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Video Conference (English Transcription)
Earnings Release 1Q26
Vulcabras (VULC3)
May 06th, 2026

Operator: Good morning ladies and gentlemen. Welcome to the Vulcabras Video Conference to discuss the results for 1Q26.

I would like to go through some instructions before starting.

This Video Conference will be held exclusively in Portuguese. The transcript of the event in English will later be made available on the Company's IR website. The video and presentation of this Video Conference will be published on the Company's website www.vulcabrasri.com and on the CVM after the market closes.

Please be advised that all participants will only be listening to the Video Conference during the presentation and then We will start the Q&A session when further instructions will be provided.

Please be advised that forecasts about future events are subject to risks and uncertainties that could cause such expectations not to materialize or to differ from expectations. These forecasts express an opinion only on the date they are made and the Company does not undertake to update them.

Present with us today are Mr. Pedro Bartelle CEO and Wagner Dantas, CFO and Investor Relations Officer.

Now we are going to watch an institutional video and in the sequence we return with Mr. Pedro Bartelle

Click here and select ***1T26 Videoconferência***

Mr. Pedro Bartelle

After a record year, Vulcabras started 2026 with another quarter of growth, reinforcing the resilience of its business model even in a still challenging consumption environment. The combination of strong brands, a verticalized operation and commercial discipline supported the Company's performance, which reached its 23rd consecutive quarter of growth, with advances in both revenue and volume.

In 1Q26, Vulcabras reported gross volume of 7.6 million pairs and units, a 6.8% increase compared to the same period of the previous year. Net revenue reached R$ 776.4 million, up 10.7% year-over-year, reflecting the continuity of the growth strategy focused on mix improvement, increased share of higher value-added products and strong acceptance of the brands' portfolio.

Gross profit totaled R$ 313.5 million, an 11.2% increase compared to 1Q25, while gross margin reached 40.4%, an expansion of 0.2 p.p. Recurring EBITDA amounted to R$ 156.9 million, up 11.8%, with a margin of 20.2%, 0.2 p.p. above the first quarter of the previous year, evidencing operational consistency and continuous efficiency gains.

Revenue growth was mainly driven by the Athletic Footwear category, which increased by 11.3% in the period. Olympikus maintained strong performance, with highlights in the performance-running segment, while Under Armour posted the highest relative growth among the brands, supported by new product launches. Mizuno continued to expand its presence, with consistent portfolio growth.

The e-commerce channel maintained its trajectory of qualified growth, reaching R$ 124.4 million in revenue, a 5.1% increase compared to 1Q25. This performance reinforces the strategic role of the channel in brand positioning and in offering a complete consumer experience, while preserving commercial discipline and avoiding aggressive promotional strategies.

The results reinforce Vulcabras' confidence in its growth trajectory throughout 2026. The Company starts the year with a solid operational base, balanced production, consolidated efficiency levels and healthy retail inventory levels.

The order backlog for 2026 supports this view, indicating another year of strong demand for the Company's products, driven by the solid sell-out performance of recently launched collections and the continuous evolution of the portfolio. We remain confident in Vulcabras' ability to grow consistently, innovate and generate value for consumers, partners and shareholders, while maintaining focus and discipline in the execution of its long-term strategy.

We now turn the floor over to Mr. Wagner Dantas CFO and Investor Relations Officer.

Wagner Dantas:

Good Morning, everyone

We will begin our presentation with gross billed volume, one of the Company's main operating indicators, as shown on slide 5.

In 1Q26, the retail consumption environment remained challenging, marked by the continuation of an intensified promotional landscape across both brick-and-mortar and online channels. Clearance sales, traditionally concentrated at the beginning of the year, extended through the first half of February, increasing competitive pressure throughout the quarter.

In this context, the Company maintained its strategy of commercial discipline and brand positioning preservation, prioritizing higher-quality and more profitable sales, reinforcing its commitment to delivering sustainable results.

Gross billed volume reached 7.6 million pairs/units in 1Q26, a 6.8% increase compared to the recorded in 1Q25. Even in a highly promotional environment, the Company remained consistent in executing its strategy and expanded its share in the Athletic Footwear market.

Despite the consolidated growth of 6.8%, performance was impacted by distinct dynamics across categories, with a positive highlight in Athletic Footwear, partially offset by a decline in Others Footwear and Others.

Athletic Footwear: Volume totaled 4.8 million pairs in 1Q26, representing growth of 10.5% compared to 1Q25. Performance reflected consistent demand for products across all three brands and was supported by the production capacity expansion implemented throughout 2025. Demand in the domestic market remained solid, while performance in the Foreign Market came in below expectations.

Others Footwear and Other posted a 6.9% decline in volume in 1Q26, mainly impacted by lower sales of occupational boots. This movement was primarily driven by reduced inventory replenishment by distributors, who started the period with inventory levels above expectations. Throughout the quarter, inventories gradually normalized, with order flow resuming. Performance was partially offset by growth in sports flip flops volumes.

