



2Q24 Earnings Release

Eucatex (B3: EUCA3 and EUCA4), one of the largest manufacturers of panels in Brazil, with operations also in the paint and varnish, laminated flooring, partitions and doors segments, today announces its results for the second quarter of 2024 (2Q24). The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS). Except where stated otherwise, the amounts are in millions of Brazilian real (R\$ million) and comparisons are with the same period the previous year.

2Q24 Conference Call

(Portuguese only)

August 15, 2024
11 a.m. (Brasília)

www.eucatex.com.br/ri
An English transcript will be made available
after the conference call

Highlights

2Q24

- Net Revenue of R\$688.8 million (+5.8%)
- Recurring EBITDA of R\$142.5 million (+10.3%), with Margin of 20.7%
- Recurring Net Income of R\$67.0 million (+8.2%)

1H24

- Net Revenue of R\$ 1,329.8 million (+0.0%)
- Recurring EBITDA of R\$274.4 million (-1.3%), with Margin of 20.6%
- Recurring Net Income of R\$126.6 million (-14.5%)

Amounts in R\$ million	2Q24	2Q23	Var. (%)	1H24	1H23	Var. (%)
Net Revenue	688.8	651.3	5.8%	1,329.8	1,329.8	0.0%
Gross Profit	223.0	213.4	4.5%	437.5	435.0	0.6%
Gross Margin (%)	32.4%	32.8%	-0,4 p.p.	32.9%	32.7%	0,2 p.p.
EBITDA adjusted by non-cash events	142.3	119.3	19.2%	264.6	212.1	24.8%
EBITDA Margin (%)	20.7%	18.3%	2.3 p.p.	19.9%	15.9%	3.8 p.p.
Net Income (Loss) for the Period	66.9	55.5	20.6%	120.2	132.3	-9.2%
Recurring Net Income (Loss) for the Period	67.0	61.9	8.2%	126.6	148.1	-14.5%
Net Debt	595.4	586.5	1.5%	595.4	586.5	1.5%
Net Debt / EBITDA (LTM)	1.1	1.1	1.6%	1.1	1.1	1.6%
Recurring Adjusted EBITDA	142.5	129.2	10.3%	274.4	277.9	-1.3%
Recurring Adjusted EBITDA Margin	20.7%	19.8%	0.9 p.p.	20.6%	20.9%	-0.3 p.p.

Management Comments

In the second quarter of 2024, the economic scenario in Brazil remained challenging, but with signs of recovery on various fronts. The Gross Domestic Product (GDP) showed a slight recovery, mainly driven by the growth in industrial production and domestic consumption. The increase in employment and income contributed to the higher consumption. In 1H24, 1.3 million formal jobs were created, up 1.86% from 1H23, while the average worker's income grew 5.8% in the same period.

The increase in the public deficit undermines the control of inflation and generates instability, especially in the exchange rate, which creates a more challenging business environment. The exchange rate has a direct impact on the cost of some raw materials and is expected to bring cost increase pressures in the coming months.

In short, despite the economic upswing, the risk of maintaining or increasing the interest rate may cool down demand and hinder longer-lasting growth.

The indicator of activity in the wood panels sector, measured by the Brazilian Tree Industry Association (IBÁ), combined with MDF/HDF/MDP sales, pointed to 12.9% growth in the domestic market in 2H24 compared to the same period in 2023. Exports increased significantly by 73.0% in 2Q24, which is a positive sign and helps decrease supply pressures in the panels segment. Despite a significant idle capacity, factors such as pricing, scarcity in the wood supply, and challenges in hiring labor may be hampering the conversion of idle capacity into panel supply. In addition to that, there was the heavy rainfall in Rio Grande do Sul, which affected the production of the manufacturers located there, who, even though not directly affected, faced logistical difficulties.

In the construction sector, the Brazilian Construction Materials Industry Association (ABRAMAT) index, which measures the variation in construction material revenues excluding inflation, grew 3.0% in the year until June 2024 and is also projected to grow 3.0% in 2024. According to the president of ABRAMAT *"This optimism is fueled by the resumption of investments in infrastructure and construction, in addition to government policies targeting the sector, which seek to accelerate the generation of jobs and income"*. This growth is in line with the incentives for the housing program from the Government, such as the subsidy given to lower-income families for the purchase of homes, reductions in interest rates for financing, and an extension of the financing term from 30 to 35 years.

