

BRK Ambiental Participações S.A.

Listed Company (B Category)
CNPJ No. 24.396.489/0001-20
NIRE: 35.300.489.748 | CVM Code: 2483-0

BRK Ambiental's Net Revenue reaches R\$ 644 million in 1Q21 and EBITDA totals R\$ 215 million in the period, with 47% of EBITDA margin, the greater of the Company

São Paulo, May 12th, 2021 - BRK Ambiental Participações S.A. ("BRK Ambiental" or "Company"), a private sanitation company that operates in 13 states and more than 100 municipalities, announces today its results for the first quarter of 2021.

The information below presents the Company's performance for the first quarter of 2021 ("1Q21") in comparison with 2020 ("1Q20").

Earnings Highlights – 1Q21

- **Net Operating Revenue¹** totaled **R\$ 460 million**, representing a growth of 27% in relation to 1Q20, driven by the increase of 103,000 new active economies² and BRK Mature Assets ("BRK-MA")³ consolidation, as a result of the **Corporate Reorganization** concluded on September 30th, 2020.
- The **Costs and Expenses**, excluding construction costs and depreciation/amortization expenses, totaled **R\$ 248 million**, an increase of 14% in relation to the same period of the previous year, impacted by R\$ 43 million related to BRK-MA consolidation. Excluding this effect, variation would be a drop of 6%.
- **EBITDA⁴** of **R\$ 215 million**, representing an **increase of 44%** in relation to 1Q20 and an **EBITDA margin** of 47%, representing an increase of 6 percentage points.
- **Investments⁵** of **R\$ 180 million**, an increase of 12% compared to first quarter of 2020, adding 12,000 new connections⁶ and 102 km of network in the quarter.
- **Net Income⁴** in 1Q21 was R\$ 13 million, 8% lower than 1Q20, impacted by financial result, due to interest of financings incurred in the period.

¹ Excluding revenue from construction determined based on the application of an estimated profit margin on construction costs, in accordance with IFRIC 12 / ICPC 01 (R1)

² Active Economies: real estate of single occupancy or independent unit represented by apartments, commercial units, public agencies and similar, serviced by water and/or sewage services (i.e., a building with 20 offices has 1 connection/link and 20 economies)

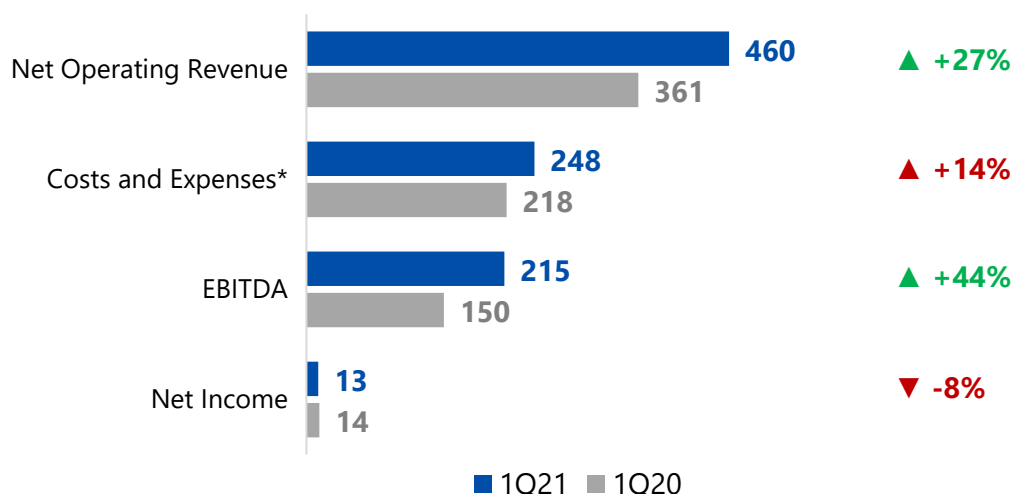
³ BRK-MA: company that controls concessionaires: BRK Ambiental - Limeira S.A., BRK Ambiental - Cachoeiro de Itapemirim S.A., BRK Ambiental - Capivari S.A. and BRK Ambiental - Jaguaribe S.A.

⁴ Considers Continuing Operations

⁵ Measured by the Construction Cost

⁶ Connections or links: building branches connected to the water or sewage network, which can be either active or inactive

Financial Highlights - R\$m



* Excluding Construction Costs, depreciation and amortization.

