

euocatex 

Cultivando
o amanhã.



1Q22 Earnings Release

Eucatex (B3: EUCA3 and EUCA4), one of the largest manufacturers of panels in Brazil, with operations also in the paint, varnish, laminated flooring, partitions and doors segments, announces today its results for the 1st quarter of 2022 (1Q22). 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.

IR Contacts

José Antonio Goulart de Carvalho
Executive Vice President and
Investor Relations Officer

Waneska Bandeira
Investor Relations

+55 11 3049-2473

ri@euocatex.com.br

www.euocatex.com.br/ri

Public Meeting
(Portuguese only)

May 16, 2022
11.00 a.m. (Brasília)

www.euocatex.com.br/ri

English transcript will be available after the event

Highlights

1Q22

- Net Revenue of R\$ 597.8 million (+12.9%)
- Recurring EBITDA of R\$ 123.2 million (-2.8%), with Margin of 20.6%
- Recurring Net Income of R\$ 86.1 million (+44.7%)

Amounts in R\$ million	1Q22	1Q21	Var. (%)
Net Revenue	597.8	529.5	12.9%
Gross Profit	209.4	184.5	13.5%
<i>Gross Margin (%)</i>	35.0%	34.8%	0.2 p.p.
EBITDA adjusted by non-cash events	122.2	130.0	-6.0%
<i>EBITDA Margin (%)</i>	20.4%	24.6%	-4.2 p.p.
Net Income (Loss)	85.4	61.6	38.5%
Recurring Net Income (Loss)	86.1	59.5	44.7%
Net Debt	420.3	427.6	-1.7%
Net Debt / EBITDA (LTM)	0.8	1.0	-25.5%
Recurring Adjusted EBITDA	123.2	126.7	-2.8%
Recurring Adjusted EBITDA Margin	20.6%	23.9%	-3.3 p.p.

Management Comments

The initial months of 2022 were impacted by high inflation rates, which continue to erode the buying power of workers, and by the effects of the hike in interest rates and the consequent reduction in consumer confidence indices. Moreover, commodity prices, which had already been under considerable pressure since the end of 2021, were severely affected by the war between Russia and Ukraine, negatively influencing the prices of the Company's main inputs.

Domestic demand fell sharply across all of the Company's businesses there in 1Q22. The negative impact of the loss of purchasing power of the population, which, combined with the tightening of monetary policy, makes the scenario for 2022 challenging. 0} In 1Q22, costs increased sharply but could not be passed on to prices due to weak demand.0} On the other hand, the Export Market has witnessed strong demand, but logistics difficulties, lack of ships and containers, and high freight rates have made it difficult to seize these opportunities.

The two leading market indices that measure the performance of the Company's key operating sectors performed negatively.

The ABRAMAT (Brazilian Construction Materials Industry Association) index, which measures the performance of construction materials industries, ended 1Q22 down 9.4%. The forecast for 2022 is growth of 1%.

Indicators for the panels market, which includes MDF/HDF/MDP/Fiberboard sales, according to IBA (Brazilian Tree Industry) figures and the Company's estimates, decreased 17.9% in the domestic market but increased 21.0% in the export market in relation to 1Q21. The significant growth in exports in the panel segment was chiefly driven by MDP, with growth of 70% in 1Q22 vs. 1Q21.

Operating Performance and Results

Sales volume in the Company's Wood segment, considering both domestic and export markets, decreased 11.4% in 1Q22, compared to the same period last year. Performance in the quarter was impacted by the decline in both domestic sales (-13.0%) and exports (-3.9%).

As announced in 4Q21, in 2022, we signed an agreement to regularize the situation of container shipments, which is important for the Company's distribution logistics in the United States. However the situation remains challenging and we had to cancel several scheduled shipments and seek new shipment options.

The Company's Paint sales in 1Q22 were 7.1% lower than in 1Q21, while the Paints Market contracted 10.4% during the period, according to ABRAFATI (Brazilian Paint Manufacturers Association).

The Company continues to work on new formulations, the development of alternatives together with its suppliers and prospecting for new raw materials in order to recover its margins.

