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# DURATEX DAY

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# DURATEX DAY 3Q19 RESULTS

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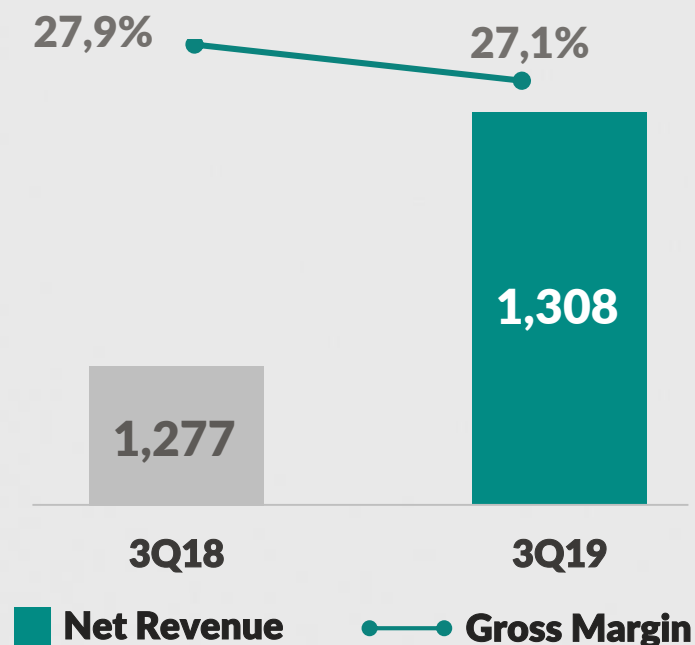
# Consolidated Results

R\$ Million



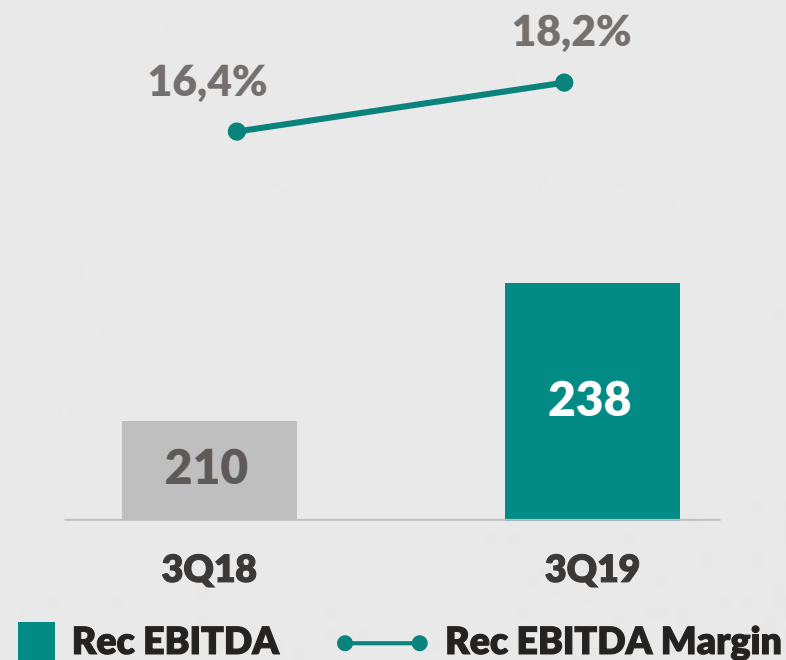
**Growth in Net Revenue arising from consolidation with Cecrisa**

**Net Revenue and Recurring Gross Margin**



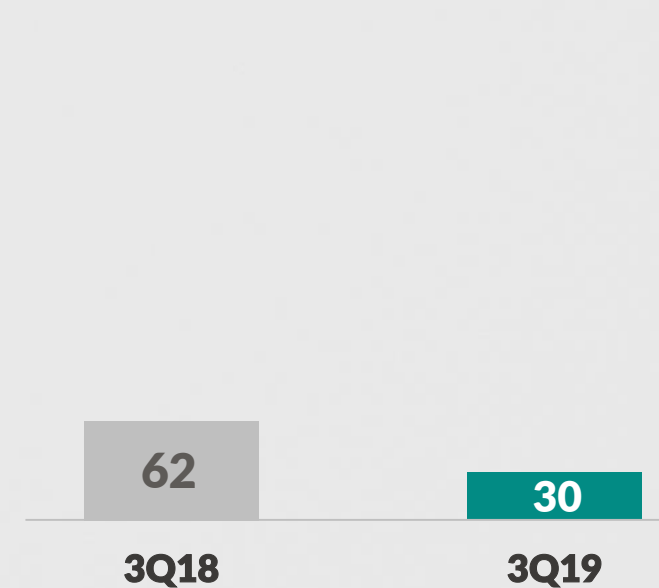
**EBITDA Margin increased by 1.8 p.p due to greater commercial and operational efficiency**

