

Track&Field

Track&Field Earnings Conference Call Transcript – 2Q25

Operator:

Good morning, ladies and gentlemen. Welcome to Track&Field's videoconference to discuss the 2Q25 results.

This video conference is being recorded, and the replay can be accessed on the Company's website, www.tfco.com.br/ri. The presentation is also available for download.

Please be advised that all participants will only be watching the video conference during the presentation and then we will begin the question-and-answer session, when further instructions will be provided.

Before proceeding, I would like to emphasize that the forward-looking statements are based on the beliefs and assumptions of Track&Field's management and the current information available to the Company. These statements may involve risks and uncertainties, since they relate to future events and therefore depend on circumstances that may or may not occur.

Investors, analysts and journalists should bear in mind that events related to the macroeconomic environment, the segment and other factors could cause results to differ materially from those expressed in the respective forward-looking statements.

Present at this videoconference are Mr. Fernando Tracanella, CEO of Track&Field, Ms. Patrícia Abibe, CFO and Investor Relations Director and Mr. Fred Wagner, CEO of TFSports and Vice President of Strategy and New Business at Track&Field.

I would now like to turn over to Mr. Fernando Tracanella, who will begin the presentation. Please, Fernando, go ahead

Fernando Tracanella:

First of all, good morning everyone. Thank you for being here and for your interest in the Company.

We are all very pleased with these results. It was another quarter of strong sales growth, but growth that also came with improved profitability. I have a few highlights here that I'll go through briefly, and then Patrícia will provide more details, but it was a quarter in which we delivered robust growth of almost 28%.

What I find most important is that this growth was largely driven by same-store sales, and within same-store sales, it was mainly due to the increase in units sold, much more than price increases.

So, it was very healthy growth, supported by several drivers. To explain this growth, I think it's important to provide some context and reinforce something we've been talking about for some

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time, which in our view has accelerated more recently: the favorable trends in our sector.

There are strong tailwinds, with people increasingly engaged in an active and healthy lifestyle, which is exactly our mission—to connect people with an active and healthy lifestyle. We also see very favorable trends in athleisure, with people combining sportswear with more formal or lifestyle clothing, choosing more comfortable apparel, this whole idea of connection through sports, and a greater focus on healthy eating.

All of this is part of the wellness universe in which we operate, and it has fueled the growth we saw both in the first and second quarters, a very positive period for the Company.

There were also other drivers: very strong growth in digital, over 50%, which we have been consistently delivering for some time now. E-commerce continues to gain relevance in the Company's overall sell-out. Events have also been a major contributor—Fred will share more details with you—but they consistently help generate store traffic, build customer loyalty, and drive product trial, which has been very important.

And lastly, store renovations, which are highlighted in the first box of this slide. Once again, renovated stores delivered close to double the same-store sales growth.

This has proven to be a very efficient capital allocation strategy, benefiting both company-owned and franchise stores. The good news is that there's still plenty of room ahead. By year-end, we expect to have around half of the network renovated, which means there's still contracted same-store sales growth to capture. In some cases, we have also been able to relocate stores to better locations and further enhance our operations.

So, store renovations have also been an important driver. We saw net revenue growth very much in line with sell-out, around 26%, and I think the key point here is that we managed to grow the top line while improving profitability, measured both by EBITDA and net income.

EBITDA grew 37% and net income 36%, with a very healthy margin. This was the quarter with the highest growth in the Company's history. And the fact that EBITDA grew faster than net revenue has a lot to do with the strength of our gross margin.

We achieved gross margin expansion across nearly all channels, and operational leverage helped dilute fixed costs, allowing us to further improve profitability in SG&A as a percentage of net revenue. Even though we increased marketing investments somewhat, that also contributed positively, as reflected in selling expenses, which is a very good outcome

We believe we've been doing a very strong job in marketing and influencer engagement, which has accelerated over the past few quarters. We already have a great squad of influencers who have also contributed to this performance. On the administrative side, we gained efficiency, reducing G&A expenses by more than one percentage point as a share of net revenue.

It was also an important quarter for accelerating the second wave of omnichannel initiatives,

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with the rollout of the “endless aisle.” The first wave—ship-from-store—is already well established; as you can see in this slide, nearly 70% of e-commerce orders are billed through the physical stores closest to customers.

