



GRUPO TECHNOS ANNOUNCES 1Q19 RESULTS

Rio de Janeiro, April 25, 2019 – Grupo Technos (B3: TECN3) announces its 1Q19 results. The following financial and operational information is presented on a consolidated basis, in compliance with current legislation, unless otherwise indicated.

DATE

04/25/2019

CLOSING PRICE

R\$2.58/share

MARKET CAP

R\$202.5 million

CONFERENCE CALL

04/26/2019

10:00 a.m. Brasília

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1Q19 HIGHLIGHTS

- Net revenue reached R\$63.0 million, representing a 14.3% increase compared to 1Q18;
- The Classic category, which includes the Technos brand, recorded a growth of 26.0%;
- SG&A decreased by 11.0%, or R\$4.1 million; and decreased by 15.1p.p. as a percentage of net revenue;
- Adjusted EBITDA increased by R\$6.7 million compared to 1Q18;
- Continuity of good working capital management, reaching R\$210.9 million, representing a 9.6% decrease compared to 1Q18;
- Lowest net debt since the acquisition of Dumont in 2013, totaling R\$17.5 million;

R\$ Million	1Q18	1Q19	%
Gross revenue	67.2	75.7	12.8%
Net revenue	55.1	63.0	14.3%
Gross profit	24.5	26.4	8.0%
<i>Gross margin</i>	44.4%	42.0%	-2.5p.p.
Net income	-15.0	-9.9	33.9%
<i>Net margin</i>	-27.3%	-15.8%	11.5p.p.
Adjusted EBITDA	-8.8	-2.1	76.1%
<i>Adjusted EBITDA margin</i>	-15.9%	-3.3%	12.6p.p.
Number of watches (000s)	473	529	11.9%
Average price (R\$/product)	139	140	0.8%

Adjusted EBITDA – Represents CVM EBITDA (net income plus depreciation and amortization, financial expenses, financial income, current and deferred taxes), adjusted for the realization of deferred tax assets generated by the goodwill premium from the buyout of our controlled company TASA, present value adjustment on sales and sales taxes, non-operational contingency provisions, nonrecurring results, recovery of escrow of liabilities generated before the acquisition of Dumont Saab, and stock option plan.

In August 2018, we implemented a set of thorough measures in the Company intended for recovering the growth of our revenue and operating income. We changed our senior management, reinforced our focus on operational excellence and relationship with customers, and intensified our efforts to cut expenses and optimize working capital. The 1Q19 results show that we are on the right path.

Our net revenue increased by 14.3%, highlighting the 11.9% increase in watch sales. In 1Q19, revenue and sales volume regarding our main brands increased compared to the previous year, especially the Technos brand, which has the largest share in our portfolio. We attribute the good performance of these brands to a number of factors: (i) the performance of our recent launches, with good product deliveries and price ranges appropriate to a higher market demand; (ii) active management efforts in relation to our customer portfolio, with a significant increase in average purchases and frequency of purchases, and a decrease in mortality rate; and (iii) an overall improvement in operating indicators, such as product delivery time to storekeepers. In 1Q19, sales suffered with the negative impact of brands and products discontinued in 2018, which accounted for R\$4.4 million of the sales gap. Excluding this effect, whose impact tends to decrease during 2019, our sales performance in 1Q19 increased by 21.1% compared to 1Q18.

In the analysis per channel, in 1Q19, we highlight the performance of Specialized Stores, our largest sales channel. We also recorded sales growth in Department Stores and Others. Our own outlet and e-commerce sales channels also performed well, increasing their share in our revenue and gross profit.

Our gross profit increased by 8.0%, notwithstanding the 2.5p.p. decrease in gross margin due to the depreciation of the *Real* against the U.S. dollar in recent months. In order to offset these effects, we maintained our efforts to minimize costs and gain efficiency, reducing costs with foreign suppliers and international freight, and improving manufacturing productivity.

In 1Q19, SG&A decreased by 11.0%, or R\$4.1 million, compared to 1Q18, notwithstanding our sales growth. As a percentage of net revenue, SG&A decreased by 15.1p.p. in 1Q19, showing our commitment to capture savings.

In 1Q19, Adjusted EBITDA totaled a negative amount of R\$2.1 million, representing an increase of R\$6.7 million compared to 1Q18. In 1Q19, net loss totaled R\$9.9 million, representing an improvement of R\$5.1 million compared to 1Q18. Our business is highly subject to seasonality, with high peaks related to retail festive dates. The first quarter has the lowest revenue due to seasonality, although expenses are not affected by seasonality. The good sales growth, through the control and reduction of expenses, contributed to improve the Company's operational results.