Other Highlights

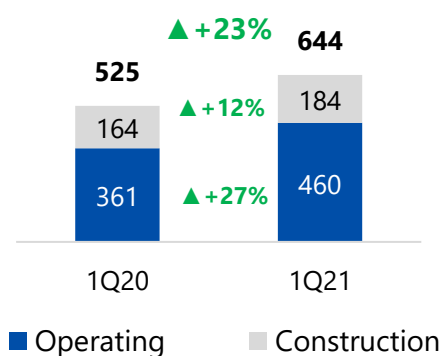
- In view of current scenario of Covid-19 pandemic, the Company maintains its activities without interruption and with all administrative functions being carried out remotely. Each unit's situation was assessed by Health and Safety teams, in order to reinforce protocols and reduce employees and customers circulation.
- Following the strategy to concentrate in sanitation activities, on March 19th, 2021, the Company closed the sale of UVR Grajaú subsidiary. This subsidiary's results have been presented in "Discontinued Operations" item in the financial statement since December 2019.

Financial Highlights

Indicators (R\$m)	1Q21	1Q20	Δ (%)
Net revenue	644	525	23%
Net Operating Revenue	460	361	27%
Net Construction Revenue	184	164	12%
Costs and expenses	(502)	(433)	16%
Costs and expenses	(248)	(218)	14%
Costs of services	(134)	(132)	1%
General and Adm. expenses	(115)	(86)	34%
Construction costs	(180)	(160)	12%
Depreciation and amortization	(73)	(55)	33%
Finance result	(116)	(71)	63%
Equity Accounted Investment	0,02	3	-99%
Income tax (current and deferred)	(13)	(9)	43%
Net Income	13	14	-8%
Net Income - Discontinued Operation	2	(2)	-204%
EBITDA	215	150	44%
<i>EBITDA Margin⁷</i>	47%	41%	6 p.p.
EBITDA Discontinued Operation	2	(2)	-221%

Operating and Finance Results

1. Net Revenue (R\$m)

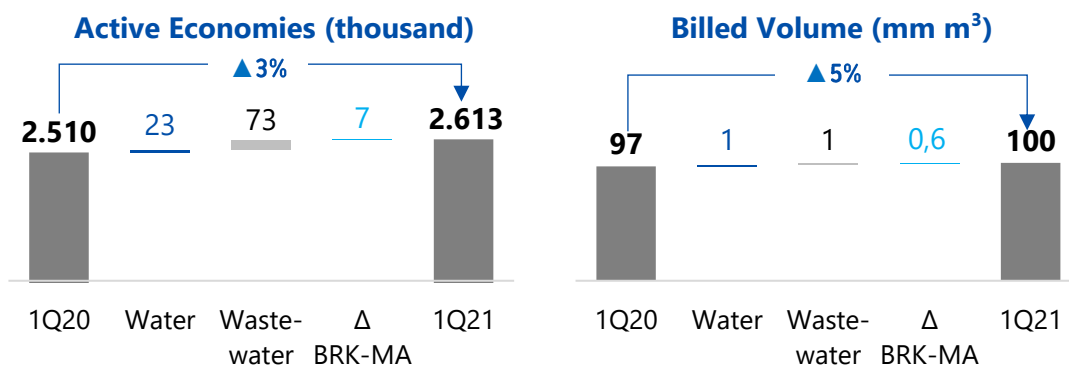


Total Net Revenue reached R\$ 644 million in 1Q21, a growth of 23% in relation to 1Q20, due to BRK-MA consolidation in the 3 months of 1Q21.

Net Revenue is composed of Operating Revenue (70%) and Construction Revenue (30%), which, on its turn, is related to investments in expansion and/or improvement of the existing infrastructure.

⁷ EBITDA Margin = EBITDA / Net Operating Revenue

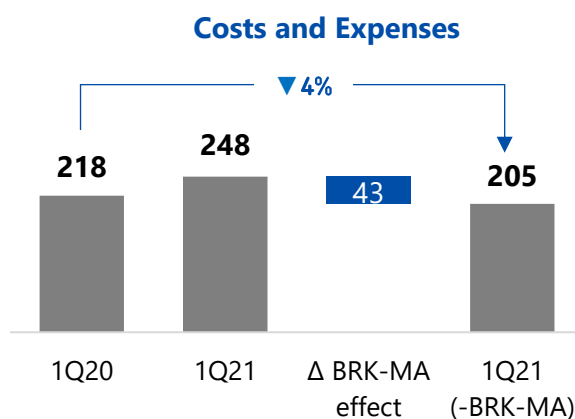
Operating Revenue totaled R\$ 460 million in 1Q21, a growth of 27% in relation to 1Q20. This increase results mainly from BRK-MA consolidation (R\$ 79 million) and addition of 103,000 new Active Economies, highlighting the operations of Saneatins, Goiás, Recife and Maranhão, reflected also on the invoiced volume, which had a growth of 3%. For comparison purposes, disregarding BRK-MA consolidation effects in Operating Revenue, increase is 5% in relation to 1Q20.



