



# Dexco

Viver ambientes.

## Results Presentation

4Q23 | 2023

March 07, 2024





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2023

# Strong, into the future.



## SCENARIO

- **Political and economic uncertainty** directly impacting the markets in which **Dexco** operates.

- **News linked to the tax framework, coupled with the maintenance of inflation targets** creates an opening for interest rates to start to fall.

- Start of the **reduction in interest rates** cycle;
- But with no **significant impact on the building materials market**;
- Panels market **starting to show signs of recovery**.

- Interest rate continues on a **downward curve**;
- **Reduction in the decline** in the **construction materials market**;
- Sales in the **panels sector remain steady**.



**Dexco**



**Restructuring** of the **Executive Committee**.



2021-2025 **Cycle revised** from R\$2.1 billion to **R\$1.8 billion**.



**Go live** SAP 4/HANA



**Effective management** of Working Capital leading to **cash generation** and **reduction in leverage**.

**WOOD**

Fall in panels volumes offset by forestry business.  
**78% of factory utilization.**

Maintenance of market share and forestry business at significant levels.  
**75% factory utilization.**

Sequential improvement in factory utilization.  
**80% factory utilization.**

Best quarter in the Division's history: increase in market share of panels + forestry business.  
**93% factory utilization.**

**FINISHINGS**

Metals price repositioning and scheduled shutdowns in Tiles.

Review of the factory footprint of Sanitary Ware and partial return of Tiles' market share.

Review of the factory footprint of Tiles.

Temporary factory shutdown to balance inventory levels.

**LD CELULOSE**

First maintenance shutdown.

Operating at full capacity.

Excellent levels of quality and factory utilization.

Improvement in the operation's productivity curve.



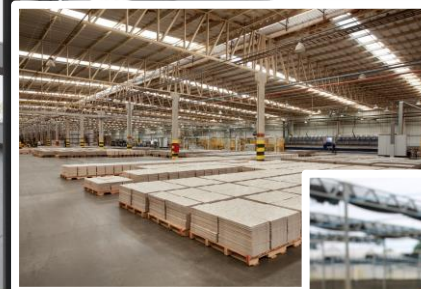
# Highlights 2023

- **Strategy of optimum capacity** in Wood (high levels of factory utilization + forestry business) **more than compensated for** the impacts arising from **a shrinking market and structural actions** in Finishings.

## Consolidated

2022 - Gross Margin	34.5%
Volume	~ -3 p.p.
Forestry Business	~ 4 p.p.
Price/Mix	~ -1 p.p.
Cost of Goods Sold	~ 2 p.p.
Variation in fair value of biological assets	~ 2 p.p.
Depreciation/amortization/depletion	~ -5 p.p.
2023 - Gross Margin	33.5%

Operational  
gains  
~2 p.p.



# Highlights

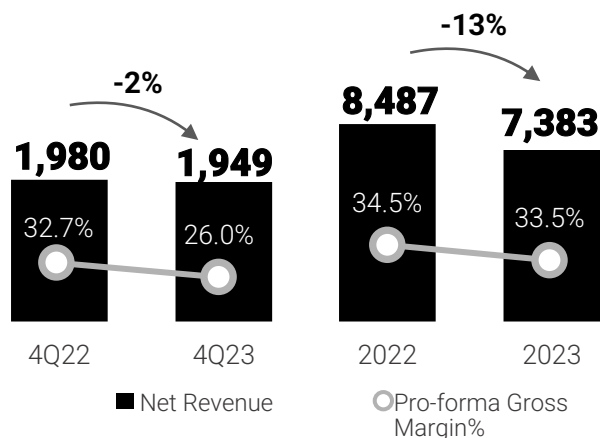
## 4Q23/2023

Pro-forma Adjusted & Recurring EBITDA of **R\$2,007 million in 2023**, including the 49% EBITDA from LD Celulose

- ▶ New quarterly EBITDA record for the Wood Division reassuring the consistent performance in panels and the focus on profit generation with the forestry business;
- ▶ Finishings Division impacted by market conditions and initiatives aimed at inventory reduction in 4Q23;
- ▶ Dexco's Adjusted & Recurring EBITDA of R\$404 million in 4Q23 and R\$1,393 million for the full year, excluding LD Celulose;
- ▶ LD Celulose reported a Recurring EBITDA of R\$321 million for 4Q23 and a Margin of 54%, with R\$157 million relating to Dexco.