Our working capital totaled R\$210.9 million, representing a decrease of 9.6%, or R\$22.4 million, notwithstanding our sales growth. We maintained a cautious management of customer payment terms, consistency in customer assiduity, and our focus on decreasing inventory coverage and extending the payment terms of domestic and foreign suppliers. We continue to pursue strategies to increase our efficiency in the use of working capital.

Likewise, we continue to decrease our net debt and, at the end of 1Q19, we reached the Company's lowest indebtedness level in the last six years. We closed 1Q19 with R\$17.5 million, representing a decrease of R\$44.2 million compared to 1Q18.

In 1Q19, our growth was above that of the watch market and, therefore, we gained market share. This is the best evidence that we are being able to successfully implement the plan announced in August 2018. We are committed to add value to our shareholders, customers, consumers, employees and partners. Accordingly, in the next quarters, we will seek to continue to resume our growth and consolidate a new growth cycle in our business.

GROSS REVENUE



Gross revenue reached R\$75.7 million in 1Q19, representing an increase of 12.8% compared to 1Q18. The table below sets forth the breakdown of our gross revenue:

R\$ Million	1Q18	1Q19	Var %	Var R\$
Product Sales	65.7	74.1	12.8%	8.4
Technical Assistance	1.5	1.7	11.0%	0.2
Gross Revenue	67.2	75.7	12.8%	8.6

PRODUCT SALES

Overview

Gross revenue increased from R\$65.7 million in 1Q18 to R\$74.1 million in 1Q19, representing an increase of 12.8%. We attribute the increase in revenue to the structural changes informed in August 2018, which provided a renewed focus on operational excellence and relationship with our customers, recovering our values and strengths.

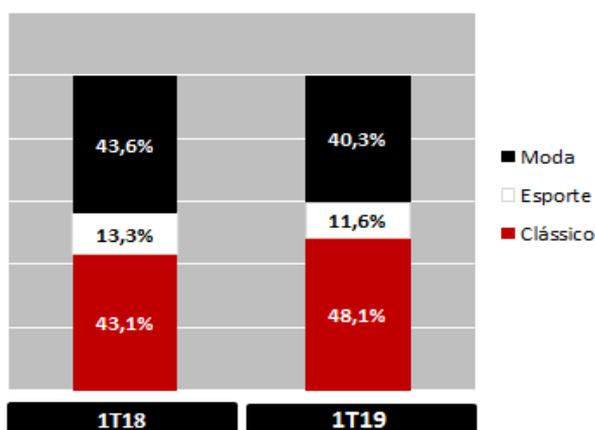
The sales performance reflects the 11.9% increase in the number of watches sold in the period, which totaled 529 thousand units in 1Q19, at a virtually stable average price.

Analysis per Category

R\$ Million	1Q18	1Q19	Var %	Var R\$
Classic	28.3	35.7	26.0%	7.4
Sports	8.7	8.6	-1.4%	-0.1
Fashion	28.7	29.8	4.1%	1.2
Total	65.7	74.1	12.8%	8.4

In the analysis per category, sales of the Classic category, which includes the Technos brand, had the best results, increasing by 26.0% in terms of price and increasing its share from 43.1% in 1Q18 to 48.1% in 1Q19. The main brand of the Company also recorded an excellent performance in terms of volume in the quarter, driven by the good receptivity of a large portion of customers to our recent launches.

Sales Breakdown per Category



Classification of brands per category

CLÁSSICO	MODA	ESPORTE

R\$ Million	1Q18	1Q19	Var %	Var R\$
Specialized Stores	44.6	52.4	17.5%	7.8
Department Stores and Others	21.0	21.6	2.9%	0.6
Total	65.7	74.1	12.8%	8.4

