



Earnings Release 4Q23

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 4th quarter of 2023 (4Q23). 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.

4Q23 Conference Call

(Portuguese only)

March 22, 2024
11 a.m. (Brasília)

www.eucatex.com.br/ri

*An English transcript will be made available
after the conference call*

Highlights

4Q23

- Net Revenue of R\$663.1 million (+3.7%)
- Recurring EBITDA of R\$130.0 million (+10.5%), with Margin of 19.6%
- Recurring Net Income of R\$76.3 million (+12.0%)

2023

- Net Revenue of R\$2,677.6 million (+6.6%)
- Recurring EBITDA of R\$548.1 million (+12.8%), with Margin of 20.5%
- Recurring Net Income of R\$296.2 million (+21.4%)

Amounts in R\$ million	4Q23	4Q22	Var. (%)	2023	2022	Var. (%)
Net Revenue	663.1	639.1	3.7%	2,677.6	2,510.6	6.6%
Gross Profit	222.5	214.3	3.9%	887.8	812.7	9.2%
Gross Margin (%)	33.6%	33.5%	0 p.p.	33.2%	32.4%	0.8 p.p.
EBITDA adjusted by non-cash events	134.0	111.2	20.5%	469.3	474.1	-1.0%
EBITDA Margin (%)	20.2%	17.4%	2.8 p.p.	17.5%	18.9%	-1.5 p.p.
Net Income (Loss)	229.3	82.0	179.8%	422.2	257.5	64.0%
Recurring Net Income (Loss)	76.3	68.1	12.1%	296.2	244.1	21.4%
Net Debt	586.5	530.2	10.6%	586.5	530.2	10.6%
Net Debt / EBITDA (LTM)	1.1	1.1	-2.0%	1.1	1.1	-2.0%
Recurring Adjusted EBITDA	130.0	117.7	10.5%	548.1	485.7	12.8%
Recurring Adjusted EBITDA Margin	19.6%	18.4%	1.2 p.p.	20.5%	19.3%	1.1 p.p.

Management Comments

Despite facing significant challenges in 2023, Brazil's economic scenario saw improvement throughout the year, with expectations pointing towards a year-end growth of 3.0%, as per the latest Focus bulletin published by the Brazilian Central Bank. The rise in the consumer confidence index, the stabilization of unemployment rate, the rise in minimum wage and the intensification of social programs have helped increase the purchasing power of households. Furthermore, with inflation somewhat under control, the Central Bank could start a reduction in the basic interest rate, with the Selic rate reaching 11.75% by year-end.

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 6.2% growth in 4Q23 compared to 4Q22 and 1.5% increase in 2023 compared to 2022. In 4Q23, exports increased significantly at 66.1% in relation to the same period of 2022. In 2023, however, exports contracted 22.7% compared to 2022. The important recovery in sector exports in 4Q23 is a positive indicator and contributes to alleviating pressure on the supply of the panels sector.

In the construction sector, the Brazilian Construction Materials Industry Association (ABRAMAT) index, which measures the variation in construction material revenues excluding inflation, dropped 2.0% in 2023, and is projected to increase 2.0% in 2024. According the chairman of Abrammat, "2024 is indicating a return to healthy growth." The factors included: The advances in Tax Reform and the resumption of public construction and infrastructure works and infrastructure involving the "Programa de Aceleração do Crescimento (PAC)" and the "Minha Casa Minha Vida" programs.

Lastly, the paint sector expanded 3.4% year on year, according to the Brazilian Paint Manufacturers Association (ABRAFATI), driven by architectural paints, which increased 3.6%. According to ABRAFATI: "The trend of prioritizing home care, observed during the Covid-19 pandemic, has solidified and continues to inspire individuals to transform their homes into comfortable and customized spaces." The forecast for 2024 is growth between 2.0% and 2.5%.

The Construction materials sector is currently the main sector served by the Company and accounted for 40% of sales in 4Q23.