Now, with the endless aisle, we have gained significant traction. This helps prevent lost sales due to stockouts, since our sales teams can now see the inventory across the entire network and offer a product to customers even if it’s not physically available at that specific store.

From an expansion perspective, we opened 5 new stores, ending the period with 406 units, and completed 5 renovations. While the number of new openings this quarter may seem modest, we already have 35 new stores under signed contracts for this year. At this point in the year, that’s a very strong pipeline, and we should see a large number of openings in the coming quarters. Renovations should also remain at a similar pace to last year, when we completed just over 40.

Moving to the next slide and looking at the semester: 1Q was also very strong, so for the first half we closed with sell-out growth of 31%, company-owned store growth of 23%, revenue up 28%, and EBITDA growth above 40%. Net income grew nearly 40%, with margins close to 18%.

The Company remains debt-free. We have been managing cash very closely across all variables, ending the period with cash and equivalents of R\$95 million, including credit card receivables, and generating R\$83 million in operating cash flow during the semester.

It was truly a very positive period, with growth above what we expected at the beginning of the year. Of course, when growth exceeds expectations, it can create some bottlenecks along the way. So, while performance was very strong, we did face some challenges—good problems to have—related to higher-than-expected growth, which required adjustments in production and logistics. But as we enter the second half, we feel better aligned and adjusted in these areas. And the outlook remains very positive.

With that, I’ll now hand it over to Patrícia to go into more detail on the results. Thank you.

Patrícia Abibe:

Thank you, Traca. Good morning. Good morning, everyone. Let’s start by talking about expansion. Tracanella already covered the main highlights, but I’d like to dive a bit deeper into some numbers.

Starting with the total network: we ended 2Q with 406 stores. We opened 9 new stores this year, and in the quarter specifically, we opened 4 franchises and 1 company-owned store. I’d like to highlight one in particular — and also extend an invitation to anyone in Rio de Janeiro or planning to visit—to stop by our new Ipanema store. It’s a beautiful store that brings the full Track&Field experience to Rio. It also includes a TFC studio, with more than 200 square meters of space. So, that’s definitely a highlight for us this quarter.

On renovations, we had 3 franchise stores and 2 company-owned stores. Altogether, we completed 12 renovations in the first half. Looking ahead to the year-end picture, around 60%

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of the network will already be under the new store concept. For company-owned stores, it will be nearly 90%. This means there's still a lot of contracted same-store sales growth ahead, as Tracanella always points out, given the strong uplift we see whenever we renovate our stores.

Moving to sell-out, it was truly a very strong quarter, with nearly R\$410 million in sales, up almost 28% year over year, specifically 27.8%.

Same-store sales grew 21.8%. Several factors explain this performance: store renovations, network expansion, a very assertive and successful collection—our winter collection was very well received by both customers and franchisees—plus the impact of Mother's Day and Valentine's Day, which are very important dates for us and reinforce Track&Field's positioning as a brand connected to care, affection, and celebration.

Of course, we also can't overlook events. In 2Q we had 121,000 participants across nearly 1,000 events throughout the network. These events are a very powerful driver of store traffic and a key contributor to our growth.

E-commerce was also a highlight, with growth of 57.6% compared to last year. It now represents nearly 10% of total sell-out, versus 8% in the same period last year. This is a very meaningful increase and continues to gain traction each quarter. By the way, just a quick note—we launched our winter sale yesterday, so for anyone who can't make it to the stores, it's a great opportunity to shop online as well.

On omnichannel: today we have 357 stores connected to the Infinite shelf platform. This tool is extremely important for us because it ensures we don't lose sales due to stockouts—whether it's a missing size, color, or even a seasonal product in a specific region. Customers now have the opportunity to complete their purchase directly through the endless aisle, and since the entire network is connected to this platform, this service is always available at the point of sale.

Today, customers have the opportunity to complete their purchase through the Infinite shelf, ensuring the sale even if the product isn't available in-store. With the entire network now connected to this platform, the service is always at hand.

Social Selling also showed very strong growth, up nearly 23%. Just as a reminder, Social Selling refers to sales made within 30 days after we reach out to customers via WhatsApp. This channel accounted for 39% of our total sell-out in the quarters, very significant numbers.

To wrap up this slide: for the first half, sales grew nearly 31%. We saw very strong growth in 1Q, up 33.7%, and then 27.8% in 2Q, which together bring us to almost 31% growth versus last year for the six-month period.