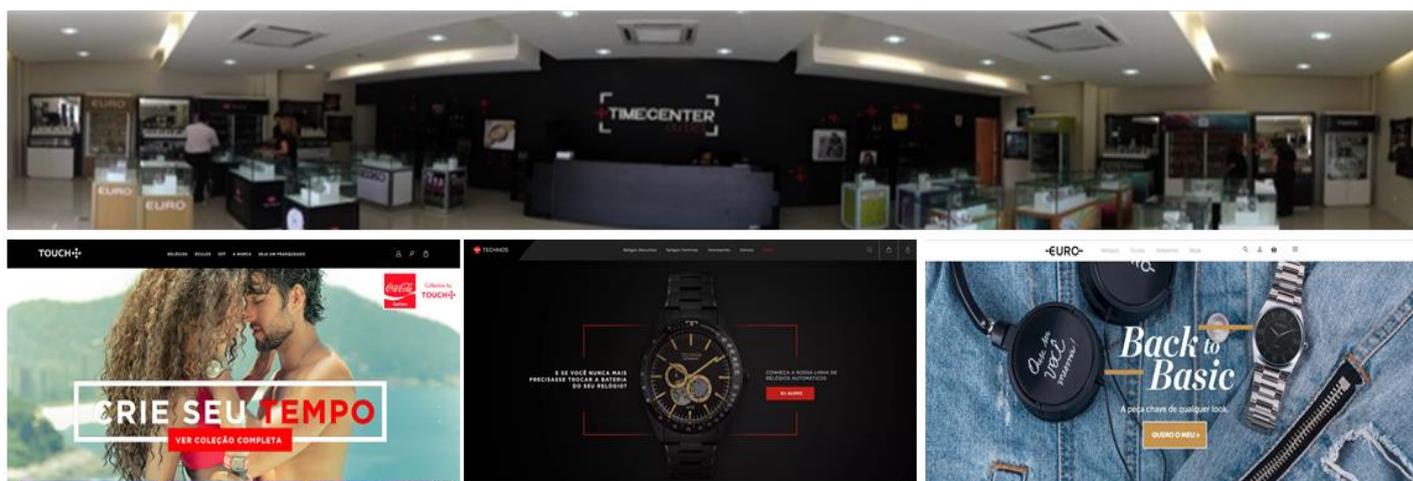
The analysis of sales of watches per distribution channel shows growth in all channels, highlighting specialized stores, which is the largest sales channel of the Company, recording a 17.5% increase in the quarter.

RETAIL AND FRANCHISES

In retail, we run our own operations through websites and outlets. Our e-commerce operation has six e-commerce websites, five of which are dedicated to the brands Technos, Fossil, Euro, Touch and Condor, and one, Timecenter, is dedicated to online sales of all our brands. The main goal of our online activity is brand building and brand communication in the virtual environment, as a large number of customers perform 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.

We also maintain 14 outlets in the main malls of this segment across Brazil. These points of sales are part of our inventory management strategy and represent a sales channel for low turnover products outside our traditional sales channels, and have had good results. Moreover, they reinforce the category in the places where consumers are largely present.

In the franchise channel, we are present through the Touch and Euro brands. At the end of March 2019, we had 61 exclusive points of sale, with Touch representing 43 and Euro 18. Our franchise policy continues to focus on the improvement of management quality and profitability of our franchisees.



NET REVENUE



In 1Q19, net revenue totaled R\$63.0 million, representing an increase of 14.3% compared to 1Q18.

Present value adjustment on gross revenue totaled R\$1.6 million in 1Q19, representing an increase of 22.6%. This is a noncash 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	1Q18	1Q19	Var %	Var R\$
Gross Revenue	67.2	75.7	12.8%	8.6
Present Value Adjustment on Sales	(1.3)	(1.6)	22.6%	(0.3)
Sales Taxes	(10.9)	(11.4)	4.1%	(0.4)
Present Value Adjustment on Taxes	0.2	0.2	19.3%	0.0
Net Revenue	55.1	63.0	14.3%	7.9

GROSS PROFIT



In 1Q19, gross profit totaled R\$26.4 million, representing an increase of 8.0% compared to 1Q18. Gross margin was 42.0%, representing a decrease of 2.5p.p. compared to 1Q18 due to the impact of the depreciation of the *Real* against the U.S. dollar, as most costs are indexed to the U.S. dollar as a result of imported parts and products, and due to the increase in the mix of products at more affordable ranges.

Offsetting these effects, we recorded internal gains from our efforts to reduce costs with foreign suppliers, improve productivity in our assembly line in the city of Manaus, reduce international freight costs and improve manufacturing productivity. These gains were important to protect the Company's gross margin.

