

TECHNOS GROUP ANNOUNCES GROWTH IN NET INCOME OF 40.8% IN THE YEAR AND 15.6% IN THE FOURTH QUARTER OF 2023

Rio de Janeiro, March 4, 2024 – Technos Group [B3: TECN3] announces its 4Q23 results. The following financial and operational information is presented on a consolidated basis, in compliance with Brazilian Corporate Law, unless otherwise indicated.

DATE

03/04/2024

CLOSING PRICE

R\$ 3.20/share

MARKET CAP

R\$ 226,9 million

CONFERENCE CALL

03/05/2023 10:00 a.m.
Brasília

Link:

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QUARTER HIGHLIGHTS

- Annual net revenue of R\$ 395.8 million, drop of 1.2% versus 2022. In the quarter, 0.9% increase in net revenue versus 4Q22.
- Annual gross profit of R\$189.4 million, drop of 0.6% versus 2022. In the quarter, Gross Profit increased by 2.2% versus 4Q22.
- Annual SG&A of R\$129.9 million, an increase of 5.9% versus 2022. In the quarter, SG&A increased by 8.5% versus 4Q22.
- Annual Adjusted EBITDA of R\$86.7 million, an increase of 5.2% versus 2022. In the quarter, Adjusted EBITDA increased by 6.8% versus 4Q22.
- Annual Net Income of R\$56.2 million, an increase of 40.8% versus 2022. In the quarter, Net Income increased by 15.6 % versus 4Q22.
- R\$31.5 million net cash, R\$13.7 million higher than the last quarter.

R\$ million	4Q22	4Q23	%	2022	2023	%
Gross Revenue	127.1	128.2	0.9%	400.5	395.8	-1.2%
Net Revenue	110.6	111.1	0.4%	351.2	342.3	-2.5%
Gross Profit	61.2	62.5	2.2%	190.5	189.4	-0.6%
Gross Margin	55.3%	56.3%	1 p.p.	54.3%	55.3%	1.1 p.p.
SG&A	-33.0	-35.9	8.5%	-122.7	-129.9	5.9%
Net Income	21.7	25.1	15.6%	39.9	56.2	40.8%
Net Margin	19.6%	22.6%	3.0 p.p.	11.4%	16.4%	5.1 p.p.
Adjusted EBITDA	31.6	33.7	6.8%	82.4	86.7	5.2%
Adjusted EBITDA Margin	28.5%	30.4%	1.8 p.p.	23.5%	25.3%	1.9 p.p.
Number of Watches (000s)	592	558	-5.7%	1.883	1.887	0.2%
Average Price (R\$/product)	210	215	2.4%	207	208	0.5%

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 2023, Technos Group faced a challenging sales scenario, resulting from a macro environment of low economic activity, high interest rates and weakened consumption. Despite difficulties related to sales, the Company relied once again on efficiency gains to keep demonstrating growth in Adjusted EBITDA, Net Profit and Cash Position. The consistency and robustness of the structural transformation implemented by management is illustrated by the fact that this is the twelfth consecutive quarter in which the company has shown an improvement in its operating profit.

In 2023, Technos Group's Gross Revenue was R\$395.8 million, a drop of 1.2% compared to the previous year. In the fourth quarter, Gross Revenue grew 0.9% compared to the previous year while Net Revenue was 0.4% higher in the same period. Sales growth in the last quarter was slightly higher than in the rest of the year due to better performance during the Christmas cycle. To face a challenging macroeconomic scenario, the Company continued to benefit from a dispersed customer base and a complementary portfolio of brands and products.

Gross Profit and Gross Margin for the year totaled R\$ 189.4 million and 55.3%, a drop of 0.6% and gross margin growth of 1.7 p.p. respectively. Gross Profit for the fourth quarter recorded 2.2% growth versus the same period of the previous year with 1.0 p.p. expansion of the Gross Margin. The better gross margin has as its main factors the careful management of profitability – possible due to the good perception of the value of the products, good balance of promotional sales, successful launches of collections, in addition to the exchange rate and more favorable international logistics costs. Furthermore, a factor that contributed positively to Gross Margin was the lower technical assistance costs due to the outsourced model.