Operating Performance and Results

Net Revenue

Net Revenue Breakdown (R\$ million)	4Q23	4Q22	Var. (%)	2023	2022	Var. (%)
Furniture Industry and Resale Segment	245.8	247.4	-0.6%	1,015.0	909.6	11.6%
Construction Segment	264.4	233.8	13.1%	1,028.5	946.9	8.6%
Export Segment	132.5	133.0	-0.4%	577.6	598.3	-3.5%
Other (*)	20.4	24.9	-18.3%	56.5	55.8	1.4%
Net Revenue	663.1	639.1	3.7%	2,677.6	2,510.6	6.6%

(*) Metal profiles, land and energy sales

Total net revenue in 4Q23 came to R\$663.1 million, compared to R\$639.1 million in 4Q22, up 3.7%. In 2023, total net revenue increased 6.6% year on year to R\$2,510.6 million.

Furniture Industry and Resale Segment

In the Industry and Resale Segment, which consists of MDP/MDF/THDF panels and Fiberboard, revenue decreased 0.6% in 4Q23. In the year, revenue increased 11.6%. The volume increased 13.8% and reflects the realization of inventories in 1H23, in terms of prices, partially due to the reduction in cost of some of the main inputs.

Eucatex is focused on the launch of new lines and new patterns in furniture industry and for resale, which have been well accepted by the market. Continuing the policy of new launches, combined with conducting actions at points of sale, is expected to allow the company to sustain its current sales levels.

IBÁ indicates growth in the domestic market of 6.2% in 4Q23 when compared to 4Q22 and of 1.5% in the year.

Construction segment

In 4Q23, Net Revenue from the Construction Segment – composed of Laminated Flooring, Flooring Accessories, Vinyl Flooring, Doors, Wall Partitions and Architectural Paints – increased 13.1% in relation to 4Q22, chiefly driven by the paint, doors and panels sectors.

Eucatex has worked on diverse fronts to expand its operations in the architectural paints sector and has been expanding its customer base. In addition to marketing initiatives, the company has also launched products and concentrated on entering new market niches, contributing to brand positioning.

According to IBÁ, the Laminated Flooring market grew 3.3% in 4Q23 in relation to 4Q22 and decreased 5.5% in 2023.

With regard to the Paint Market, ABRAFATI reported growth of 13.1% in 4Q23 from the same period last year and 3.4% in the year.

Export segment

Net Revenue from Export Segment remained stable in 4Q23 (-0.4%) in relation to 4Q22. Logistics issues that impacted the company, particularly in 2022, and resulted in inventory constraints in the United States, were gradually addressed. This enabled the Company to achieve revenue growth of 5.7% in U.S. dollar. The company believes that the launch of new products and the acquisition of new clients will contribute to volume expansion starting the second half of 2024.

Other markets, mainly Latin America, have shown some demand for the Company's products, but increasingly tighter margins have been hampering business.

Panel exports increased 2.3% in 4Q23 compared to 4Q22 and 8.3% in 2023 in relation to 2022.

According to IBÁ, Brazil's MDP and MDF panel exports increased 66.1% in 4Q23 in relation to 4Q22 and decreased 22.7% in 2023.

Recurring Cost of Goods Sold (COGS)

COGS increased 3.3% in 4Q23 compared to 4Q22. Raw material prices declined 16.9% on average in 4Q23 compared to 4Q22, resulting from the drop in commodity prices, the regularization of supply chains and the slowdown of the Chinese economy. The negative impacts were wood price, which has increased approximately 50% in relation to 2022, and the impact of inflation on energy contracts and labor costs.

Fair Value of Biological Assets

In 4Q23, the wood price, still with positive variation, and the reduction in discount rate, contributed to the increase in fair value of biological asset. The upward trend in prices during the year appears to be slowing down, suggesting that the cost pressure stemming from wood price will ease, resulting in a diminished impact on the fair value of biological assets in the future.

Recurring Gross Profit and Gross Margin

Gross Profit reached R\$222.5 million in 4Q23, compared to R\$214.3 million in 4Q22, up 3.9%. The reduction in costs of certain inputs and the fair value of biological assets drove gross margin growth, from 33.5% in 2022 to 33.6% in 2023.

