



1Q21 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 2021 (1Q21). 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.

Conference Call *(Portuguese only)*

May 13, 2021
11:00 a.m. (Brasília)

www.eucatex.com.br/ri

An English transcript will be available after the event

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Highlights

1Q21

- Net Revenue of R\$529.5 million (+43.5%)
- Recurring EBITDA of R\$126.7 million (+88.5%), with Margin of 23.9%
- Recurring Net Income of R\$59.5 million (+625.0%)

Amounts in R\$ million	1Q21	1Q20	Var. (%)
Net Revenue	529.5	369.0	43.5%
Gross Profit	184.5	109.3	68.7%
<i>Gross Margin (%)</i>	34.8%	29.6%	5.2 p.p.
EBITDA adjusted by non-cash events	130.0	86.7	50.0%
<i>EBITDA Margin (%)</i>	24.6%	23.5%	1.1 p.p.
Net Income (Loss)	61.6	44.8	37.4%
Recurring Net Income (Loss)	59.5	(11.3)	625.0%
Net Debt	427.6	414.7	3.1%
Net Debt / EBITDA (LTM)	1.0	1.5	-32.5%
Recurring Adjusted EBITDA	126.7	67.2	88.5%
Recurring Adjusted EBITDA Margin (%)	23.9%	18.2%	5.7 p.p.

Management Comments

The first quarter of 2021 saw an upsurge in the pandemic and the return of more restrictive physical distancing measures in several cities across Brazil, including lockdowns in some of them, due to the lack of beds in the public and private health systems. In addition to the pandemic, economic agents are concerned about Brazil's fiscal situation and the possible adoption of measures that could further worsen this scenario. The vaccine, which has proven to be a reliable way out for helping the economy to recover, continues to progress at sluggish pace. On the other hand, the Brazilian economy could benefit from the quick recovery expected in the U.S. and other countries, where mass vaccination has shown remarkably favorable results, with a positive impact on reducing the number of cases and deaths.

Fiscal stimulus measures adopted by China to fight the pandemic yielded impressive results, notably the 18.3% growth in 1Q21, but they also caused an imbalance in commodity prices, especially metals and agricultural produce, which caused inflationary pressure on the price of diverse products. The U.S. economy also continues to recover and the Fed, the country's central bank, forecasts growth of around 7%. The economic upturn in these two major economies, coupled with strong liquidity, brought inflation in tow and the Company's business segments have been suffering with the hike in the cost of inputs, which, in some cases, are not completely passed on to prices.

In Brazil, the numbers for 2020 showed that emergency aid measures helped to mitigate the effects of the pandemic and, in 2021, recovery should be stronger to the extent that the pace of vaccination picks up. The Company's business segments with a strong relation to the furniture and construction industries, especially renovations, have benefited from the growth in demand following the adoption of physical distancing measures and people's concern for their homes. As already stated in other quarters, since people are staying at home due to the quarantine, demand for construction materials has increased sharply due to self-construction and renovations, boosting the performance of the construction industry, which maintained its recovery trend throughout 1Q21.

Demand for panels in the domestic and export markets remains high at all of the Company's plants and competitors too are operating close to full capacity. As for the products targeted at the Construction industry, though growth remains strong compared to 1Q20, there is palpable loss of momentum in the doors, paint and laminated flooring lines.

The ABRAMAT (Brazilian Construction Materials Industry Association) Index, which measures the performance of construction material industries, rose 15.6% in 1Q21, showing that the growth pace was strong, partly due to the comparison base, since physical distancing measures started to be implemented since March 2020.

Indicators for the panels market, which includes MDF/HDF/MDP/Fiberboard sales, according to IBA (Brazilian Tree Industry) figures and the Company's estimates, increased 24.8% in the domestic market and 5.0% in the export market in 1Q21 compared to 1Q20.

Operating Performance and Results

Sales volume in the Company's Wood Segment, considering both domestic and export markets, increased 3.9% in 1Q21 compared to the same period last year. The quarterly performance is the result of the upswing in exports (+35.9%) and the downturn in domestic sales (-3.0%). The Company's strategy since 2Q20 has been to direct output to exports to mitigate the effect of the pandemic on its business. This proved to be a sound strategy and was fueled by the growth of foreign markets where the Company operates, coupled with a weaker real. The decline in domestic sales, measured in m³, was due to the change in the sales mix, with growth in higher value-added products, which are thinner on average. The Company continues to operate close to capacity in all presses and main finishing lines.