Finally, according to the Brazilian Paint Manufacturers Association (ABRAFATI), the paint sector grew 2.1% compared to the previous quarter.

The Construction materials sector, currently the Company's core business segment, accounted for 40% of sales.

Operating Performance and Results

Net Revenue

Net Revenue Breakdown (R\$ million)	2Q24	2Q23	Var. (%)	1H24	1H23	Var. (%)
Furniture Industry and Resale Segment	254.4	242.0	5.1%	494.7	514.7	-3.9%
Construction Segment	269.0	251.6	6.9%	511.8	485.8	5.4%
Export Segment	157.1	142.4	10.3%	292.5	303.5	-3.6%
Other (*)	8.4	15.3	-44.9%	30.8	25.9	18.7%
Net Revenue	688.8	651.3	5.8%	1,329.8	1,329.8	0.0%

(*) Metal profiles, land and energy sales

Total net revenue in 2Q24 was R\$688.8 million, compared to R\$651.3 million in 2Q23, up 5.8%. In 1H24, it remained stable when compared to 1H23.

Furniture Industry and Resale Segment

In the Industry and Resale Segment, which consists of MDP/MDF/THDF panels and Fiberboard, revenue grew by 5.1% in 2Q24, mainly due to a product mix with higher added value, with virtually no sales of Raw MDP. In 1H24, this revenue decreased 3.9% when compared to the same period of the previous year, basically due to the realization of inventories formed in 2H22 that were sold in 1Q23.

Eucatex has been dedicated to launching new lines and patterns for both the furniture industry and resale, which have been well received by the market. The continuation of this launch strategy, together with the implementation of actions at the point of sale, is expected to maintain the company's current sales levels, while significantly improving the quality of the product mix.

Construction segment

In 2Q24, Net Revenue from the Construction Segment - composed of Laminated Flooring, Flooring Accessories, Vinyl Flooring, Doors, Wall Partitions and Architectural Paints - increased 6.9% in relation to 2Q23, chiefly driven by the doors and panels and flooring sectors, with Paint following the market in which it is inserted. In the year to date, the increase was 5.4%.

Eucatex has been committed to various initiatives to expand its presence in the architectural paints market, increasing its customer base. In addition to marketing campaigns, the company has introduced new products and explored new market niches, which has strengthened its position.

According to IBÁ, the Laminated Flooring market declined 1.0% in 2Q24 in relation to 2Q23.

With regard to the Paint Market, ABRAFATI reported growth of 2.1% in 1H24 from the same period last year.

Export segment

Net Revenue from the Export Segment increased 10.3% in 2Q24 compared to 2Q23, due to the improvement in sales volume, the increase in price, and the foreign exchange variation during the period. In addition, the company believes that the launch of products and acquisition of new clients will significantly drive sales volume in the second six-month period of 2024. In 1H24, net revenue decreased 3.6% compared to the same period in 2023.

According to IBÁ, Brazil's MDP and MDF panel exports increased 73.0% in 1H24 in relation to 1H23.

Recurring Cost of Goods Sold (COGS)

COGS increased 2.1% in 2Q24, compared to 2Q23. COGS as a ratio of NOR was 5.8%, down 2.6 p.p., due to the decrease in sea freight and export expenses, as well as the sale of products with better profitability than in 2Q23, indicating an improvement in the product mix. In 2Q24 and 1H24, the pressure on increase of direct costs was low until the end of the quarter, whereas fixed costs, including labor, rose above inflation.

Fair Value of Biological Assets

In 2Q24, the adjustment to the fair value of biological assets decreased by 46.8%. As a ratio of NOR, it decreased by 2.9% p.p. The slower rate of wood price increases in 2Q24 contributed to the decrease in the adjustment, despite the higher planting volume.