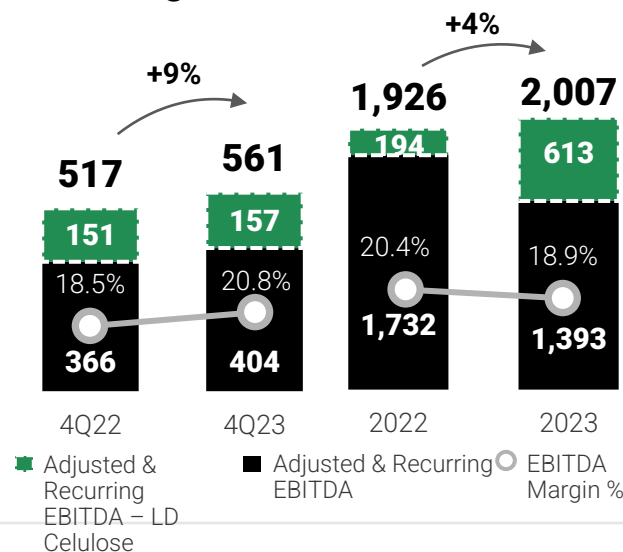
### Recurring Net Revenue and Gross Margin

R\$ million / %



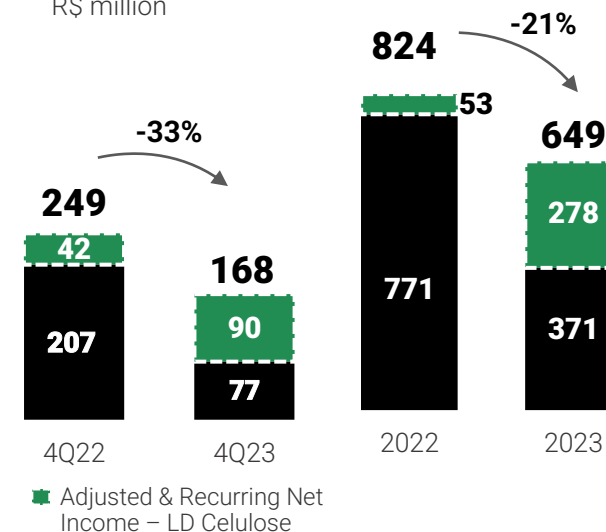
### Adjusted & Recurring EBITDA and Margin

R\$ million / %



### Recurring Net Income

R\$ million



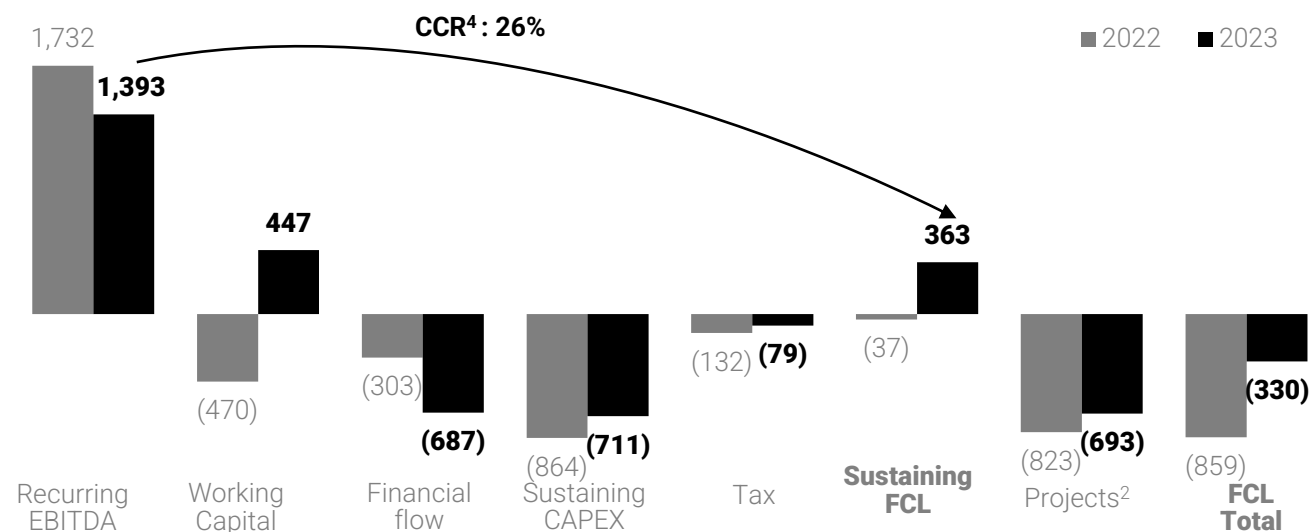
# Cash Flow 4Q23/2023

Improvement in Working  
Capital/Net Revenue  
(~12%<sup>5</sup>)

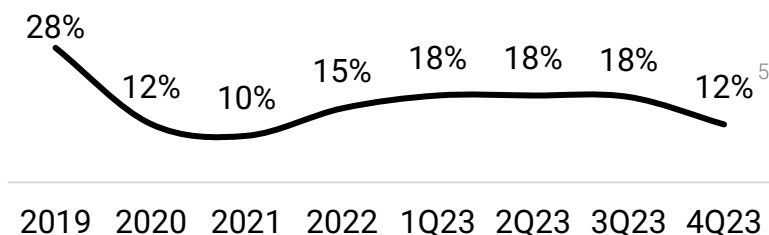
- ▶ Ongoing initiatives to rationalize sustaining CAPEX;
- ▶ Effective management of working capital leading to sustaining cash generation of R\$363 million in the year, with R\$257 million in 4Q23;
- ▶ Ongoing investment in Cycle 2021-2025 projects in 2023:
  - R\$300 million: New Tiles unit in SP
  - R\$185 million: Productivity projects, improvement to the mix and sanitary ware automation
  - R\$53 million: Factory debottlenecking, improvement to the mix and expansion of the forestry base
  - R\$94 million: DX Ventures