Paint sales increased 37.2% in 1Q21 compared to 1Q20. The Paint segment was significantly impacted in 1Q20 with the implementation of physical distancing measures. The closure of businesses back then led many clients to cancel orders or request extension of trade notes, since nobody knew how to deal with that scenario. Thus, with such a weak comparison base, sales in March 2021 outperformed the March 2020 numbers by more than 90%. After the publication of the decree that considered construction material stores as an essential activity and the resumption of operations by the sector, coupled with the fact that people sought to renovate their houses, the paint business witnessed a very positive impact, with a V-shaped recovery, as confirmed by the market and Eucatex figures. According to ABRAFATI (Brazilian Paint Manufacturers Association), the market expanded 29.7% in 1Q21 compared to the same period in 2020.

Physical Sales	1Q21	1Q20	Var. (%)
Wood Panels (DM)	144	148	-3.0%
Wood Panels (EM)	243	179	35.9%
Paints	471	343	37.2%

Net Revenue

Net Revenue Breakdown (R\$ million)	1Q21	1Q20	Var. (%)
Wood Segment	421.7	301.3	40.0%
Paint Segment	99.7	64.9	53.5%
Other	8.1	2.8	190.5%
Net Revenue	529.5	369.0	43.5%

Total net revenue came to R\$529.5 million in 1Q21, compared to R\$369.0 million in 1Q20, up 43.5%.

In the Wood Segment, revenue grew 40.0% in 1Q21 from 1Q20, reflecting the higher export volumes. The weaker real and higher sale prices in the domestic market helped drive this performance, which were a reaction to the escalating cost increases observed by the Company.

Net revenue from the Paint Segment increased 53.5% in 1Q21 from 1Q20, due to higher sales volumes and prices, which offset the increase in costs.

Recurring Cost of Goods Sold (COGS)

COGS increased 32.1% in 1Q21 compared to 1Q20. Input costs have come under strong pressure due to the weaker real and the rising demand for commodities around the world. Although cost increases were affected the 1Q21 result, the effect was offset by a higher utilization rate across all production lines and a greater dilution of fixed costs.

Fair Value of Biological Assets

In 1Q21, the fair value of biological assets was R\$11.9 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.

Recurring Gross Profit and Gross Margin

Gross profit amounted to R\$184.5 million in 1Q21, as against R\$109.3 million in 1Q20, up 68.7%, mainly due to productivity gains on account of the high utilization rates at production lines and the variation in the fair value of biological assets.

Recurring Operating Expenses

Breakdown of Expenses (R\$ million)	1Q21	1Q20	Var. (%)
General and Administrative	(19.6)	(16.6)	17.9%
Selling	(67.4)	(51.4)	31.2%
Total Operating Expenses	(87.0)	(68.0)	27.9%
% Net Revenue	16.4%	18.4%	-2 p.p.
Other Operating Income and Expenses	4.6	1.9	142.6%

In 1Q21, operating expenses corresponded to 16.4% of Net Revenue, falling 2 p.p. General and administrative expenses increased due to the payment for attorneys following the successful outcomes related to tax claims and the increase in property tax (IPTU) on the investment property located in Salto/SP. Selling expenses increased sharply due to sales growth and the increased share of total revenue from Exports and sales to the Construction sector, whose variable expenses are higher than those of other segments.

Recurring EBITDA and EBITDA Margin

As a result of the above, recurring EBITDA amounted to R\$126.7 million, growing 88.5% from 1Q20. Recurring EBITDA Margin reached 23.9% in 1Q21, increasing 5.7 p.p. from the same period last year.

EBITDA Reconciliation (R\$ million)	1Q21	1Q20	Var. (%)
Net Income (Loss)	61.6	44.8	37.4%
Income Tax and Social Contribution	20.4	34.1	-40.0%
Net Financial Income (Loss)	23.2	49.4	-52.9%
EBIT	105.3	128.3	-17.9%
Depreciation and Amortization	36.6	33.9	8.0%
EBITDA under CVM instr. 527/12	141.9	162.2	-12.5%
EBITDA Margin	26.8%	43.9%	-17.1 p.p.
Non-cash adjustments			
Fair value variation in biological assets	(11.9)	(9.8)	20.6%
EBITDA adjusted by non-cash events	130.0	152.3	-14.6%
Non-recurring operational events	(3.3)	(85.1)	-96.2%
Recurring adjusted EBITDA	126.7	67.2	88.5%
Adjusted recurring EBITDA Margin	23.9%	18.2%	5.7 p.p.