Recurring Gross Profit and Gross Margin

Gross Profit reached R\$223.0 million in 2Q24, compared to R\$213.4 million in 2Q23, up 4.5%. The improvement in the Company's sales volume, as well as in the sales mix with higher share of value-added products, contributed to the growth in the Gross Profit line item, despite a significant reduction in the fair value adjustment of biological assets. In 1H24, gross profit increased 0.6% compared to 1H23. Gross Margin in 2Q24 reached 32.4%, compared to 32.8% in the same period of 2023.

Recurring Operating Expenses

Breakdown of Expenses (R\$ million)	2Q24	2Q23	Var. (%)	1H24	1H23	Var. (%)
General and Administrative	(21.5)	(21.9)	-1.7%	(44.1)	(41.7)	5.8%
Selling	(103.4)	(88.7)	16.5%	(198.0)	(176.9)	11.9%
Total Operating Expenses	(124.9)	(110.6)	12.9%	(242.0)	(218.6)	10.7%
% Net Revenue	18.1%	17.0%	1.1 p.p	18.2%	16.4%	1.7 p.p
Other Operating Income and Expenses	0.3	1.7	-81.3%	0.5	1.7	-68.1%

In the second quarter of 2024, Own General Expenses corresponded to 18.1% of Net Revenue, compared to 17.0% from 2023, indicating a nominal increase of 12.9%. This increase is mainly due to higher investments in Marketing, distribution (due to the higher number of Distribution Centers), freight expenses and general export expenses. In 1H24, these expenses increased 10.7%.

Recurring EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA totaled R\$142.5 million, an improvement of 10.3% compared to 2Q23. In 1H24, recurring EBITDA decreased 1.3% when compared to 1H23. Recurring EBITDA Margin in 2Q24 was 20.7%, increasing 0.1 p.p. from 2Q24.

EBITDA Reconciliation (R\$ million)	2T24	2T23	Var. (%)	1S24	1S23	Var. (%)
Net Income (Loss)	66.9	55.5	20.6%	120.2	132.3	-9.2%
Income Tax and Social Contribution	11.3	5.8	93.7%	27.0	(3.3)	-908.4%
Net Financial Income (Loss)	20.0	33.4	-40.2%	39.0	23.3	67.5%
EBIT	98.1	94.7	3.6%	186.2	152.2	22.3%
Depreciation and Amortization	64.7	63.3	2.2%	118.6	119.3	-0.7%
EBITDA under CVM Res. 156/22	162.8	158.0	3.1%	304.8	271.6	12.2%
EBITDA Margin	23.6%	24.3%	-0.5 p.p.	22.9%	20.4%	2.5 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(20.5)	(38.6)	-46.8%	(40.2)	(59.5)	-32.5%
EBITDA adjusted by non-cash events	142.3	119.3	19.2%	264.6	212.1	24.8%
Non-recurring operational events	0.3	9.8	-97.4%	9.8	65.8	-85.1%
Recurring adjusted EBITDA	142.5	129.2	10.3%	274.4	277.9	-1.3%
Adjusted recurring EBITDA Margin	20.7%	19.8%	0.9 p.p.	20.6%	20.9%	-0.3 p.p.
Net income (loss) for the period	66.9	55.5	20.6%	120.2	132.3	-9.2%
Non-recurring profit or loss	0.3	9.8	-97.4%	9.8	24.0	-59.2%
Income Tax and Social Contribution on non-recurring profit or loss	(0.1)	(3.3)	97.4%	(3.3)	(8.2)	59.2%
Recurring net income (loss) for the period*	67.0	61.9	8.2%	126.6	148.1	-14.5%
Net Margin	9.7%	9.5%	0.2 p.p.	-0.9%	11.1%	-12.1 p.p.

Recurring net income

Recurring Net Income in 2Q24, excluding the effect of non-recurring expenses and net of income tax, totaled R\$67.0 million, up 8.2% from 2Q23. In 1H24, recurring net income decreased 14.5% compared to 1H23.

In 2Q24, Non-Recurring Events resulted in an expense of R\$0.3 million, broken down as follows: a) R\$3.7 million related to labor lawsuits and indemnifications; b) R\$10.9 million of expenses related to lawyers' fees for tax lawsuits; and c) R\$14.3 million in revenue, related to the calculation of profit resulting from the receipt of certificates of judgment debt that were accounted for at the acquisition cost.