Now moving on to net revenue. Net revenue closely follows sell-out growth.

If we look at the company-owned network, whether retail sales or royalties, which reflect how our franchisees are performing in their stores, it all aligns with the sell-out dynamics I just explained. This sell-out growth naturally flows through to these lines.

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Merchandise sales to franchisees — the sell-in, which is how we supply the franchise network — grew nearly 30%, at an even slightly faster pace. This was also driven by the start of the clearance season, which led franchisees to stock up more heavily, ensuring deeper inventories, which is also very important for us at this moment.

Regarding events and TF Mall, here we saw a reduction of about 5 percentage points compared to last year. It's worth noting that this is mainly a calendar effect related to race scheduling, which is very relevant for us. Just as we've mentioned in core store openings or renovations — where timing can shift results from one quarter to another — the same happens with events.

Last year, we held four major races in this quarter that did not occur in this year's 2Q. Those events are scheduled for the coming quarters, especially in 4Q. So, overall, we expect this effect to be neutralized over time.

There's also another factor I want to highlight, which is the end of a tax benefit called PERSE. This was an incentive granted to event-related companies during the pandemic, and TF Sports was one of the companies that benefited. Until April of this year, it was exempt from paying PIS and COFINS. So, when we compare year over year, that also has an impact.

It's important to note that if we neutralize both of these effects, growth versus last year would be approximately 9.5%, which is consistent with the net revenue growth we saw in 1Q. That wraps up net revenue.

Now moving on to gross profit. We delivered both growth and improved profitability across almost all channels. Margins were stronger, supported by winter products—where we were able to achieve higher markups, and also by greater participation of full-price sales. For example, a customer might go to an outlet looking for a deal but end up also purchasing a full-price item.

These were the main drivers behind the 1.5 percentage point margin expansion versus net revenue compared to last year.

Expenses. Operating expenses in the quarter were 33.9% of net revenue, versus 34.5% in the same period last year, reflecting 0.6 points of operating leverage. It's interesting to note that last year, in 2Q23, "other expenses", which include provisions and similar items—were actually positive. Adjusting for that effect, our gain this quarter would have been 1.2 points.

Within operating expenses, the main highlight has been the dilution of fixed and administrative costs. Looking back, in 2Q23, G&A represented 16.9% of net revenue, while now it is down to 15.4%. This shows how much we've been able to dilute administrative expenses over time.

At the same time, we continue to allocate resources strategically toward media and performance marketing, particularly actions linked to events, which remains one of our main priorities in expense management.

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EBITDA. EBITDA reflects essentially the gross margin gains — 1.3 percentage points — and the 0.6 points of operating leverage from expenses. For the first half, EBITDA grew 42.2% year over year, reaching record levels and expanding margins by around 2.4 percentage points. An interesting note: the impact of TF Sports on consolidated EBITDA currently represents 2.4% of net revenue in 2025, and 2.3% for the first half.

Net income. Building on this EBITDA performance, net income grew around 37% in the quarter, nearly 36% in the first half. Margins also expanded, with gains of 1.2 points in the quarter and 1.1 points in the half. We reached R\$80 million in net income for the period, up almost 37% versus last year.

Cash. Operating cash flow generation was R\$83.3 million, up 3.3%, mainly reflecting higher investments in inventory. Given the strong sales growth, we identified several opportunities to accelerate replenishment and therefore brought forward some orders with suppliers and production. Many of the orders that were originally planned for early in the second half were anticipated, which slightly worsened our average inventory cycle and temporarily impacted cash generation compared to last year.

Cash and equivalents stood at R\$95.4 million, including credit card receivables. When compared to last year, the 30% lower position is essentially explained by three factors: (i) our share buyback program—over R\$40 million since last year, which has strengthened our market positioning; (ii) higher inventories, as I mentioned; and (iii) investments in store renovations and in the TF Sports app.

It's important to emphasize that we continue to operate with no debt, and it remains our strategy to stay this way.

TF Sports?

Fred Wagner:

Thank you. Good morning, everyone. It's great to have you all with us on our conference call. I'd like to talk a bit about the quarter for TFSports. We're very pleased to have reached 1 million users on our digital platform.