Recurring Operating Expenses

Breakdown of Expenses (R\$ million)	4T23	4T22	Var. (%)	2023	2022	Var. (%)
General and Administrative	(20.8)	(22.5)	-7.6%	(82.3)	(80.6)	2.1%
Selling	(94.7)	(92.5)	2.4%	(374.2)	(331.9)	12.7%
Total Operating Expenses	(115.5)	(115.0)	0.5%	(456.4)	(412.5)	10.7%
% Net Revenue	17.4%	18.0%	-0.6 p.p.	17.0%	16.4%	0.5 p.p.
Other Operating Income and Expenses	(1.7)	(1.9)	-10.7%	(2.0)	(1.8)	11.9%

In 4Q23, Own General Expenses corresponded to 17.4% of Net Revenue, compared to 18.0% from 4Q22. Marketing and distribution expenses increased due to the higher number of Distribution Centers, offset by lower freight expenses and general export expenses. In 2023, Own General Expenses as a ratio of ROL increased from 16.4% in 2022 to 17.0%, driven by the increase in Marketing and Distribution Expenses, freight expenses and general export expenses.

Recurring EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA totaled R\$130.0 million, up 10.5% from 4Q22. Recurring EBITDA Margin in 4Q23 was 19.6%, increasing 1.2 p.p. from 4Q22. In the year, Ebitda came to R\$548.1 million, up 12.8% from the previous year and the Company's second highest result ever.

EBITDA Reconciliation (R\$ million)	4Q23	4Q22	Var. (%)	2023	2022	Var. (%)
Net Income (Loss)	229.3	82.0	179.8%	422.2	257.5	64.0%
Income Tax and Social Contribution	(93.3)	(14.8)	-528.7%	(96.8)	64.8	-249.4%
Net Financial Income (Loss)	(26.7)	23.8	-212.3%	25.1	64.5	-61.1%
EBIT	109.3	90.9	20.2%	350.5	386.8	-9.4%
Depreciation and Amortization	51.3	47.5	8.0%	225.0	167.5	34.4%
EBITDA under CVM instr. 527/12	160.6	138.4	16.0%	575.5	554.2	3.8%
EBITDA Margin	24.2%	21.7%	2.7 p.p.	21.5%	22.1%	-0.6 p.p.
Non-cash adjustments						
Fair value variation in biological assets	(26.6)	(27.2)	-2.3%	(106.3)	(80.2)	32.6%
EBITDA adjusted by non-cash events	134.0	111.2	20.5%	469.3	474.1	-1.0%
Non-recurring operational events	(3.9)	6.4	-161.3%	78.9	11.6	577.3%
Recurring adjusted EBITDA	130.0	117.7	10.5%	548.1	485.7	12.8%
Adjusted recurring EBITDA Margin	19.6%	18.4%	1.2 p.p.	20.5%	19.3%	1.1 p.p.
Net income (loss) for the period						
Net income (loss) for the period	229.3	82.0	179.8%	422.2	257.5	64.0%
Non-recurring profit or loss	(170.1)	6.4	-2745.1%	(129.2)	4.1	-3273.7%
Income Tax and Social Contribution on non-recurring profit or loss	17.1	(2.2)	883.0%	3.2	(1.4)	331.8%
Net income (loss) for the recurring period*	76.3	68.1	12.1%	296.2	244.1	21.3%
Net Margin	11.5%	10.7%	0.9 p.p.	11.1%	9.7%	1.3 p.p.

Note: Given that the deferred Income Tax effect was significant on 4Q23 result, it was excluded to present the recurring result and, for comparison purposes, it was also excluded from 2022 result.

Recurring net income

Recurring Net Income in 4Q23, excluding the effect of non-recurring expenses and net of income tax, totaled R\$76.3 million, up 12% from 4Q22.

In 4Q23, Non-Recurring Events resulted in income of R\$178.0 million, broken down as follows: 1) R\$127.7 million from Income Tax and Social Contribution gains, due to the subsidy; 2) R\$77.5 million from income related to final and unappealable favorable outcome of lawsuit discussing IPI on freight and Pis/Cofins on Depreciation; 3) R\$12.3 million from expenses related to the adjustment of provisions for contingencies; 4) R\$6.4 million from expenses related to lawyers' fees; 5) R\$3.1 million from labor indemnification expenses; and 6) R\$5.4 million related to adjustments in obsolete inventories (export seconds).

Debt

The Company's net debt at the end of 2023 was R\$586.5 million and was equivalent to 1.1 time its annualized recurring EBITDA. The 13.8% increase in 4Q23 in relation to 3Q23 was due to the payment of approximately R\$107 million as dividends and interest on equity in December, reducing Company's cash.