Debt

The Company's net debt at the end of 2Q24 totaled R\$595.4 million, stable compared to 1Q23, representing 1.1 times its annualized recurring EBITDA.

Debt (R\$ Million)	2Q24	1Q24	Var. (%)	2023	Var. (%)
Short-Term Debt	350.3	322.4	8.6%	307.2	14.0%
Long-Term Debt	491.3	407.4	20.6%	396.7	23.8%
Derivative Financial Instruments	(18.8)	5.1	-467.1%	12.9	-245.8%
Gross Debt	822.8	735.0	11.9%	716.8	14.8%
Cash and Cash Equivalents	227.4	139.7	62.7%	130.3	74.5%
Net Debt	595.4	595.2	0.0%	586.5	1.5%
% Short-Term Debt	43%	44%	-1 p.p.	43%	1 p.p.
Net Debt/Recurring EBITDA	1.1	1.1	-1.6%	1.1	-0.8%

Investments

Investments in 2Q24 and 1H24 totaled R\$80.4 million and R\$154.9 million, respectively, and were allocated to maintaining the Company's industrial and, chiefly, forest operations. For 2024, investments of around R\$268.0 million are planned, an increase of 6.3% from 2023, due to the significant increase in the planting of new forests, the increase in prices of parts and services, as well as the acquisition of new forest harvesting machinery and new equipment to improve productivity at the Paint plant.

Sustainability

Eucatex's forest sustainability is assured by 45,600 hectares of forests, all located in the state of São Paulo.

The Company is recognized for its sustainable development practices and was the first in the industry to obtain the ISO 9001 certification, in 2000. It also holds the ISO 14001 certification and the Green Seal awarded by the Forest Stewardship Council (FSC), which certifies that its forests are managed in accordance with rigorous environmental, social and economic standards.

In another pioneering initiative, Eucatex became the first in the industry in South America to build a woodchip recycling line on an industrial scale. Its state-of-the-art equipment enables materials obtained within a radius of approximately 120 kilometers from the Salto (São Paulo) unit to be used as raw material for producing panels and as biomass for firing its boilers. Its total nominal processing capacity is 240,000 metric tons/year, which is equivalent to approximately 2 million trees, 470,000 m³ of standing timber or 1,500 hectares of planted forests. Investments in land and planting to maintain this volume of wood, considering a seven-year cycle, would be around R\$200 million. Not only does it generate cost benefits, but recycling woodchips also prevents this material from being deposited in local landfills.

In another important step forward in its Environmental, Social and Governance (ESG) practices, the Company recently signed a long-term electricity purchase agreement (PPA) with the Comerc Energia Group, as part of investments of approximately R\$1 billion in the Castilho solar power plant, the biggest in the state of São Paulo, with generation capacity of 269 MWP in the self-production model. This clean and renewable energy will meet 50% of the consumption needs of the Company's production units.

Capital Markets

Eucatex's common and preferred shares, listed on the B3 under the tickers EUCA3 and EUCA4, closed 2Q24 quoted at R\$15.36 and R\$14.99, respectively. The Company's market capitalization at the end of the period was R\$1,399.9 million, around 53% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio, which completed 73 years, is one of Brazil's largest manufacturers of flooring, wall partitions, doors, MDP/MDF/T-HDF panels, fiberboard, and paints and varnishes. It operates six plants in Botucatu and Salto (both in São Paulo) and Cabo de Santo Agostinho

(Pernambuco), employing 3,108 people. Its products are exported to more than 37 countries. For further information, visit www.eucatex.com.br/ri.

This document contains forward-looking statements related to the business prospects, estimates of operating and financial results, and those related to the growth prospects of Eucatex. These are merely projections and as such are based exclusively on the expectations of Eucatex management concerning the future of the business. These forward-looking statements substantially depend on market conditions, the performance of the Brazilian economy, the sector and the international markets and therefore are subject to change without prior notice.