**Recurring EBITDA and EBITDA Margin**



**Net Income impacted by expenditure related to DWP project and consolidation of Cecrisa debt**

**Recurring Net Income**





# Cash Flow

R\$ Million

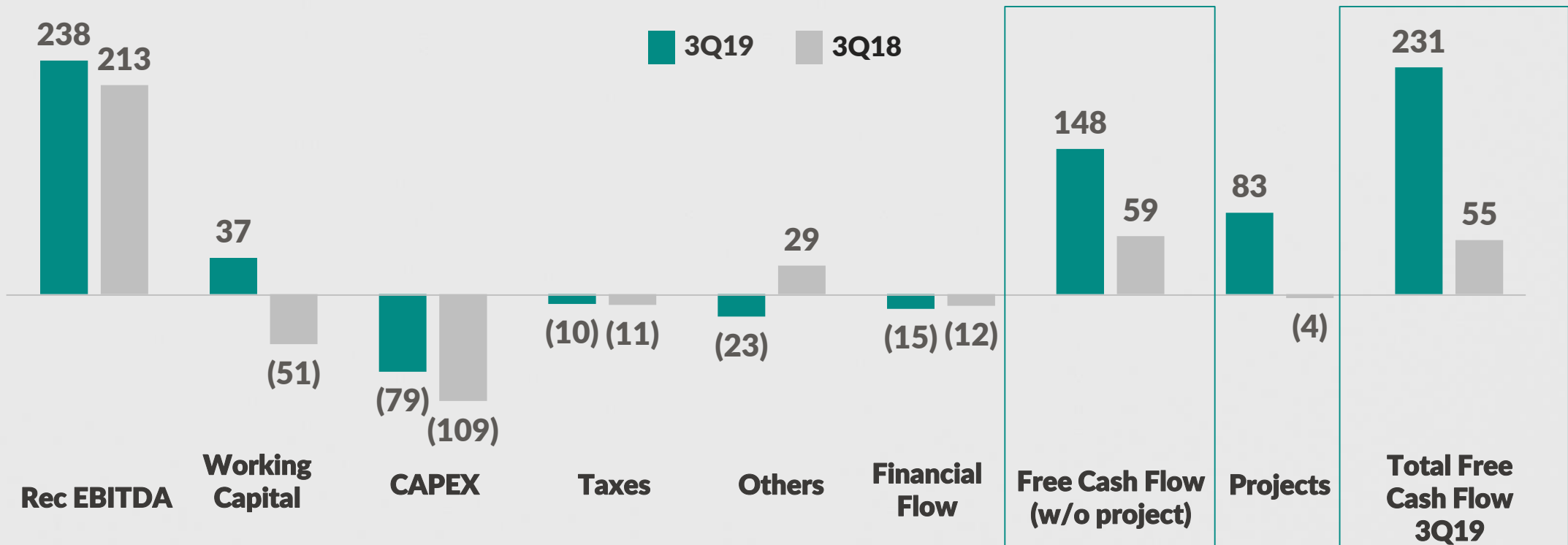


**Significant growth in the Company's cash flow generation**

**Improvement in Working Capital**

**Controlled CAPEX, resulting from the optimization and repurposing of assets**

## Free Cash Flow



Projects\*: (+) Receipt from final parcel of land and forests to Suzano: R\$395  
(-) Acquisition Cecrisa: R\$252.4 (-) Amadeus project: R\$30.4 (-) Ceusa expansion: R\$29.5



# Working Capital and Investments

R\$ Million

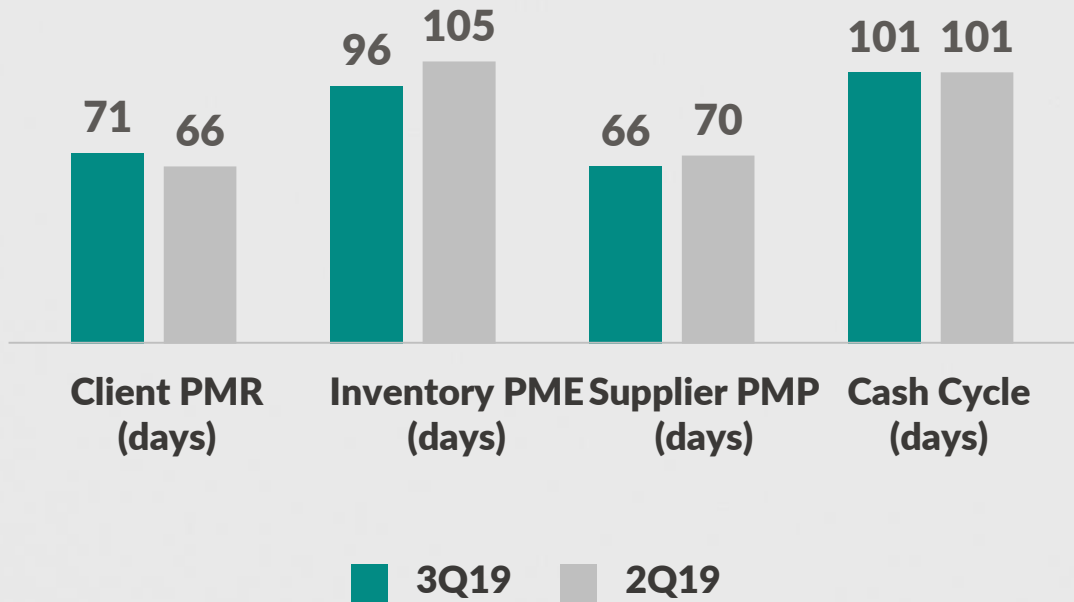


Improved inventory level, stemming from greater focus on cash flow generation

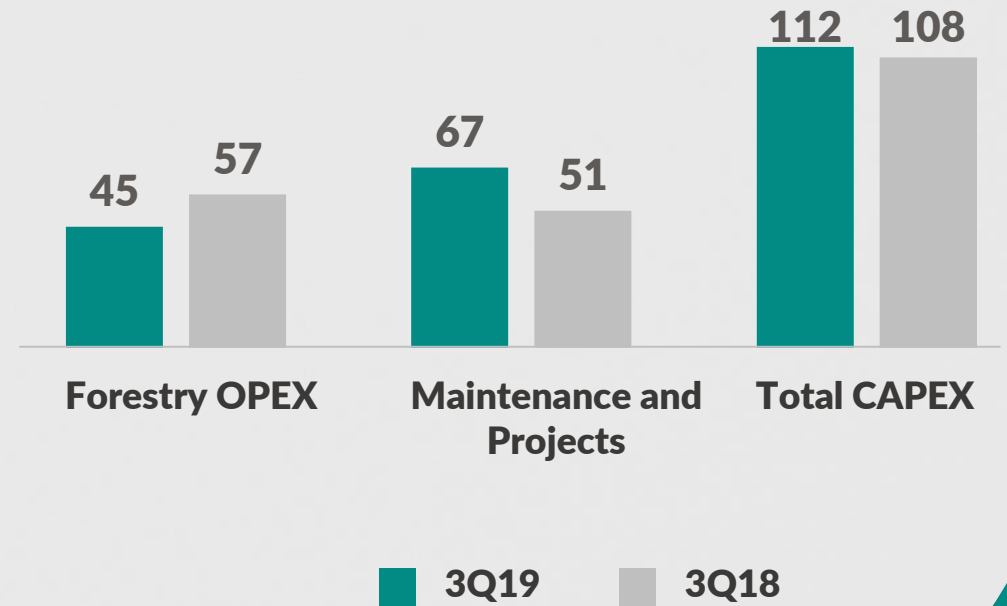
Reduction in forestry CAPEX, from management of forestry assets

