

TECHNOS GROUP ANNOUNCES 33.0% GROWTH IN NET INCOME IN THE SECOND QUARTER OF 2024

Rio de Janeiro, August 12, 2024 –Technos Group (B3: TECN3) announces its results for the second quarter of 2024 (2Q24). The following financial and operational information is presented on a consolidated basis, in compliance with Brazilian Corporate Law, unless otherwise indicated.

DATE

08/12/2024

CLOSING PRICE

R\$ 5,48/share

MARKET CAP

R\$ 351,3 million

CONFERENCE CALL

08/13/2024 10:00 a.m.
Brasília

[Link Webcast](#)

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QUARTER HIGHLIGHTS

- Net revenue at R\$ 99.6 million, 14.0% higher versus 2Q23.
- Gross profit of R\$ 54.7 million, 11.0% higher versus 2Q23.
- SG&A of R\$ 36.4 million, 9.3% higher versus 2Q23.
- R\$ 25.6 million Adjusted EBITDA, 9.0% higher versus 2Q23.
- Net income of R\$ 20.1 million, 33.0% higher versus 2Q23.
- Net cash of R\$ 8.3 million vs. R\$ 2.3 million of net debt in 2Q23.

R\$ million	2Q23	2Q24	%	2023	2024	%
Gross Revenue	100.4	115.4	14.9%	175.7	194.7	10.8%
Net Revenue	87.4	99.6	14.0%	150.9	168.3	11.6%
Gross Profit	49.3	54.7	11.0%	83.3	91.3	9.6%
Gross Margin	56.5%	55.0%	-1.5p.p.	55.2%	54.2%	-1.0p.p.
SG&A	-33.3	-36.4	9.3%	-62.6	-68.4	9.2%
Net Income	15.1	20.1	33.0%	18.1	25.9	43.3%
Net Margin	17.3%	20.2%	2.9p.p.	12.0%	15.4%	3.4p.p.
Adjusted EBITDA	23.5	25.6	9.0%	32.9	35.5	7.6%
Adjusted EBITDA Margin	26.9%	25.7%	-1.2p.p.	21.8%	21.1%	-0.8p.p.
Number of Watches (000s)	487	580	19.2%	861	987	14.7%
Average Price (R\$/product)	206	199	-3.5%	204	197	-3.4%

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 second quarter of 2024, the Technos Group once again continued its positive results, combining gross revenue growth of 14.9% with efficiency gains demonstrated in previous quarters. As a result, the Technos Group showed growth in Adjusted EBITDA of 9.0% and Net Profit of 33.0% in the quarter - a performance achieved through the strategy of growing profitably and consistently even in the face of macroeconomic challenges.

In the quarter, the Technos Group's Gross Revenue was R\$115.4 million, an increase of 14.9% on the previous year, while Net Revenue was 14.0% higher than in the same period last year. The double-digit acceleration in sales is the result of growth in practically all of the company's brands and distribution channels and represents an important gain in market share in the traditional watches category.

Gross Profit for the quarter totalled R\$54.7 million, an increase of 11.0% compared to the same period last year due to the considerable increase in sales. Gross Margin for the quarter was 55.0 per cent, down 1.5 p.p. on the previous year, mainly due to the mix of brands and channels and greater promotional activity in the period. Despite the recent volatility of the exchange rate, this effect has not yet had a major impact on this quarter's result due to the mix of products in stock. Considering the recent movements and fluctuations of the dollar, the company remains committed to defending a healthy margin for its products through rationalisation of merchandise costs, selective price pass-throughs and currency hedging policies.

Selling and Administrative Expenses totalled R\$36.4 million in 2024, up 9.3% compared to the same quarter of the previous year. This increase in expenses is the result of inflation, higher national freight costs, expenses related to the remuneration of the sales team, labour processes and one-off consultancies. The Technos Group remains dedicated to maintaining a lean and efficient expense base.