## Free Cash Flow YTD

R\$ million



## Working Capital/Net Revenue



## CAPEX R\$ million

Investment	4Q22	4Q23	2022	2023
FORESTRY OPEX	101	112	430	368
MAINTENANCE	158	134	382	343
<b>Sustaining CAPEX<sup>1</sup></b>	<b>259</b>	<b>247</b>	<b>864</b>	<b>711</b>
<b>PROJECTS<sup>2,3</sup></b>	<b>143</b>	<b>189</b>	<b>823</b>	<b>693</b>

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1 – Maintenance, factory modernization and business sustaining | 2 – Projects, DX Ventures, M&A and LD Celulose | 3 – Expansion projects (4Q23): R\$ 162.2 million; DX Ventures: R\$3.3 million; Other projects: R\$ 23.1 million | 4 – Cash Conversion Ratio: rate of converting Adjusted & Recurring EBITDA into sustaining FCL | 5 – Does not consider the one-off effects in the trimester

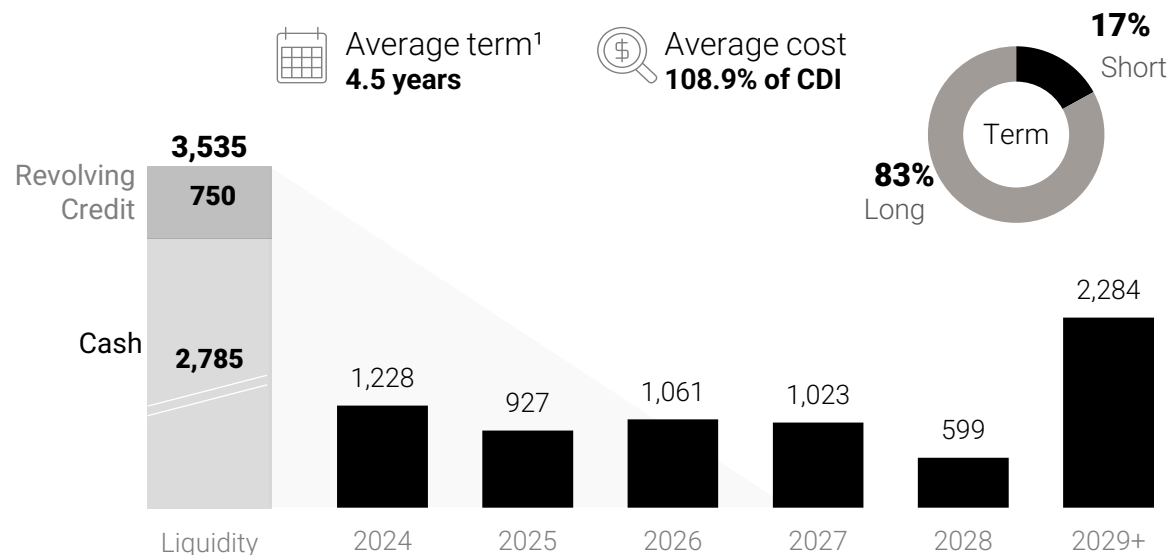
# Corporate Debt 4Q23/2023

Reduction in leverage to  
**3.1x.**

- ▶ Reduction in leverage to 3.1x driven mainly by effective cash generation initiatives;
- ▶ Liability management:
  - Extension of the average payment term to 1.1 years, anchored by the CRA issue to the amount of R\$1.5 billion made in October/23;
  - Long term debt represents more than 80% of gross debt.