Construction Revenue reached R\$ 184 million, representing an increase of 12% in 1Q21 as compared to 1Q20, by virtue of investments executed in the period, including BRK-MA.

2. Costs and Expenses (R\$mm)

	1Q21	1Q20	Δ (%)
Personnel	(127)	(116)	10%
Materials	(11)	(17)	-37%
Services	(106)	(90)	19%
Other	(3)	5	-171%
Subtotal	(248)	(218)	14%
Depreciation and amortization	(73)	(55)	33%
Construction cost	(180)	(160)	12%
Total	(502)	(433)	16%

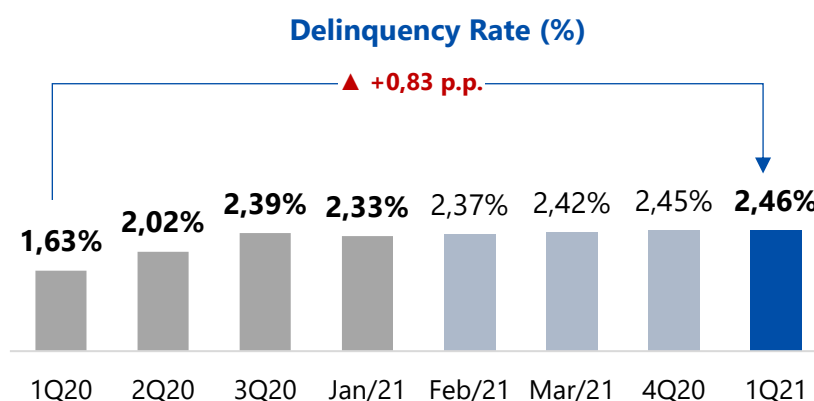


Costs and expenses totaled R\$ 502 million in 1Q21, an increase of 16% as compared to 1Q20 and, disregarding effects of construction costs, depreciation and amortization, there was an increase of 14%. For comparison purposes, disregarding BRK-MA consolidation effects, there was a drop of 6% in relation to 1Q20, therefore below the inflation (IPCA⁸ of 6.1%), as a result of gains obtained in the Operating Efficiency Program, including personnel costs optimization, third-party services, in addition to the implementation of energy efficiency programs, water losses and delinquency rate reductions.

3. Delinquency Rate⁹

In 1Q21, BRK Ambiental recorded a 2,46%¹⁰ delinquency rate, reflecting an increase of 0,83 p.p. in relation to 1Q20 related to the pandemic, which affected the Company's collection, and is being mitigated by commercial actions intensification.

These initiatives focus on efficiency increase of billing and collection process, such as: (i) use of Artificial Intelligence to optimize billing assertiveness; (ii) communication campaigns to raise awareness of importance of water and payment of bills; (iii) collection agencies scope expansion; and (iv) digital renegotiation with flexible payment terms.



4. Losses¹¹

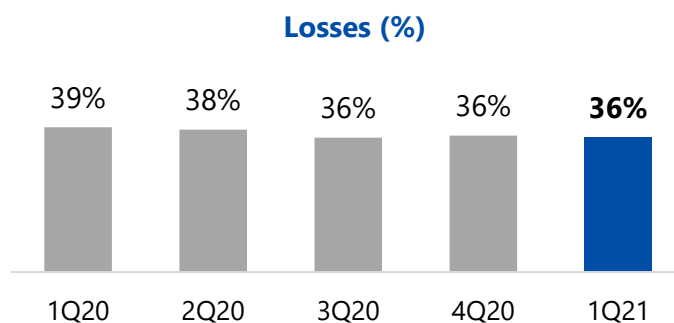
In 1Q21, BRK Ambiental recorded a water loss rate of 36%, 3 p.p. lower than in 1Q20. This reduction is the result of the Loss Reduction Program improvement with application of advanced analytics and Artificial Intelligence to guide the hydrometric plan, replace networks and extensions, pressure control and prospect leakages.

⁸ IPCA (Broad Consumer Price Index), measured by the IBGE (Brazilian Institute of Geography and Statistics) is the official inflation index of the country

⁹ Allowance for expected losses from doubtful accounts / Billings excluding cancellations. Amounts accumulated in last 12 months (LTM) and calculated based on future losses analysis, according to history default, segregating private and public customers, and in accordance with the management's assessment.