Adjusted EBITDA for the quarter was R\$25.6 million, an increase of 9.0% over the same period last year. This is the fourteenth consecutive quarter in which the company has shown growth in adjusted EBITDA, illustrating the robustness and consistency of the corporate transformation implemented by management.

Net income for the second quarter of 2024 was R\$20.1 million, which represents an increase of 33.0% compared to the same period last year. The expressive growth in the company's net profit reflects both double-digit growth in operating income and a significant improvement in the financial result due to the reduction in the cost of debt and hedge effects, combined with the reversal of provisions.

In this quarter the company recorded a cash balance of R\$94.3 million, gross debt of R\$86.0 million and net cash of R\$8.3 million, reflecting the company's financial strength. It's important to note that as an event subsequent to the close of the quarter, in July the company took out two new loans totalling R\$46 million with top-tier banks and maturing by mid-2029. This negotiation made it possible to reduce the average cost of debt and better balance maturities between the short and long term, keeping leverage at a healthy and comfortable level. After the new agreements, the company's gross debt totalled R\$109 million with an average maturity of 21 months.

On the date of this report, the company approved the cancellation of 2.1 million shares held in treasury, without reducing the share capital. Following the cancellation of shares, the Company's share capital is now divided into 64,106,215 ordinary shares.

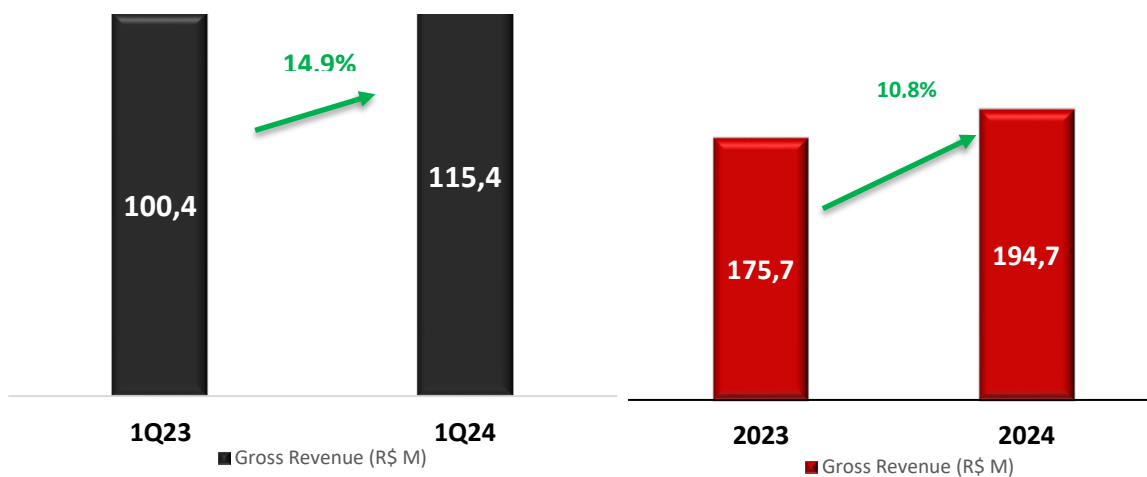
In this quarter, the Technos Group accelerated its sales growth in line with its strategy of exploiting market share gains in the traditional watches category and benefiting from market expansion in the smartwatches category. Revenue growth, coupled with the maintenance of efficiency gains achieved in previous periods, are

important elements for future operating gains in the long term. Finally, the recent lengthening of debt and the practice of share buybacks at attractive costs show that management is also attentive to other ways of generating shareholder value that go beyond the consistent operating gains that have been achieved over the last three years.