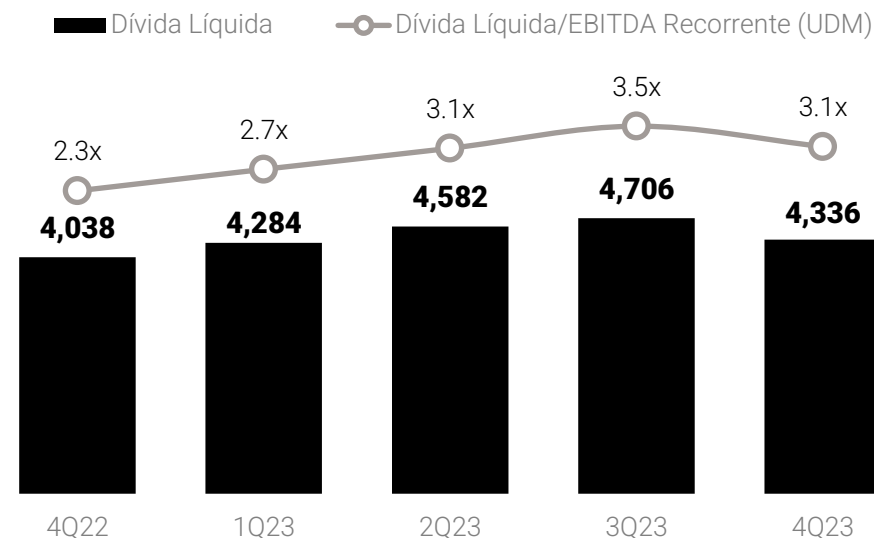
## Amortization Timeline

R\$ million



## Financial Leverage

R\$ million







# WOOD

duratex durafloor  LD Celulose



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# Sector Environment

## Wood Panels

IBÁ data

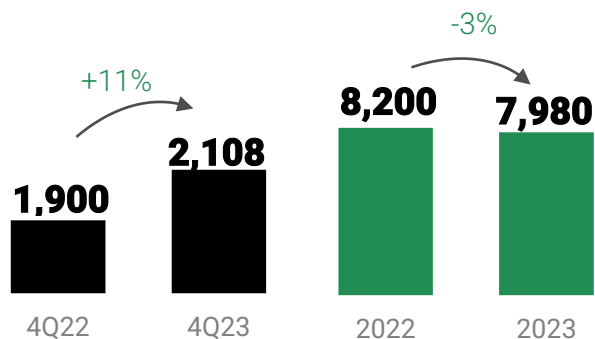
- ▶ Consistent market growth in the quarter in relation to 4Q22;
- ▶ Drop of 3% in the panels market in relation to 2022, despite the uptick seen in the 2nd quarter of the year;



### Panels Total

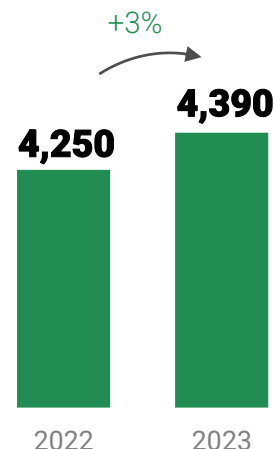
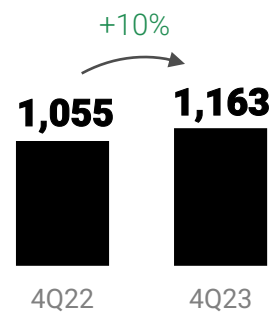
Volume 000m³

vs 2022	4Q23	2023
<b>Domestic mkt</b>	+6%	+1%
<b>External mkt</b>	+66%	-24%



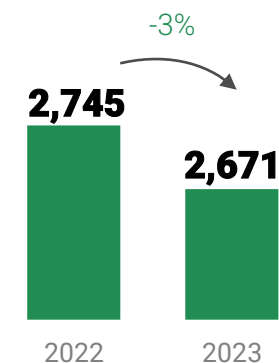
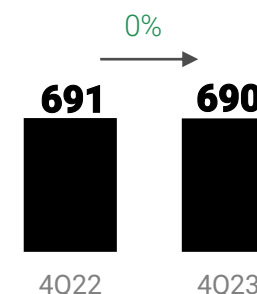
### MDF Domestic Market

Volume 000m³



### MDP Domestic Market

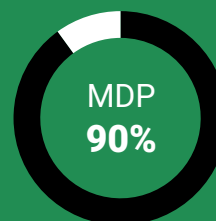
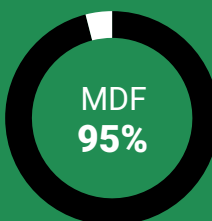
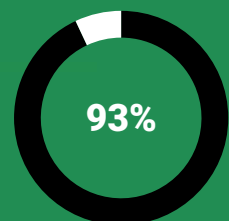
Volume 000m³



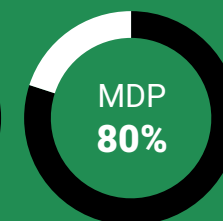
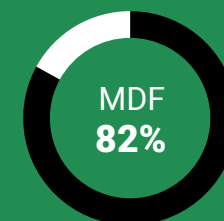
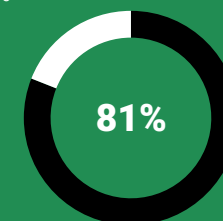
# Results Wood

- ▶ Resilient results: quarterly increase in market share for panels and forestry business optimized asset profitability;
- ▶ Significant improvement in utilization levels, leveraging productivity with greater dilution of fixed costs;
- ▶ Best quarterly result in the Division's history with Adjusted & Recurring EBITDA of R\$439 million and margin of 33.8% in 4Q23, and of R\$1.4 billion for the full year;