Sales and Administrative Expenses totaled R\$129.9 million in 2023, growing 5.9% compared to the previous year. In the quarter, Sales and Administrative Expenses grew 8.5% versus the fourth quarter of the previous year. This increase in expenses is the result of inflation, higher national freight costs, and labor lawsuits, consultancies, offset by savings in variable expenses and reversal in the provision for doubtful debts account, as a result of a better performance in the recoverability of the Company's assets. The Technos Group remains committed to maintaining a lean and efficient expense base.

The other operating results, net totaled R\$ 0.6 million in expenses, versus an expense of R\$ 4.6 million in the same quarter of the previous year. This account was mainly impacted by reversals of provisions for labor and tax expenses, successes or settlements in law suits, provision for profit sharing.

Adjusted EBITDA of the year was R\$ 86.7 million, 5.2% growth versus 2022. Adjusted EBITDA for the fourth quarter, at R\$ 33.7 million, represents an increase of R\$ 6.8% compared to the same period in the previous year. The EBITDA Margin for 2023 was 25.3% versus 23.5% in the previous year, representing a significant margin expansion of 1.9 p.p. This is the twelfth consecutive quarter in which the Company has demonstrated an improvement in adjusted EBITDA, illustrating the robustness and consistency of the structural transformation implemented by the administration.

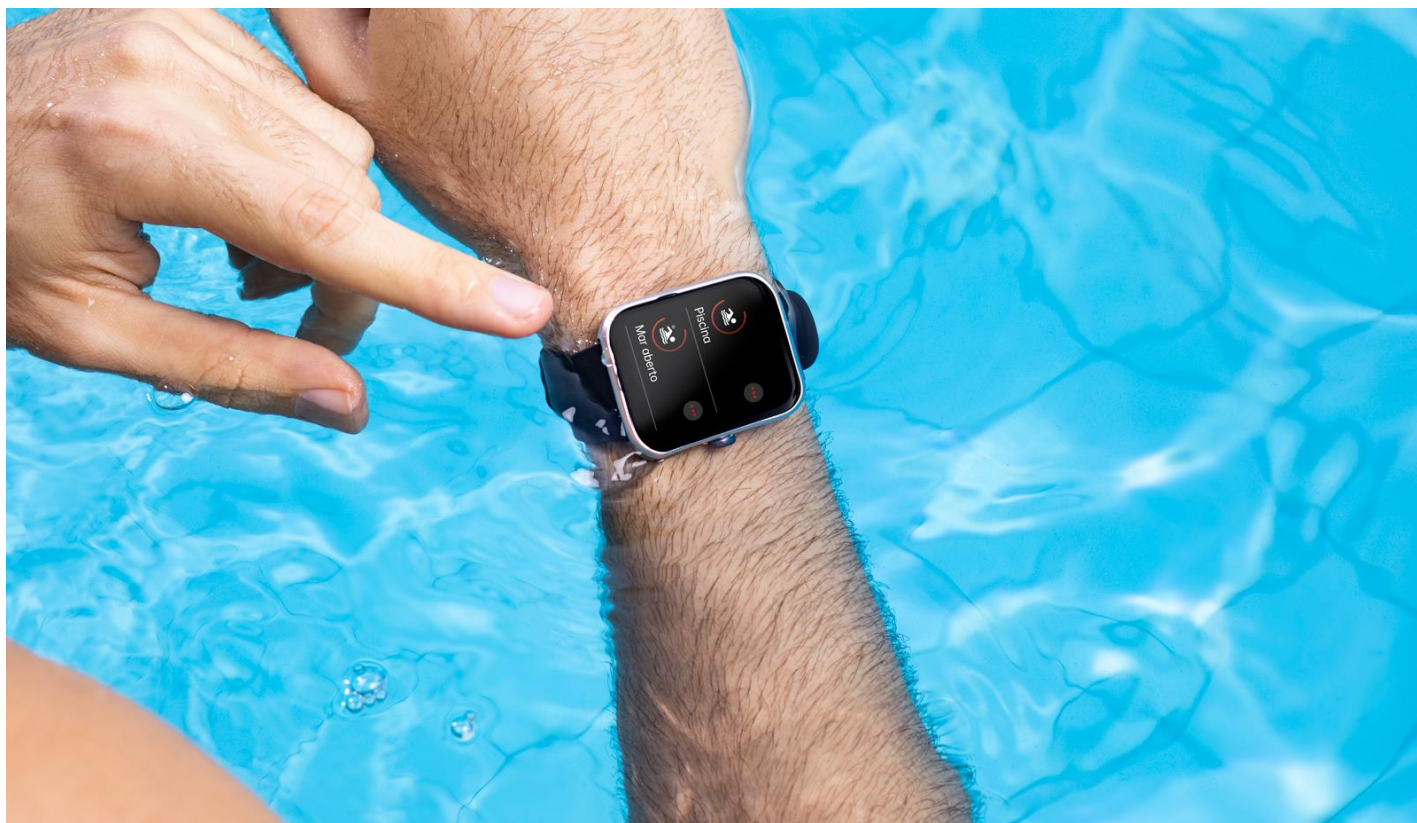
Net Income 2023 was R\$ 56.2 million, representing an increase of 40.8% compared to 2022. Net Income for the fourth quarter of R\$ 25.1 million represents an increase of 15.6% compared to the same period of the previous year. The company's improved profitability demonstrates management's commitment to generating business value even in a challenging sales scenario. The improved profitability was the result of operational efficiencies and extraordinary gains made throughout the year.