Debt (R\$ Million)	2023	9M23	Var. (%)	2022	Var. (%)
Short-Term Debt	309.3	297.8	3.9%	263.5	17.4%
Long-Term Debt	407.5	441.7	-7.8%	361.6	12.7%
Gross Debt	716.8	739.6	-3.1%	625.1	14.7%
Cash and Cash Equivalents	130.3	224.0	-41.8%	94.9	37.3%
Net Debt	586.5	515.6	13.8%	530.2	10.6%
% Short-Term Debt	43%	40%	3 p.p.	42%	2 p.p.
Net Debt/Recurring EBITDA	1.1	1.0	11.2%	1.1	-2.0%

Investments

Investments in 4Q23 and 2023 totaled R\$71.0 million and R\$254.8 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 plantation of new forests, the increase in prices of parts and services and the acquisition of new forest harvesting set and new equipment to improve productivity in Paint plant.

Sustainability

Eucatex's forest sustainability is assured by 43,300 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 an investment 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 4Q23 quoted at R\$16.25 and R\$15.89, respectively. The Company's market capitalization at the end of the period was R\$1,483.0 million, around 61% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio, which completed 73 years in 2023, 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 2,974 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 4Q23, 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.

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Income Statement

Income Statement (R\$ million)	4Q23	4Q22	Var. (%)	2023	2022	Var. (%)
Gross Revenue	782.8	741.0	5.6%	3,153.7	2,935.3	7.5%
Sales Taxes	(119.7)	(101.9)	17.5%	(476.1)	(424.7)	12.1%
Net Revenue	663.1	639.1	3.7%	2,677.6	2,510.6	6.6%
Fair Value Variation in Biological Assets	26.6	27.2	-2.3%	106.3	80.2	32.6%
Cost of Goods Sold	(467.1)	(452.0)	3.3%	(1,896.0)	(1,778.1)	6.6%
Gross Profit	222.5	214.3	3.9%	887.8	812.7	9.2%
% Gross Margin	33.6%	33.5%	0 p.p.	33.2%	32.4%	0.8 p.p.
Selling Expenses	(94.7)	(92.5)	2.4%	(374.2)	(331.9)	12.7%
General and Administrative Expenses	(17.9)	(20.0)	-10.6%	(70.7)	(70.3)	0.6%
Management Compensation	(2.9)	(2.4)	17.2%	(11.5)	(10.2)	12.5%
Other Operating Income / (Expenses)	(1.7)	(1.9)	10.7%	(2.0)	(1.8)	11.9%
Operating Income (Expenses)	(117.2)	(116.9)	0.3%	(458.5)	(414.3)	10.7%
Net Income before Financial Result	105.3	97.4	8.2%	429.4	398.4	7.8%
Net Financial Income (Expense)	(19.7)	(23.8)	17.3%	(113.4)	(72.1)	-57.3%
Non-recurring Income (Expense)	170.1	(6.4)	2745.1%	129.2	(4.1)	3273.7%
Net Income (Loss) after Financial Result	255.8	67.1	281.0%	445.2	322.3	38.1%
Provision for Income Tax and Soc. Contr.	(26.4)	14.8	-278.0%	(23.0)	(64.8)	-64.5%
Net Income (Loss) before Non-Controlling Interest	229.3	82.0	179.8%	422.2	257.5	64.0%
Net Income (Loss) from the Period	229.3	82.0	179.8%	422.2	257.5	64.0%
Net Margin	34.6%	12.8%	21.8 p.p.	15.8%	10.3%	5.5 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)	2023	2022	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	33.2	22.8	46.0%
Marketable Securities	97.1	72.2	34.5%
Trade Accounts Receivable	609.9	563.6	8.2%
Inventories	528.5	578.6	-8.7%
Taxes Recoverable	251.3	99.0	153.8%
Prepaid Expenses	12.0	17.5	-31.4%
Other Receivables	6.2	4.4	42.5%
Total Current Assets	1,538.3	1,358.1	13.3%
Non-Current Assets			
Trade Accounts Receivable	15.6	20.6	-24.5%
Taxes Recoverable	3.3	95.5	-96.6%
Deferred Income Tax and Social Contribution	186.3	72.5	156.8%
Held-for-Sale Assets	0.6	0.6	-1.9%
Investment Properties	23.5	23.7	-1.0%
Judicial Deposits	44.0	46.6	-5.5%
Other Receivables	11.1	11.1	0.0%
Total Long-Term Assets	284.4	270.8	5.0%
Investments	4.6	-	0.0%
Biological Assets	899.2	788.3	14.1%
Fixed Assets	1,363.2	1,248.2	9.2%
Intangible Assets	18.7	17.9	4.2%
Total Permanent Assets	2,285.7	2,054.4	27.5%
Total Non-Current Assets	2,570.1	2,325.2	10.5%
Total Assets	4,108.4	3,683.3	11.5%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	227.2	230.9	-1.6%
Loans and Financing	309.3	263.5	17.4%
Labor Liabilities	45.9	42.8	7.2%
Tax Liabilities	21.5	36.5	-41.2%
Tax Installments	23.2	31.6	-26.6%
Advances from Clients	30.9	58.3	-47.0%
Dividends and Interest on Equity Payable	68.7	165.1	-58.4%
Accounts Payable	55.8	39.6	41.2%
Lease Liabilities	46.4	27.2	70.5%
Total Current Liabilities	828.9	895.5	-7.4%
Non-Current Liabilities			
Loans and Financing	407.5	361.6	12.7%
Tax Installments	3.9	27.2	-85.5%
Deferred Income tax and Soc. Contr.	107.4	113.6	-5.4%
Provision for Contingencies	81.9	78.2	4.7%
Lease Liabilities	271.5	194.4	39.7%
Total Non-Current Liabilities	872.3	775.0	12.5%
Shareholders' Equity			
Capital	851.9	851.9	0.0%
Revaluation Reserves	156.2	156.2	0.0%
Profit Reserve	1,315.8	918.3	43.3%
Asset Valuation Adjustment	81.9	81.9	0.0%
Other Comprehensive Income	4.4	7.4	-41.3%
Treasury Stock	(2.9)	(2.9)	0.0%
Total Shareholders' Equity	2,407.3	2,012.9	19.6%
Non-controlling Interest	(0.1)	(0.1)	-5.3%
Total Shareholders' Equity & Non-controlling Interest	2,407.2	2,012.8	19.6%
Total Liabilities and Shareholders' Equity	4,108.4	3,683.3	11.5%