**Capacity Utilization  
4Q23**  
%

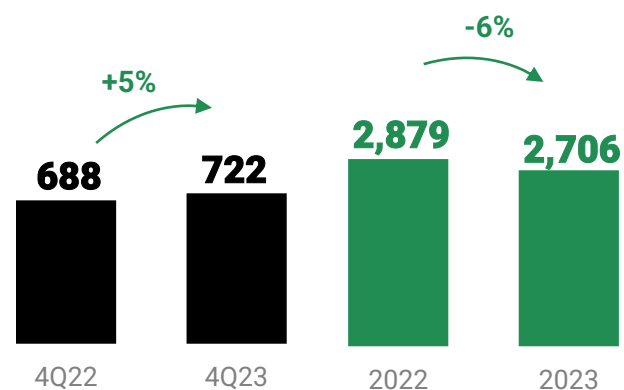


**Capacity Utilization  
2023**  
%



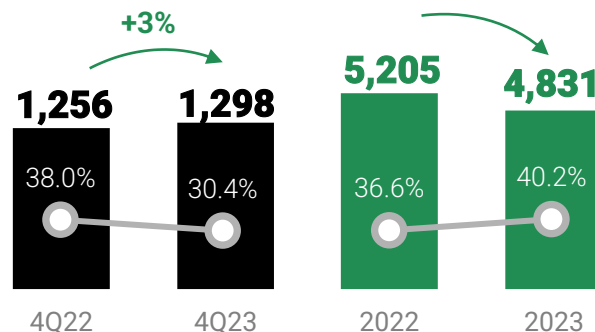
## Volume

000m<sup>3</sup>



## Recurring Net Revenue and Pro-forma Gross Margin

R\$ million / %

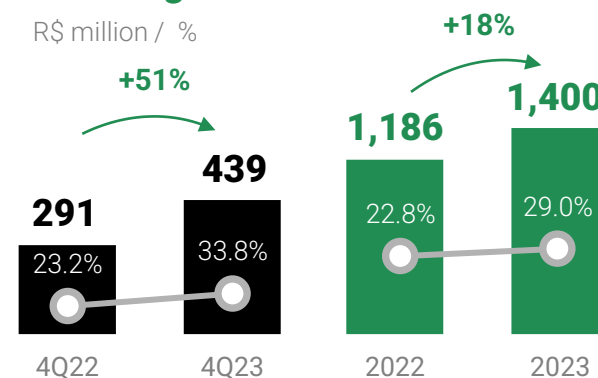


■ Net Revenue

○ Pro-forma  
Gross Margin  
%

## Adjusted & Recurring EBITDA<sup>1</sup> and Margin

R\$ million / %



■ Adjusted & Recurring  
EBITDA

○ EBITDA  
Margin %

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1 – Adjusted & Recurring EBITDA is net of the effects of the variation in biological assets.

# Dissolving Wood Pulp

## Excellent quality and progressing along the productivity curve

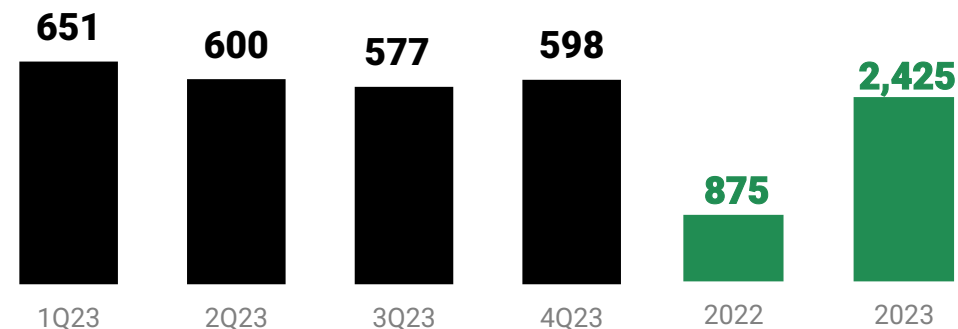
- ▶ Successful debottlenecking trials leveraging the factory's productivity curve;
- ▶ Pro-forma Recurring EBITDA relating to Dexco of R\$157 million in 4Q23, with a margin of 54%.