¹⁰ Due to COVID-19, there was a higher incidence of non-payment of customers' invoices, however, management implemented collection actions aiming to recover overdue amounts, which is expected to be effective for later collection of these amounts.

¹¹ Loss Rate follows the methodology of Water Balance of the International Water Association (IWA)



5. EBITDA (R\$mm)

The EBITDA presented below considers Continuing Operations.

EBITDA from Discontinued Operations considers residues segment, which includes UVR Grajaú subsidiary. Since December 2019, this subsidiary's results have been presented in "Discontinued Operations" item in the financial statement and, on March 19th, 2021, the Company closed the sale.

	1Q21	1Q20	Δ (%)
Net Income	13	14	-8%
(+) Finance result	116	71	63%
(+) Income Tax (current + deferred)	13	9	43%
(+) Depreciation and amortization	73	55	33%
EBITDA	215	150	44%
<i>EBITDA Margin</i>	<i>47%</i>	<i>41%</i>	<i>6 p.p.</i>
EBITDA from Discontinued Operations	2	(2)	-221%

Adjusted EBITDA increased 44% in 1Q21 as compared to 1Q20 and reached R\$ 215 million, driven by BRK-MA consolidation, allied to the growth of the Net Operating Revenue and Costs and Expenses reduction in relation to 1Q20.

For comparison purposes, disregarding BRK-MA consolidation effects in 1Q21, EBITDA presents an increase of 20% in relation to 1Q20, totaling R\$ 180 million, demonstrating the consistent delivery of results by the Company.

The EBITDA margin of 1Q21 reached 47%, the greater recorded by the Company, with an increase of 6 p.p. as compared to the same period of the previous year, a result of the growing efficiency gains of the Company.

6. Finance Result (R\$mm)

Finance Results	1Q21	1Q20	Δ (%)
Finance income	22	17	29%
Finance expenses	(139)	(89)	56%
Total	(116)	(71)	63%

In 1Q21, the Financial Result totaled R\$ 116 million, an increase of 63% when compared to 1Q20, mainly resulting from interests incurred in the period related to R\$ 1.1 billion corporate debt issued in October, 2020, and sustainable debentures issuance in December 2020 for RMM¹²'s grant payment in the amount of R\$ 1,8 billion.

7. Indebtedness (R\$m)

Indebtedness	1Q21	1Q20 ²	Δ (%)
Gross debt	7.214	4.543	59%
Cash and cash equivalents	2.433	688	253%
Net debt	4.781	3.855	24%
Net Debt / LTM EBITDA	6,0x ¹	6,6x	-0,6x

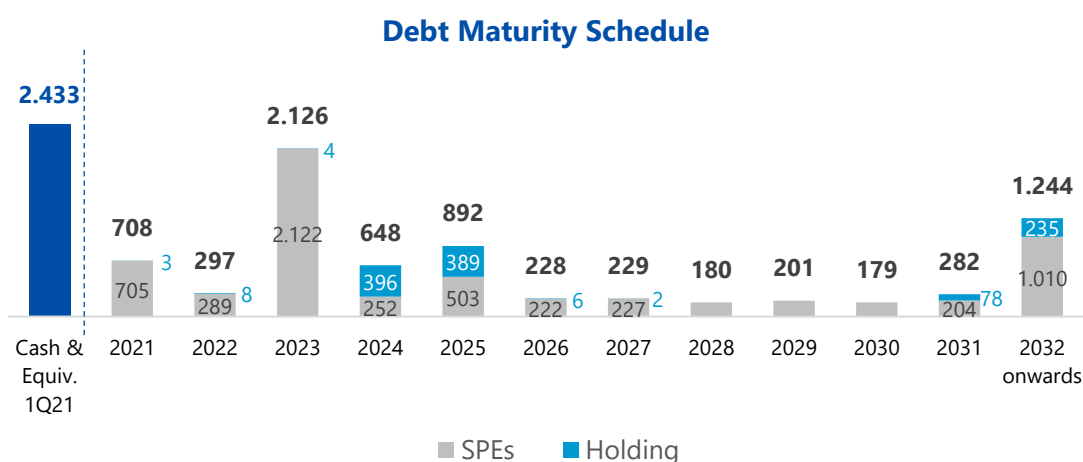
/1 For comparison purposes, considers BRK-MA LTM EBITDA. Disregarding RMM's net debt, a recent asset that does not generate EBITDA, leverage in 1Q21 would be 5.3x

/2 Keeping comparison basis between the periods, 1Q20 leverage would have been 5,7x

Gross Debt

BRK Ambiental's consolidated Gross Debt totaled R\$ 7,2 billion in March 2021, of which 16% is concentrated at the holding level and 84% is at the SPEs¹³. Gross debt increased 59% in relation to 1Q20, mainly due to BRK-MA's gross debt consolidation and debentures issued for RMM grant's payment.