Cash Flow

Operating Cash Flow (RS '000)	2023	2022
Net Income (Loss) before Income Tax and Social Contribution	422.2	257.5
Adjustments to reconcile the result to cash and cash equivalents generated by operating activities		
Depreciation and Amortization	124.6	100.5
Depletion of Biological Assets	123.8	77.7
Write-off of Investments	0.2	(0.2)
Fair Value Variation in Biological Assets	(106.3)	(80.2)
Interest, Monetary and Exchange Variations, net	79.2	35.3
Income Tax and Social Contribution	15.5	80.9
Provision for Tax Gains	(65.7)	-
Deferred Income and Social Contribution Taxes	(112.3)	(16.1)
Other Provisions	15.8	6.9
Changes in operating assets and liabilities		
Marketable Securities	(24.9)	24.1
Trade Accounts Receivable	(47.8)	(18.9)
Inventories	84.4	(144.6)
Recoverable Taxes	58.0	67.7
Deferred Expenses	5.5	(2.0)
Judicial Deposits	2.6	(0.2)
Other Receivables	(1.9)	(1.1)
Trade Accounts Payable	(3.7)	(60.1)
Labor and Tax Liabilities	(36.0)	(93.0)
Tax Installments	(34.4)	(30.8)
Advances from Clients	(27.4)	30.3
Accounts Payable	60.3	(56.4)
Net cash from operating activities	524.2	177.2
Cash flow from investing activities		
Capital Decrease in Subsidiaries	(4.6)	-
Addition to Fixed Assets	(240.3)	(106.2)
Addition to Biological Assets	(162.8)	(141.7)
Net cash used in investing activities	(407.8)	(247.9)
Cash flow from financing activities		
Amortization of Loans and Financing	(465.4)	(259.0)
Amortization of Leases	-	-
New Loans and Financing	480.6	331.6
Distribution of Dividends/Interest on Equity	(121.1)	(24.0)
Net cash used in financing activities	(105.9)	48.6
Net increase (reduction) in cash and cash equivalents	10.5	(22.1)
Cash and cash equivalents		
Opening Balance of Cash and Cash Equivalents	22.8	44.8
Closing Balance of Cash and Cash Equivalents	33.2	22.8
Net increase (reduction) in cash and cash equivalents	10.5	(22.1)