Audit

The policy of the Eucatex Group regarding services provided by its independent auditors that are not related to the external audit of its financial statements is based on the principles of maintaining professional independence. These principles are based on the premise that the auditor must not examine their own work, perform managerial functions or practice law on behalf of clients. In 2Q24, the Eucatex Group did not engage Ernst & Young Auditores Independentes S/S. for services other than audit. Our independent auditors did not audit the operational and financial indicators.

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Income Statement

Income Statement (R\$ million)	2Q24	2Q23	Var. (%)	1H24	1H23	Var. (%)
Receita Líquida	688.8	651.3	5.8%	1,329.8	1,329.8	0.0%
Fair Value Variation in Biological Assets	20.5	38.6	-46.8%	40.2	59.5	-32.5%
Cost of Goods Sold	(486.4)	(476.5)	2.1%	(932.6)	(954.4)	-2.3%
Gross Profit	223.0	213.4	4.5%	437.5	435.0	0.6%
% Gross Margin	32.4%	32.8%	-0,4 p.p.	32.9%	32.7%	0.2 p.p.
Selling Expenses	(103.4)	(88.7)	16.5%	(198.0)	(176.9)	11.9%
General and Administrative Expenses	(18.5)	(18.7)	-0.9%	(38.3)	(35.7)	7.3%
Management Compensation	(3.0)	(3.2)	-6.4%	(5.7)	(5.9)	-3.1%
Other Operating Income / (Expenses)	0.3	1.7	-81.3%	0.5	1.7	68.1%
Operating Income (Expenses)	(124.6)	(108.9)	14.4%	(241.5)	(216.9)	11.4%
Net Income before Financial Result	98.4	104.5	-5.9%	196.0	218.1	-10.1%
Net Financial Income (Expense)	(20.0)	(33.4)	40.2%	(39.0)	(65.1)	40.2%
Non-recurring Income (Expense)	(0.3)	(9.8)	97.4%	(9.8)	(24.0)	59.2%
Net Income (Loss) after Financial Result	78.2	61.3	27.5%	147.2	129.0	14.1%
Provision for Income Tax and Soc. Contr.	(11.3)	(5.8)	93.7%	(27.0)	3.3	908.4%
Net Income (Loss) before Non-Controlling Interest	66.9	55.5	20.6%	120.2	132.3	-9.2%
Net Income (Loss) from the Period	66.9	55.5	20.6%	120.2	132.3	-9.2%
Net Margin	9.7%	8.5%	1.2 p.p.	9.0%	9.9%	-0.9 p.p.

* Values of items: Cost of Goods Sold, Selling Expenses, General and Administrative Expenses, and Other Operating Expenses /Income are net of non-recurring expenses.