Greater investment in the project to expand the Ceramic Tiles line

### Working Capital\*



### Investments



\*Does not consider Cecrisa



# Debt

R\$ Million

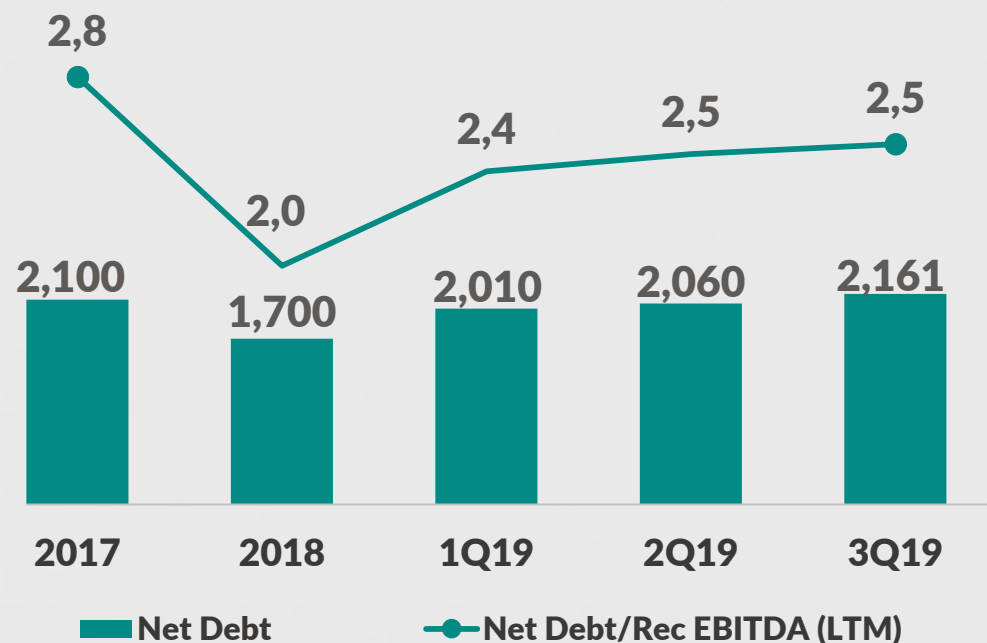


**(+)**  
**Receipt of R\$ 395 related to the sale of land and forests to Suzano**

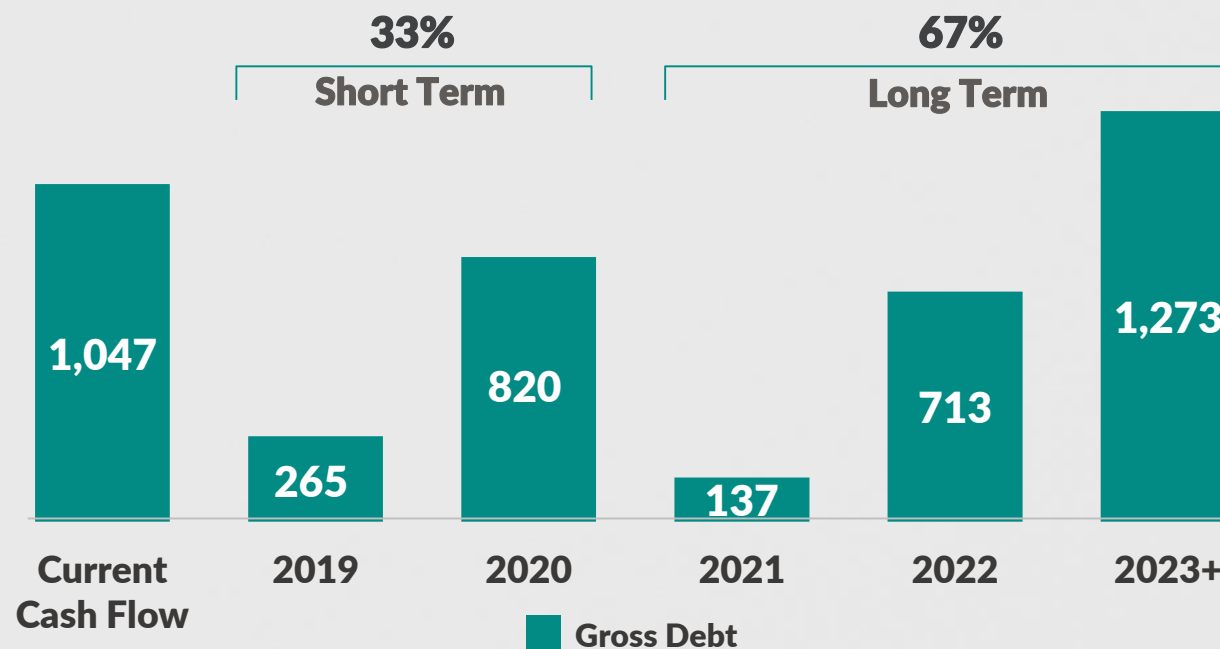
**(-)**  
**Cecrisa debt: R\$ 442**  
**Cecrisa disbursement: R\$ 252**

**Average debt term:**  
**From: 2.1 years 4Q18**  
**To: 3.7 years 3Q19**

### Financial Leverage (x)



### Amortization Timeline



**Average cost of debt: 108% of CDI (interbank rate)**  
**Average debt term: 3,7 years**  
**Total gross debt: R\$ 3.2 billion**