Apparel and Accessories recorded volume growth of 6.2% compared to 1Q25, with Under Armour standing out positively.

Moving on to slide 6, we will now analyze Net Revenue segmented by category, where we can more clearly observe the evolution of our portfolio.

Net Operating Revenue totaled R$ 776.4 million in 1Q26, a 10.7% increase compared to the recorded in 1Q25, marking the Company’s 23rd consecutive quarter of growth.

This performance was achieved in an environment of heightened competitiveness and increased promotional intensity, supported by the Company’s commercial strategy, balanced portfolio and consistent execution across sales channels.

The Athletic Footwear category grew 11.3% compared to 1Q25. The evolution of the brands and the strengthening of the product mix drove performance. Olympikus maintained strong performance, with highlights in the performance-running segment. Under Armour posted the highest relative growth among the brands, driven by the launch of new running models, while Mizuno continued to expand, supported by portfolio expansion.

The Others Footwear and Others category recorded a 14.1% increase in revenue compared to 1Q25, reflecting the strong performance of athletic flip flops, which gained greater relevance in the mix, partially offset by a decline in revenue from occupational boots.

The Apparel and Accessories category posted a 2.8% increase in 1Q26. Highlights included Under Armour's performance in the domestic market and the continued expansion of Olympikus in the category.

Moving on to slide 7, we now detail Net Revenue by market, highlighting performance in Brazil and in the Foreign Market.

Net Operating Revenue in the domestic market reached R$ 755.6 million in 1Q26, a 12.6% increase compared to 1Q25.

Despite a challenging start to the year, performance was positive, mainly supported by the Athletic Footwear category, which remained the main driver of consolidated revenue growth.

The result reflects the evolution of the brands, the strengthening of distribution and the efficiency of commercial initiatives, which continued to drive the Company's consistent growth in Brazil.

Net Operating Revenue in the Foreign Market totaled R$ 20.8 million in 1Q26, a 30.4% decrease compared to 1Q25.

Performance reflects the challenges faced in the Company's main markets of operation, highlighting a still challenging environment in Latin America.

On slide 8, we analyze the performance of the e-commerce channel, which continues to be one of the Company's key strategic growth pillars.

In 1Q26, the e-commerce channel operated in an environment of high promotional intensity, especially in marketplaces, where clearance sales extended through the first half of February.

In this context, the Company maintained the commercial strategy implemented at the end of 2025, prioritizing the preservation of the positioning of its key product lines and the capture of healthier margins.

As a result, revenue growth occurred at a more moderate pace. On the other hand, the channel's operational performance, measured by EBITDA margin, maintained a positive trajectory of improvement.

Net revenue from the channel totaled R$ 124.4 million in 1Q26, representing a 5.1% increase compared to the same period of the previous year. E-commerce represented 16.0% of consolidated net revenue.

Moving on to Slide 9, we present Gross Profit and Gross Margin.

The increase in produced and sold volumes, higher operational productivity and the rise in average selling price supported the expansion of gross margin, even amid significant impacts on the cost of goods sold.

The Company's industrial plants resumed full operations after the collective vacation period and, with the stabilization of the workforce, efficiency indicators gradually improved until reaching planned levels. Programmed volumes were achieved and production costs remained within expectations.

In 1Q26, the Company recorded gross profit of R$ 313.5 million, representing an 11.2% increase compared to the same period of the previous year. Consolidated gross margin reached 40.4%, 0.2 percentage points above the level reported in 1Q25.

This performance highlights not only the Company's resilience in a challenging macroeconomic environment, but also reinforces its commitment to innovation, excellence in product delivery and agility in adapting to new scenarios

On slide 10, we detail selling expenses and their evolution over the period.

In 1Q26, expenses related to selling, advertising and Estimated Losses on Doubtful Accounts (ECLD) totaled R$ 151.9 million, representing a 13.3% increase compared to the same period of 2025.

Excluding advertising investments, amounted to R$ 106.6 million in 1Q26, corresponding to an 8.1% increase compared to the recorded in 1Q25. When compared to net revenue, these expenses represented 13.7% in 1Q26, a reduction of 0.4 p.p. compared to the 14.1% reported in the same quarter of the previous year. Commission expenses decreased compared to the levels reported in 1Q25, mainly due to changes in the mix of brands, products and channels, resulting in a lower relative share. Regarding freight expenses, although upward pressure was observed throughout the last month of the quarter, the impact on the period's results was still not significant.

Now moving on to Slide 11, we will detail Advertising and Marketing expenses, analyzing their evolution during the quarter and the main factors that contributed to this movement.

In 1Q26, investments in advertising and marketing totaled R$ 45.3 million, an increase of 27.6% compared to 1Q25. This increase reflected the continued intensification of communication and brand positioning initiatives throughout the quarter, mainly driven by the events celebrating Olympikus' 50th anniversary, which continued at an accelerated pace, bringing the brand even closer to its consumers. Relative to net revenue, advertising and marketing expenses represented 5.8%, an increase of 0.7 p.p. compared to 1Q25.