That's an important milestone, especially considering that last quarter we completed the transition to a new app, which is already designed to serve as the foundation for the wellness platform business model we are building.

We saw 46% growth in the number of users compared to last year, 11% growth in the trainers' platform, nearly 1,000 events held, which represents growth of almost 10%, and an 18% increase in event participants, showing that we're also succeeding in raising the average number of participants per event, which is very positive.

Revenue was down this quarter, still reflecting the calendar shift in some events that Pati mentioned, as well as the end of the PERSE tax benefit, which impacted net revenue. But if

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we adjust for those factors, revenue grew close to 10%, more or less in line with the growth in the number of events held.

On strategy, I'd like to emphasize that within TFSports we are very focused on building a complete platform, covering event organization, training, marketplace, and bringing in new brands to complement the Track&Field offering.

On the TFC front, we've been expanding both digitally, through the app, and physically, in stores. We're also developing new initiatives within the app for trainers, which really highlight the Company's ability to focus on operational efficiency in Track&Field while, at the same time, building new growth opportunities.

Speaking of Track&Field, it's impressive to see the Company's ability to grow with quality building capillarity across Brazil, delivering strong collections, managing inventory efficiently, and staying very focused, while at the same time opening up many new addressable markets. That's really the essence of our broader strategy.

We're opening new fronts across all these areas. Today, TFCO is no longer just an athleisure company. While athleisure still generates the vast majority of profitability and revenue, today we are also in sports marketing, operating what is likely one of the largest event organizations in the Americas.

We are also moving seriously into food, in a structured way, learning from customer behavior at TFC and translating that into digital. We're expanding into the marketplace with complementary products, and we're also starting to go international with this complete ecosystem.

Internationally, we are entering with exactly the same model we have in Brazil, and only later will we begin to adapt certain variables. We are doing this in a structured, gradual way, without creating excessive expectations.

Just to share some numbers from TFC on the next slide: sales grew 54%, and the number of customers served grew 24%. So, we are really gaining traction in food. For events, we've already covered the very strong numbers. In TFMall, we continue to add more brands and are also learning a lot from this market.

So, this was really to highlight the ecosystem strategy—and to thank everyone involved: all our employees across the group, our franchisees, our investors, and our customers. I believe we've built a strong, focused ecosystem that enables the Company to grow while at the same time exploring new markets.

That's what I wanted to share, and with that we are ready to take your questions.

Q&A Session

Dani Eiger, XP Investimentos:

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Good morning, everyone, thank you for taking my question and congratulations on the results.

I have two questions on my side. The first one is about growth dynamics. The numbers you've been reporting are really surprising, not just this quarter, but consistently over time. Regardless of the macro environment, base challenges, or any context, you continue to deliver very robust growth.

My question is: how much more room for growth do you still see ahead? I think you even mentioned—if I'm not mistaken, it was you, Tracanella, in the news—that store renovations remain an additional tailwind that's already contracted. But if you could also give us some sense of the start of this quarter—how you're seeing franchisee health, franchisee appetite for new investments, given this strong demand dynamic—that would be helpful to understand the consumption trends and your growth trajectory.

And my second question is a bit more for Fred, more from a controlling shareholder perspective. It's about stock liquidity. We see more and more people wanting to talk about Track&Field, wanting to learn more, even invest, and yet liquidity often ends up being a limiting factor for some funds, in particular. So, I'd like to understand whether you have any agenda or expectations around initiatives to address this point.

That's all from me, thank you.

Fernando Tracanella:

Sure, I'll start, Daniela. First, good morning, and thank you for the question. We were surprised by growth coming in above plan at the start of the year, but when we look ahead, we still see a lot of opportunity to sustain robust same-store sales growth.

You mentioned renovations, which indeed will remain an important growth driver. We still have many stores left to renovate, and the results have been excellent. Some stores are growing 42%, others even 60%. So, there's clearly a strong growth avenue there, both for the second half and for the coming years.

There are also many opportunities in other areas of the operation. We're working very hard to improve store replenishment, commercial planning, CRM. A lot is being done to sustain growth, and that's our main objective. Yes, we'll grow organically by opening new stores, but our biggest focus is on improving operations and bringing more product innovation.

I think it's worth highlighting here that a large part of this growth, in my view, is truly product-driven. We've been getting product right, the collection looks beautiful, has been very well received by customers, and we've also been very successful with capsule collections.