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WOOD  
DIVISION

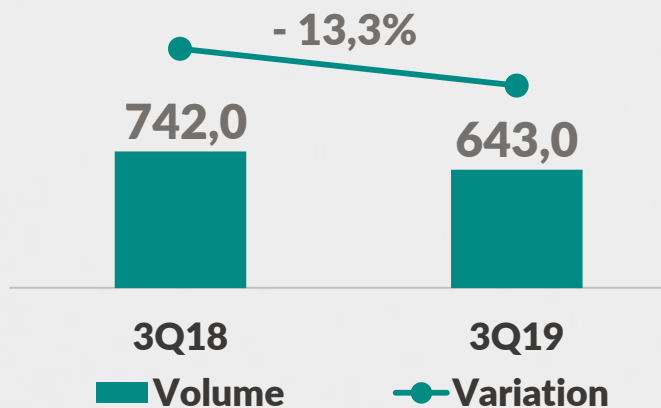
# Headlines - Wood

R\$ Million



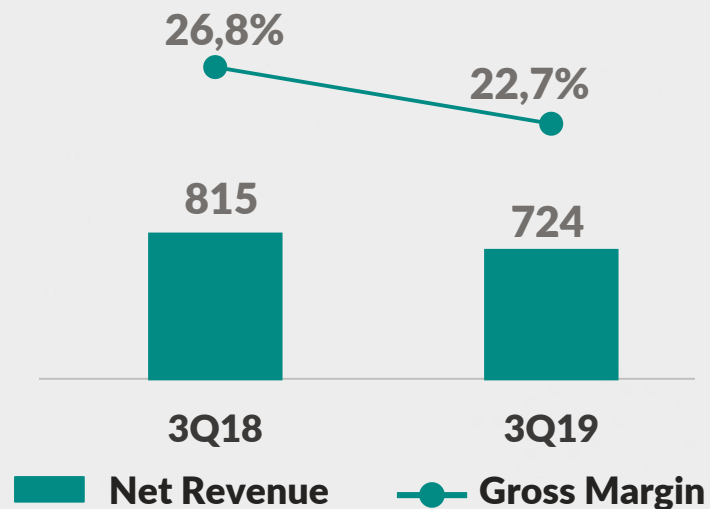
Growth of 6.2% in unit revenue, from improvements in mix and trade policy

Volume\* ('000 m<sup>3</sup>)



Fall in pro forma gross margin impacted by the reduction in volumes and lower sales of free-standing wood

Net Revenue and Gross Margin (Pro forma)

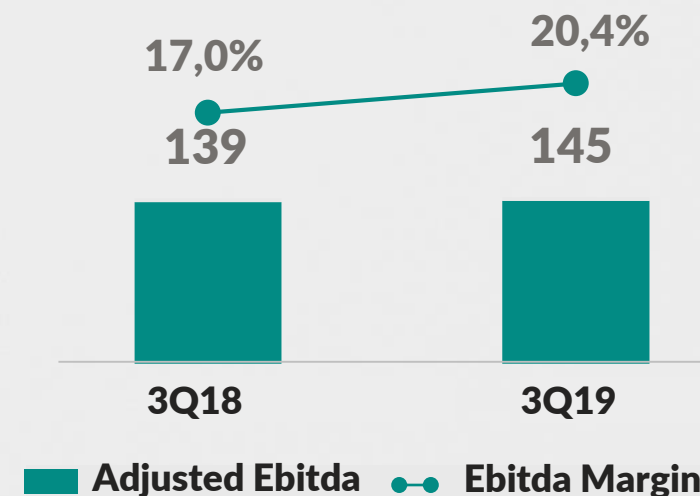


EBITDA margin increase of 3.4p.p, due to rigid cost control via the Duratex Management System

Capacity Utilization 3Q19

MDP: 72%  
MDF: 70%

Rec EBITDA and EBITDA Margin.



\*Excluding volumes of hardboard shipped in 3Q18.