Olympikus maintained the pace of brand strengthening by combining innovation and community building. The quarter was marked by the launch of Corre Pace, the first ultra-running shoe developed in Brazil, reinforcing its high-performance proposition and positioning in the premium segment. The brand also deepened its understanding of consumers with the second edition of the "Por Dentro do Corre" study, which highlighted the expansion of the running community in the country. As an additional highlight, Olympikus launched the Corre do Amanhã project, focused on developing new talent and reinforcing its commitment to the growth of sports in Brazil.

Mizuno advanced its positioning with a focus on innovation and brand experience, highlighting the evolution of the Neo Line and the launch of new high-performance products, such as the Neo Zen 2 and the Hyperwarp collection. The brand also strengthened its presence in road races through the Mizuno Athenas Circuit and expanded the reach of the Mizuno Running Station, which impacted 100 thousand people during the quarter. In sportstyle, Mizuno further strengthened the connection between sports and culture through launches and collaborations that increased its relevance in the lifestyle segment.

Under Armour strengthened its presence in training and advanced in building a more complete running portfolio. The brand launched the Cross 2 SE in the training segment and structured a running product pyramid, with models developed in Brazil for different runner profiles, such as Nonstop and Endless. At the top of the portfolio, the brand introduced the Velociti Elite 3 to the Brazilian market, reinforcing its competitiveness in the high-performance segment.

Moving on to Slide 12, we will cover General and Administrative Expenses.

In 1Q26, general and administrative expenses totaled R$ 44.2 million, representing an increase of 0.7% compared to the same period of the previous year.

When analyzed as a percentage of net revenue, these expenses represented 5.7% in 1Q26, a reduction of 0.6 percentage points compared to 1Q25.

The main variations observed were an increase in software maintenance services, driven by additional efforts required to adapt systems to the requirements of the ongoing tax reform; and a decrease in personnel expenses, due to the reversal of provisions related to Stock Option plans, following the partial exercise of the 2023 plan.

Now moving on to Slide 13, we will discuss Financial Result and Net Debt, highlighting the key factors from the quarter and their effects on the Company's capital structure.

In 1Q26, net financial result was an expense of R$ 27.8 million, compared to an income of R$ 2.3 million in 1Q25.

During the quarter, an increase in interest expenses was observed, driven by the higher financial liabilities resulting from the new debt profile established at the end of 2025. The Company started 2026 with net debt of R$ 769.4 million, which led to higher financial expenses throughout 1Q26.

We ended the quarter with net debt of R$ 658.9 million, R$ 110.5 million lower than the level reported as of December 31, 2025. Following the increase in debt throughout 2025 to support higher working capital requirements, accelerated Capex investments, and robust dividend distributions, the strategy adopted for 2026 is focused on financial deleveraging, prioritizing debt reduction throughout the year.

On slide 14, we present Net Income and Adjusted ROIC, indicators that highlight the Company's operational efficiency and its ability to generate value on invested capital.

In 1Q26, the Company recorded net income of R$ 80.1 million, representing a 24.5% decrease compared to the same period of the previous year. Net margin for the quarter reached 10.3%, a decline of 4.8 p.p. compared to the 15.1% reported in 1Q25.

Net income for the period was impacted by the increase in the financial result, driven by the higher level of indebtedness throughout the second half of 2025. This movement was associated with the need to support higher working capital, increased CAPEX investments and the acceleration of dividend distribution.

The Company has been focusing its efforts on reducing leverage in the shortest possible timeframe, with the objective of consequently lowering financial expenses.

Non-recurring event: During the quarter, a non-recurring event related to the write-off of intangible assets (discontinued software) used in the e-commerce back-office platforms was recognized. This effect had a negative impact of R$ 6.0 million on the Company's results in 1Q26, reducing reported net income.

Excluding the non-recurring event, net income totaled R$ 86.1 million in 1Q26, 18.9% lower than the recurring net income of R$ 106.1 million recorded in the same period of the previous year.

In the same period Adjusted Return on Invested Capital reached 36.6%.

Now, on slide 15, we will detail the EBITDA performance.

In 1Q26, the Company's EBITDA totaled R$ 150.9 million, representing a 7.5% increase compared to the recorded in the same period of 2025.

Despite the EBITDA growth in absolute terms, the EBITDA margin declined in the comparison between 1Q26 and 1Q25, decreasing from 20.0% to 19.4%. It is important to highlight, however, that EBITDA was negatively impacted by R$ 6.0 million, with an effect of -0.8 p.p. on the margin, due to the recognition of a non-recurring event related to the write-off of intangible assets (discontinued software) used in the e-commerce BackOffice platforms.

