



**International Conference Call  
Springs Global S/A (SGPS3)  
3Q21 Earnings Results  
November 16<sup>th</sup>, 2021**

**Operator:** Ladies and gentlemen, thank you for waiting. Welcome to the Springs Global conference call to discuss the earnings results of the third quarter of 2021. At the moment all participants are connected only as listeners. After a brief introduction, a Q&A session will be conducted, and instructions will be given at that time. Should you need assistance during the conference call, please press star zero and an operator will assist you offline.

To obtain a copy of the press release of the results, financial statements, and presentation of the webcast, please go to the Springs Global website [www.springs.com/ri](http://www.springs.com/ri).

Before proceeding, we would like to inform that forward looking statements reflect the management's current perception and perspectives on the evolution of the business, based on the evolution of the macroeconomic environment, industry conditions, the company's performance, and financial results. Any changes in such expectations and factors may imply in results that materially differ from the current expectations and include several risks and uncertainties.

Today with us is Mr. Josué Gomes da Silva, CEO of Springs Global, who will comment on the company's performance.

Now I would like to hand it over to Mr. Josué.

**Mr. Josué Gomes da Silva:** Good morning, thank you to everyone. Alessandra, Roberto Cristofanilli and myself are here to report the results of the third quarter of 2021. The results, as you have had the opportunity to see, from the operating point of view, were highly satisfactory, with a growth of revenue vis-à-vis the last year. This was a little bit below what we expected, nonetheless, this is a significant growth because third quarter last year we had good performance because stores were opening, and because there was a Corona Voucher, which increased the purchase of bedding, tabletop and bath products.

There was a significant growth in our operational performance because we better use the industrial plants when we compare it to the last quarter. Our EBITDA has grown in a significant fashion, because the EBITDA of the third quarter last year perform positively, and this means that the EBITDA of the last 12 months surpasses BRL220 million, contributing with a significant drop of our indebtedness, which is 3.1 times, and an extension, because of a 10-year debenture. This extension will



continue, and we will have a notorious development in the last quarter of this year because of advanced negotiations with bank institutions. And we also would like to highlight that we are included amongst the Incredible Places to Work in 2021, in addition to the launching of our new platform for sleep quality, that is Persono. This is the beta test, launching, these are the first products that have Persono sensor. People can measure their sleep so they can have a better sleep quality.

We are obviously satisfied with the operating progress of the company, although we have been impacted by financial expenses that we are focusing on, especially with the realization of significant values from properties for investment. We recently announced that we've negotiated and approved on our Board, we are making the contracts in order to conclude a partnership in order to develop residential properties, this is a commercial and residential. The launching of the outlet is very successful, and we see that we will sign contracts which represent a significant occupation before the launching of the outlet. Now surely the residential property will help the commercial and vice versa, and all of this means that this is a value realization of assets that are available to sell, and we will drop the level of the indebtedness of the company that I would like to highlight we have dropped our indebtedness in this quarter when we compare it to the last quarters.

So, these are my initial observations regarding this quarter. Our company continues developing itself and growing around 22% in terms of sale, year to date 26% vis-à-vis last year. And retail represented a growth of 22% and wholesale 28%.

Now I will give the floor to Alessandra so she can detail each one of the business units. And I will be back for the Q&A session and for any final explanations.

**Mrs. Alessandra Gadelha:** Good morning to everyone.

We registered during the nine month stack a strong growth of revenue in wholesaling and retail, as you can see on slide 4. The consolidated net revenue totaled BRL1.2 billion during the first nine months of 2021, 26% above the nine-month stack of 2020.

On slide 5 you can see that our profitability was in line or the above the pre-pandemic level. We continue growing in the retail selling through digital channels and expanding categories, and with this we need less working capital, as you can see on slide 6, providing us more profit.

On slide 8 we have the highlights of the consolidated results of the third quarter of 2021. Here we have a growth of 12.3% of gross profit, which totaled BRL161.7 million and a gross margin of 35.6%. We issued debentures totaling BRL160 million with a 10-year term, extending the average term of our debt, and we received the award Amazing Places to Work by FIA (and UOL). I will show in detail the



components of our results.

As you can see on slide 9, the net revenue was BRL454 million. This is a growth of 3% year on year and 19% in comparison to the third quarter of 2019. Now regarding production cost, greater productivity was offset by cost with utilities and power, as you can see on slide 10. The EBITDA totaled BRL 58 million on Q3 in recurring terms, with an EBITDA margin of 12.8%, as you can see on slide 11. Now the EBITDA of the last 12 months, that ended on September 30<sup>th</sup> was (R\$ 230 million)

Here on slide 12, we have the wholesale business unit, where we have revenue of BRL 331 million, a growth (of 5% year-over-year), and 32% ~~among semesters~~ (quarter-over-quarter) with a gross margin of 29.2%, an EBITDA margin of 13.5%.

On slide 13 we have the retail performance, where the sellout revenue totaled BRL 208 million, this is the same level of Q3 2020, and a growth of 40%, in contrast to Q3 2019. Now the net revenue was BRL123 million, remaining stable amongst years, this represent twice as much than what we achieved in Q3 of 2019, with a gross margin of 53%, and EBITDA margin of 14.4%, both of them with an expansion among both years.

Now the sellout revenue was BRL607 million during the first nine months of 2021, as you can see on slide 14, there is a growth of 22% in comparison to the first nine months of 2020 and 51% in comparison to the first nine months of 2019. We noted that e-commerce sales migrated to brick-and-mortar stores after the advance of the vaccination and after brick-and-mortar stores were opened. E-commerce had 35% share during the first nine months of 21 vis-à-vis 43% of the first nine months of 2020 and vis-à-vis 12% of the first nine months of 2019. E-commerce was 4.5 times the same period during 2019.