Operating Performance basis 100 - 2005

Physical Sales	1Q22	1Q21	Var. (%)
Wood Panels (DM)	125	144	-13.0%
Wood Panels (EM)	233	243	-3.9%
Paints	438	471	-7.1%

DM - Domestic Market / EM - Export Market

Net Revenue

Net Revenue Breakdown (R\$ million)	1Q22	1Q21	Var. (%)
Wood Segment	476.2	429.7	10.8%
Paint Segment	115.3	99.7	15.7%
Other (*)	6.2	0.2	3170.4%
Net Revenue	597.8	529.5	12.9%

(*) Metal profiles, land and energy sales

Total net revenue in 1Q22 was R\$597.8 million, compared to R\$529.7 million in 1Q21, up 12.9%.

In the Wood Segment, revenue grew 10.8% in the quarter, mainly reflecting the increase in sales prices in both the domestic and export markets in relation to 1Q21.

In 1Q22, the Paint segment increased its share of Net Revenue by 15.7% in relation to the same period the previous year, as a result of the increase in sales prices, which offset, albeit partially, the increase in costs.

Recurring Cost of Goods Sold (COGS)

COGS increased 16.8% in 1Q22 compared to 1Q21. As mentioned earlier, COGS was influenced by the oscillations in commodity prices and the continued increase in wood prices and logistics costs. The appreciation of the Brazilian real throughout 1Q22 helped, to a certain extent, contain cost inflation, but uncertainties regarding the price of commodities still persist on account of the external scenario.

Fair Value of Biological Assets

In 1Q22, the fair value of biological assets was R\$28.5 million, affected by the expansion of planted areas in the quarter and by the changes in the assumptions used, such as costs, prices and fees. Wood prices remain under pressure and supply, especially in the Company's area of interest, is scarce. The trend points to further increase in wood prices.

Recurring Gross Profit and Gross Margin

Gross Profit was R\$ 209.4 million in 1Q22, as against R\$ 184.5 million in 1Q21, an increase of 13.5%, reflecting the increase in the fair value of biological assets, chiefly due to the increase in wood prices and the variation in COGS, which reflected the accelerated increase in raw material prices.

Recurring Operating Expenses

Breakdown of Expenses (R\$ million)	1Q22	1Q21	Var. (%)
General and Administrative	(20.5)	(19.6)	4.8%
Selling	(74.6)	(67.4)	10.6%
Total Operating Expenses	(95.1)	(87.0)	9.3%
% Net Revenue	15.9%	16.4%	-0.5 p.p.
Other Operating Income and Expenses	(0.1)	4.6	-101.8%

In 1Q22, operating expenses corresponded to 15.9% of Net Revenue, declining 0.5 p.p. In nominal terms, operating expenses increased 9.3% in 1Q22 compared to 1Q21. Considering the inflation during the period and the increase in the Company's Revenues, the behavior of Operating Expenses was positive.

Recurring EBITDA and EBITDA Margin

As a result of the above, Recurring EBITDA totaled R\$ 123.2 million, down 2.8% from 1Q21. Recurring EBITDA Margin in 1Q22 reached 20.6%, decreasing 3.3 p.p. from the same period last year.

EBITDA Reconciliation (R\$ million)	1Q22	1Q21	Var. (%)
Net Income (Loss)	85.4	61.6	38.5%
Income Tax and Social Contribution	18.9	20.4	-7.5%
Net Financial Income (Loss)	8.9	23.2	-61.6%
EBIT	113.2	105.3	7.5%
Depreciation and Amortization	37.5	36.6	2.5%
EBITDA under CVM instr. 527/12	150.7	141.9	6.2%
EBITDA Margin	25.2%	26.8%	-1.6 p.p.
Non-cash adjustments			
Fair value variation in biological assets	(28.5)	(11.9)	140.3%
EBITDA adjusted by non-cash events	122.2	130.0	-6.0%
Non-recurring operational events	1.1	(3.3)	-132.3%
Recurring adjusted EBITDA	123.2	126.7	-2.8%
Adjusted recurring EBITDA Margin	20.6%	23.9%	-3.3 p.p.

Recurring Net Income

Recurring Net Income in 1Q22, excluding the effect of non-recurring expenses and net of income tax, totaled R\$86.1 million.

Non-recurring events in 1Q22 included: 1) expenses of R\$2.3 million related to labor lawsuits and terminations; 2) expenses of R\$ 1.1 million related to termination of representatives; and 3) additional revenue of R\$ 2.3 million from the lawsuit on the exclusion of ICMS from the PIS/COFINS calculation base.

Debt

The Company's net debt at the end of 1Q22 was R\$420.3 million and was equivalent to 0.8 times its annualized recurring EBITDA.