Excluding this effect, recurring EBITDA in 1Q26 totaled R$ 156.9 million, representing an 11.8% increase compared to the same period of the previous year. The recurring EBITDA margin reached 20.2%, with an expansion of 0.2 percentage points compared to 20.0% in 1Q25.

The EBITDA margin remained at a solid level, consistent with the Company's operating structure, highlighting its ability to adapt and its resilience in the face of the challenges during the period.

Moving on to slide 16, we will discuss CAPEX.

In 1Q26, the Company made investments totaling R$ 47.7 million in property, plant and equipment and intangible assets, representing a 1.4% decrease compared to the same period of 2025.

The increase recorded in machinery and equipment and industrial facilities refers to the completion of the production capacity expansion initiated throughout 2025, with the delivery of the final acquired equipment.

Now, moving on to slide 17, we will address Cash Flow, highlighting the main components that influenced the variation during the period.

We ended 1Q26 with cash availability of R$ 362.8 million and net debt of R$ 658.9 million.

Cash variation during the year totaled R$ 156.0 million, maintaining a balanced combination of strong operational cash generation and strategic capital allocation decisions.

Among the main movements during the period were EBITDA of R$ 150.9 million, a capital increase of R$ 4.3 million from the exercise of Stock Options, an increase in bank liabilities of R$ 45.5 million, a R$ 34.0 million reduction in working capital requirements, investments in property, plant and equipment and intangible assets totaling R$ 44.5 million, and a financial result of R$ 27.8 million.

This set of movements reinforces the Company's financial discipline and its ability to sustain growth with efficient capital allocation over time.

We conclude our presentation here and, from this point on, we are available to answer your questions.

Questions and Answers

Victor Rogatis, Itaú:

Good morning. Thank you for taking our questions. We have two questions on our side.

The first one is regarding growth. When we look at the digital channel, you have been quite vocal about prioritizing profitability. You chose not to enter into the markdown dynamics that we saw taking place in the market. How are you thinking about this going forward? Is it fair to assume that we will continue to operate in a very aggressive online environment and that the strategy will remain focused on profitability in this channel and, eventually, therefore, the price to be paid could indeed be somewhat more modest growth? That is the first question.

The second question is from a working capital perspective. When we look at your inventory days, there was a meaningful year-over-year increase and, interestingly, when we look at supplier days, there was a year-over-year decline. If you could explain a little bit about the dynamics behind what happened in this 1Q, and whether the factors explaining this 1Q dynamic should remain in place for 2Q and the remainder of the year. I will leave these two questions here as well so that the other analysts can ask their questions. Thank you.

Pedro Bartelle:

Victor, thank you. Good morning, everyone. Yes, e-commerce growth was more modest in 1Q. We saw a more promotional market environment. In fact, during this 1Q, we ended up adjusting our strategy in order to prioritize profitability.

We have now delivered 23 consecutive quarters of growth, but we needed to make some adjustments in order to prioritize results. One of them was not entering into the markdown war that we saw intensify somewhat during 1Q. But there was another factor that prevented us from maintaining the same pace of growth, and we expect growth to accelerateagain in e-commerce starting this quarter, which was the product launches.

The entire new Corre family starts shipping from April onward. Therefore, we went through 1Q without any new developments in the Corre line, and our e-commerce channels are highly driven by product launches, especially within the Corre franchise.

So growth was more modest and impacted by promotional activity, where we chose not to enter that battle. This is because it is not only about maintaining results, but also about acting as a disciplinarian within the e-commerce environment for our brands. Today, around 15% of our revenues come from e-commerce, slightly more already, while 85% comes from our clients and partners, and we are very careful with pricing so that we can remain a strong business partner for our clients and generate profitability across the entire value chain.

So those were the two main factors. First, we chose not to participate in the markdown war. Second, the launches only start from April onward. My view is that, from this point forward, growth should return to previous levels, higher than what we saw in 1Q.

Wagner, please take the second question.

Wagner Dantas:

Perfect. Rogatis, regarding working capital. In 1Q26 versus 1Q25, we saw a 10-day increase in inventory turnover days, moving from 158 to 168 days. This day’s calculation always considers the last 12 months of consumption, the historical consumption curve.

I believe this increase in inventory is explained by two factors. First, we have an expectation of seasonality. Therefore, when you project inventory turnover based on projected consumption, you will see that the number of days of coverage remains very consistent with the Company's historical and structural average. There was also a specific factor as of March 31, which was that we were about to launch the renewed Corre family during the first days of April. As a result, we ended up holding back a volume of finished products in inventory in preparation for those launches in the following days.

Therefore, this factor related to the launch of the Corre family, where we intentionally held inventory back, and this has already normalized. We have already released this volume, which supports the sell-in pipeline at the point of sale and supports sales through our DTC channels. But there is also the factor related to the natural growth of the operation itself, as we continue organizing the Company for ongoing growth. Therefore, it is natural to increase inventory in order to support future sales. In addition, the inventory day's calculation always looks at the historical curve, looking backward.