SALES AND ADMINISTRATIVE EXPENSES



In 1Q19, SG&A decreased by 11.0%, or R\$4.1 million, compared to 1Q18, of which R\$3.4 million corresponded to sales expenses and R\$0.8 million corresponded to general and administrative expenses. As a percentage of net revenue, SG&A decreased from 68.3% in 1Q18 to 53.2% in 1Q19, representing a decrease of 15.1p.p.

We continue to focus on controlling SG&A to maintain business profitability, and the savings generated in 1Q19 reinforce our commitment to the Company's expenses. Accordingly, we obtained savings primarily with personnel, administrative infrastructure, marketing investments and the strategy to discontinue investments in projects with lower return.

OTHER OPERATING RESULTS, NET



In 1Q19, other operating results, net totaled an expense of R\$0.0 million compared to R\$0.5 million in 1Q18, representing a decrease of 95.6%.

In 1Q19, we generated savings primarily through the effect of the amortization of the fair value of the portfolio of customers of Dumont that affected 1Q18.

EBITDA AND ADJUSTED EBITDA



In 1Q19, Adjusted EBITDA reached the negative amount of R\$2.1 million and a negative margin of 3.3% on net revenue. Compared to 1Q18, Adjusted EBITDA increased by R\$6.7 million, or 76.1%.

R\$ Million	1Q18	1Q19
(=) Net income	(15.0)	(9.9)
(+) Depreciation and Amortization	(3.2)	(3.0)
(+/-) Financial result	(2.0)	(1.1)
(+) Current taxes	0.0	0.0
(+/-) Deferred taxes	0.5	(1.7)
(=) EBITDA (CVM 527/12)	(10.4)	(4.1)
(+/-) Provision for non-recurring contingencies	(0.1)	(0.2)
(+) Other non-cash expenses	(0.4)	(0.4)
(+) Impact of present value adjustment on operational result	(1.1)	(1.4)
(=) Adjusted EBITDA	(8.8)	(2.1)

NET FINANCIAL RESULT



Net financial result totaled an expense of R\$1.1 million in 1Q19, representing a decrease of R\$0.6 million compared to an expense of R\$1.8 million in 1Q18. This result is primarily due to the direct and indirect effects of the exchange rate variation in the period, including appreciations and depreciations, which also affected the result from derivative transactions. Considering that almost all payments to suppliers of raw material are made in foreign currency (imports), we enter into derivative financial instruments to reduce the potential exchange rate risk. We enter into these derivative instruments exclusively to hedge the contracted and estimated amount of purchases from foreign suppliers in the 12 subsequent months; as well as the loans denominated in foreign currency.

NET INCOME



In 1Q19, net loss totaled R\$9.9 million, representing an improvement of R\$5.1 million compared to 1Q18. The good sales growth through the control and reduction of expenses contributed to improve the Company's operating result compared to 1Q18.

CASH FLOWS



R\$ Million	1Q18	1Q19
Net income before income tax and social contributions	(15.5)	(8.2)
(+/-) Non-cash adjustments	6.6	6.1
(+/-) Operational activities	25.8	10.1
(+/-) Investment activities	(3.4)	(9.2)
(+/-) Financial activities	(1.6)	(21.8)
(=) Increase (decrease) in cash	11.9	(23.0)
(+) Cash and cash equivalents at the beginning of the period	14.8	69.9
(=) Cash and cash equivalents at the end of the period	26.8	46.8

NON-CASH ADJUSTMENTS

In 1Q19, non-cash adjustments totaled R\$6.1 million, primarily affected by the reversal of other provisions for contingencies in the result, including the reversal of the provision from the acquisition of Dumont. Moreover, we were affected by currency depreciation and exchange rate variation, which affects the provision for payment of interest on loans. This impact is offset by our exchange rate swap, which is recorded in operational activities.

OPERATIONAL ACTIVITIES

In 1Q19, net cash from operational activities totaled R\$10.1 million. In 1Q19, the main changes were: (i) an increase of R\$22.6 million in accounts receivable; (ii) a decrease of R\$18.0 million in inventories; (iii) an increase of R\$4.6 million in other assets.

INVESTMENT ACTIVITIES

Net cash utilized by our investment activities is primarily affected by investments in property and equipment and intangible assets. In 1Q19, investments in property and equipment and intangible assets totaled R\$4.9 million.

FINANCIAL ACTIVITIES

Net cash generated by or utilized in our financial activities results primarily from the repayment of loans.