Recurring Net Income

Recurring Net Income in 1Q21, excluding the effect of non-recurring expenses, net of income tax, totaled R\$59.5 million.

In 1Q21, non-recurring expenses consisted of the following: R\$4.9 million related to labor lawsuits and terminations; and R\$8.2 million related to compensation for administrative easement in a farm owned by the Company.

Debt

The Company's net debt at the end of 1Q21 was R\$427.6 million and was equivalent to 1.0 times its annualized recurring EBITDA.

Debt (R\$ Million)	1Q21	2020	Var. (%)	2019	Var. (%)
Short-Term Debt	264.0	274.5	-3.8%	240.2	9.9%
Long-Term Debt	239.0	231.7	3.2%	193.0	23.8%
Gross Debt	503.0	506.2	-0.6%	433.2	16.1%
Cash and Cash Equivalents	75.4	85.2	-11.6%	18.5	308.1%
Net Debt	427.6	420.9	1.6%	414.7	3.1%
% Short-Term Debt	52%	54%	-2 p.p.	55%	-3 p.p.
Net Debt/Recurring EBITDA	1.0	1.1	-12.6%	1.5	-32.5%

Investments

Investments in 1Q21 totaled R\$35.1 million and were allocated to maintaining the Company's industrial and forest operations. For 2021, investments of around R\$175.9 million are planned, an increase of 14.7% from 2020, explained by the significant increase in the volume of new forests and the increase in the prices of imported parts and services due to the weaker real.

Sustainability

Eucatex's forest sustainability is assured by 52,600 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 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 1Q21 quoted at R\$22.60 and R\$9.00, respectively. The Company's market capitalization at the end of the period was R\$1,258.7 million, around 81% of its book value.

About Eucatex

Eucatex S.A. Indústria e Comércio, which completes 70 years in 2021, is one of Brazil's largest manufacturers of laminated 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 2,812 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 1Q21, 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.

Statement of Income

Income Statement (R\$ million)	1Q21	1Q20	Var. (%)
Gross Revenue	626.2	436.9	43.3%
Sales taxes and Deductions	(96.7)	(68.0)	42.3%
Net Revenue	529.5	369.0	43.5%
Fair value variation in biological assets	11.9	9.8	20.6%
Cost of Goods Sold	(356.9)	(269.5)	32.4%
Gross Profit	184.5	109.3	68.7%
% Gross Margin	34.8%	29.6%	5.2 p.p.
Selling Expenses	(67.4)	(51.4)	31.2%
General and Administrative Expenses	(17.8)	(14.8)	20.1%
Management Compensation	(1.8)	(1.8)	-0.2%
Other Operating Income / (Expenses)	4.6	1.9	142.5%
Operating Income (Expenses)	(82.4)	(66.1)	24.7%
Net Income before Financial Result	102.0	43.2	136.2%
Financial Income (Expense)	(23.2)	(49.4)	52.9%
Non-recurring Income (Expense)	3.3	85.1	-96.2%
Net Income after Financial Result	82.1	78.9	4.0%
Provision for Income Tax and Soc. Contr.	(20.4)	(34.1)	-40.0%
Net Income (Loss) before Non-Controlling Interest	61.6	44.8	37.4%
Non-controlling interest	(0.0)	(0.0)	-68.7%
Net Income (Loss) from the Period	61.6	44.8	37.4%
Net Margin	11.6%	12.2%	-0.6 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)	1Q21	2020	Var. (%)
ASSETS			
Current Assets			
Cash and Cash Equivalents	29.1	7.1	311.6%
Marketable Securities	46.2	78.2	-40.9%
Trade Accounts Receivable	481.6	428.7	12.4%
Inventories	282.2	277.6	1.7%
Taxes Recoverable	128.5	126.4	1.7%
Prepaid Expenses	14.1	13.3	6.2%
Other receivables	2.9	3.0	-0.7%
Total Current Assets	984.8	934.2	5.4%
Non-Current Assets			
Long-Term Assets			
Trade Accounts Receivable	25.4	25.4	0.0%
Taxes Recoverable	58.3	87.5	-33.4%
Deferred income tax and social contribution	62.6	63.9	-1.9%
Assets held for sale	0.2	0.2	-6.3%
Investment properties	25.6	25.6	0.0%
Judicial Deposits	5.6	5.4	4.2%
Other receivables	50.9	50.9	0.0%
Total Long-Term Assets	228.6	258.8	-11.7%
Investments	-	-	0.0%
Biological Assets	502.4	487.0	3.2%
Fixed Assets	1,044.8	1,038.3	0.6%
Intangible Assets	15.9	16.0	-0.8%
Total Permanent Assets	1,563.0	1,541.3	3.0%
Total Non-Current Assets	1,791.6	1,800.1	-0.5%
Total Assets	2,776.4	2,734.2	1.5%
LIABILITIES			
Current liabilities			
Trade Accounts Payable	158.8	171.5	-7.4%
Loans and Financing	264.0	274.5	-3.8%
Labor Liabilities	40.1	37.2	7.9%
Tax Liabilities	65.0	70.9	-8.3%
Related Parties	4.4	4.2	4.0%
Tax Installments	29.8	32.0	-6.8%
Advances from Clients	22.2	27.0	-17.9%
Dividends and interest on equity payable	68.1	68.1	0.0%
Accounts Payable	64.1	58.7	9.1%
Lease liabilities	23.6	23.7	-0.7%
Total Current Liabilities	740.1	767.9	-3.6%
Non-Current Liabilities			
Loans and Financing	239.0	231.7	3.2%
Tax Installments	71.8	76.6	-6.3%
Deferred Income tax and Soc. Contr.	122.3	122.4	-0.1%
Provision for Contingencies	18.0	18.0	0.0%
Related parties	5.0	6.0	-16.7%
Lease liabilities	33.3	30.5	9.3%
Total Long-Term Liabilities	489.4	485.2	0.9%
Shareholders' Equity			
Capital	851.9	851.9	0.0%
Revaluation Reserves	182.7	182.7	0.0%
Profit Reserve	352.5	352.5	0.0%
Asset Valuation Adjustment	89.8	89.8	0.0%
Other Comprehensive Income	11.4	7.4	54.6%
Treasury Stock	(2.9)	(2.9)	0.0%
Accrued earnings	61.6	-	0.0%
Total Shareholders' Equity	1,546.9	1,481.3	4.4%
Non-controlling interest	(0.1)	(0.1)	3.4%
Total Shareholders' Equity & Non-controlling Interest	1,546.9	1,481.2	4.4%
Total Liabilities and Shareholders' Equity	2,776.4	2,734.2	1.5%