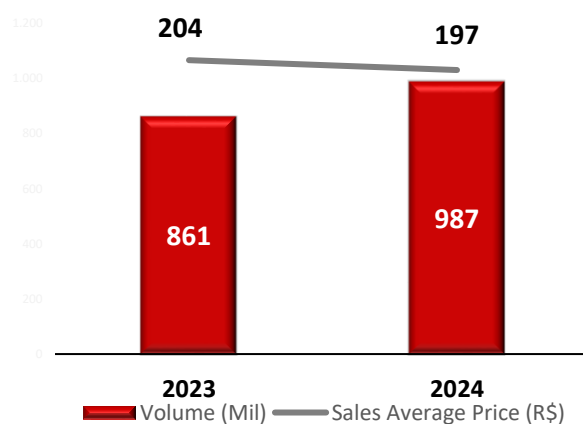
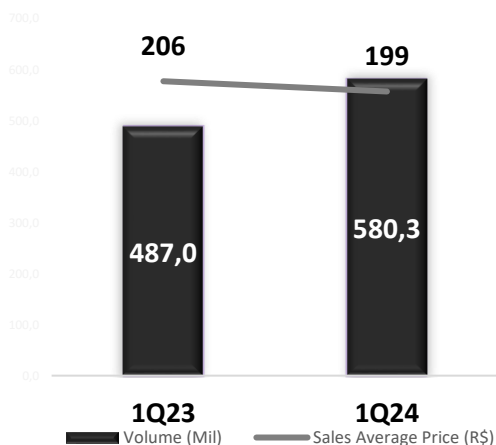


GROSS REVENUE

Gross Revenue in the quarter grew by 14.9 per cent compared to the same period last year. This strong acceleration in sales is the result of growth in practically all of the company's brands and distribution channels and represents an important gain in market share in the traditional watches category.



In 2Q24 the average price reached R\$ 199, a drop of 3.5% versus the second quarter of 2023. Volume totaled 580 thousand, with 19.2% growth versus the same period in 2023.



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 17 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 second quarter of 2024, the Technos Group's Net Revenue was R\$99.6 million, an increase of 14.0% compared to the same period in 2023.

The present value adjustment on gross revenue was R\$3.7 million in 2024, down 9% on the same period last year. This variation is related to the reduction in the basic interest rate in the period. This adjustment has no impact on cash and Adjusted EBITDA, as the portion deducted from gross revenue at the time of sale returns to the company and is credited to financial revenue at the time of receipt.

Sales taxes grew by 33.6% compared to the previous year, due both to the increase in sales and to the change in legislation which, as of 2024, will treat donations and subsidies (in Technos' case, the stimulus credit - ICMS Manaus Free Trade Zone tax incentive) as the taxable basis for PIS/COFINS.

R\$ Million	2Q23	2Q24	Var %	Var R\$	1H23	1H24	Var %	Var R\$
Gross Revenue	100,4	115,4	14,9%	15,0	175,7	194,7	10,8%	19,0
Present Value Adjustment on Sales	(4,0)	(3,7)	-9,0%	0,4	(7,1)	(6,4)	-9,9%	0,7
Sales Taxes	(9,4)	(12,5)	33,6%	(3,2)	(18,3)	(20,5)	12,4%	(2,3)
Present Value Adjustment on Taxes	0,4	0,4	1,7%	0,0	0,6	0,6	1,2%	0,0
Net Revenue	87,4	99,6	14,0%	12,2	150,9	168,3	11,6%	17,4