CASH RESULT

The activities resulted in a cash decrease of R\$23.0 million at the end of 1Q19 that, added to the initial amount of R\$69.9 million, led to a final cash balance of R\$46.8 million at March 31, 2019. At the end of 1Q18, the Company's final cash balance totaled R\$26.8 million.

WORKING CAPITAL

R\$ Million	1Q18	Days	1Q19	Days
(+) Accounts receivable	154.5	165	137.0	157
(+) Inventories	121.0	237	132.5	289
(-) Accounts payable	42.2	82	58.6	128
(=) Working Capital	233.4	319	210.9	319

In 1Q19, the Company's working capital totaled R\$210.9 million, accounting for 319 days. In 1Q18, working capital totaled R\$233.4 million, representing a decrease of R\$22.5 million, or 9.6%.

In accounts receivable, we improved client assiduity and kept the average recovery balance. The term of accounts receivable decreased from 165 days in 1Q18 to 157 days in 1Q19.

In 1Q19, inventories totaled R\$132.5 million, representing 53 more days of working capital, due to currency appreciation and the strategy of receiving early payments due to the positive sales result in the first quarter.

We continued working on extending the term of our accounts payable with domestic and foreign suppliers. Accordingly, the average term of our accounts payable increased from 82 days to 128 days.

NET CASH

In 1Q19, Grupo Technos had net debt of R\$17.5 million, representing a decrease of R\$44.2 million compared to R\$61.7 million in 1Q18.

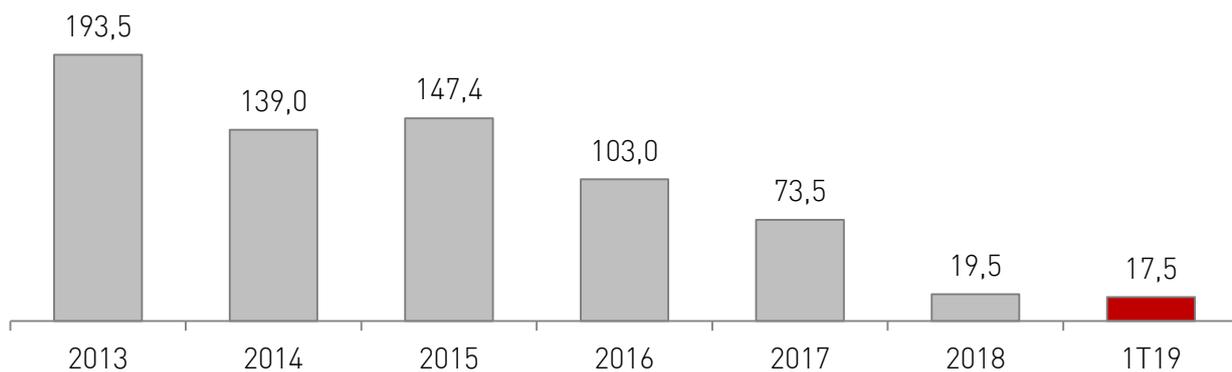
R\$ Million	1Q18	4Q18	1Q19
Gross debt	(88.5)	(96.9)	(71.9)
(-) Cash	26.8	77.4	54.4
(=) (Debt)/Net cash	(61.7)	(19.5)	(17.5)

In 2018, we entered into an important transaction related to our smartwatches with FINEP, the government agency that finances innovation. The transaction matures in nine years and accrues interest at the TLP. We

also completed the receivables assignment transaction resulting from indemnification lawsuits, as disclosed in the material fact dated December 27, 2018, which transaction increased the Company's cash position by R\$27.8 million.

We seek to work with a higher cash balance at this time of economic uncertainty and resumption of sales recovery. We reaffirm that, since 2013, when the Company incurred debt for the acquisition of Dumont Saab, we have been continuously decreasing our net debt, as set forth in the chart below.

Evolution of Net Debt



¹ The calculation of net debt takes into account cash plus restricted cash.