Cash Flow

Operating Cash Flow (RS '000)	1Q21	1Q20
<i>Net Income (Loss) before Income Tax and Social Contribution</i>	61.6	44.8
<i>Adjustments to reconcile the result to cash and cash equivalents generated by operating activities</i>		
Depreciation and Amortizations	20.5	17.9
Exhaustion of biological assets	16.1	16.0
Write-off of investments	0.0	0.0
Fair value variation in biological assets	(11.9)	(9.8)
Interest, Monetary and Exchange Variations, net	16.6	50.8
Income tax and social contribution	19.3	44.9
Provision for tax gains	-	(126.4)
Income and social contribution taxes - deferred	1.1	(10.8)
Other provisions	6.6	14.8
<i>Changes in operating assets and liabilities</i>		
Marketable Securities	31.9	2.6
Trade accounts receivable	(53.5)	13.0
Inventories	(4.6)	(21.9)
Recoverable taxes	27.0	7.4
Deferred expenses	(0.8)	(4.7)
Judicial deposits	(0.2)	(0.1)
Other receivables	0.0	(0.1)
Trade accounts payable	(12.7)	7.5
Labor and Tax Liabilities	(24.3)	(9.2)
Tax Installments	(7.0)	9.2
Advances from Clients	(4.8)	5.2
Accounts payable	17.6	8.9
<i>Net Cash Flow from Operating Activities</i>	98.8	60.1
<i>Cash Flow from Investing Activities</i>		
Capital decrease in subsidiaries	-	-
Addition to fixed assets	(26.8)	(31.4)
Addition to biological assets	(19.6)	(18.9)
<i>Net cash used in investment activities</i>	(46.4)	(50.3)
<i>Cash Flow from Financing Activities</i>		
Amortization of loans and financing	(89.5)	(84.3)
Amortization of leases	(9.6)	(6.7)
New loans and financing	69.6	87.8
Loans with related parties	(0.8)	-
Payment of Dividends/Interest on Equity	-	-
<i>Net cash used in financing activities</i>	(30.3)	(3.1)
<i>Increase (Reduction) in Net Cash and Cash Equivalents</i>	22.1	6.7
<i>Cash and Cash Equivalents</i>		
Opening balance of cash and cash equivalents	7.1	8.0
Closing balance of cash and cash equivalents	29.1	14.7
<i>Increase (Reduction) in Net Cash and Cash Equivalents</i>	22.1	6.7