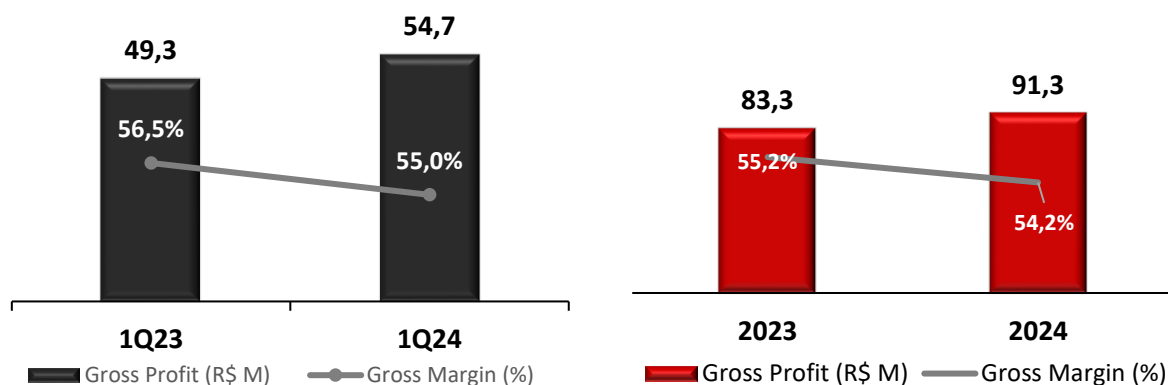


GROSS PROFIT AND GROSS MARGIN



In the quarter, Gross Profit and Gross Margin totalled R\$54.7 million and 55.0%, growth of 11.0% and a drop in margin of 1.5 p.p. versus 2Q23 respectively, mainly due to the sales mix and more promotional activity.

It's important to note that from the first quarter of 2021 a tax benefit was approved which allowed the company to make greater use of the ICMS tax benefit. This benefit, initially approved for 2021, has already been renewed twice and currently runs until December 2026. This effect represented R\$1.0 million in the second quarter of 2024, down 25.4% compared to the same period in 2023, with R\$1.4 million.



SELLING AND ADMINISTRATIVE EXPENSES



In the second quarter, the company's selling and administrative expenses totalled R\$36.4 million, an increase of 9.3% over the same period last year.

Selling expenses rose by 12.2% or R\$2.8 million in the quarter compared to the same quarter in 2023. This growth was due to media expenses, higher investments in sales promotion, freight, commercial travel and the impact of inflation.

General and administrative expenses increased by R\$0.3 million or 2.8 per cent compared to the same quarter in 2023. This increase was due to infrastructure costs and the impact of inflation.

In the quarter, net income from other accounts totalled R\$0.8 million, flat compared to revenues of R\$0.8 million in the same period last year.

This quarter, this account was positively impacted by reversals of provisions for labour and tax expenses, successes and settlements in legal proceedings for contingencies and the negative impact of expenses from options and PLR plans..



R\$ million	2Q23	2Q24	1H23	2H24
(=) Net income	15.1	20.1	18.1	25.9
(+) Amortization and Depreciation	(2.3)	(2.5)	(4.7)	(4.9)
(+/-) Financial Result	0.4	6.3	0.1	11.4
(+) Current Taxes	(1.3)	(1.7)	(2.3)	(2.5)
(+/-) Deferred Taxes	(0.8)	(3.7)	(0.2)	(6.5)
(=) EBITDA (CVM 527/12)	19.1	21.6	25.3	28.4
(+/-) Provision for Non-recurring Contingencies	(0.7)	(0.6)	(1.2)	(1.2)
(+) Other Non-Cash Expenses²	0.0	0.0	0.0	0.0
(+) Impact of Present Value Adjustment on Operational Result³	(3.7)	(3.3)	(6.5)	(5.8)
(=) Adjusted EBITDA	23.5	25.6	32.9	35.5

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 e EBITDA margin

Anno	Adjusted EBITDA	EBITDA margin
2015	84,1	21,2%
2016	46,3	12,8%
2017	22,0	6,5%
2018	8,0	2,6%
2019	15,2	4,8%
2020	6,0	2,5%
2021	63,2	20,1%
2022	82,4	23,5%
2023	86,7	25,3%
LTM	89,2	24,8%

NET FINANCIAL RESULT



The net financial result for the second quarter of 2024 was positive by R\$6.3 million, while in the second quarter of 2023 it was positive by R\$0.4 million. As a result, the second quarter of 2024 was R\$6.0 million higher than the second quarter of 2023, with a positive impact from the exchange rate and reversals of financial provisions.