# Wood Transformation





# Wood Agenda

## 1 Trade Strategy focused on differentiation

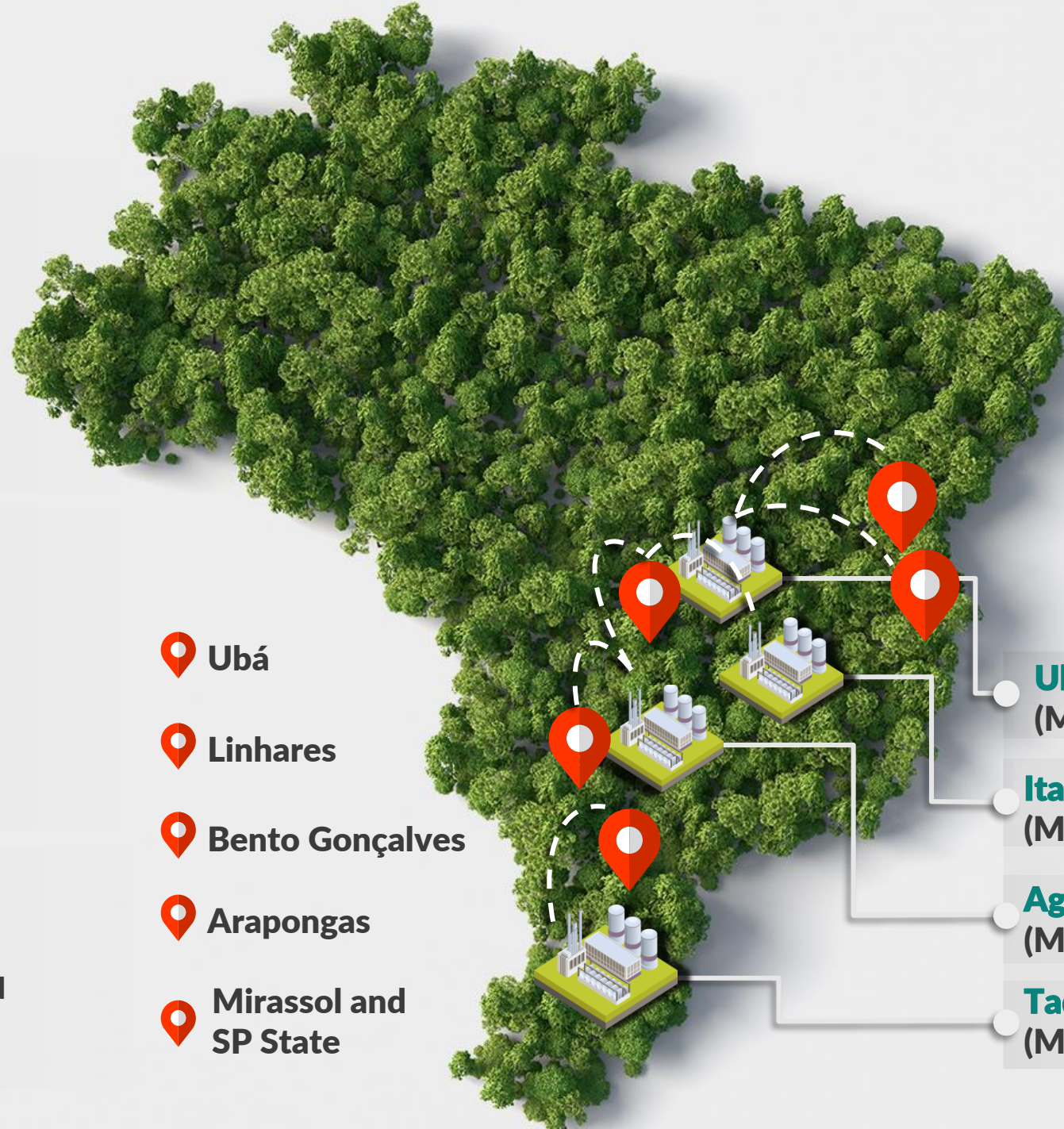
Product life cycle  
(Coleções Viva, Plural, e Internos)  
Competitive intelligence (Pricing)  
Sales Execution

## 2 Cost leadership for the Commodities

Vocation of plants  
Verticalized Operation  
The roll of S&OP

## 3 Asset Optimization and improvement of EVA

Industrial/Forestry assets adjusted  
LVT Operation



📍 Ubá

📍 Linhares

📍 Bento Gonçalves

📍 Arapongas

📍 Mirassol and  
SP State

**Uberaba:**  
(MDP and MDF)

**Itapetininga:**  
(MDP and MDF)

**Agudos**  
(MDF and *Durafloor*)

**Taquari:**  
(MDP)



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# DECA DIVISION





# Headlines - Deca

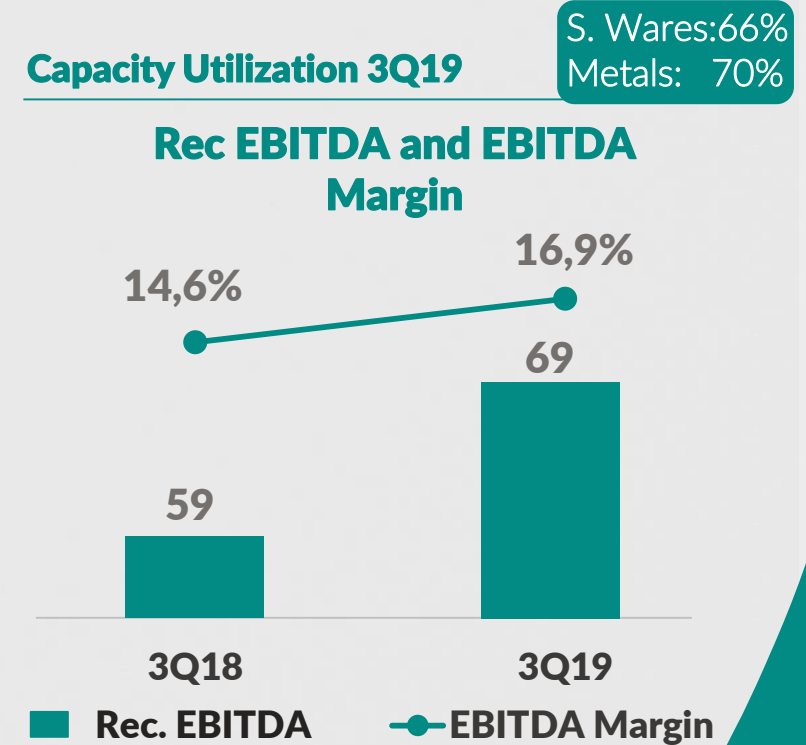
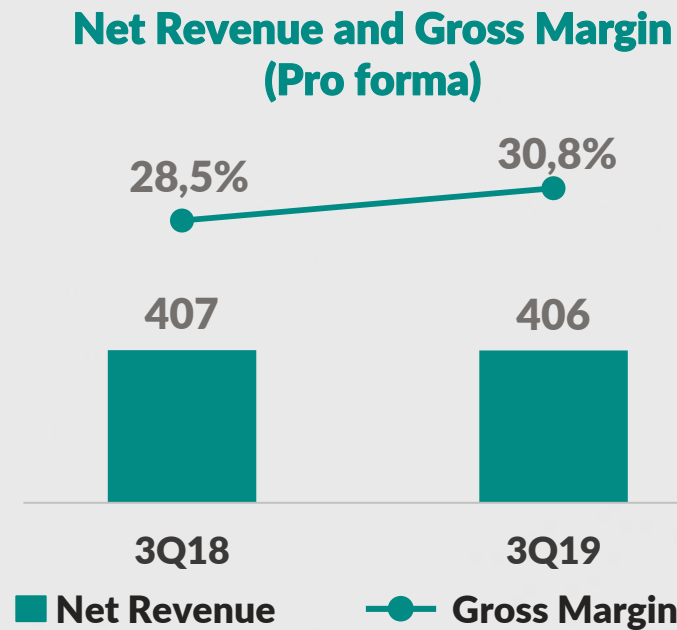
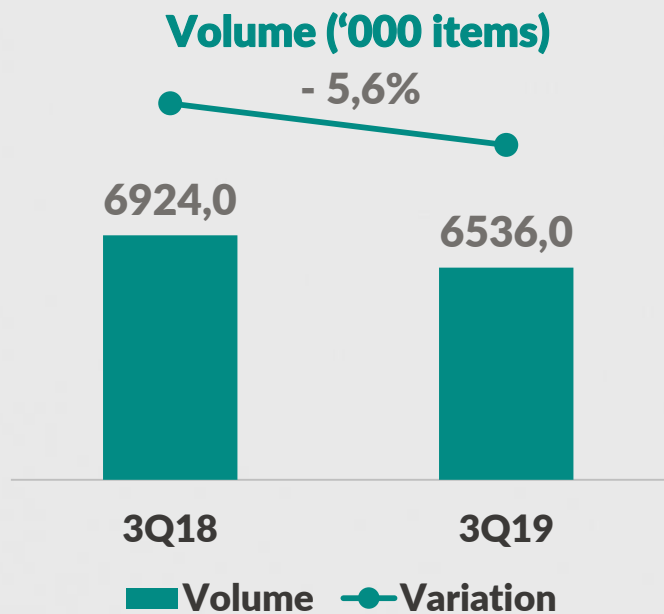
R\$ Million