In this quarter, the Company recorded a cash balance of R\$ 125.3 million, gross debt of R\$ 93.8 million and net cash of R\$ 31.5 million, reflecting the Company's financial strength. It is noteworthy that the average

term of the Company's gross debt at the end of the period was almost 2 years, according to the renegotiation and payment extension completed in 2020.

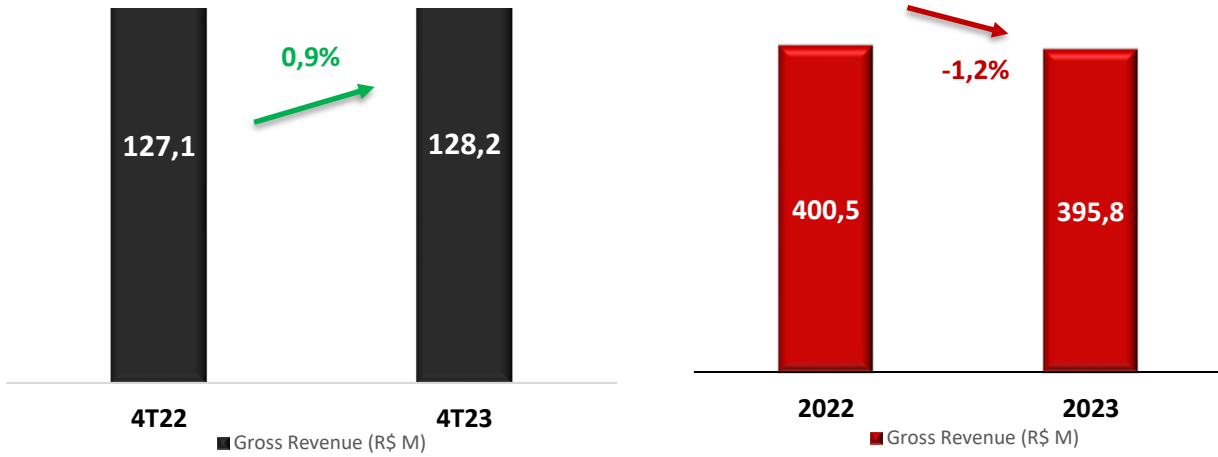
It is important to emphasize that the Company's series of twelve positive quarterly results was once again a consequence of the great dedication of all employees and in particular the leaders of the Technos Group – most of whom were trained and promoted internally – who surpassed themselves and delivered superlative results even in the face of to enormous external adversities. Therefore, we would like to express our special thanks to our entire team of employees for all the accomplishments and achievements gathered along again this year, as well as to all our partners, including suppliers, clients, consumers, creditors, and shareholders.