R\$ Million	2Q23	2Q24	Var %	Var R\$	1H23	1H24	Var %	Var R\$
Expenses	-5.2	-1.8	-65.7%	3.4	-10.8	-3.3	-69.5%	7.5
Revenues	3.7	3.1	-16.3%	-0.6	7.5	6.6	-11.9%	-0.9
Revenues - PVA Reversal	3.7	3.1	-14.8%	-0.5	7.2	6.4	-10.7%	-0.8
Exchange rate impact	-1.8	1.9	-203.4%	3.7	-3.7	1.7	-146.7%	5.4
Net Financial Revenues/(Expenses)	0.4	6.3	1641.2%	6.0	0.1	11.4	12050.2%	11.3

NET INCOME



In the quarter, the Technos Group's net profit was R\$20.1 million, an increase of 33.0% versus 2023. The company's expressive growth in net profit reflects both double-digit growth in operating income and a significant improvement in financial income, the result of a reduction in the cost of debt and hedge effects, combined with reversals of provisions.



WORKING CAPITAL



R\$ million	2Q23	Days	2Q24	Days
(+) Accounts Receivable	134,7	141	154,0	154
(+) Inventories	119,3	277	113,0	250
(-) Accounts Payable	34,9	81	36,7	81
(=) Working Capital	219,1	337	230,3	323

The company's working capital in the second quarter of 2024 totalled R\$230.3 million, an increase of R\$11.1 million or 5.1% compared to the same period last year. In days, working capital totalled 323 in this quarter, down 14 days compared to the first quarter of 2023.

The Company's balance of Accounts Receivable reached R\$ 154.0 million versus R\$ 134.7 million in the previous year. Net receivable days for the last twelve months showed an increase of 13 days compared to the same period in the previous year, with a flat and healthy default rate compared to the indicator's history.

Inventory ended the period with a balance of R\$113.0 million, R\$6.3 million lower than in the second quarter of 2023 and below the level considered ideal from a supply point of view, mainly due to the acceleration in sales in the last quarter.

The Company's balance of Accounts Payable totaled R\$ 36.7 million versus R\$ 34.9 million in the same period of 2023.

CASH BALANCE



Technos Group ended the second quarter of 2024 with net cash of R\$8.3 million, a drop of R\$14 million compared to the first quarter of 2024. In the period, share buybacks totalled R\$16.5 million. Compared to the second quarter of 2023, over a 12-month period, there was an increase of R\$6.0 million, from net cash of R\$2.3 million in 2Q23 to net cash of R\$8.3 million in 2Q24.

R\$ million	2Q23	1Q24	2Q24
Gross Debt	(109,5)	(90,1)	(86,0)
(-) Cash	111,8	112,4	94,3
(=) (Debt)/Net Cash	2,3	22,3	8,3

It's important to note that as an event subsequent to the close of the quarter, in July the company took out two new loans totalling R\$46 million with top-tier banks and maturing by mid-2029. This negotiation allowed us to reduce the average cost of debt and better balance maturities between the short and long term, keeping our leverage at a healthy and comfortable level. After the new contracts, at the end of July the company's gross debt was R\$109 million with an average maturity of 21 months.

INCOME STATEMENT



R\$ Thousand

QUARTER

	Consolidated	
	2Q23	2Q24
Net Revenue	87.355	99.556
Cost of goods sold	-38.024	-44.816
Gross Profit	49.331	54.740
Sales expenses	-23.068	-25.880
Administrative expenses	-10.264	-10.547
Others, net	815	823
Operating profit	16.814	19.136
Financial result, net	364	6.329
Financial income	7.949	9.780
Financial expenses	-7.585	-3.451
Income before income tax and social contribution	17.178	25.465
Income tax and social contribution	-2.083	-5.395
Current	-1.314	-1.727
Deferred	-769	-3.668
Net income	15.095	20.070

ACCUMULATED

	Consolidated	
	2S23	2S24
Net Revenue	150.875	168.322
Cost of goods sold	-67.622	-77.072
Gross Profit	83.253	91.250
Sales expenses	-41.726	-47.822
Others, net	-20.848	-20.536
Operating profit	-163	588
	20.516	23.480
Financial result, net	94	11.385
Financial income	15.630	16.203
Financial expenses	-15.536	-4.818
Income before income tax and social contribution	20.610	34.865
	94	11.385
Income tax and social contribution	-2.506	-8.924
Current	-2.311	-2.451
Deferred	-195	-6.473
Net income	18.104	25.941