Growth of 5.8% in unit revenue.  
Very successful price adjustment

Gross Margin increased by 2.3p.p, stemming from greater operational efficiency

Growth of 16% in recurring EBITDA and increase of 2.3p.p EBITDA margin



# Strategic Growth Agenda

Solutions For **Better Living**



## Strategic Pillars

**Industrial  
& Logistical  
Efficiency**

**126**

PROJECTS

**Innovation**

**3**

PROJECTS

**Market  
Intelligence  
in action**

**5**

PROJECTS

**Excellence  
in  
Sales  
Execution**

**39**

PROJECTS

**New  
revenue  
sources**

**3**

PROJECTS

**People**

**18**

PROJECTS

**Technology**

**Culture** Ways of Working & Being



# SNAPSHOT OF THE STRATEGIC AGENDA

OCTOBER 2018 TO OCTOBER 2019

## INDUSTRIAL AND LOGISTICAL EFFICIENCY

- » Reduction of 30% in Portfolio
- » Improvement in industrial productivity
  - » IQG and Minutos/h.equivalent
- » Industrial Consolidation
  - » Asset transfer without loss of Capacity(Tubarão → Aracaju / São Leopoldo)
- » Headcount reduction
- » Maximization of taxes incentives
- » Beginning of OBZ to manage Working Capital
- » Level of Service evolution

## INNOVATION

- » New funnel reducing *time to Market* 4 months
- » Cuba Inox Release

## SALES EXECUTION

- » Start redesign of Commercial Policy
- » Restructuring Trade Marketing área
- » Integration and capture of synergies Deca + Hydra



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CERAMIC  
TIMES  
DIVISION



# Headlines Ceramic Tiles

R\$ Million

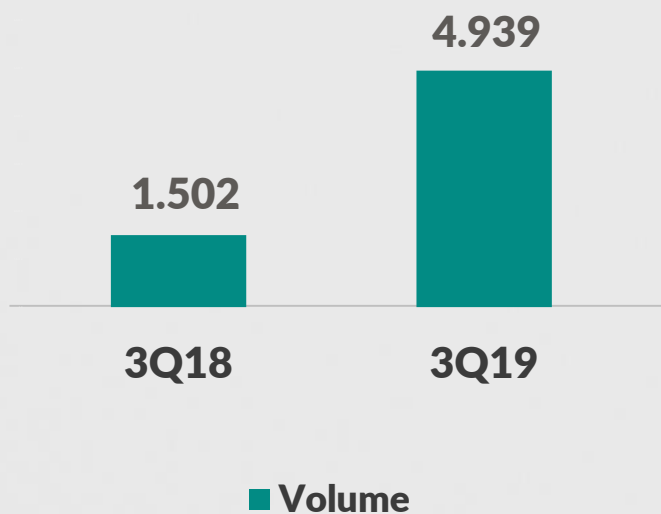


Consolidation of the results of Cecrisa effective from August and September 2019

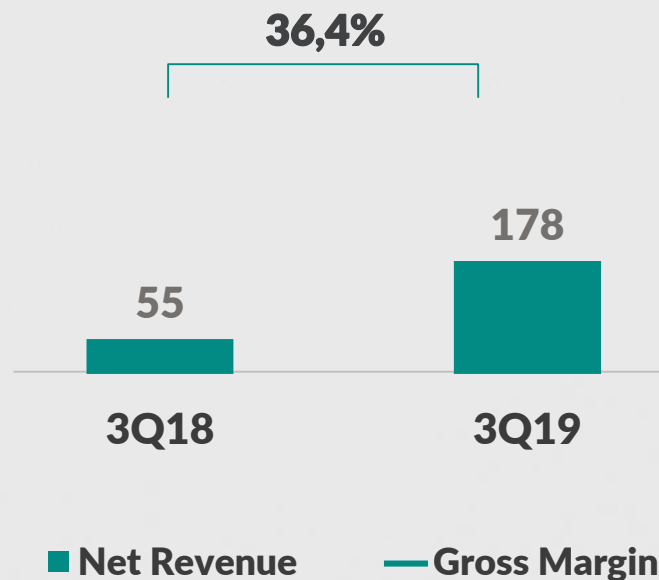
Growth of 220% of Net Revenue, due to the consolidation of the results from Cecrisa

Capture of synergies. Closure of Santa Luzia (MG) operation and industrial optimization

Volume ('000 m<sup>2</sup>)



