



**Local Conference Call
Springs Global S/A (SGPS3)
2Q21 Earnings Results
August 13th, 2021**

Operator: Good morning ladies and gentlemen and thank you for waiting. Welcome to Springs Global's conference call to discuss the results of the second quarter of 2021.

At this time, all participants are in a listen-only mode, after a brief introduction we will have a question-and-answer session and further instructions will be given at that time. If you require any assistance during the call, please press star zero to reach the operator.

You can visit the website www.springs.com/IR to download the earnings release, financial statements, and the webcast presentation.

Before we proceed, that we mentioned that this presentation may contain certain forward-looking statements with respect to Springs Global including its business operations, strategy, and conditions. These statements include descriptions regarding the intense, beliefs, and current expectations of the company or its officers with respect of the result of operations and financial conditions of the company and its subsidiaries. These forward-looking statements can cause results to be materially different from any future results expressed or implied in such statements.

I would now like to turn the conference over to the CEO of the company, Mr. Josué Gomes, who will give a presentation about the company's results.

Please, go ahead, Sir.

Josué Gomes: Good morning everyone, thank you for the introduction.

I'm here with Alessandra and Roberto to talk about the results of the second quarter 2021, and of course, due to COVID-related reasons, which substantially affected the results of 2020, we are comparing the results of the quarter closed on June 30th, 2021, with the results of 2019.

The net revenue of Q2 2021 reached R\$ 385 million, a 46.2% increase compared with Q2 2020 and 17.3% compared with Q2 2019. We reached a gross margin of profit of R\$ 140 million, with a growth of 43.5% compared with Q2 2020 and a growth of 47.7% in our gross margin compared with Q2 2019 respectively, with a gross



margin of 36.3%.

The operational results reached R\$ 19 million, the EBITDA R\$ 45 million with an EBITDA margin of 11.6%, which is very much in line with the first quarter 2021.

The revenue of the retail unit grew by nearly 40% reaching R\$ 134 million and a sellout revenue considering that we are a franchise retail company reached R\$ 223 million, a significant increase of 48.4% including the sales of e-commerce of R\$ 84 million.

For wholesale, we saw a stronger growth of 50.2% and in Q2 2021 wholesale had suffered many consequences due to the closing down of the businesses and the EBTIDA reached in wholesale R\$ 25 million, in line with what was obtained in Q2 2019.

The free cash flow was R\$ 40 million and had a positive impact also due to the reduction of the working capital, an item that we have been dedicating to a lot.

The company recently issued after the closing of the quarter, so it was an event that was subsequent to the closing of the quarter, a 10-year debenture with a total of R\$160 million, and these debentures have the purpose of funding the prolongation of the average term of our loans. We also submitted a request for registration for AMMO Varejo S/A, our controlled company because of that there was the discontinuity of the company's projection for 2021.

So, these are basically the highlights relative to Q2 this year, and now I will hand it over to Alessandra and she's going to give you more details about each of the company's business segments. Thank you.

Alessandra Gadelha: Good morning everyone. We recorded in Q2 a strong growth in our revenue, both our wholesale and retail, as presented on slide number 4.

On slide 5, we show that our profitability this quarter was in line or exceeded the pre-pandemic levels. We continue to see growth in retail through sales on our digital channels and the expansion of categories that are scalable and demand less working capital, as illustrated on the chart on slide 6, providing better profitability.

As we see on slide number 8, here we see the highlights of our consolidated results for Q2 21, we recorded a ~~46.3%~~ 43.5% growth in our gross profit, which totaled R\$ 139.7 million, with a gross margin of 36.3%.

On slide number 9, we show our net revenue, which reached R\$385 million, a 46%



increase year over year. In respect to production costs, there was an increase in our material and supply cost due to the higher sales volume. Conversion costs were also impacted by the higher electricity costs, but they were in line with the values recorded in the previous quarter, as we can see on slide number 10.

The EBITDA reached R\$44.8 million in Q2 with an EBITDA margin of 11.6%, as we can see on slide 11. The EBITDA of the past 12 months, ending on June 30th, 2021, reached R\$212 million, which points to his strong recovery of the operational cash at the Company.

On slide 12, we see the performance of our wholesale unit where we recorded a revenue of R\$251 million, a 50% increase year over year with a gross margin of 25.7% and an EBITDA margin of 10%.

On slide 13, we have the performance of our retail unit. The sellout revenue was a total of R\$223 million, a 48% increase year over year. The net revenue added up to R\$134 million, a 39% increase year over year with a gross margin of 56% and an EBITDA margin of 16.5% and both increased year over year.