BALANCE SHEET



R\$ Thousand

	Consolidated	
	June 30, 2023	June 30, 2024
Assets		
Current		
Cash and cash equivalents	103,002	93,939
Restricted cash	8,824	322
Accounts receivable	134,695	154,034
Inventories	119,330	112,982
Income tax and social contribution recoverable	6,451	10,625
Taxes recoverable	18,593	14,325
Derivative financial instruments	317	3,069
Other assets	18,098	17,281
Assets held for sale	1,753	438
	411,063	407,015
Non-current		
Marketable securities	0	0
Advances to suppliers	1,437	687
Taxes recoverable	3,227	3,252
Judicial deposits	4,933	6,824
	9,597	10,763
Investments		
Intangible assets	190,349	191,623
Property and Equipment	28,348	27,479
	218,697	219,102
Total assets	639,357	636,880

BALANCE SHEET



	Consolidated	
	June 30, 2023	June 30, 2024
Liabilities		
Current		
Borrowings	22,598	16,980
Accounts payable	34,882	36,670
Obligations payable for purchasing goods	331	54
Taxes and fees payable	6,986	5,557
Withholding income tax and contributions	192	504
Amount payable for the acquisition of equity interest	1,103	0
Salaries and social charges payable	9,412	10,505
Dividends payable	1,371	129
Derivative financial instruments	1,946	0
Lease payment	1,703	1,676
Other payables	14,690	7,719
Provision for success fees	0	0
	95,214	79,794
Non-current		
Borrowings	86,937	69,021
Income tax and social contributions payable (Note 14)	1,420	1,311
Deferred income tax and social contribution	20,609	33,286
Provision for contingencies	62,725	47,483
Lease payment	3,182	2,403
Provision for success fees	1,709	1,709
	176,582	155,213
Total liabilities	271,796	235,007
Equity		
Capital stock	130,583	130,583
Treasury shares	-1,643	-11,477
Share issuance expenses	-10,870	-10,870
Capital reserves	171,805	160,202
Profit reserves	17,816	26,209
Carrying value adjustment	-13,915	-14,335
Loss for the period	18,104	25,941
Profit reserve for reflex tax incentive	55,681	95,620
Total equity	367,561	401,873
Total liabilities and equity	639,357	636,880

CASH FLOW

R\$ thousand

QUARTER

	Consolidated	
	2Q23	2Q24
Income before income tax and social contribution	17,178	25,465
Adjustments for non-cash items		
Amortization and Depreciation	2,328	2,513
Allowance for recoverable value of inventory	416	296
Allowance for recoverable value of accounts receivable	410	-307
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)	357	-3,500
Results from disposal of permanent assets	-1	-43
Impairment of permanent assets	0	0
Interest on loans	4,711	2,826
Other interest expenses and foreign exchange variation	-130	58
Derivative financial instruments	452	-3,232
Stock option premium	1,044	859
Other	-11	-606
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	-6,369	-17,592
Decrease (increase) in inventories	3,092	8,028
Decrease (increase) in taxes recoverable	-716	-131
(Decrease) increase in other assets	-2,988	-1,035
Increase (decrease) in suppliers and accounts payable	4,750	-5,319
Increase (decrease) in salaries and social charges payable	1,631	2,464
Increase (decrease) in taxes, rates and social contributions payable	-509	-1,963
Interest paid	-4,596	-3,132
Income tax and social contribution paid	-1,384	-1,032
Net cash (used in) generated by operating activities	19,665	4,617
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	-1,054	-2,017
Amount received from the sale of property and equipment	5	277
Purchases of intangible assets	-1,197	-1,619
Net cash (used in) generated by investing activities	-2,246	-3,359
Cash flow from financing activities		
Deposits as collaterals - restricted cash	99	-225
Borrowings	0	0
Payment of borrowings	-7,126	-3,885
Lease paid	-353	-219
Acquisition of own shares held in treasury	-2,932	-16,503