In the SPEs, of which gross debt totaled R\$ 6.1 billion at the end of 1Q21, debt service schedule considering debt balance (principal and interests) up to March, 31st, 2021 database, is presented in the chart below and is supported mainly by operational cash generation. For 2023, it is expected RMM debentures' maturity, which the takeout will be the long-term debt contracting.



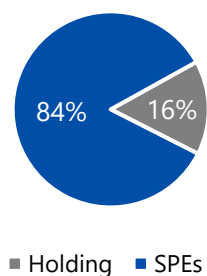
¹² Maceió's Metropolitan Region (RMM)

¹³ Special Purpose Entity

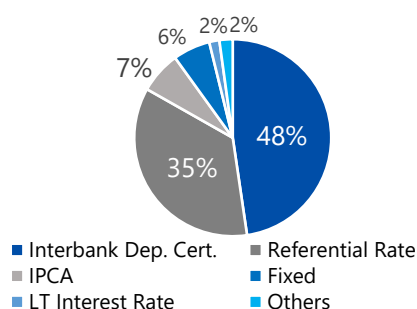
The average term of the financing of the subsidiaries of BRK Ambiental 8.7 years, therefore a very long-term profile, mitigating the Net Debt / LTM EBITDA ratio of 6,0x¹⁴.

The average consolidated cost of the debt reached 7,0% per year, an improvement of 73 bps in relation to 1Q20¹⁵.

Indebtedness



By Index



Cash and Cash Equivalents

Cash and cash equivalents present a robust position of R\$ 2.4 billion in 1Q21, an increase of 253% compared to 1Q20, as a result of an efficient cash management in accordance with "Liquidity Strengthening Plan" designed in 2020 to face the pandemic. Cash and cash equivalents consider R\$ 1.2 billion for 2nd installment of RMM grant payment, scheduled for June 2021.

In view of the Company's cash position, net debt totals R\$ 4.8 billion in 1Q21, an increase of 24% in relation to 1Q20.

Leverage

The cycle of the sanitation projects involves three phases: Development, Investment and Maturity. The first phase represents the study and obtainment of the project, the second phase involves an intensive investment and, consequently, a high leverage level to achieve universalization and, in the last phase, the project presents an EBITDA margin higher than 45%, distributes dividends to stockholders on a consistent basis and requires a lower volume of investments.

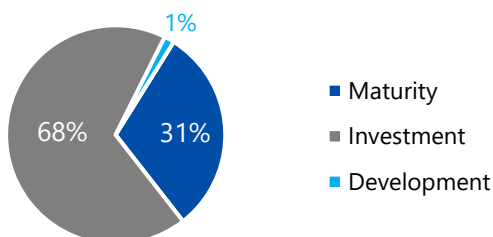
BRK Ambiental's leverage at 6.0x reflects BRK-Mature Assets consolidation, as well as the recent inclusion of RMM in the Development phase. This SPE, currently in assisted operation and without revenue accounting, has issued R\$ 1.8 billion in debentures for grant payment in December 2020.

The Company has 8 assets in the Maturity phase, representing 31% of Net Operating Revenue in 1Q21. The Investment phase concentrates 68%, while SPEs in the Development phase represent 1%.

¹⁴ It considers LTM EBITDA of BRK Mature Assets

¹⁵ Excluding Discontinued Operations

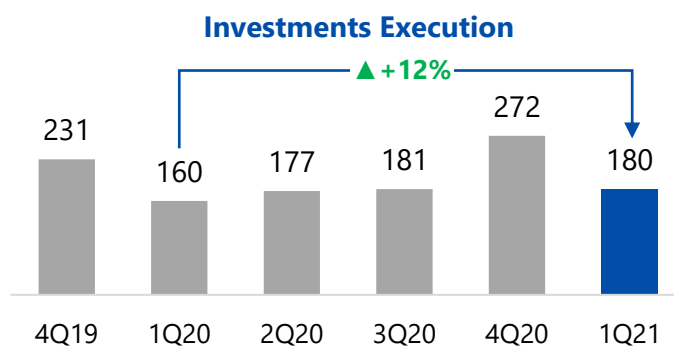
2020 Net Oper. Revenue by Cycle



The Company's investments are financed under low-cost (Reference Rate + 8%-9%) and long-term (until 24 years) conditions, mainly with the *Saneamento para Todos* (Sanitation for All) credit line, under project finance.