So, there isn't just one factor. I believe we can continue sustaining this growth if we deliver efficiently on all the points I mentioned. We can't give much detail yet about the third quarter, but so far, we're still seeing the positive trend from the first half continuing.

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Of course, comps are becoming increasingly tougher, and that's a challenge. But the positive point is that, despite the tougher base, internally we still see a lot of room to improve many aspects of operations.

So, there's a big focus here on efficiency, again, store replenishment, CRM, marketing. In my opinion, marketing has done a brilliant job with influencer strategies. We've also been more efficient in allocating marketing spend, balancing brand-building with performance-driven initiatives.

The real secret is to keep managing all these aspects carefully so we can continue delivering growth. And, on top of that, I think it's very important that the wellness sector continues to benefit from favorable trends, which we've discussed on this call, and which have only accelerated recently.

So that addresses your first question. I'll now hand it over to Fred to talk about liquidity.

Fred Wagner:

Great. Before talking about liquidity, I think it's also important to highlight the Company's track record of finding new monetization sources within the various initiatives we've been developing. What Tracanella mentioned — about how we are working internally and about the broader wellness trend — connects directly with this. The Company is consistently expanding its addressable market through these initiatives.

In other words, beyond what has already been mentioned, we can also see new growth opportunities coming from these initiatives, which, along with the results and numbers we are presenting, we continue to invest in. This is not a Company delivering results with a static business model: we've been consistently showing results while investing heavily in creating new fronts, as we've always done throughout our 36-year history.

Therefore, we believe there are many opportunities ahead. We are already seeing several initiatives gaining traction, and over time, we should also see additional results coming from these new fronts, beyond the core business that Tracanella highlighted.

Regarding liquidity, we've already seen a significant increase in the first half of the year. According to our thesis, as the stock price moves closer to fair value, investors naturally bring more liquidity to the stock. Since the beginning of the year, Track&Field shares are up more than 70%, and this increase has been accompanied by higher liquidity. This should also lead the Company to enter some indexes soon.

It is important to note that we still believe the stock has not reached its fair value. As this process advances, it is natural that more shares will come to market, especially since over 30% of the Company's shares are already in free float. This dynamic should continue to improve liquidity, as we saw in the first half of the year. Therefore, we expect this trend to continue naturally.

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Kelvin Deschen, Itaú BBA:

Good morning, Tracanella, Patrícia, Fred. Thanks for taking my questions, I have two here on my side.

The first one is about TFSports. Fred, if you could give us a bit more color on the sponsorship initiative — I think last quarter you mentioned you were structuring this area in a more robust way. What kind of results should we expect from this line going forward?

And the second one is about working capital. We noticed a deterioration in the cash cycle this quarter, especially in the inventory line. Patrícia mentioned in the release that there was an anticipation of deliveries and higher investment in this line to support stronger same store sales dynamics. But looking ahead, what are your expectations? Should we see a normalization of working capital? And how much room do you see to keep improving the Company's cash cycle?

That's it from my side, thank you.

Fred Wagner:

Regarding TFSports, yes, we are indeed structuring the sponsorship area. It's important to note that sponsorships are cyclical, as they depend on companies' annual budgets, but we are very pleased with the results we've seen so far.

I think many sponsors who are our recurring sponsors, in the end, with the acceleration in the number of events, end up having a much greater willingness with the contract history that we have in the Company. And we have a very close partnership with these major sponsors — I think I won't mention all the names here.

But I think we are in line regarding the increase of this sponsorship revenue. But it is something cyclical, which comes within budgets and contract renewals.

So, we should see this going forward as an increase. Remembering that the big turning point of TFSports does not come from the sponsorship line. Normally, sponsorships are an important line, but we have a structure to make this exponential in our business model in other lines. Sponsorships, yes, are important support, but we carefully choose our brands, brands that are very aligned with our mission, to bring them together with sponsors.

Our objective is not to maximize sponsorship, but to have brands at our side that have this alignment of connecting people to an active-healthy lifestyle, and that also have an entire ethical structure, etc., linked to the market as we do. So, it is important to highlight this.