Acquisition of equity interest	0	0
Dividends paid to Company's shareholders	0	0
Stock Option exercise	3,201	1,185
Net cash used in financing activities	-7,111	-19,647
Increase (decrease) in cash and cash equivalents	10,308	-18,389
Cash and cash equivalents at the beginning of period	95,005	112,328
Cash and cash equivalents at the end of period	105,313	93,939

R\$ thousand	ACCUMULATED	Consolidated
		2S23
		2S24
Income before income tax and social contribution		20.610
Income before income tax and social contribution		34.865
Adjustments for non-cash items		
Amortization and Depreciation		4.785
Amortization and Depreciation		4.950
Allowance for recoverable value of inventory		963
Allowance for recoverable value of inventory		-62
Allowance for recoverable value of accounts receivable		308
Allowance for recoverable value of accounts receivable		131
Reversal of inventory provision due to write-off		0
Reversal of inventory provision due to write-off		0
Adjustment to market value in noncurrent assets available for sale		0
Adjustment to market value in noncurrent assets available for sale		0
Provision for contingencies (reversal)		-725
Provision for contingencies (reversal)		-9.079
Results from disposal of permanent assets		-45
Results from disposal of permanent assets		-42
Impairment of permanent assets		0
Impairment of permanent assets		0
Interest on loans		9.661
Interest on loans		6.309
Other interest expenses and foreign exchange variation		-281
Other interest expenses and foreign exchange variation		215
Derivative financial instruments		1.156
Derivative financial instruments		-4.353
Stock option premium		1.493
Stock option premium		1.855
Other		-241
Other		-462
Changes in assets and liabilities		
Decrease (increase) in accounts receivable		13.181
Decrease (increase) in accounts receivable		-2.054
Decrease (increase) in inventories		-791
Decrease (increase) in inventories		4.605
Decrease (increase) in taxes recoverable		5.254
Decrease (increase) in taxes recoverable		3.283
(Decrease) increase in other assets		-9.159
(Decrease) increase in other assets		-2.643
Increase (decrease) in suppliers and accounts payable		5.731
Increase (decrease) in suppliers and accounts payable		-9.258
Increase (decrease) in salaries and social charges payable		-1.985
Increase (decrease) in salaries and social charges payable		-275
Increase (decrease) in taxes, rates and social contributions payable		-633
Increase (decrease) in taxes, rates and social contributions payable		-4.944
Interest paid		-9.545
Interest paid		-6.573
Income tax and social contribution paid		-1.384
Income tax and social contribution paid		-1.962
Net cash (used in) generated by operating activities		38.835
Net cash (used in) generated by operating activities		14.506
Cash flow from investing activities		
Redemption of escrow accounts		0
Redemption of escrow accounts		0
Acquisition of equity interest		0
Acquisition of equity interest		0
Restricted cash		0
Restricted cash		0
Purchases of property and equipment		-3.214
Purchases of property and equipment		-3.020
Amount received from the sale of property and equipment		97
Amount received from the sale of property and equipment		279
Purchases of intangible assets		-1.841
Purchases of intangible assets		-2.843
Net cash (used in) generated by investing activities		-4.958
Net cash (used in) generated by investing activities		-5.584

Cash flow from financing activities

Deposits as collaterals - restricted cash	-69	-203
Borrowings	0	0
Payment of borrowings	-11.003	-7.769
Lease paid	-760	-683
Acquisition of own shares held in treasury	-14.570	-24.455
Acquisition of equity interest	0	0
Dividends paid to Company's shareholders	-5.999	-10.226
Stock Option exercise	3.201	3.201
Net cash used in financing activities	-29.200	-40.135
Increase (decrease) in cash and cash equivalents	4.677	-31.213
Cash and cash equivalents at the beginning of period	98.325	125.152
Cash and cash equivalents at the end of period	103.002	93.939