Balance Sheet

Consolidated Balance Sheet (R\$ '000)	2Q24	2023	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	45.8	33.2	37.7%
Marketable Securities	181.6	97.1	87.1%
Trade Accounts Receivable	649.5	609.9	6.5%
Inventories	598.8	528.5	13.3%
Taxes Recoverable	153.3	186.1	-17.6%
Prepaid Expenses	0.8	12.0	-93.5%
Derivative Financial Instruments from Debt	9.6	-	0.0%
Other Receivables	3.4	6.2	-44.9%
Total Current Assets	1,642.7	1,473.1	11.5%
Non-Current Assets			
Trade Accounts Receivable	20.0	15.6	28.0%
Taxes Recoverable	70.5	68.5	2.9%
Deferred Income Tax and Social Contribution	183.6	186.3	-1.5%
Held-for-Sale Assets	0.6	0.6	-1.4%
Investment Properties	23.5	23.5	0.0%
Judicial Deposits	43.5	44.0	-1.4%
Derivative Financial Instruments from Debt	9.9	1.4	600.4%
Other Receivables	8.9	11.1	-19.7%
Total Long-Term Assets	360.4	351.1	2.7%
Investments	4.6	4.6	0.0%
Biological Assets	942.9	899.2	4.8%
Fixed Assets	1,414.1	1,363.2	3.7%
Intangible Assets	21.1	18.7	13.1%
Total Permanent Assets	2,382.7	2,285.7	21.7%
Total Non-Current Assets	2,743.1	2,636.8	4.0%
Total Assets	4,385.8	4,109.8	6.7%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	227.6	227.2	0.2%
Loans and Financing	350.3	307.2	14.0%
Labor Liabilities	50.2	45.9	9.4%
Tax Liabilities	35.2	21.5	64.3%
Tax Installments	7.8	23.2	-66.1%
Advances from Clients	30.3	30.9	-1.9%
Dividends and Interest on Equity Payable	60.8	68.7	-11.5%
Accounts Payable	52.5	55.8	-6.0%
Derivative Financial Instruments from Debt	0.3	3.5	-91.7%
Lease Liabilities	56.7	46.4	22.2%
Total Current Liabilities	871.8	830.3	5.0%
Non-Current Liabilities			
Loans and Financing	491.3	396.7	23.8%
Trade Accounts Payable	-	-	0.0%
Tax Installments	2.9	3.9	-25.2%
Deferred Income tax and Soc. Contr.	103.8	107.4	-3.4%
Provision for Contingencies	81.9	81.9	0.0%
Derivative Financial Instruments from Debt	0.4	10.7	-96.0%
Lease Liabilities	290.5	271.5	7.0%
Total Non-Current Liabilities	970.8	872.3	11.3%
Shareholders' Equity			
Capital	1,412.8	851.9	65.8%
Revaluation Reserves	156.2	156.2	0.0%
Profit Reserve	875.2	1,315.8	-33.5%
Asset Valuation Adjustment	81.9	81.9	0.0%
Other Comprehensive Income	20.1	4.4	360.9%
Treasury Stock	(2.9)	(2.9)	0.0%
Retained Earnings	120.2	-	0.0%
Total Shareholders' Equity	2,663.5	2,407.3	10.6%
Non-controlling Interest	(0.1)	(0.1)	2.6%
Total Shareholders' Equity & Non-controlling Interest	2,663.4	2,407.2	10.6%
Total Liabilities and Shareholders' Equity	4,506.0	4,109.8	9.6%

Cash Flow

Operating Cash Flow (RS '000)	1H24	1H23
Net Income (Loss) before Income Tax and Social Contribution	66.9	129.0
Adjustments to reconcile the result to cash and cash equivalents generated by operating activities		
Depreciation and Amortization	(40.2)	61.7
Depletion of Biological Assets	45.3	70.6
Write-off of Investments	-	0.0
Fair Value Variation in Biological Assets	(40.2)	(59.5)
Interest, Monetary and Exchange Variations, net	23.0	19.9
Provision for Tax Gains	-	(10.0)
Other Provisions	23.0	1.9
Changes in operating assets and liabilities		
Trade Accounts Receivable	30.8	(57.9)
Inventories	0.6	44.1
Recoverable Taxes	5.0	25.5
Deferred Expenses	0.4	2.4
Judicial Deposits	(19.9)	0.4
Other Receivables	(16.1)	(0.0)
Trade Accounts Payable	(0.6)	4.5
Labor and Tax Liabilities	(12.5)	(17.6)
Income and Social Contribution Taxes Paid	(7.4)	(4.3)
Tax Installments	(16.1)	(15.7)
Advances from Clients	(0.6)	(32.8)
Accounts Payable and Leases	61.2	85.1
Net cash from operating activities	114.2	247.4
Cash flow from investing activities		
Marketable Securities	(84.5)	(12.2)
Addition to Fixed and Intangible Assets	(120.4)	(146.1)
Addition to Biological Assets	-	(69.5)
Net cash used in investing activities	(204.9)	(227.8)
Cash flow from financing activities		
Amortization of Loans and Financing	(178.7)	(272.9)
Amortization of Leases	(35.3)	(33.0)
New Loans and Financing	239.1	313.1
Amortização de empréstimos com partes relacionadas	(7.9)	(0.7)
Ingressos de empréstimos com partes relacionadas		
Distribution of Dividends/Interest on Equity	17.2	6.5
Net increase (reduction) in cash and cash equivalents	(73.6)	26.1
Cash and cash equivalents		
Opening Balance of Cash and Cash Equivalents	33.2	22.8
Closing Balance of Cash and Cash Equivalents	45.8	48.9
Net increase (reduction) in cash and cash equivalents	12.5	26.1