INCOME STATEMENT



R\$ thousand

	Consolidated	
	1Q18	1Q19
Net revenue	55,101	62,973
Cost of goods sold	(30,613)	(36,537)
Gross profit	24,487	26,436
Sales expenses	(28,165)	(24,447)
Impairment trade receivable	(289)	(626)
Administrative expenses	(9,158)	(8,407)
Others, net	(567)	(25)
Operational profit	(13,692)	(7,069)
Financial result, net	(1,778)	(1,148)
Financial income	8,344	11,031
Financial expenses	(10,122)	(12,179)
Income before income tax and social contribution	(15,470)	(8,217)
Income tax and social contribution	450	(1,714)
Current	0	0
Deferred	450	(1,714)
Net income	(15,020)	(9,931)

BALANCE SHEET



R\$ thousand

	Consolidated	
	March 31, 2018	March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	26,761	46,823
Restricted cash	0	7,540
Marketable securities	0	0
Accounts receivable	154,478	136,998
Inventories	121,035	132,491
Recoverable taxes	11,765	11,269
Derivative financial instruments	1,444	6,364
Other assets	18,432	15,566
	333,915	357,051
Non-current assets		
Related deposits	24,319	22,814
Advances to suppliers	5,625	4,875
Recoverable taxes	26,169	66,777
Judicial deposits	4,568	5,101
Deferred income tax and social contributions	0	0
Accounts receivable	0	0
Other assets	18,354	717
	79,035	100,284
Investments		
Intangible	261,882	262,905
Property and equipment	36,016	40,532
	297,898	303,437
Total assets	710,848	760,772

BALANCE SHEET



R\$ thousand

	Consolidated	
	March 31, 2018	March 31, 2019
Liabilities		
Current liabilities		
Borrowings	46,383	30,763
Accounts payable	42,159	58,566
Income tax and social contributions payable	9,007	3,209
Deferred income tax and social contributions	474	705
Amount payable for the acquisition of non-controlling interest	1,103	1,103
Salaries and social charges payable	8,609	7,177
Dividends payable	1,376	1,376
Derivative financial instruments	41	344
Licenses payable	0	0
Other payables	5,688	7,483
	114,840	110,726
Non-current liabilities		
Borrowings	44,730	46,752
Income tax and social contributions payable	1,923	1,933
Deferred income tax and social contributions	47,800	34,099
Provision for contingencies	26,024	40,933
Derivative financial instruments	0	208
Amount payable for the acquisition of equity interest	26,094	25,142
Payables - assignment of credit right	0	32,561
Lease payments		3,974
Other payables	92	8,887
	146,663	193,889
Total liabilities	261,503	304,615
Equity		
Capital stock	130,583	130,583
Treasury shares	(11,208)	(11,208)
Share issuance expenses	(10,870)	(10,870)
Capital reserves	201,822	203,401
Profit reserves	168,130	168,309
Carrying value adjustment	(14,092)	(14,127)
Retained earnings (accumulated losses)	(15,020)	(9,931)
Total equity	449,345	456,157
Total equity and liabilities	710,848	760,772

CASH FLOW



R\$ thousand

	Consolidated	
	1Q18	1Q19
Income before income tax and social contribution	(15,470)	(8,217)
Adjustments for items that do not affect cash flow		
Amortization and depreciation	3,162	3,010
Allowance for recoverable value of inventory	612	205
Allowance for recoverable value of accounts receivable	289	626
Allowance for contingencies (reversal)	631	540
Results from disposal of permanent assets	98	3
Impairment of permanent assets	(2)	(2)
Interest on loans	1,422	927
Other interest	375	665
Stock option premium	423	395
Others	(382)	(281)
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	36,930	22,555
Decrease (increase) in inventories	(16,055)	(17,956)
Decrease (increase) in tax recoverable	(4,713)	3,069
Decrease (increase) in other assets	(1,207)	4,567
Increase (decrease) in suppliers and accounts payable	7,958	10,586
Increase (decrease) in salaries and social charges payable	1,066	221
Increase (decrease) in taxes, rates and social contributions payable	2,564	(3,455)
Interest paid	(709)	(1,122)
Net cash (applied in) generated by operational activities	16,992	7,942
Cash flow from investment activities		
Related deposits rescue	627	1,700
Acquisition of equity interest	(627)	(1,687)
Purchases of fixed assets	(3,249)	(3,275)
Amount received from the sale of fixed assets	862	72
Purchases of intangible assets	(1,029)	(1,586)
Net cash (applied in) generated by investment activities	(3,416)	(4,776)
Cash flow from financial activities		
Borrowings	0	0
Payment of borrowings	(1,644)	(25,896)
Lease contracted	0	416
Lease paid	0	(724)
Dividends paid to Company shareholders	0	0
Net cash applied in financial activities	(1,644)	(26,204)
Increase (decrease) in cash and cash equivalents	11,932	(23,038)
Cash and cash equivalents at beginning of period	14,829	69,861
Cash and cash equivalents at end of period	26,761	46,823