Regarding 2024, Technos Group plans to accelerate its sales growth while maintaining efficiency gains, seeking to increase market share in the traditional watch category and expand the market in the smartwatch category. The company will also continue to invest in expanding its distribution channels in both wholesale and retail, opening new horizons of growth beyond its core channel. Finally, Technos Group will implement several actions this year focused on the adoption of ESG policies, demonstrating its commitment to generating value not only for its shareholders, but also other stakeholders such as customers, employees, partners, and the community.

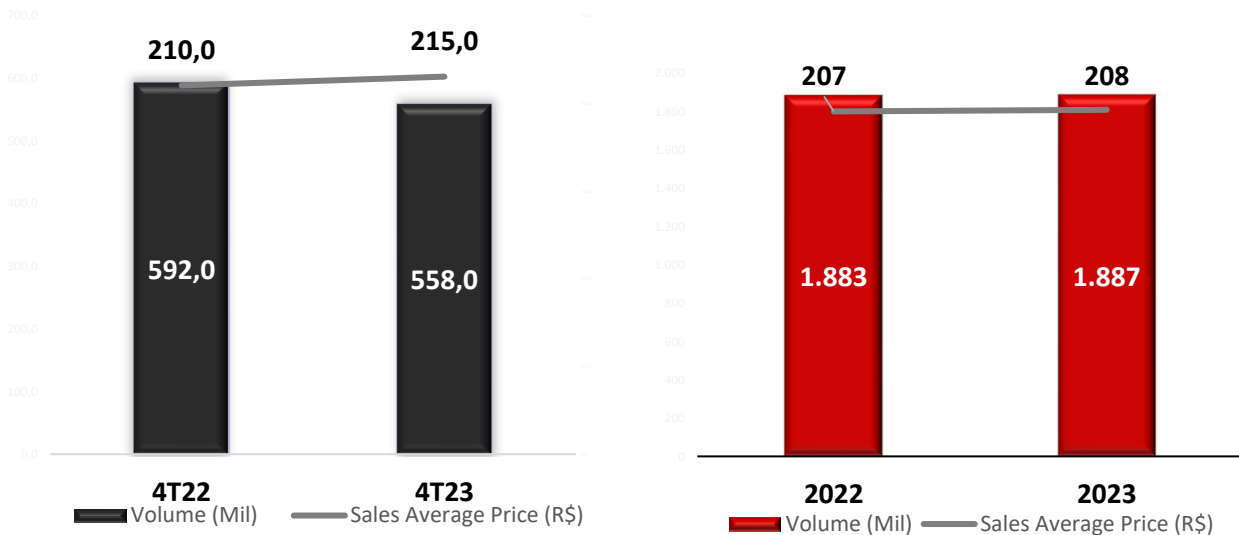


GROSS REVENUE

Gross Revenue for the year fell 1.2% compared to the same as the previous year. In the quarter, gross revenue grew 0.9%.



In 2023, the average price reached R\$208, a slight increase compared to 2022. In the quarter, the average price reached R\$ 215, 2.3% above the same period in 2022. The volume of watches sold in the year totaled 1,887 thousand watches, stable versus 2022. In the quarter, volume totaled 558 thousand, a drop of 5.7% versus the same period in 2022.