**RESULT  
RELATES TO  
100% OF  
OPERATION**

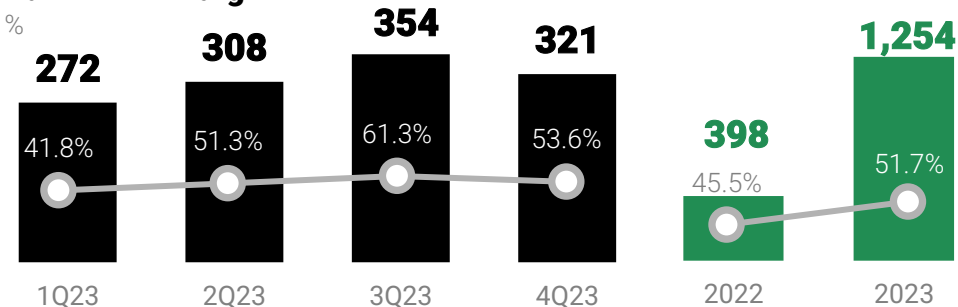
### Recurring Net Revenue

R\$ million



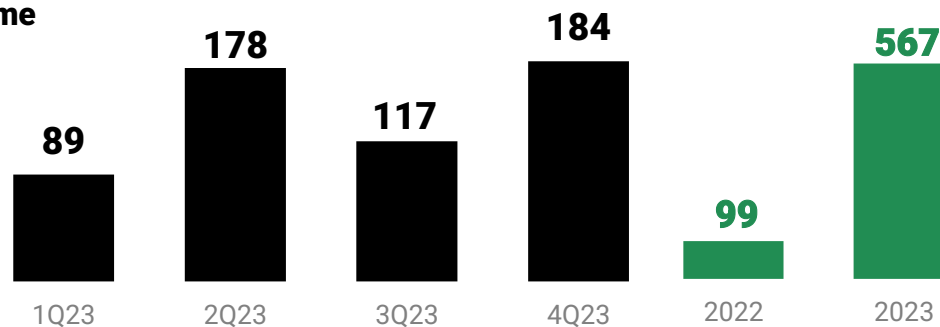
### EBITDA and EBITDA Margin

R\$ million | %



### Net Income

R\$ million







# FINISHINGS FOR CONSTRUCTION

deca portinari hydra castelatto ceusa

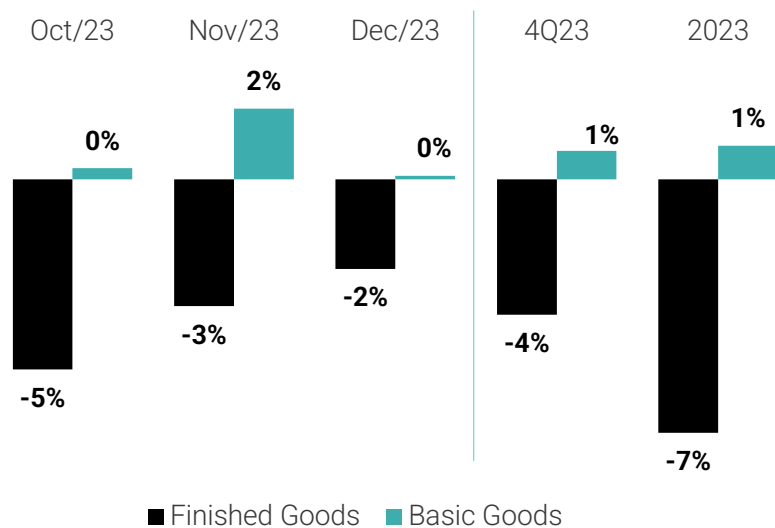
# Sector Environment Metals & Sanitary Ware

ABRAMAT data

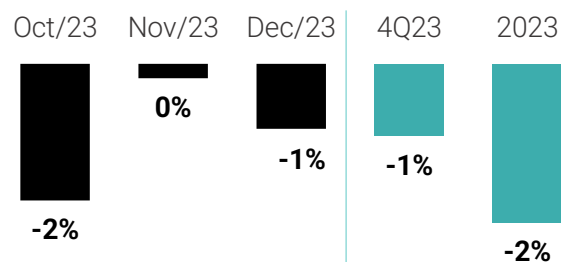
- ▶ Ongoing improvement in the market for basics versus 2022, however finished goods continued to decline over the same period;
- ▶ Market below expectations, with gross and deflated revenue slipping 2% versus 2022.



**Gross deflated revenue by product type vs 4Q22 and 2022**



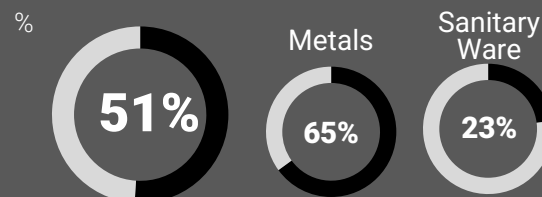
**Building materials sector revenue vs 4Q22 and 2022<sup>1</sup>**



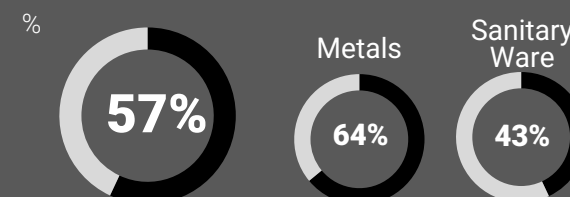
# Results Metals & San. Ware

- ▶ Net Revenue remained impacted by the drop in volumes arising from challenging market scenario, despite improvement to the mix;
- ▶ Temporary factory shutdown in sanitary ware in order to balance out inventory levels, which impacted costs;
- ▶ Adjusted & Recurring EBITDA of negative R\$-26 million in 4Q23 and of R\$-16 million for the full year.