Debt (R\$ Million)	1Q22	2021	Var. (%)	1Q21	Var. (%)
Short-Term Debt	204.9	230.5	-11.1%	264.0	-22.4%
Long-Term Debt	287.3	291.4	-1.4%	239.0	20.2%
Gross Debt	492.2	521.9	-5.7%	503.0	-2.1%
Cash and Cash Equivalents	71.9	141.1	-49.0%	75.4	-4.5%
Net Debt	420.3	380.8	10.4%	427.6	-1.7%
% Short-Term Debt	42%	44%	-2 p.p.	52%	-10 p.p.
Net Debt/Recurring EBITDA	0.8	0.7	11.7%	1.0	-25.5%

Investments

Investments in 1Q22 totaled R\$43.0 million and were allocated to maintaining the Company's industrial and, chiefly, forest operations. For 2022, investments of around R\$248.0 million are planned, an increase of 19.5% from 2021, due to the significant increase in the plantation of new forests and the increase in prices of imported parts and services.

Sustainability

Eucatex's forest sustainability is assured by 44,100 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 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.

Capital Markets

Eucatex's common and preferred shares, listed on the B3 under the tickers EUCA3 and EUCA4, closed 1Q22 quoted at R\$15.40 and R\$10.90, respectively. The Company's market capitalization at the end of the period was R\$1,009.5 million, around 51% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio completed 70 years in 2021 and 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 2,926 people. Its products are exported to more than 37 countries. For more 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 1Q22, the Eucatex Group did not engage Mazars Auditores Independentes SS for services other than audit. Our independent auditors did not audit the operational and financial indicators.

Income Statement

Income Statement (R\$ million)	1Q22	1Q21	Var. (%)
Gross Revenue	701.4	626.2	12.0%
Sales taxes	(103.6)	(96.7)	7.1%
Net Revenue	597.8	529.5	12.9%
Fair value variation in biological assets	28.5	11.9	140.3%
Cost of Goods Sold	(416.9)	(356.9)	16.8%
Gross Profit	209.4	184.5	13.5%
% Gross Margin	35.0%	34.8%	0.2 p.p.
Selling Expenses	(74.6)	(67.4)	10.6%
General and Administrative Expenses	(18.1)	(17.8)	1.8%
Management Compensation	(2.4)	(1.8)	34.7%
Other Operating Income / (Expenses)	(0.1)	4.6	-101.8%
Operating Income (Expenses)	(95.2)	(82.4)	15.4%
Net Income before Financial Result	114.3	102.0	12.0%
Financial Income (Expense)	(8.9)	(23.2)	61.6%
Non-recurring Income (Expense)	(1.1)	3.3	-132.3%
Net Income after Financial Result	104.3	82.1	27.1%
Provision for Income Tax and Soc. Contr.	(18.9)	(20.4)	-7.5%
Net Income (Loss) before Non-Controlling Interest	85.4	61.6	38.5%
Non-controlling interest	(0.0)	(0.0)	43.2%
Net Income (Loss) from the Period	85.4	61.6	38.5%
Net Margin	14.3%	11.6%	2.7 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