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 19 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 year, Technos Group Net Revenue reached R\$ 342.3 million, a 2.5% drop as compared to 2022. In the quarter, Net Revenue reached R\$111.1 million, growth of 0.4%. The present value adjustment on gross revenue was R\$ 15.6 million in 2023, a growth above sales in the period. This change has a negative impact on the Company's Net Revenue and is related to the increase 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	4Q22	4Q23	Var %	Var R\$	2021	2022	Var %	Var R\$
Gross Revenue	127.1	128.2	0.9%	1.2	400.5	395.8	-1.2%	(4.7)
Present Value Adjustment on Sales	(5.5)	(4.9)	-11.4%	0.6	(14.7)	(15.6)	6.0%	(0.9)
Sales Taxes	(11.4)	(12.7)	11.8%	(1.3)	(35.9)	(39.2)	9.4%	(3.4)
Present Value Adjustment on Taxes	0.5	0.4	-10.5%	(0.1)	1.3	1.3	1.2%	0.0
Net Revenue	110.6	111.1	0.4%	0.4	351.2	342.3	-2.5%	(8.9)



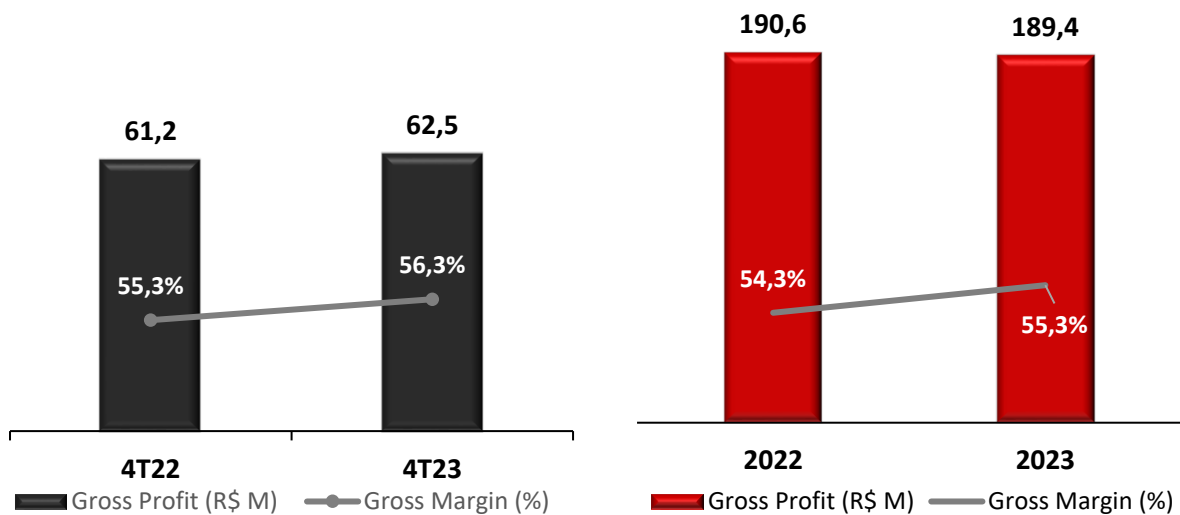
GROSS PROFIT AND GROSS MARGIN



In the year, Gross Profit and Gross Margin totaled R\$ 189.4 million and 55.3% respectively, 0.6% drop and 1.1 p.p. growth versus 2022. In the fourth quarter, the Company recorded Gross Income at R\$ 62.5 million with 55.3% Gross Margin, showing growth in Gross Profit of 2.2% and in Gross Margin of 1.0 p.p. This increase is mainly due to the implementation of the Company's profitability and efficiency recovery strategy.

It is important to note that as of the first quarter of 2021, a tax benefit was approved that allowed the company to make greater use of the ICMS tax benefit. This benefit, initially approved for the year 2021, has already been renewed twice and currently has a term until December 2026.

This effect represented R\$ 4.3 million in 4Q23 compared to R\$ 4.5 million in the same period of 2022.



The Company's selling and administrative expenses amounted to R\$ 129.9 million, with 5.9% increase versus the previous year. The low growth in expenses demonstrates the company's consistency and commitment to the leaner and more efficient management model implemented throughout 2020 and 2021.

In the quarter, the company's selling and administrative expenses totalled R\$ 35.9 million, an increase of 8.5% over the previous quarter. Expenses represented 32.3% of net revenue in the quarter versus 29.9% in the fourth quarter of 2022.