8. Investments (R\$m)

In 1Q21, R\$ 180 million was invested, an increase of 12% in relation to the same period of the previous year, due to investments executed in the period and R\$ 9 million from BRK-MA consolidation. For comparison purposes, disregarding BRK-MA consolidation effects in 1Q21, investments present an increase of 7% in relation to 1Q20.

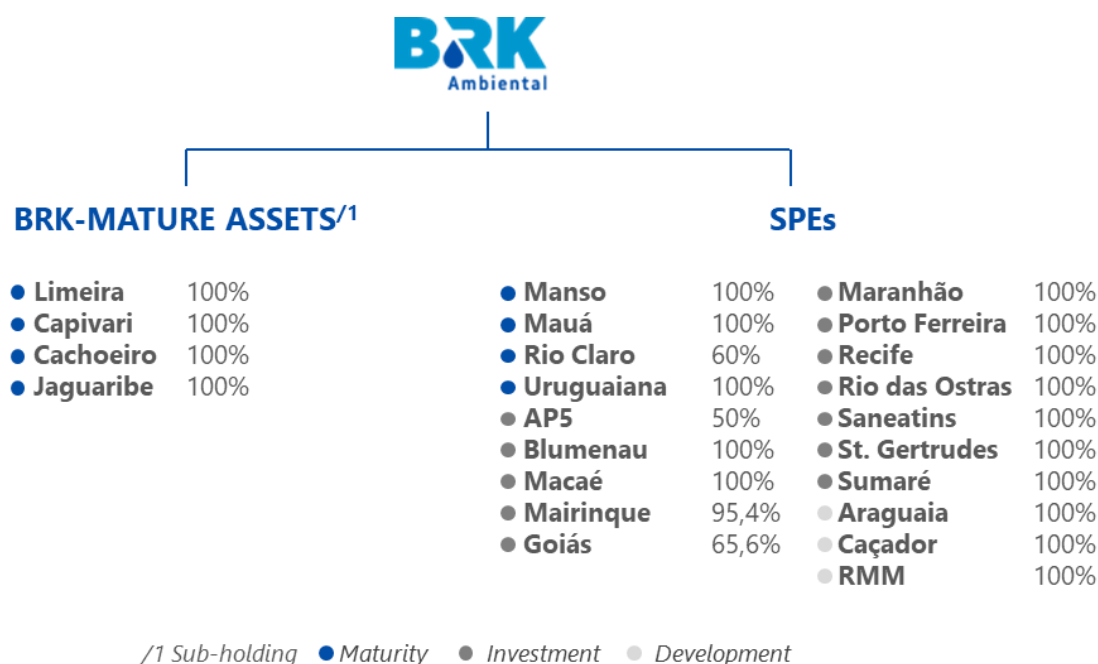


BRK Ambiental

BRK Ambiental has a diversified portfolio of assets, with 23 sanitation (water and/or wastewater) Special Purpose Entities ("SPEs") in 13 states, mitigating the concentration of revenue and hydrological risks.

There are 16 concessions, 6 Public-Private Partnerships ("PPPs") and 1 asset lease, in long-term contracts in different phases: development, investment and maturity.






BRK Ambiental has joint control of F.AB Zona Oeste S.A. ("AP5", with a 50% interest) which is reflected in the Financial Statements by means of equity method.



Investor Relations

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Any forward-looking statements in this report are related exclusively to the business outlook, estimates of operating and finance results and growth prospects of the Company. These are merely projections and as such are based exclusively on the expectations of the Company's management for the future of the business and its continued access to capital to finance its business plan. Such forward-looking statements depend substantially on changes in market conditions and government regulations, competitive pressures, the performance of the industry and the Brazilian economy, and other factors, in addition to the risks already presented in the Company's previous reports and, therefore, are subject to change without prior notice. Any and all non-accounting information or information based on non-accounting figures was not reviewed by the independent auditors.

Balance Sheet | Assets (R\$ thousands)