Balance Sheet (R\$ '000)	1Q22	2021	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	23.6	44.8	-47.3%
Marketable Securities	48.3	96.3	-49.8%
Trade Accounts Receivable	521.7	545.7	-4.4%
Inventories	471.9	434.0	8.7%
Taxes Recoverable	102.9	121.3	-15.2%
Prepaid Expenses	14.4	15.6	-7.7%
Other receivables	2.1	3.2	-33.6%
Total Current Assets	1,185.0	1,260.9	-6.0%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	22.2	22.1	0.3%
Taxes Recoverable	140.8	140.9	-0.1%
Deferred income tax and social contribution	66.8	64.8	3.0%
Assets held for sale	0.2	0.2	0.0%
Investment properties	23.9	24.0	-0.2%
Judicial Deposits	46.3	46.4	-0.2%
Other receivables	11.1	11.1	0.0%
Total Long-Term Assets	311.2	309.5	0.6%
Investments	-	-	0.0%
Biological Assets	679.9	644.1	5.6%
Fixed Assets	1,253.9	1,243.9	0.8%
Intangible Assets	16.4	16.5	-1.1%
Total Permanent Assets	1,950.2	1,904.6	5.3%
Total Non-Current Assets	2,261.4	2,214.0	2.1%
Total Assets	3,446.4	3,474.9	-0.8%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	242.3	283.0	-14.4%
Loans and Financing	204.9	230.5	-11.1%
Labor Liabilities	43.3	37.5	15.4%
Tax Liabilities	31.3	45.4	-31.0%
Related Parties	-	-	0.0%
Tax Installments	31.2	30.8	1.1%
Advances from Clients	20.2	28.1	-28.0%
Dividends and interest on equity payable	60.5	60.5	0.0%
Accounts Payable	72.4	72.7	-0.4%
Lease Liabilities	27.1	34.7	-21.8%
Total Current Liabilities	733.2	823.1	-10.9%
Non-Current Liabilities			
Loans and Financing	287.3	291.4	-1.4%
Trade Accounts Payable	4.5	8.0	-43.0%
Tax Installments	47.2	54.1	-12.7%
Deferred Income tax and Soc. Contr.	121.6	121.9	-0.2%
Provision for Contingencies	78.2	78.2	0.0%
Related Parties	-	-	0.0%
Lease Liabilities	211.6	210.2	0.6%
Total Long-Term Liabilities	750.4	763.7	-1.7%
Shareholders' Equity			
Capital	851.9	851.9	0.0%
Revaluation Reserves	182.7	182.7	0.0%
Profit Reserve	840.5	755.2	11.3%
Asset Valuation Adjustment	89.8	89.8	0.0%
Other Comprehensive Income	0.9	11.5	-92.2%
Treasury Stock	(2.9)	(2.9)	0.0%
Accrued Earnings	-	-	0.0%
Total Shareholders' Equity	1,962.9	1,888.1	4.0%
Non-controlling interest	(0.1)	(0.1)	6.0%
Total Shareholders' Equity & Non-controlling Interest	1,962.8	1,888.0	4.0%
Total Liabilities and Shareholders' Equity	3,446.4	3,474.9	-0.8%

Cash Flow

Operating Cash Flow (RS '000)	1Q22	1Q21
<i>Net Income (Loss) before Income Tax and Social Contribution</i>	85.4	61.6
<i>Adjustments to reconcile the result to cash and cash equivalents generated by operating activities</i>		
Depreciation and Amortizations	25.3	20.5
Exhaustion of biological assets	15.2	16.1
Write-off of investments	0.1	0.0
Fair value variation in biological assets	(28.5)	(11.9)
Interest, Monetary and Exchange Variations, net	(17.4)	16.6
Income tax and social contribution	21.1	19.3
Provision for tax gains	-	-
Income and social contribution taxes - deferred	(2.2)	1.1
Other provisions	(7.6)	6.6
<i>Changes in operating assets and liabilities</i>		
Marketable Securities	47.9	31.9
Trade accounts receivable	22.9	(53.5)
Inventories	(37.9)	(4.6)
Recoverable taxes	18.5	27.0
Deferred expenses	1.2	(0.8)
Judicial deposits	0.1	(0.2)
Other receivables	1.1	0.0
Trade accounts payable	(44.1)	(12.7)
Labor and Tax Liabilities	(31.5)	(24.3)
Tax Installments	(7.6)	(7.0)
Advances from Clients	(7.8)	(4.8)
Accounts payable	(6.5)	17.6
<i>Net Cash Flow from Operating Activities</i>	47.7	98.8
<i>Cash Flow from Investing Activities</i>		
Capital decrease in subsidiaries	-	-
Addition to fixed assets	(35.1)	(26.8)
Addition to biological assets	(22.5)	(19.6)
<i>Net cash used in investment activities</i>	(57.7)	(46.4)
<i>Cash Flow from Financing Activities</i>		
Amortization of loans and financing	(64.7)	(89.5)
Amortization of leases	-	(9.6)
New loans and financing	53.4	69.6
Amortization of loans with related parties	-	(0.8)
New loans with related parties	-	-
<i>Net cash used in financing activities</i>	(11.3)	(30.3)
<i>Increase (Reduction) in Net Cash and Cash Equivalents</i>	(21.2)	22.1
<i>Cash and Cash Equivalents</i>		
Opening balance of cash and cash equivalents	44.8	7.1
Closing balance of cash and cash equivalents	23.6	29.1
<i>Increase (Reduction) in Net Cash and Cash Equivalents</i>	(21.2)	22.1