Selling expenses increased 2.0%, or R\$ 0.5 million, compared to the same quarter in 2022. This growth was due to increased participation in on-site events in the watchmaking sector, expenses with media, higher investment on sales, freight, commercial travel and the impact of inflation.

General and administrative expenses recorded a R\$ 2.3 million growth, or 26.7% as compared to the same quarter in 2022. This growth was due to consultancies and the impact of inflation.



Other operating results, net for the year totalled R\$2.3 million, compared to expenses of R\$ 12.2 million in the previous year. In the quarter, other operating results, net was an expense of R\$0.6 million compared to an expense of R\$4.6 million in the same period of the previous year.

This year this account was positively impacted by the success or settlement of law suits, net reversal of labor and tax provisions and other income in the amount of R\$ 2.1 million relating to sale of two non-operational properties with negative impact from option plan expenses



NET FINANCIAL RESULT



The net financial result in 2023 was positive at R\$3.5 million. The net financial result in the fourth quarter of 2023 was positive at R\$ 3.3 million, R\$ 3.5 million higher compared to the same quarter of the previous year, which presented a negative net result of R\$ 0.2 million with adjustment revenue a higher present value and a lower expense with exchange rate variations and hedging.

The Company's hedging policy aims to reduce uncertainty on the Company's cash management in the short term and didn't change in the period. The best result in 2023 comes mainly from lower dollar volatility.

R\$ Million	4Q22	4Q23	Var %	Var R\$	2022	2023	Var %	Var R\$
Expenses	-6.1	-2.5	-59.5%	3.6	-24.2	-20.0	-17.3%	4.2
Revenues	3.7	3.8	4.4%	0.2	12.5	15.1	20.9%	2.6
Revenues - PVA Reversal	3.7	3.8	2.3%	0.1	11.1	14.6	31.6%	3.5
Exchange rate impact	-1.5	-1.8	22.9%	-0.3	-9.4	-6.2	-33.9%	3.2
Net Financial Revenues/(Expenses)	-0.2	3.3	-1617.1%	3.5	-10.0	3.5	-135.3%	13.5

NET INCOME



In the year, Technos Group net income reached R\$ 56.2 million, with 40.2% growth versus 2022. In the quarter, the Company's net income amounted to R\$ 25.1 million, R\$ 3.4 million, or 15.6% higher as compared to the fourth quarter of 2022. In January 2024 the Company paid R\$ 10.2 million as interim dividends equivalent to R\$ 0.1484 per share and a 4,5% dividend yield based on the share price on the date of publication of this report.



WORKING CAPITAL

R\$ million	4Q22	Days	4Q23	Days
(+) Accounts Receivable	149.9	154	152.1	160
(+) Inventories	118.9	266	117.5	277
(-) Accounts Payable	38.4	86	44.9	106
(=) Working Capital	230.5	334	224.7	331

The Company's working capital in the fourth quarter of 2023 totaled R\$ 224.7 million, accounting for 331 days. In the same period in the previous year, working capital totaled R\$ 230.5 million, representing a decrease of R\$5.7 million, or 2.5%.

The Company's balance of Accounts Receivable totaled R\$ 152.1 million compared to R\$ 149.9 million in the previous year. The average collection period over the last twelve months shows an increase of 6 days when compared to the same period in the previous quarter, with a stable and healthy default rate compared to the indicator's history.

Inventory totaled R\$ 117.5 million at the end of the period, R\$ 1.4 million lower as compared to the fourth quarter of 2022. The discipline in inventory management, as well as the agility of the supply chain's response, enabled the Company to end the quarter with a healthy level of coverage, even in the face of a more difficult sales scenario.

The Company's balance of Accounts Payable totaled R\$ 44.9 million versus R\$ 38.4 million in the same period of 2022.

CASH BALANCE

Technos Group ended the fourth quarter of 2023 with net cash of R\$ 31.5 million. Net cash for the quarter increased R\$ 13.7 million compared to the third quarter of 2023. Compared to the fourth quarter of 2022, in a 12-month period, there was an evolution of R\$ 45.1 million, going from net debt of R\$ 13.6 million in 4Q22 to net cash of R\$ 31.5 million in 4Q23.