Regarding suppliers, the change was minimal, a decline of 3 days. Structurally, we operate with lower supplier days. We purchase our raw materials prioritizing discounts in order to achieve more competitive purchase prices. Therefore, we effectively end up paying suppliers within shorter terms. However, the variation itself was very small, moving from 29 days to 26 days, only 3 days. Therefore, there is no structural comment or trend to highlight here. It was simply a normal quarter-over-quarter variation.

Eric Huang, Santander:

Good morning. Thank you for taking my questions. I would first like to address the gross margin topic. I believe we came from a more challenging period in 2025, and now you are starting to show a slight improvement, actually a good improvement. My question is more about understanding how you are viewing this trajectory throughout 2026, considering that, as you mentioned, there are still some headwinds ahead and, in addition to that, we could eventually see a stronger increase in raw material costs going forward, as well as the discussion around the 6x1 workweek scale. Therefore, I would like to better understand how you are thinking about the gross margin dynamics.

In addition, inevitably touching on the pricing discussion, how are you thinking about product pricing throughout this year, especially considering the product launches that are coming ahead? I believe that would be our question on this side.

Pedro Bartelle:

I will start here, Eric. Thank you for your question. We are pleased with the slight gross margin expansion we delivered in 1Q, because 1Q was already somewhat impacted by all the volatility we are seeing. Some factors were already known, such as payroll cost pressures, inflation in Brazil and the related effects, as well as the impacts from elections and the World Cup cycle.

But, in fact, the war brought new factors into the equation. These headwinds have already started to appear in raw material costs. Even though 85% of our raw materials are sourced in Brazil, some items are dollar-linked and impacted by freight costs, as well as by broader global effects, Braskem being one example. Still, we managed to make good adjustments and even slightly improve our gross margin.

We had also been managing higher absenteeism levels that became more pronounced recently. But all of those factors had already been addressed. What remained to be addressed was this sudden and stronger-than-expected increase in raw material costs.

To answer your pricing question, starting last week we already launched the 2H collection. We do not sell far in advance like some other brands because we produce quickly, deliver quickly and replenish quickly. We have already implemented price adjustments, and the 2H collection will reflect these revised prices.

So, given the current scenario of absenteeism, higher raw material costs and the overall macro environment in Brazil, we have already adapted ourselves and intend to continue our growth agenda, but above all, to preserve the financial health of our business, our margins and our results.

In 1Q, we already went through this environment, and both EBITDA and gross margin expanded. Looking ahead, we see these adjustments as very appropriate and necessary for us to continue executing our strategy.

The 6x1-labor scale discussion is something we are closely monitoring. We already have some adaptations mapped out that we will need to implement if it is approved, and we believe that, if implemented, it would happen over the long term, as has been discussed. We will have to adapt to that as well.

Vulcabras is a very flexible, resilient and agile Company. I believe we will adapt, but this is something that will somewhat make life more difficult for everyone, for all companies.

At the same time, we continue to defend the local industry against imports, which have increased significantly over the last few years. We have already learned how to operate in a market with a high level of promotional activity in Brazil, but perhaps there should be a way to create a more level playing field by restricting or making it somewhat more difficult for heavily subsidized imports to enter the country.

However, within the scenario we know today, we have already implemented our adjustments and the increase in raw material costs has already been passed through via pricing. We did not increase prices across all products. There are some products where price increases are not possible, since they are not commodities where you can simply adjust a pricing table. However, wherever it was necessary to offset these costs, we have already done so. Now, we need to confirm our order books and ensure products reach consumers.

Wagner, please complement anything you think is necessary.

Wagner Dantas:

Pedro, I think you covered it well. We had already priced in the variables, increases and inflationary pressures that were known at the beginning of the year. The new development throughout 1Q was the Middle East situation, which triggered additional raw material price pressure. This is already creating some impact, but it should intensify as we turn over our inventories. This effect will become more visible throughout the second half, although it already starts in 2Q, and we have already adjusted for this in the 2H collection as well.

We priced the collection accordingly and presented it to our sales force, which is currently traveling across Brazil capturing orders. Therefore, this element has already been incorporated into pricing and adjusted, and therefore, we will implement price increases across several products. We will not increase prices across 100% of the portfolio, but we have already taken the necessary measures based on what is currently known.

Regarding the 6x1 labor scale, I think you also covered it well. We are closely monitoring the issue. It is a topic that should gain more traction over the coming weeks, and we have already mapped out the adjustments we would need to implement if it is approved in the form it was proposed. However, this is another factor that places additional pressure on Brazilian industry, which already faces unfair competition from Asian manufacturing.

Therefore, I think this is very much aligned with what we have consistently explained and defended. That is essentially the point, Eric.

Pedro Caravina, XP:

Good morning. Thank you for taking my question and congratulations on the results. I believe the performance was quite resilient in a pressured retail environment.