Now we continue our category expansion strategy in our online stores and physical stores. The new category that are ex-bedding, tabletop, and bath (represented 12.7% of online sales on the third quarter of 2021). On the fourth quarter of 2021, we will offer Christmas decoration products in our online and physical stores to increase traffic and to increase our stores (sales), as you can see on slide 15.

We launched in October 2021 a pillow with Persono technology in it, as you can see on slide 16. The Persono Sense ~~Center~~ is built in the pillow's inner layers and through algorithms that classify the quality of sleep, they monitor three parameters of sleep: regularity, quality, and quantity with no friction (without direct connection to the person's body). This is a limited edition, and sales are exclusive to our online stores. We believe the addressable market for Persono sleep products represents BRL 2-billion because this is a market that is not deeply explored. We still have the opportunity to position us as a player in the Brazilian market, and we can also sell



abroad, specially to the United States.

We are at your disposal to ask any questions you may have.

### Question and Answer Session

**Operator:** Ladies and gentlemen, we will initiate our Q&A session for analysts and investors. To pose a question, please press star one. Questions will be answered in order of arrival. If you wish to withdraw your question from the line, please press star 2.

**Mr. Josué Gomes da Silva:** We have a question about the markup in raw material, specially cotton and polyester.

It is true, everybody has followed the index of this raw material and they have increased significantly in the past months, and we are seeing this throughout the world. The impact of these commodity markups they impact the cost of the companies. We generally practice prices that are fixed quarterly, now obviously little by little the markups of raw materials are incorporated to the cost of the product, and we transfer this to our prices.

I believe we have found a balance level for the markup of this raw material. Brazil fortunately is a great cotton producer. The national producers are competent and competitive. Now the price markup is made through international prices, but in Brazil the basis is favorable to the textile industry, and this is because we are major producers and greater exporters, like the basis from China is much higher than for Brazilian industries, this is a factor of competitiveness of the national textile industry compared to the foreign textile industry, it is natural to have our cost impacted, and this is why we have to continue transferring to our prices the increase the markup on raw material.

A second question which is relevant regarding the process that we announce, that is to sell our ownership of our affiliate (Keeco).

This is an ongoing process, and we believe that we will see an outcome in the upcoming months, and this will also significantly contribute to reduce the net debt of the company and that soon we expected to be between 2 and 2.5 times net debt / EBITA.

Now, regarding the IPO of the AMMO affiliate, this is a period of silence, and as we've received this recommendation from the attorneys that are following this entire



process of silence, I will not disclose details, although you are totally aware that the window, currently, because of the conditions at Brazilian capital markets, does not allow new launchings, but we are within a period of silence.

**Operator:** Our next question from Carlos Herrera, Condor Insider.

**Mr. Carlos Ferreira:** Good morning, thank you for taking my question. Would it be possible to share with us the possible sale of Keeco? I remember that during Q2 you were carrying out an assessment. Could you share with us if this has already been done and what this possible sale is about? And if you are optimistic that this will take place during the fourth quarter?

**Mr. Josué Gomes da Silva:** Carlos, thank you for your question. As a matter of fact, this process has already been concluded. The offering process is ongoing, and it is fast. I believe that this will end in the upcoming months and probably during the first months of next year, because we are close to the end of the year and in addition we have the holidays, and with this, these processes slow down a little bit. Nonetheless, the North American market is active. I believe that today you may have seen the announcement of retail growth in the North American market. Of course, there is inflation in the United States, but sales are growing now. Wages in the United States are being readjusted, the results of our company there, although they have been impacted by the cost of freight between China to the United States, they are positive and also capacity to transfer to prices the increase in costs. Therefore, we are optimistic, and we believe that this process will come to an end soon, and this will be another important factor of Springs deleveraged because of this investment is no longer a strategy for the company. Thank you very much, Carlos.

**Mr. Carlos Ferreira:** And do you have an idea? Could you share with us if these resources will be received entirely, or will you receive them in installments?

**Mr. Josué Gomes da Silva:** No, these transactions are cash transactions. We believe that we will not receive payments in installments, unless the buyer has an earnout expectation, but this is very unlikely. It is not to see this very commonly in these type of transactions, especially when you work with a consolidated company with very solid figures.

**Mr. Carlos Ferreira:** Thank you very much.

**Operator:** Once again, to pose a question, please press star 1. Questions will be answered in order of arrival. At any moment, if you wish to withdraw your question from the list, please press star 2.

Ladies and gentlemen, our Q&A session has come to an end. Now I would like to



give the floor back to Mr. Josué for his final remarks.

**Mr. Josué Gomes da Silva:** Well, I thank everyone, and I apologize because we still cannot give you more information regarding the company's current moment, we are undergoing a moment of silence. I thank you for your participation, and we are sure that briefly, with the Keeco transaction, with the realization of these assets that are up for sale, we will correct the last detail, so that the company becomes profitable, which is because its capital structure is made up by the participation in the US market and we have faced crisis (2008 and following years). So, this capital structure will be corrected with the selling of these assets, and we will be able to correct the last line of profit and losses that had affected the results of the company, and specially our retail. It is positive when we compare to the benchmark companies, we have had good results when we see the strength of our brands, MMartan, Artex, Santista, also our digital platforms, proprietary platforms that are PIX - I already said that the Central Bank PIX came after our PIX, we had this name before thanks to an exceptional team. And this is a company that is a pioneering company in home and wellness.

I hope if you have any further questions, well, please contact Alessandra. We are always at your disposal, and I hope to see you in brief, to see the results of the year. Thank you very much.

**Operator:** Springs Global conference call has come to an end. Thank you very much for your participation.