R\$ million	4Q22	3Q23	4Q23
Gross Debt	(120.3)	(97.3)	(93.8)
(-) Cash	106.6	115.0	125.3
(=) (Debt)/Net Cash	(13.6)	17.7	31.5

INCOME STATEMENT



R\$ Thousand

QUARTER

	Consolidated	
	4Q22	4Q23
Net Revenue	110,644	111,067
Cost of goods sold	-49,494	-48,580
Gross Profit	61,151	62,488
Sales expenses	-24,396	-25,213
Provision for impairment of trade receivable	0	0
Administrative expenses	-8,653	-10,315
Others, net	-4,600	-574
Operating profit	23,502	26,386
Financial result, net	-216	3,300
Financial income	6,432	7,301
Financial expenses	-6,648	-4,001
Income before income tax and social contribution	23,286	29,686
Income tax and social contribution	-1,559	-4,237
Current	-318	103
Deferred	-1,241	-4,340
Net income	21,727	25,449

YEAR-TO-DATE

	Consolidated	
	2022	2023
Net Revenue	351,232	342,347
Cost of goods sold	-160,682	-152,966
Gross Profit	190,550	189,381
Sales expenses	-84,225	-88,623
Provision for impairment of trade receivable	0	0
Administrative expenses	-38,493	-41,299
Others, net	-12,231	2,257
Operating profit	55,601	61,716
Financial result, net	-9,971	3,516
Financial income	27,152	30,641
Financial expenses	-37,123	-27,125
Income before income tax and social contribution	45,630	65,231
Income tax and social contribution	-5,707	-9,019
Current	-6,822	-2,620
Deferred	1,115	-6,399
Net income	39,923	56,213

BALANCE SHEET



R\$ Thousand

	Consolidated	
	December 31, 2022	December 31, 2023
Assets		
Current		
Cash and cash equivalents	98,325	125,152
Restricted cash	8,317	119
Accounts receivable	148,184	152,111
Inventories	119,502	117,525
Income tax and social contribution recoverable	12,107	8,107
Taxes recoverable	19,145	18,164
Derivative financial instruments	9	1
Other assets	9,720	16,073
Assets held for sale	1,753	438
	417,062	437,690
Non-current		
Marketable securities	0	0
Advances to suppliers	1,812	1,062
Taxes recoverable	3,200	3,252
Judicial deposits	3,777	5,014
	8,789	9,328
Investments		
Intangible assets	190,472	191,041
Property and Equipment	26,443	27,556
	216,915	218,597
Total assets	642,766	665,615

	Consolidated	
	December 31, 2022	December 31, 2023
Liabilities		
Current		
Borrowings	18,012	16,060
Accounts payable	38,152	44,223
Obligations to pay for purchasing goods	567	708
Taxes and fees payable	7,062	8,457
Withholding income taxes and contributions	702	0
Amount payable for the acquisition of equity interest	1,103	0
Salaries and social charges payable	11,397	10,780
Dividends payable	1,588	3,484
Derivative financial instruments	482	1,285
Lease payment	1,698	1,780
Other payables	5,453	8,770
	86,216	95,547
Non-current		
Borrowings	102,253	77,759
Income tax and social contributions payable (Note 14)	1,467	1,408
Deferred income tax and social contribution	20,414	26,813
Provision for contingencies	63,450	56,562
Lease payment	2,310	3,138
Provision for success fees	1,709	1,709
	191,603	167,389
Total liabilities	277,819	262,936
Equity		
Capital stock	130,583	130,583
Treasury shares	-2,956	-4,661
Share issuance expenses	-10,870	-10,870
Capital reserves	182,994	172,785
Profit reserves	23,598	33,080
Carrying value adjustment	-14,083	-13,858
Profit reserve for reflex tax incentive	55,681	95,620
Total equity	364,947	402,679
Total liabilities and equity	642,766	665,615