There are two topics I would like to explore here. First, taking a deeper look at gross margin. If you could comment on what else can be done to mitigate these potential impacts, especially those coming from raw material costs. Clearly, pricing is the main lever, which you have already discussed, but internally, are there factory adjustments you can make? Do you have idle capacity that could support productivity gains? What other levers do you see to help mitigate these pressures?

In addition, if I may, regarding capital structure, I believe advantage has already improved nicely quarter-over-quarter, and there is still the effect Wagner mentioned related to the delayed sales from the Corre launch, which should already normalize in 2Q. How should we think about shareholder remuneration for 2026? I understand that you accelerated dividends significantly in 2025, but given the current environment, do you already see room to perhaps resume dividend payments somewhat above the minimum payout level in 2026, or is this more likely to happen in 2027? How are you thinking about that?

Pedro Bartelle:

Wagner, let me just complement the point regarding raw materials and gross margin, and thank you for the question, Pedro. In fact, these increases that have taken place are forcing us to slightly change the way we think inside the Company. Looking more broadly at the Company's strategy, what we have been doing is turning this year into a year of greater austerity within our budget planning. In addition, in order to do that, we have shifted our operating profile somewhat more toward the short term rather than the long term.

So, the scenario we used when building this year's budget at the end of last year was one thing, and today it is another. We ended up prioritizing not only products, but also much more short-term actions, things where we already have greater visibility and certainty, while slightly reducing our long-term investments as we wait for the environment to become more predictable.

However, simply put, we are reducing expenses where possible and prioritizing short-term strategies much more than long-term strategies. The Company has now delivered 23 consecutive quarters of growth, not only based on products that have already been launched, but by continuously expanding into new categories, new products and new collections. We are maintaining this agenda, but those long-term investments will be somewhat paused for now until we have a clearer view of the environment.

Therefore, in terms of gross margin, what we can do is manage the Company with a more short-term focus. Does this hurt our growth? I do not believe so. But as soon as we have greater visibility and a more predictable scenario, Vulcabras is a fast-moving Company, and we will resume our longer-term agenda of looking two years ahead, three years ahead.

Wagner Dantas:

Perfect. I think there is just one additional point to complement regarding gross margin, Pedro, which is the efficiency factor. We came from a 2025 in which perhaps the main investment we made throughout the year was expanding our production workforce. We grew very significantly, and that brought a side effect, which was the initial inefficiency associated with new operators joining the Company.

Throughout 4Q, and even more clearly consolidated in 1Q, we saw the maturation and evolution of the learning curve of these new operators, which has been driving efficiency levels much more in line with our standards and with what had been planned. Now, as we enter 2Q and the second half, we are entering the period of the year where we have more production days, and this is the moment when we should consolidate and capture this final mile of gains in terms of maturity and operational efficiency, while maintaining a stable workforce.

Therefore, stability in our production base promotes better efficiencies, and this already contributed meaningfully during 4Q and 1Q, and I believe we will capture the final benefits throughout 2Q.

Now, moving on to the second question regarding capital allocation and how we see the evolution of the year. Over the last three years, the Company has essentially operated with a near net cash balance sheet. The Company's culture has always been to seek the best possible capital allocation.

Whenever we generate excess capital and move into a net cash position, we tend to promote more robust shareholder distributions and even anticipate distributions. Last year, given the potential tax reform and the discussion around dividend taxation, we strategically planned and organized ourselves to anticipate a distribution that the Company's cash generation would naturally support. To do that, we needed to temporarily increase financial leverage, and today our mindset is already focused on reducing that leverage in the short term.

Therefore, we ended December with leverage at 0.9x EBITDA. This is still modest and low compared to peers and listed comparables, but it is above our comfort zone and above the level we consider ideal for navigating the volatility and risks inherent to Brazil. Therefore, our objective throughout 2026 is to continue reducing this leverage. As cash generation materializes and debt maturities come due, our goal is to gradually reduce it.

I believe the first step was already very positive in 1Q, when leverage declined from 0.9x to 0.7x, and our expectation is to continue amortizing debt as maturities come due and keep reducing leverage throughout 2026.

We will not refrain from continuing investments. As Pedro mentioned, we are prioritizing investments that provide faster returns, focusing on capturing the benefits of these investments in the short term. However, we should not expect a very proactive or aggressive shareholder distribution agenda throughout 2026, as reducing debt will remain the priority. Even though our debt profile is structured, with costs around CDI +0.5% to 0.6%, CDI itself remains expensive.

And especially now, with the Middle East situation and global inflationary pressure, the interest rate decline cycle may not unfold as the market expected at the beginning of the year. This reinforces the discipline of focusing on deleveraging, because the cost comes mainly from the CDI level itself, rather than from the spread. That is essentially how we are thinking about it.

The good news is that, with the strong cash generation the Company has been delivering and remains very confident in sustaining throughout 2026, we believe we will be able to reduce leverage relatively quickly.