Assets	March 31th, 2021	December 31th, 2020
Current assets		
Cash and cash equivalents	1.192.500	1.247.394
Restricted funds	1.206.375	1.200.602
Trade accounts receivable, net	517.589	554.580
Advances to suppliers	10.836	14.784
Taxes recoverable	44.244	42.177
Dividends and interest on capital receivable	5.973	5.973
Inventories	28.891	32.954
Prepaid expenses	11.557	10.369
Other assets	9.646	9.312
	<u>3.027.611</u>	<u>3.118.145</u>
Assets from discontinued operations	<u>-</u>	<u>1.451</u>
Non-current assets		
Trade accounts receivable, net	2.991.069	2.915.379
Restricted funds	34.545	41.436
Taxes recoverable	79.579	83.380
Related parties	2.335	15.392
Deferred income tax and social contribution	187.259	181.115
Judicial deposits	15.660	13.657
Prepaid expenses	2.885	3.687
Other assets	44.603	45.174
	<u>3.357.935</u>	<u>3.299.220</u>
Investments in subsidiaries and jointly-controlled subsidiaries	82.427	82.403
Investment properties	42.834	42.834
Property and equipment	82.751	86.204
Contract assets	1.048.936	1.012.556
Right-of-use lease	145.211	148.908
Intangible assets	5.771.432	5.692.549
	<u>10.531.526</u>	<u>10.364.674</u>
Total assets	<u>13.559.137</u>	<u>13.484.270</u>

Balance Sheet | Liabilities and equity (R\$ thousands)

Liabilities and equity	March 31th, 2021	December 31th, 2020
Current liabilities		
Trade payables	133.675	136.342
Debts	394.372	338.629
Lease	23.154	32.188
Debentures	313.495	286.056
Related parties	8.236	-
Salaries and payroll charges	154.564	137.652
Taxes payable	118.318	107.806
Deferred PIS, COFINS and ISS	11.990	12.941
Concession rights payable	1.409.917	1.411.308
Dividends and interest on capital payable	10.456	12.864
Other liabilities	10.258	10.615
	2.588.435	2.486.401
Liabilities from discontinued operations	-	8.861
Non-current liabilities		
Debts	2.855.955	2.853.113
Lease	133.632	128.185
Debentures	3.493.789	3.548.554
Related parties	49.373	49.050
Deferred PIS, COFINS and ISS	225.575	223.017
Deferred income tax and social contribution	569.069	568.080
Provisions for contingencies	22.004	22.177
Concession rights payable	189.448	180.570
Dividends and interest on capital payable	14.840	14.840
Post-employment benefit obligations	34.646	33.493
Other liabilities	26.584	27.050
	7.614.915	7.648.129
Equity		
Capital	4.008.807	4.008.807
Capital reserve	40.570	40.570
Revenue reserve	482.981	482.981
Adjustments to equity valuation	-1.249.548	-1.249.548
Profit (loss) of the period	14.705	-
Non-controlling interests	58.272	58.069
	3.355.787	3.340.879
Total liabilities and equity	13.559.137	13.484.270

Income Statement (R\$ thousands)

	1Q21	1Q20
Continuing operations		
Net service and sales revenue	643.955	525.149
Costs of services and sales	(362.584)	(333.010)
Gross profit	281.371	192.139
Operating income (expenses)		
General and administrative	(131.328)	(92.208)
Allowance for expected losses from doubtful accounts	(11.544)	(7.694)
Other income (expenses), net	3.809	8
Equity in the results of jointly-controlled subsidiaries	24	2.734
Profit from operations	142.332	94.979
Finance result		
Finance income	22.259	17.277
Finance costs	(138.559)	(88.551)
Finance result, net	(116.300)	(71.274)
Profit before income tax and social contribution	26.032	23.705
Current income tax and social contribution	(18.296)	(4.926)
Deferred income tax and social contribution	5.155	(4.277)
Profit from continuing operations	12.891	14.502
Discontinued operations		
Profit (loss) from discontinued operations	(2.075)	(1.764)
Write-off on provision for losses on investments	4.092	
Deferred income taxes		(173)
Profit (loss) for discontinued operations	2.017	(1.937)
Profit from continuing and discontinued operations	14.908	12.565
Attributable to		
Company's stockholders	14.705	13.056
Non-controlling interests	203	(491)
	14.908	12.565

Cash Flows (R\$ thousands)