CASH FLOW



R\$ thousand	QUARTER	Consolidated	
		4Q22	4Q23
Income before income tax and social contribution		23,287	29,361
Adjustments for non-cash items			
Amortization and Depreciation		1,763	2,426
Allowance for recoverable value of inventory		908	1,000
Allowance for recoverable value of accounts receivable		-1,296	552
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)		2,378	-5,980
Results from disposal of permanent assets		-67	157
Impairment of permanent assets		-1	0
Interest on loans		5,138	3,787
Other interest expenses and foreign exchange variation		-125	117
Derivative financial instruments		885	1,891
Stock option premium		644	1,753
Other		-342	233
Changes in assets and liabilities			
Decrease (increase) in accounts receivable		-18,254	-22,841
Decrease (increase) in inventories		17,185	11,436
Decrease (increase) in taxes recoverable		15,214	-1,434
(Decrease) increase in other assets		-1,250	1,562
Increase (decrease) in suppliers and accounts payable		-5,031	-4,248
Increase (decrease) in salaries and social charges payable		-1,482	-853
Increase (decrease) in taxes, rates and social contributions payable		-4,635	8,310
Interest paid		-6,338	-3,825
Income tax and social contribution paid		-3,257	-1,731
Net cash (used in) generated by operating activities		25,324	21,673
Cash flow from investing activities			
Redemption of escrow accounts		0	0
Acquisition of equity interest		0	0
Restricted cash		0	-137
Purchases of property and equipment		-4,089	-1,842
Amount received from the sale of property and equipment		254	-158
Purchases of intangible assets		-1,947	-1,917
Net cash (used in) generated by investing activities		-5,782	-4,054
Cash flow from financing activities			
Deposits as collaterals - restricted cash		1,091	67
Borrowings		0	0
Payment of borrowings		-2,712	-3,539
Lease paid		-423	-407
Acquisition of own shares held in treasury		0	-3,421

Acquisition of equity interest	0	0
Stock Option exercise	0	0
Net cash used in financing activities	-2,044	-7,300
Increase (decrease) in cash and cash equivalents	17,498	10,319
Cash and cash equivalents at the beginning of period	80,827	114,833
Cash and cash equivalents at the end of period	98,325	125,152

R\$ thousand	YEAR-TO-DATE	Consolidated	
		2022	2023
Income before income tax and social contribution		45,632	65,232
Adjustments for non-cash items			
Amortization and Depreciation		9,751	9,629
Allowance for recoverable value of inventory		5,515	3,370
Allowance for recoverable value of accounts receivable		-1,503	-770
Adjustment to market value in noncurrent assets available for sale		0	-1,718
Provision for contingencies (reversal)		7,463	-6,888
Results from disposal of permanent assets		-138	-173
Impairment of permanent assets		-5	0
Interest on loans		19,888	17,732
Other interest expenses and foreign exchange variation		101	405
Derivative financial instruments		689	811
Stock option premium		2,388	5,274
Other		-329	296
Changes in assets and liabilities			
Decrease (increase) in accounts receivable		-3,889	-3,157
Decrease (increase) in inventories		-18,193	-1,393
(Decrease) increase in other assets		1,542	-6,840
Increase (decrease) in suppliers and accounts payable		-21,996	9,529
Increase (decrease) in salaries and social charges payable		-303	-617
Increase (decrease) in taxes, rates and social contributions payable and recoverable		28,667	6,558
Interest paid		-24,489	-17,961
Income tax and social contribution paid		-8,354	-3,615
Net cash (used in) generated by operating activities		42,437	75,704
Cash flow from investing activities			
Redemption of escrow accounts		672	0
Acquisition of equity interest		0	0
Restricted cash		-3	8,180
Purchases of property and equipment		-7,836	-7,046
Amount received from the sale of property and equipment		637	5,996
Purchases of intangible assets		-3,690	-4,602
Net cash (used in) generated by investing activities		-10,220	2,528
Cash flow from financing activities			
Deposits as collaterals - restricted cash		212	18