Starting in 2027, I believe we will enter a scenario where, with solid fundamentals and a deleveraged balance sheet, we can resume the agenda and discussion around optimal capital allocation. Whether through investments or acquisitions where we can deploy capital while maintaining ROIC at the levels we currently deliver, or, in the absence of such opportunities, returning excess cash to shareholders.

Our mindset has not changed. Our policy continues to be one of always seeking the best capital allocation.

Isabella Lamas, UBS:

Good morning. Thank you for taking my question. On our side, I think this is mostly a follow-up, diving a bit deeper into the e-commerce channel, which you already discussed earlier.

Within the context of the strategy you have been pursuing, prioritizing margins and repositioning brands in a more promotional environment, if you could elaborate a bit more on your strategy between marketplace sales and sales through your own websites, how have you been operating across these channels? And are you looking, for example, to reduce marketplace exposure, both from a short-term and medium-term perspective?

Also, how should we think about this balance and the Company's overall strategy going forward throughout the year? Thank you.

Wagner Dantas:

Pedro, please feel free to complement anything I may miss here, as always. Isabella, I believe our e-commerce strategy is based on complementarity while prioritizing profitability. We do not have the mindset of pursuing growth at any cost. In fact, we often use this terminology internally: if we have to make a trade-off between profitability and growth, we will choose profitability, because sales through this channel are complementary in nature. The objective is to complement wholesale and reach consumers that, in some cases, we struggle to access through the multibrand channel due to the partner's own strategy limitations.

Whenever the promotional environment becomes extremely aggressive, and that happened throughout almost all of 4Q and persisted well into 1Q, much more than would be considered reasonable, we ended up slowing down sales through 3P marketplaces. That is because marketplaces are the environment where consumers are primarily searching for sneakers based on price, and when competitors begin destroying value, we prefer not to enter that battle.

Instead, we prefer to prioritize investments and direct our strategy toward 1P channels, where we truly have a consumer who is not simply looking to buy a sneaker, but specifically an Olympikus sneaker, an Under Armour sneaker or a Mizuno sneaker. Therefore, it becomes a much more qualified sale within an environment of aggressive or irrational competition.

As marketplaces return to a more reasonable pricing environment and a healthier portfolio dynamic, we also resume accelerating growth in that channel. It is still an important and strategic channel. Even though it carries a heavy take rate and commissions paid to partners, these platforms and marketplaces generate very significant traffic flows that benefit us.

Therefore, I believe this is something we continuously manage within our marketplace strategy. Whenever we start entering a zone of value destruction, we slow down somewhat. That was how we operated and structured the strategy throughout 4Q and 1Q, and this is very much the mindset that should continue guiding our channel strategy over the coming quarters.

Just to conclude here, Pedro, please feel free to add anything, we have strong willingness, structure and strategy to continue growing, but we will not grow at any cost. We are not willing to grow by destroying value. We are willing to grow by delivering a competitive service level, delivering experience, fair pricing and the very best our brands can offer through e-commerce.

Pedro Bartelle:

Perfect from my side, Wagner.

Matheus Soares, Market Makers (via webcast):

Congratulations on the results. I have three questions.

First, what portion of the inventory increase in 1Q was related to preparation for already confirmed orders versus anticipation of production and capacity expansion?

Wagner Dantas:

Regarding inventories, Matheus, we already touched on this topic in previous questions, specifically in Rogatis' question about working capital evolution, if I am not mistaken. I believe the explanation is mainly related to the launch of the Corre family. Inventory levels are very well balanced and properly adjusted for a Company that continues to grow.

More specifically, during 1Q we were about to launch the new Corre collection. It is a collection that brings significant volumes and strong sales potential. It is also a collection with above-average production costs, since these are more technological products. However, regarding supply, wholesale pipeline inventory build-up and the beginning of sell-out through our e-commerce channels, this has already normalized.

So, from an inventory perspective, there is no structural issue to comment on. I believe this is much more a temporary and circumstantial effect, associated both with the Company's continued growth and with the fact that we were approaching an important launch moment for the Company.

Matheus Soares:

Is the new production capacity already operating at normalized efficiency levels? Is there additional room for manufacturing dilution throughout 2026?

Pedro Bartelle:

Thank you for the question, Matheus. We significantly increased our investments, and our CAPEX increased substantially through the end of last year. We are still concluding some smaller expansions at our Bahia facility, but the production expansion CAPEX we planned is now essentially complete and was designed to support our growth over the next two years.

This year is a year of growth. We already delivered growth in 1Q and we have an agenda to continue growing throughout the year. We are working very hard on efficiency in order to maintain our workforce, which currently stands at around 24,000 employees, but we do not have idle capacity. We do have some headroom, as I usually say internally, that allows us to absorb additional production volumes.

However, the way we operate the Company, and I believe this comes from our restructuring period and the maximum-efficiency mindset we developed, with a strong focus on the sports segment and specialization, is to always operate with virtually zero idle capacity.