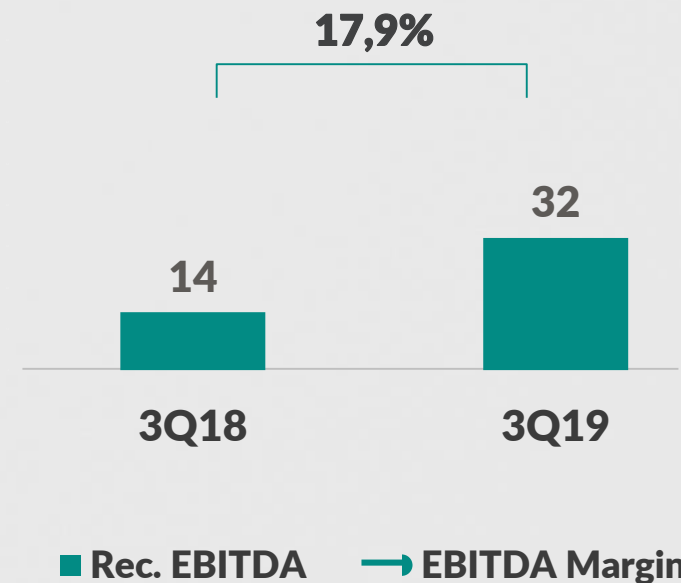
Net Revenue and Gross Margin



Capacity of Utilization 3Q19

Ceramic Tiles  
97%

Rec EBITDA and EBITDA Margin







# Ceusa and Portinari Integration

**CEUSA** 

CREATIVITY THAT SURPRISES

Maximalist Design

Fashion & Creativity

Exclusive differentials

Monotone, mono-caliber, dry joint

Focus on process

100% Extra up to 2022

Industry 4.0

ICEP system and GSM

Digital experience

EaD, SimuLAR (exclusive app)

**P O R T I N A R I**

A M B I E N T E S   C O M   E M O Ç Ã O

Minimalist Design

Art & Architecture

Premium Brand

High End

Concept

Consolidated Channel of Specialist Stores

Digital Media

Leadership 10x greater than 2º place in like

Digital Platform

Agile Promoter

Innovation

Color Connection



# “Let’s build the best ceramic tiles company in Brazil”

## Brand Sinergies:

Brand discontinuity **Cecrisa** (low end)  
 Ceusa and Portinari brands with their Market-oriented differentials focused in **high end**;  
 Focus in the brands **Ceusa** and **Portinari**

## Portfolio Management:

**Descontinuity of** product with minor added value (low end);  
 Expansion of domestic production of high end products  
**100x100** cm, **120x120** cm and porcelain sheets  
**80x160** cm

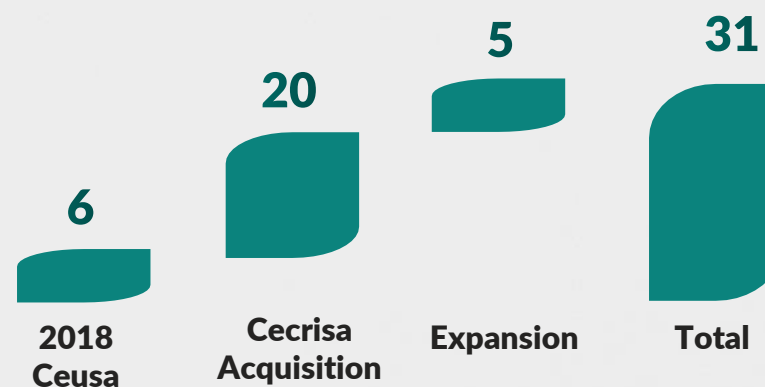
## Synergies Capture

**Administrative** and **Commercial** Centralization;  
**Supplier** Standardization;  
 Transfer of the unit from MG to SC;  
**Cargo consolidation** with unified operations in the south a unificação das operações no Sul (from 5 to 2 DCs)  
 Process and factories **optimization** (LB/min).

## Expansion Project and Indústria 4.0

Departure of the most modern line in Americas: **25/10**  
 High performance and high level of **robotization**  
 100% **digital control** factory: integration and statistical process control  
**Modernization** of remaining industrial parks in progress

## Production Capacity million m<sup>2</sup>/year





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# A STRATEGIC LOOK

# Duratex and the **soluble cellulose** business

## » Competitive Advantages

**Capacity:** 500k ton/year of DWP

Lowest **cash cost** in the sector worldwide

**Integrated** logistics

Wood **100%** certified by **FSC** (Forest Stewardship Council)

## » A Joint Venture

Total **industrial investment:** approximately **1.2 billion dollars**

Shareholder structure: Lenzing **51%** and Duratex **49%**

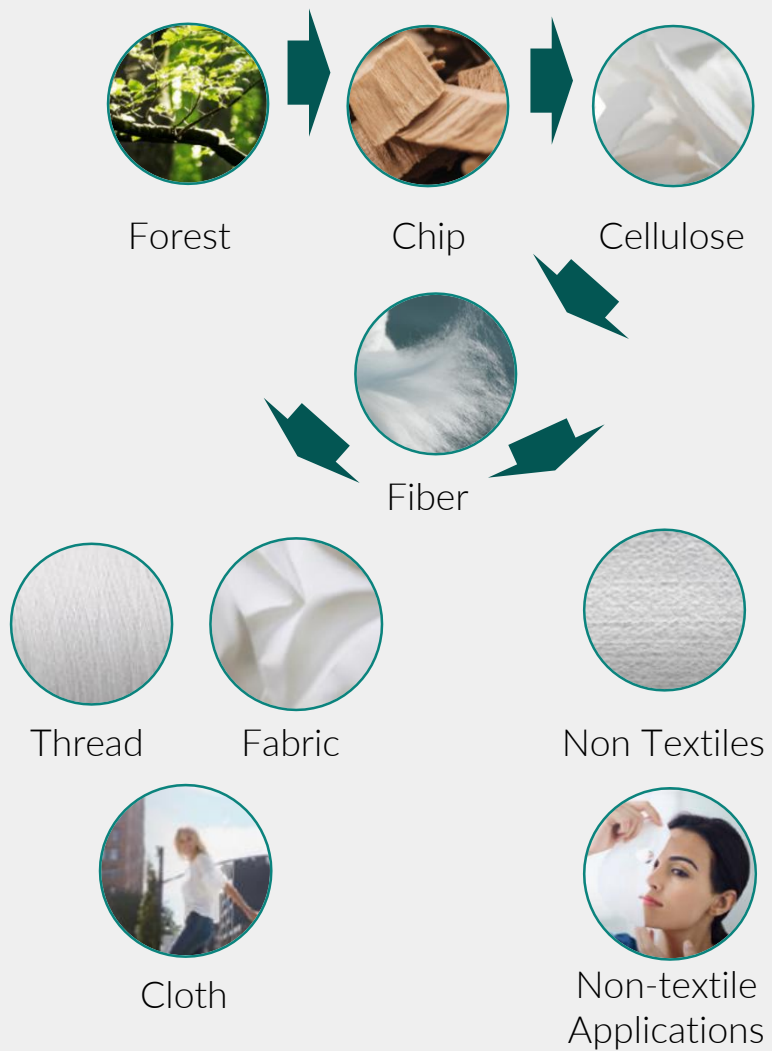
**Lenzing** is the global leader in the production of **cellulosic fibers**