**Capacity Utilization<sup>1</sup>**  
4Q23

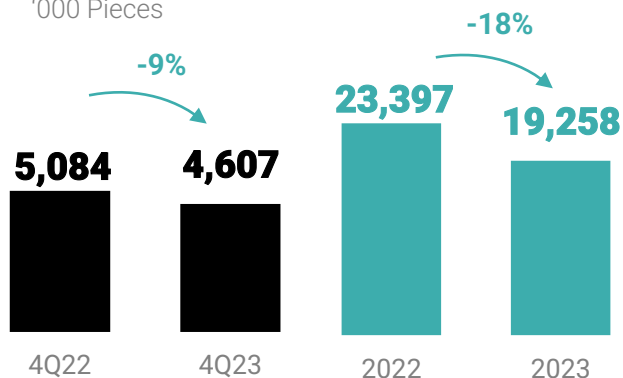


**Capacity Utilization<sup>1</sup>**  
2023



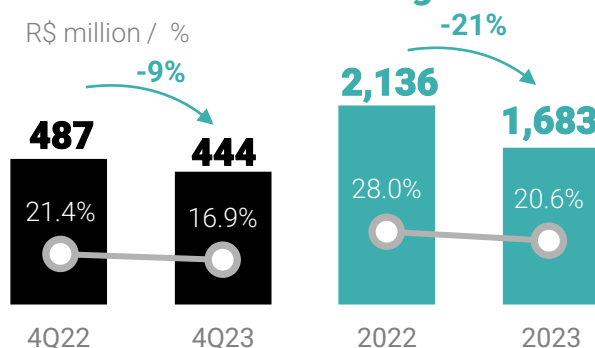
**Volume**

'000 Pieces



**Recurring Net Revenue  
& Pro Forma Gross Margin**

R\$ million / %

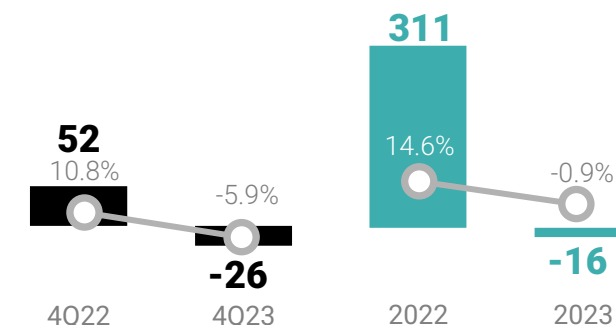


■ Net Revenue

○ Pro-forma Gross Margin%

**Adjusted & Recurring EBITDA<sup>1</sup>  
and Margin**

R\$ million / %



■ Adjusted & Recurring EBITDA

○ EBITDA Margin %

1 – Not including effects of shower capacity.

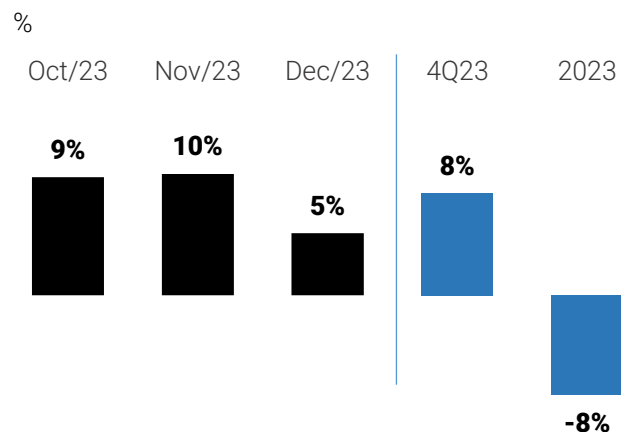


# Sector Environment Tiles

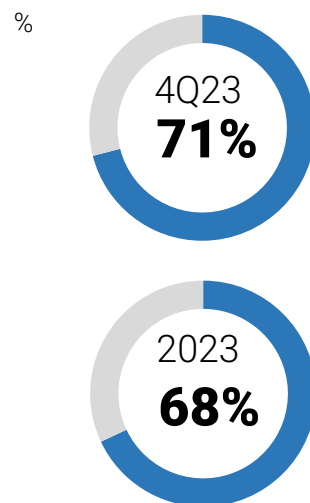
ANFACER data

- ▶ Signs of recovery in the sector, but with wet production still in decline versus 4Q22;
- ▶ Sector utilization below historical levels, despite improving during 2023;

## Sales volume of the ceramic tiles sector vs 2022



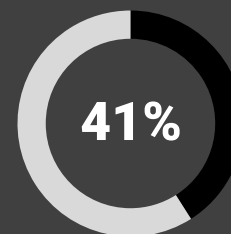
## Capacity utilization



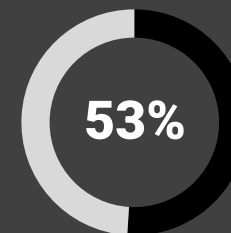
# Results Tiles

- ▶ Gradual improvement in market share during the year driven by sales initiatives;
- ▶ Price repositioning and decrease in utilization levels put pressure on margins;
- ▶ Negative Adjusted & Recurring EBITDA of R\$ -8 million in 4Q23 but of positive R\$+8 million for the year.