	1Q21	1Q20
Cash flows from operating activities		
Profit (loss) before income tax and social contribution	26.032	23.705
Profit before income tax and social contribution from discontinued operations	2.017	(1.764)
Adjustments		
Depreciation and amortization	61.476	48.478
Amortization of lease	11.592	6.597
Residual value of property and equipment and intangible asset disposals	(101)	(45)
Residual value of lease disposals	(3.148)	(22)
Equity in the results of continuing operations	(24)	(2.734)
Results of discontinued operations	2.075	1.764
Disposal on provision for losses on investments	(4.092)	-
Allowance for expected losses from doubtful accounts	11.544	7.536
Provision for contingencies	(174)	(40)
Construction profit margin	(3.776)	(3.387)
Post-employment benefit obligations	553	502
Adjustment to present value	7.898	4.169
Interest and monetary and foreign exchange variations, net	116.552	71.974
	228.424	156.733
Adjustment for the reconciliation of profit for the year of discontinued operations	-	(1.872)
Changes in assets and liabilities		
Trade accounts receivable	(35.715)	(70.107)
Advances to suppliers	4.496	(939)
Taxes recoverable	2.261	(5.180)
Inventories	4.063	(1.420)
Dividends and interest on capital received	-	922
Judicial deposits	(2.003)	(1.094)
Prepaid expenses	(386)	(244)
Other assets	237	(502)
Trade payables	(10.491)	(28.735)
Salaries and payroll charges	16.912	15.374
Taxes payable	7.671	1.328
Deferred PIS, COFINS and ISS	(3.835)	(2.510)
Concession rights payable	(1.795)	(1.275)
Provisions for contingencies	1	-
Related parties	3.324	(2.441)
Other liabilities	(495)	(3.906)
Cash provided by operations	212.669	54.132
Income tax and social contribution paid	(15.144)	(5.195)
Net cash provided by operating activities	197.525	48.937
Net cash provided by (used in) discontinued operating activities	-	(542)
Total net cash provided by operating activities	197.525	48.395
Advance for future capital increase	(5.451)	-
Restricted funds	1.118	4.781
Acquisitions of property and equipment	(1.021)	(1.050)
Acquisitions of contract assets and intangible assets	(152.383)	(109.621)
Net cash provided by (used in) investing activities	(157.737)	(105.890)
Total net cash provided by (used in) investing activities	(157.737)	(105.890)
Net cash used in discontinued investing activities	(5.451)	-
Cash flows from financing activities		
Dividends and interest on capital paid	(2.408)	-
Proceeds from debts	86.546	31.138
Transaction cost on proceeds from debts	(624)	-
Repayment of debts	(36.844)	(23.965)
Interest paid on debts	(53.847)	(39.157)
Transaction cost on proceeds from debentures	(4.500)	-
Amortization of debentures	(19.444)	(58.716)
Interest paid on debentures	(68.330)	(23.648)
Proceeds from leasing	-	(10.111)
Amortization of leasing	(14.290)	-
Related parties	19.059	(9.623)
Net cash provided by (used in) financing activities	(94.682)	(134.082)
Net cash used in discontinued financing activities	-	(532)
Total net cash provided by (used in) financing activities	(94.682)	(134.614)
Cash and cash equivalents of subsidiaries excluded from consolidation, net	-	(474)
Net increase (decrease) in cash and cash equivalents	(54.894)	(192.583)
Cash and cash equivalents at the beginning of the period	1.247.394	850.670
Cash and cash equivalents at the end of the period	1.192.500	658.087

Income Statement – Pro-Forma¹⁶ (R\$ thousands)

	1Q21	1Q20
Continuing operations		
Net service and sales revenue	555.561	525.149
Costs of services and sales	(320.085)	(333.010)
Gross profit	235.476	192.139
Operating income (expenses)		
General and administrative	(115.692)	(92.208)
Allowance for expected losses from doubtful accounts	(11.283)	(7.694)
Other income (expenses), net	4.714	8
Equity in the results of jointly-controlled subsidiaries	15.915	2.734
Profit from operations	129.130	94.979
Finance result		
Finance income	21.158	17.277
Finance costs	(130.774)	(88.551)
Finance result, net	(109.616)	(71.274)
Profit before income tax and social contribution	19.514	23.705
Current income tax and social contribution	(9.939)	(4.926)
Deferred income tax and social contribution	3.316	(4.277)
Profit (loss) from continuing operations	12.891	14.502
Discontinued operations		
Profit (loss) from operations	(2.075)	(1.764)
Write-off on provision for losses on investments	4.092	-
Current income taxes	-	(173)
Profit for discontinued operations	2.017	(1.937)
Profit (loss) from continuing and discontinued operations	14.908	12.565
Attributable to		
Company's stockholders	14.705	13.056
Non-controlling interests	203	(491)
	14.908	12.565

Operating Information¹⁷

	1Q21	1Q20	Δ (%)
Active Economies (thousand)	2.613	2.510	4%
Water	797	775	3%
Wastewater	1.409	1.335	5%
BRK-MA (Water + Wastewater)	407	400	2%
Billed Volume (thousand m³)	100	97	3%
Water	30	29	4%
Wastewater	53	52	3%
BRK-MA (Water + Wastewater)	17	16	3%
Employees	5.568	5.537	1%

¹⁶ For comparison purposes, disregards 3 months of BRK-MA effects in 1Q21

¹⁷ Considers only SPEs consolidated by BRK Ambiental Participações S.A. at IFRS basis