Patrícia Abibe:

Good. Kelvin, I'll address your question here regarding our working capital dynamics. In fact, we had to accelerate, as I mentioned, some product inflows into our inventory. We had to make

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a strong effort both to speed up production, by anticipating fabric and raw materials in general, in order to better supply the chain and support this growth. I think one of the main points here is: how do I manage cash better and better while avoiding stockouts? I can put in infinite shelf, I can bring in a series of platforms and technology to help. But, in fact, having the right product at the right time makes a big difference.

So, in fact, we ended up releasing [products] earlier; in recent quarters we had been delivering with a better average inventory turnover. I had some pressure because of Santa Catarina, which is our factory — today it is self-sufficient in our Thermody production. So, when I compared to the prior period, I had this pressure, because it was a period in which I did not have so much yarn and other raw materials involved, which until then I didn't need to carry, so it created a worse cycle, hurting a little bit the turnover.

So, I used to make these adjustments and even then my turnover looked better. This time I make the adjustments — I also make the adjustment, for example, of imports, which I always comment on with you all regarding the anticipation of orders — and even then I lose about six days in my average inventory turnover, just so you have an idea.

And basically this is because of this acceleration of product inflows into our inventory. If I look at the whole cycle of the operation itself, I also have an impact on the average payment term, which you may also notice. And basically this is because, compared to last year, I have 10 percentage points more of imported goods in my purchases this quarter, precisely due to some advances we had to make in receiving products.

Remember, when our imports are in-house, almost everything is already paid — about 90% is already paid.

So, my average supplier payment term also worsened a little because of this. But, on the other hand, I had a slightly better mix in my upfront receivables.

So, I had a little more weight in PIX, mainly PIX. We have even been receiving a larger share of our digital channel sales via PIX, with this functionality. So, this brought a better dynamic to my average collection term, about six days better than last year.

So, overall, I had these impacts. In fact, I have this dynamic, a little worse compared to last year. But the idea is that we return to growth levels. We have many opportunities, as Tracanella himself mentioned here, in our operation — whether in managing the supply chain, ensuring replenishment, and increasingly bringing a better cost-benefit relationship for the entire network's supply.

And this, combined with all the opportunities we see here to improve operational efficiency, without a doubt, points to a trend of good improvements — and improvements in the coming quarters. Would you like to add anything, Traca?

Fernando Tracanella:

I think just one comment, very much in line with what I mentioned earlier. We really see

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opportunities to improve commercial planning, to improve store replenishment, while at the same time reducing stockouts.

So, it's super challenging. We don't want to lose product availability; we don't want to improve inventory levels at the expense of having products unavailable in stores — and we are managing to achieve that.

So, in recent months especially, we have seen this combination. For example, fewer leftovers in this last collection — we had fewer leftover items to clear out now — and, at the same time, we have seen stockout rates in stores coming down.

So, this is really great work done by Vicente, our operations director, and we are pursuing both things: optimizing inventory, but by no means putting at risk the operation in terms of product availability. In my view, we are heading in a very good direction of managing to balance these two factors: reducing stockouts while at the same time optimizing inventory.

Kelvin Deschen:

Super clear, folks, thank you very much.

Bob Ford, Merrill Lynch.

Thank you very much. Good morning, Fred, Fernando, and Pati, and congratulations on the results.

How have your remodels evolved in recent years? And how do the more recent cohorts compare with the previous ones? And how do you think about a next cycle of remodels? And what is hot this spring, and where do you see opportunities for incremental merchandising? And finally, how is your food and supplements business impacting the frequency or ticket size of your core business? And how should we think about the plans to evolve this part of the business? Does a separate concept make sense, for example? Thank you.

Fernando Tracanella:

Well, I'll start here, Bob. First, good morning, always good to speak with you. Thank you for the question.

We are very pleased with the remodels and, as you saw in our release, we had growth of 42%. So, this trend of growth in remodeled stores very close to double the same-store sales has been holding up.

We have cases, this is the average, but we have stores growing 60%, and in some situations we have also been able to expand the sales area, which has been very positive. So, there is still a lot to be done.

As Patrícia showed, we will end the year with already 50% of the network in the new format, and we should finish the year close to 60%. We are already getting close to finishing our homework in terms of company-owned stores. We will end this year with around 90%, but there

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are still many franchises to remodel.

So, the result has remained very consistent over the years, which is this number of growing very close to double the pace of same-store sales. That number has remained reasonably stable, which is very good, and a good part of the remodels are in franchises.

