quarter of 2022 totaled R\$ 220.8 million, accounting for 315 days. In the same period in the previous year, working capital totaled R\$ 202.5 million, representing a decrease of R\$ 18.5 million, or 39.1%.

The Company's balance of Accounts Receivable totaled R\$ 128.7 million compared to R\$ 123.3 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 3-day increase as compared to the same period in the previous quarter.

Inventory totaled R\$ 122.8 million at the end of the period, representing a R\$ 3.3 million increase compared to 1Q22. The increase in this item in the first quarter of 2023 reflects the rebuilding of inventories that took place throughout 2022.

The Company's balance of Accounts Payable totaled R\$ 30.8 million versus R\$ 49.7 million in the same period of 2022.



CASH BALANCE

Grupo Technos closed 1Q23 with a net debt in the amount of R\$ 12.7 million and financial leverage at 0.6x Adjusted EBITDA for the last twelve months. Net debt for the quarter was down R\$ 0.9 million compared to the fourth quarter of 2022. Compared to the first quarter of 2022, net debt dropped R\$ 30.0 million.

R\$ million	1Q22	4Q22	1Q23
Gross Debt	(130.8)	(120.3)	(116.5)

(-) Cash	88.1	106.6	103.7
(=) (Debt)/Net Cash	(42.7)	(13.6)	(12.7)

¹In net debt calculation, we considered cash plus restricted cash provided that it is subject to release for debt amortization. We currently have R\$8.7M in restricted cash, of which 100% satisfy the condition above



INCOME STATEMENT

R\$ Thousand

QUARTER

	Consolidated	
	1Q22	1Q23
Net Revenue	62,272	63,519
Cost of goods sold	-30,323	-29,598
Gross Profit	31,949	33,921
Sales expenses	-16,555	-18,658

Provision for impairment of trade receivable	0	0
Administrative expenses	-10,909	-10,584
Others, net	-1,578	-978
Operating profit	2,907	3,701
Financial result, net	-8,605	-270
Financial income	7,597	7,681
Financial expenses	-16,202	-7,951
Income before income tax and social contribution	-5,698	3,431
Income tax and social contribution	638	-423
Current	-3,174	-997
Deferred	3,812	574
Net income	-5,060	3,008

BALANCE SHEET

R\$ Thousand

	Consolidated	
	March 31, 2022	March 31, 2023
Assets		
Current		
Cash and cash equivalents	80,079	95,005
Restricted cash	7,972	8,704
Accounts receivable	122,988	128,736

Inventories	126,134	122,838
Income tax and social contribution recoverable	20,164	6,795
Taxes recoverable	33,272	16,162
Derivative financial instruments	0	175
Other assets	10,987	15,777
Assets held for sale	1,452	1,753
	403,048	395,945
Non-current		
Advances to suppliers	2,375	1,625
Marketable securities	0	0
Taxes recoverable	3,159	3,214
Judicial deposits	2,861	4,078
	8,395	8,917
Investments		
Intangible assets	189,495	190,137
Property and Equipment	24,690	26,862
	214,185	216,999
Total assets	625,628	621,861

BALANCE SHEET



Consolidated

March 31, 2022 March 31, 2023

Liabilities

Current

Borrowings	15,112	17,608
Accounts payable	46,697	30,666
Income tax and social contributions payable	11,368	306
Deferred income tax and social contribution	1,712	6,924
Amount payable for the acquisition of non-controlling interest	1,103	1,735
Salaries and social charges payable	7,150	1,103

Dividends payable	1,371	7,781
Derivative financial instruments	8,183	1,371
Lease payment	2,279	1,352
Other payables	9,119	1,475
Provision for success fees	1,669	14,181
Payables - assignment of credit right	0	0
	105,763	84,502
Non-current		
Borrowings	115,650	98,849
Income tax and social contributions payable (Note 14)	1,528	1,445
Deferred income tax and social contribution	17,717	19,840
Provision for contingencies	57,067	62,368
Amount payable for the acquisition of equity interest	0	0
Lease payment	3,403	1,911
Provision for success fees	1,709	1,709
	197,074	186,122
Total liabilities	302,837	270,624
Equity		
Capital stock	130,583	130,583
Treasury shares	-21,464	-10,020
Share issuance expenses	-10,870	-10,870
Capital reserves	204,009	178,869
Profit reserve for reflex tax incentive	18,619	55,681
Carrying value adjustment	-13,981	-13,831
Additional proposed dividend	3,205	0
Profit reserve	17,749	17,816
Profit (Loss) for the period	-5,059	3,009
Total equity	322,791	351,237
Total liabilities and equity	625,628	621,861

CASH FLOW

R\$ thousand	QUARTER	Consolidated	
		1Q22	1Q23
Income before income tax and social contribution		-5,697	3,432
Adjustments for non-cash items			
Amortization and Depreciation		3,155	2,457
Allowance for recoverable value of inventory		2,123	547
Allowance for recoverable value of accounts receivable		-48	-102
Reversal of inventory provision due to write-off		-	-
Adjustment to market value in noncurrent assets available for sale		-	-
Provision for contingencies (reversal)		1,080	-1,082

Results from disposal of permanent assets	150	-44
Impairment of permanent assets	-1	0
Interest on loans	4,467	4,950
Other interest expenses and foreign exchange variation	438	-151
Derivative financial instruments	8,399	704
Stock option premium	521	449
Other	-14	252
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	19,852	19,550
Decrease (increase) in inventories	-21,433	-3,883
Decrease (increase) in taxes recoverable	4,732	5,582
(Decrease) increase in other assets	628	-6,171
Increase (decrease) in suppliers and accounts payable	-8,683	1,090
Increase (decrease) in salaries and social charges payable	-4,550	-5,527
Increase (decrease) in taxes, rates and social contributions payable	2,944	523
Interest paid	-5,285	-4,949
Income tax and social contribution paid	-481	0
Net cash (used in) generated by operating activities	2,297	21,481
Cash flow from investing activities		
Redemption of escrow accounts	672	0
Acquisition of equity interest	0	0
Restricted cash	-3	0
Purchases of property and equipment	-1,406	-2,160
Amount received from the sale of property and equipment	201	90
Purchases of intangible assets	-440	-644
Net cash (used in) generated by investing activities	-976	-2,712
Cash flow from financing activities		
Deposits as collaterals - restricted cash	-66	-168
Borrowings	0	0
Payment of borrowings	-2,238	-3,877
Lease paid	-547	-407
Acquisition of own shares held in treasury	-1,389	-11,638
Acquisition of equity interest	-636	0
Dividends paid to non-controlling interest	-5,999	-5,999
Net cash used in financing activities	-10,875	-22,089
Increase (decrease) in cash and cash equivalents	-9,554	-3,320
Cash and cash equivalents at the beginning of period	89,633	98,325
Cash and cash equivalents at the end of period	80,079	95,005