We are now available to answer any questions you may have.

Question-and-Answer Session

Operator: Ladies and gentlemen, we will now open the floor for questions. We will receive questions from analysts and investors. If you wish to ask a question, please press star 1. The questions will be answered as they are received. At ad any time, if you want to remove yourself from the waiting line, please press star 2.

Josué Gomes: We got a question here through the webcast platform about the transaction with Keeco, where we have a relevant stake. The process is now ongoing and progressing, we believe that in the coming months we will have the completion of the operation, there was some postponing of the original schedule due to an audit of 2019 which had to be redone and is now being finished, and there were no changes in the numbers that we had presented at the time to the investors, so we continue to be very confident that the performance of the company, even if slightly affected by the very high trade costs, particularly between Asia and the US and also very high prices from Asia to Brazil, it will have a very significant value and we will be able to reach a very important liquidity level for Springs Global and it's very much likely that this will be completed by the end of Q3 in last quarter of this year.

Operator: To ask a question you can press star 1.



Josué Gomes: We have a question about the debentures that were issued. The cost of the debenture was based on the IPCA index, with a step down, which we believe will be obtained very fast, and the debenture also has a possibility of prepayment, and we already have premium criteria established for prepayment starting as of the end of the third year, so as of the start of the fourth year of the debenture.

Operator: once again, if you wish to ask a question, please press star 1.

Please, wait while we poll for questions.

Josué Gomes: There's a question here about the request for registration of our controlled company, AMMO Varejo S/A. We kindly ask that you understand that we are still in the silence period, so we cannot really make comments on this respect.

Operator: If you have a question, you can press star1 to ask your question.

Please, wait while we poll for questions.

Josué Gomes: There's a question about the real estate properties in Natal. It's important to remind you that the warranty of these debentures are the real estate that we have in Natal, we have the Power Center with a very good occupancy rate, with effective contracts already signed with an annualized value of approximately R\$11 million, we are starting to sell our outlet, we already have some reservation requests from important retailers, the outlet is expected to be inaugurated in June or early July next year, and we estimate a total revenue value from our outlet close to R\$10 to R\$12 million per year in the first stage of the outlet. And we must remind you that the outlet already has plans for future expansion, which will improve the rented area in 70%.

We are completing negotiations for the use of our effluent treatment station, which will also bring a significant additional revenue, it is very well-equipped this effluent treatment station, this is the station that used to be used by us and today is preserved, but it's not being used and it can potentially lead to the generation of significant revenue for us in the future, and we are now at final stages of completion, and we also have a negotiation with a very important company in residence and real state, and we will establish a financial partnership for a residential complex with between 2,500 and 3,500, units and this can mean a VGV of about R\$750 to R\$900 million. This partnership we believe could be contracted still in September this year, so before the end of Q3.

So, these are the updates regarding our commercial project in Natal, which is



actually the subject of the debentures that we just issued with an LTM... sorry, an LTV (Loan to Value) – he corrects himself – which is very good. All evaluations conducted by independent evaluators chosen by the investors of these debentures showed that the total value of this real estate project is very high, as we have always said it was. Thank you.

Operator: If you wish to ask a question, please press star 1. The questions will be answered in the order they are received. At any point, if you wish to remove yourself from the waiting line, please press star 2.

Josué Gomes: We have 2 questions, one is about Q3, and the other question is whether we are considering a sales leaseback contract with some real estate units of the company and some commercial properties. So, regarding the performance in the current quarter, Q3, as we said, we had to discontinue the projections of the company, so I prefer not to comment right now.

Of course, the winter season always helps with our sales, it's always a favorable season for the sales of bed, bath, and table linen in general. And regarding the sales leaseback structure, this is very often done for tax purposes, and it only makes total sense when this tax target is reached. In our specific case, this operation wouldn't actually lead to any tax reduction gains, and that is why it is so difficult to make this funding model viable right now.

Operator: To ask a question please, press star 1.

Please, wait while we poll for new questions.

To ask a question, please press star 1.

Ladies and gentlemen, we are now closing this question-and-answer session. Now I hand it back over to Mr. Josué for his final remarks.

Josué Gomes: I would like to say that today we had a shorter, more straightforward presentation, but this is because we are following CVM's norms regarding the silence period about some of the operations. So, I thank you all for attending and we are at your service should you have any questions after this conference call, Alessandra will be available to answer them. So, thank you very much for participating and I hope to see you soon with a richer, more complete presentation after Q3. Thank you.

Operator: This conference call is now over. Thank you very much for attending, have a great day.