Product destined for **Lenzing** factories in **Europe, Asia and North America** for production of viscose and lyocell

Production **100%** sold



# Productive Chain



## Location of the factory



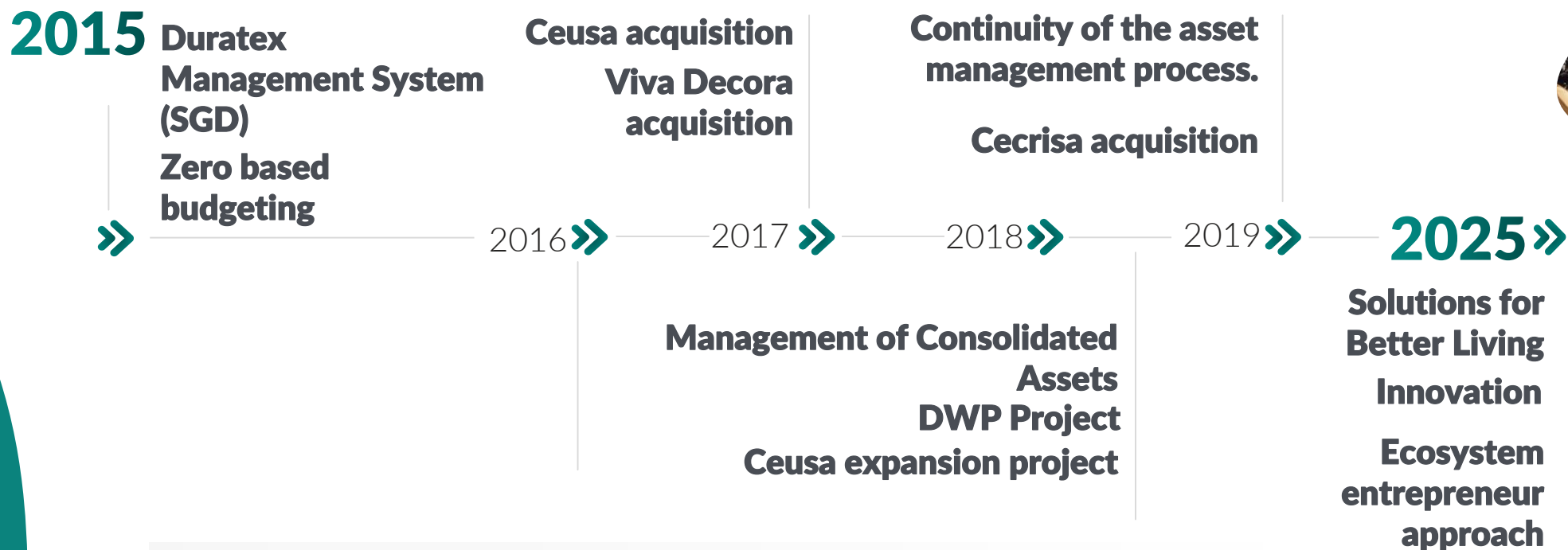
# Management of the Duratex Portfolio

	» Wood	⤴ Deca	⤴ Ceramic Tiles.	⤴ Dissolving WP
Capital Allocation	High	Average	Average	Low
Growth Potential	Organic	Organic and inorganic	Organic and inorganic	Organic
Discipline of offering	Temporary imbalance between supply and demand	Risk of new foreign entrants	Fragmented market. Potential for consolidation	Commodity global
Competitive advantage	Cost of production & differentiation	Brand and design	Brand and design	Cost of production
Exposure to the Domestic Economy	Cyclical	Cyclical	Cyclical	Counter-cyclical



# Transforming Duratex

## » Cultural transformation



Reduction in number of directors and  
**exchange of 84% of the executive team**



## Through our businesses:

- We develop people
- We grow the positive socio-environmental impact
- We innovate with sustainable solutions
- We constantly seek new business models that generate value



**80%**

of renewable sources  
at our energy grid



**55%**

of the energy grid  
comprised of biomass



**24%**

re-use of water in our  
own production  
processes



**Around 10k employees**

have already undergone  
an educational program in  
sustainability.







# The New Duratex

A Company focused on...

## Way of working & being

Strategic pillars

### ...Cash flow generation, maximizing shareholder value

Executive pay based on cash flow generation and EVA

### ...Sustainable growth

Organic and inorganic growth within our way of working and being

### ...Innovation and digitalization

As a way of simplifying our processes and leveraging our sales channels

### ...Strategic assets

Optimization of current assets and productive management with strategic partners

### ...Client solutions

One-stop-shop, complete experiences within environments



### People

People are our strength



### Results

Sustainable high performance



### Processes

Carried out well, in a straightforward and safe manner



### Client

We are the best choice



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# DURATEX DAY 3Q19 RESULTS

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