Capacity Utilization  
4Q23  
%

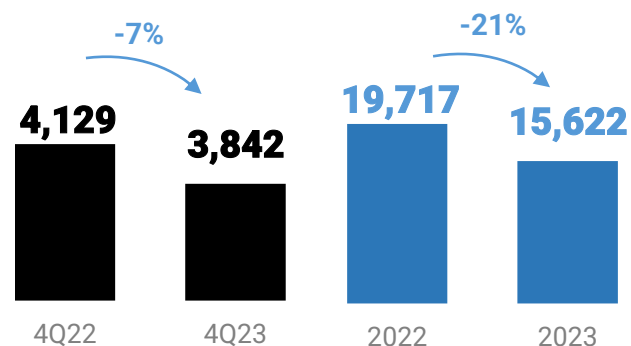


Capacity Utilization  
2023



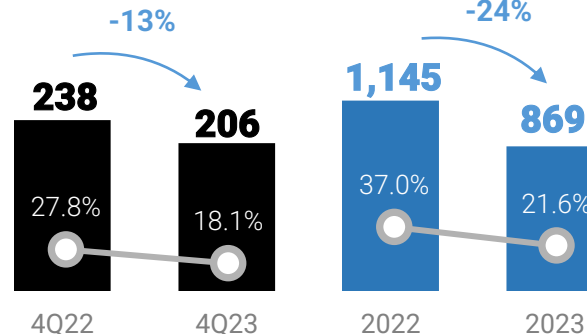
## Volume

000m<sup>2</sup>



## Recurring Net Revenue and Pro Forma Gross Margin

R\$ million / %

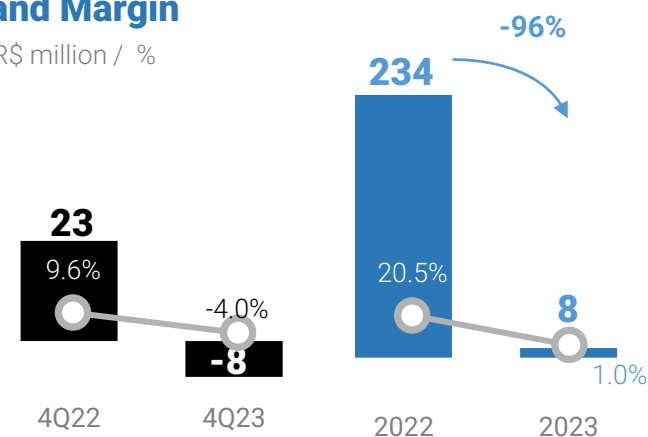


■ Net Revenue

○ Pro-forma Gross Margin%

## Adjusted & Recurring EBITDA and Margin

R\$ million / %



■ Adjusted & Recurring EBITDA

○ EBITDA Margin %

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# ESG

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# Sustainability Strategy 2025

**Review process carried out in 2023** to ensure a more critical and committed approach, not only with respect to the message, but also the actions that impact our stakeholders. The Sustainability Strategy review process included:

01

## QUALITATIVE ANALYSIS

Study into the **relevance, adherence and viability** of the targets approved in 2020, in the light of the Company's current situation and the changes that have happened since 2020.

## ASSESSMENT OF THE PILLARS

Cross-referencing Dexco's material, priority themes, revised in 2022, with SDGs and demands for new ESG standards and frameworks.

02

03

## INVOLVEMENT OF THE BOARD

Approval process with involvement of the ESG Commission, the **Executive Board, the Sustainability Committee and the Administrative Council**.

# Results Achieved

7

Targets achieved ahead of schedule

6

Corporate targets developed from consolidating the business targets<sup>1</sup>

1

New target, strengthening Dexco's social agenda

Among the main deliveries of the targets are:

- Investment of **approximately R\$246 million invested in start ups and scale ups** that accelerate the construction and home improvement sector;
- **+40% ROL in eco-efficient products and technologies that promote health and well-being**, accelerated by coated panels and ceramic coatings from Portinari;
- **33% of women in leadership positions**, very close to the 35% target stated for 2025;
- Waste disposal target for landfill **driven by the Zero Landfill action at four<sup>2</sup> manufacturing units in 2023**.

A modern interior scene featuring a large wooden bookshelf system with open shelves and closed doors. The shelves are filled with books and decorative objects. A wire mesh chair is positioned in the foreground on a patterned rug. The background shows a concrete wall and a potted plant. A large black diagonal overlay covers the left side of the image, containing the word 'PERSPECTIVES' in white text and three colorful geometric shapes (purple, grey, and pink) in the top left corner.

# PERSPECTIVES



# Perspectives

## 2024

# Dexco



Centralized efforts to fulfil the commitments made in 2020.

Leveraging service levels, improvements to the mix and new launches.

Integrated, consumer-oriented marketing initiatives and brands;

Active management of working capital and initiatives to control costs and expenses.

## Investment Cycle 2021-2025

Discipline in executing projects and focus on maximizing the profitability of the initiatives delivered.

### NEW CERAMIC TILES FACTORY IN BOTUCATU (SP)



Delivery: 2024

- ✓ New products;
- ✓ Service level excellence;
- ✓ Cutting-edge technology.

### IMPROVING THE MIX OF METALS AND AUTOMATION OF SANITARY WARE

- ✓ Maximizing positioning in the premium segment;
- ✓ Quality and productivity gains;



Delivery: 2024/2025

### CAETEX: EXPANSION OF THE FORESTRY BASE IN THE NORTHEAST



Delivery: 2026

- ✓ Assessment of new forestry projects;
- ✓ Self-sustainable cash generation.



# INVESTOR RELATIONS

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**Mariana Fontenelle**

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Dexco Day 2023

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