Of course, there may be one machine or another not being fully utilized, but if you visit our factories, you will not see unused space. You will see everything very well occupied, because this lack of idle capacity truly drives efficiency throughout the entire process.

So yes, we do have capacity. If we see an increase in demand, we can respond quickly because these investments have already been made, and incremental production would essentially require only additional hiring, which is already very well planned.

In fact, the adjustments we made throughout 1Q due to all these new developments, such as higher costs, the war and so on, were made while prioritizing the stability of our production base. We increased prices and adjusted the positioning of some products, but we want to maintain our current operational structure.

This is also because we grew very rapidly last year, and that rapid growth created some inefficiencies and temporarily pressured our margins until people were fully trained. Therefore, this year is not only a year of growth, but also a year of stability. We have been saying internally that this is a year to monetize all the investments we have made.

So, for what we have planned, we are very well organized, not only to support growth this year, but also to support growth next year at the very least.

Victor Rogatis, Itaú BBA:

I'm back. Let me ask one more question here. What really caught my attention was the Athletic Footwear volume growth in 1Q, which came in much stronger than we had expected. On the other hand, price increases were also significantly lower than we had anticipated.

So, if you could explain a little bit about the dynamics that took place during this 1Q, just so we can better understand whether these same factors should remain present in 2Q, that would be great.Thank you

Pedro Bartelle:

Let me start here. In fact, we continue executing our distribution expansion agenda and so on. We operate in a sector that grows somewhat faster than the broader market, and we know that very well, we have it very well mapped out. But this relationship between volume growth and price growth is definitely heavily related to the product launches that begin in April, and this tends to normalize the mix somewhat more.

We are actually very satisfied with our 1Q performance because, despite all the new developments, uncertainties and everything else, we were still able to achieve our targets and our budget, with slight expansion in gross margin and EBITDA, even without having most of our launches, including our most important ones. For example, our Corre line, specifically the Corre 5, only started launching now, during this month, and it is already selling extremely well. There are also new colorways yet to be launched, with a pipeline extending through December and so on.

Therefore, we achieved these results without those products that not only drive sales volumes, but also increase our average selling price. These are, for example, some of the higher-priced Olympikus products.

Wagner, please complement if necessary.

Wagner Dantas:

Pedro, I believe the mix effect caused by the absence of launches with higher average selling prices throughout 1Q was an important factor, but there is another relevant component worth mentioning here, which is the Foreign Market.

Quarter after quarter, the Foreign Market has been becoming less relevant within the overall Company, although it still carries some relevance, and it posted a significant decline, with Foreign Market revenues down 30% year-over-year. The average selling price in the Foreign Market declined 12%, and in the Foreign Market we only export Athletic Footwear products.

Therefore, this negative impact from the Foreign Market, although it is becoming increasingly less relevant overall, ends up distorting the Athletic Footwear category metrics somewhat and pulling them downward. If we look at the domestic market as a whole, average selling price increased 4.2%.

Our first major strength is that we are not dependent on only one brand or one price range. Today, we have a very broad product portfolio, and during this quarter volume was a major driver of our revenue growth. Throughout 1Q, we had the absence of new launches concentrated in higher price points, and at the same time we had the negative impact from the Foreign Market, which acted as a drag on the Athletic Footwear average selling price KPI and prevented the category's average price from expanding more meaningfully overall.I believe those are the main factors.

Operator:

As there are no further questions, I would now like to turn the floor over to Mr. Pedro for his closing remarks.

Pedro Bartelle:

First, I would like to thank everyone for the interest. I would also like to take advantage of Victor's last question to briefly comment on the Foreign Market.The Foreign Market used to be much more relevant for us. The Company still has the ambition to distribute its Athletic Footwear products across neighboring countries. The biggest challenge is the difficulty of doing business in those countries and the macroeconomic difficulties that you all know these markets have been facing.

Our main country is Argentina. In previous conference calls, I had already mentioned that we were beginning to see a recovery there. In fact, that recovery was happening, but now we are adjusting our distribution structure and partnerships in the country in order to resume growth. It is a slow process, but there is a significant opportunity, because our participation in the Foreign Market used to be three times larger than it is today, for example.

We did not build optimistic projections for this year, but when those countries begin performing better again and business conditions improve, I believe we have a significant growth opportunity that can be added to our sales base.

Aside from that, Vulcabras is very well adapted to this new environment. The challenges related to raw material costs have already been addressed through price increases, austerity measures within the Company and a relentless pursuit of maximum efficiency. The Company is currently operating with a somewhat shorter-term perspective, and our focus is to continue executing our growth agenda, but above all, improving our results and maintaining a very healthy Company.

As always, our Investor Relations channels remain fully available to all of you. Once again, thank you everyone for your time, and I wish you all a great week.

Thank you very much.

Wagner Dantas:

Thank you, everyone. Have a great week.

Operator:

Vulcabras' conference call is now concluded. We thank everyone for their participation and wish you all a great day.