So, the franchisee has in fact bought into the idea that there is a financial benefit in remodeling, which is obvious, with a very interesting payback, but also a long-term entrepreneur's view of brand protection, of truly updating the store environment, and of offering a better experience for our client.

So, this performance has been sustained over time, and we are very optimistic about what lies ahead.

The second part, if you could remind me.

Patrícia Abibe:

Bob, if we understood correctly here, you are asking about potential growth opportunities.

Fernando Tracanella:

Ah, about which ones are growing the most, right? Look, Bob, we don't have one specific highlight, but I think we got it right this year from the perspective of launching novelties within our core. And this is very much related to something we started last year, which is a lab that develops products and innovations outside the regular collection pipeline. We have managed to be more agile, identify opportunities and trends, and quickly launch across all product lines, and this has contributed a lot.

Throughout this year, our capsule collections have been very successful. We really hit the mark with the launch of these capsule collections, which are the mini-collections we have almost every week. We are growing in accessories. I think Kids is a highlight, where we see a very promising market for this line, and it has indeed been performing very well. We increased the assortment in Kids, and that has helped us a lot.

And I think, taking advantage of the Kids topic, I would like to emphasize a point that I always like to reinforce, which I see as a brand strength. I would risk saying that no other brand is able to cover such a wide age range, from Kids to seniors.

We are able to serve all these age groups very efficiently, and consequently we end up being a very "giftable" brand. The gifting aspect has been a strong driver for us.

So, I don't think there is a single specific highlight, but I tried to give you a bit of an overview of what we see in terms of product.

I'll pass it to Fred to talk a little about TFC.

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Fred Wagner:

Good morning, Bob. Good to hear from you. Regarding TFC, we currently have 15 TFC stores. Today, predominantly, apart from one store we have here in our office, these stores are all connected to our existing stores, and they have a direct relationship, obviously, in terms of store traffic.

In some stores, we have achieved up to 15 percentage points growth in sales in locations that have the food operation. And today, we are not yet thinking of creating stand-alone stores, because we do not see much benefit in separating the ecosystem. At the same time that we open these stores—and the stores that make sense—we are also creating infrastructure for the food and supplements part of our TFSports platform.

So, these stores serve as infrastructure for shipping that we will do once we launch the food and supplements part within our app.

In fact, we are creating infrastructure with a great potential for leveraging this investment. Obviously, today we are learning—the food and supplements business is a lower-margin business, so we believe in this scale to make the business viable, and then perhaps in the future we might consider, at some point, the idea of turning this into a stand-alone business.

But I think that perhaps, within the previous question, this is also a factor that creates opportunities for a new wave of store remodels. Our very good stores, already remodeled, that do not yet have TFC, have the potential to incorporate it.

To date, we are looking at two of our own stores that we have already remodeled, and we are considering remodeling them again to include TFC, expanding the space a bit.

So, I think this is also a point of potential for a new wave of remodels as we roll out the TFC footprint across Brazil. We are very pleased to learn this, and I am also very happy here in the office to be able to eat healthy food downstairs at TFC. It's really great. We joke that it's almost a recyclable thing, where everyone ends up spending within the company itself at lunchtime. Circular. Circular economy.

Fernando Tracanella:

And it's nice, just to complement Fred, Bob, that we have consistently seen that remodeled stores with TFC grow 15 points more than remodeled stores without TFC.

So, TFC also plays an important role in increasing customer traffic in the store. It has a relevant role there. We are very happy with this initiative.

Bob Ford:

Of course, thank you very much, and congratulations again.

Track&Field

Fernando Tracanella:

Thank you, Bob.

Operador:

The Q&A session is now closed. We would like to pass the floor to Mr. Fernando Tracanella for the company's closing remarks.

Fernando Tracanella:

Well, I would like to thank everyone for attending, for your interest in Track&Field, and to sincerely thank all the company's employees, franchisees, suppliers, and our entire ecosystem for these results. We are very happy and very optimistic about what lies ahead.

There are still many opportunities, and we are available if you have other questions or doubts, or if you would like to schedule a meeting. The IR team is here to assist.

I would also like to thank the IR team for all the preparation of the results and for this call. Thank you very much, thank you Patrícia, thank you Fred, and good morning to everyone.

Operador:

The Track&Field videoconference is now concluded. We thank everyone for their participation and wish you a great day.

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