

EARNINGS RELEASE

3Q23

JUST
DO
IT



FISIA

DISTRIBUIDORA
OFICIAL
NO BRASIL

FISIA

NIKE-COM-BR

GRUPO SBF

EARNINGS
RELEASE

3Q23 & 9M23



São Paulo, November 13, 2023

Grupo SBF S.A. (B3: SBFG3) announces its third quarter of 2023 results. The financial information for the periods ended September 30, 2023 and 2022 includes the parent company Grupo SBF S.A. and its subsidiaries.



Conference Call



November 14, 2023

09:00 a.m. (NY time zone)

11:00 p.m. (Brasília time zone)

02:00 p.m. (London time zone)

[Click here](#)

(simultaneous translation into English)

SBFG

B3 LISTED NM

HIGHLIGHTS



R\$ 1.8 billion in Net Revenue of Grupo SBF in the quarter, an increase of 22.0% over 3Q22



Greater dilution of expenses by Grupo SBF. The Expenses/Net Revenue indicator was 36.9% in the quarter, a reduction of 4.4 pp vs 3Q22 and 4.6 pp vs 2Q23



R\$ 169.4 million of adjusted EBITDA (ex-IFRS), growing 74.2% vs 3Q22, with EBITDA Margin of 9.4%, an increase of 2.8 pp



The adjusted Net Income (ex-IFRS) of Grupo SBF in 3Q23 added up R\$ 70.5 million, growing 52.5% with Net Margin of 3.9%



Operating Cash Flow of R\$ 115.0 million in this quarter, reversing consumption of R\$ 70.7 million in 3Q22



Fisia's Net Revenue reached R\$ 1.1 billion in 3Q23, growing 47.1% vs 3Q22



Since 3Q23, all sales of nike.com.br are made from the new Distribution Center in Extrema, fully operated by Grupo SBF.



MESSAGE FROM THE MANAGEMENT

After a first semester of 2023 focused on initiatives to increase our operational efficiency, we began to reap the benefits of this strategy in our P&L. Even with the stronger markdown scenario, resulting from our temporary excess inventory, we presented an adjusted Net Income (ex-IFRS) in the third quarter of R\$ 70.5 million (up 52.5% year on year) and our adjusted EBITDA (ex-IFRS) increased 74.2% compared to the same period of the previous year, totaling R\$ 169.4 million.

The growth recorded in EBITDA and Net Income this quarter is mainly due to the dilution of expenses by 4.4 percentage points compared to the third quarter of 2022, and by 4.6 pp compared to the second quarter of 2023. This greater dilution is the result of initiatives to reduce expenses, operational leverage resulting from growth and less pressure on logistics expenses due to the lower inventory levels which, although still high, are beginning to show signs of improvement.

At Centauro, the strategy to grow with market demand and the focus on reducing expenses, as well as the greater channel efficiency, continue to bring positive results. Centauro's SG&A margin was 4.4 percentage points lower in the quarter when compared to the second quarter. We believe that there is still room for additional dilution of expenses and should continue to pursue this strategy in the coming quarters.

We continued our efforts to monetize the digital platform through efficiency initiatives, such as better shipping policies and more efficient investments in performance marketing. After reviewing our omnichannel processes in the first quarter of the year, to make sales in this modality more profitable, we once again turned our attention to delivering an omnichannel experience with increasingly higher quality for our clients, without compromising profitability. Such experience is made possible by the capillarity of our network of 225 stores spread across 26 states. Since the beginning of the year, we have grown again by 8 percentage points the share of customers purchasing on digital channel and collecting from one of our stores - an important indicator of multichannel integration.

At Fisia, we continue working hard on the necessary initiatives to control inventory and improve the performance of all channels. Throughout the quarter, we worked together with retailers and on our liquidation plan on DTC channels to lower inventories and generate cash. Fisia's Net Revenue added up R\$ 1.1 billion, a growth of 47.1% year-on-year, stores reached SSS of 19.9%, digital GMV was 58.3% higher and revenue from the wholesale channel grew 10.3%. Compared to 2Q23, the 15.9% increase in the wholesale channel, operational leverage and the lower pressure from inventories on expenses were important for the dilution of Fisia's expenses, which improved 4.4 percentage points (vs 2Q23).



MESSAGE FROM THE MANAGEMENT

We completed investments to increase sales through direct-to-consumer (DTC) channels. We opened 19 Nike stores in the last 12 months, from 22 in September 2022 to 43 this quarter. We also completed the migration of the distribution center at Fisia, terminating the agreement with our logistics partner to now have our own operation, which improved our service level, besides being an additional cost reduction factor. This new DC in the city of Extrema, state of Minas Gerais, has 37,000 m², 580 employees in operation and capacity to ship 60 thousand items per day.

Our cash generation efforts also start to present results. After a few quarters of cash consumption above our expectations, mainly caused by the inventory situation, and which generated leverage above the desired level, we recorded a positive Operating Cash Flow this quarter, different from the usual seasonality of the third quarter. Therewith, we also started reducing our leverage, which went from 3.35X in the second quarter to 2.98X in the third quarter. With the usual seasonality of the fourth quarter and reductions in product purchases, the tendency is that this indicator converts to historical levels.

After a challenging beginning of the year, we managed to increase our operational efficiency and profitability. We focused on reducing inventories, expenses and leverage, and we understand that the circumstantial issues that are impacting the year 2023 are being solved. We believe in the strength of our team to boost the sports ecosystem and transform lives. Thus, we celebrate the Great Place To Work® Brasil certification, which places us among the best companies to work for in the country for the second year in a row. For the fourth quarter, the most important of the year, we will continue working on our priority fronts for the year 2023 with a relentless focus on the evolution of our omnichannel platform and the migration to Fisia's DTC.

The Management
Grupo SBF



GROSS REVENUE AND OPERATING INDICATORS

CENTAURO R\$ thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
Gross Revenue¹	1,106,204	1,089,039	1.6%	2,986,891	2,910,984	2.6%
B&M Stores	883,436	826,628	6.9%	2,353,902	2,147,306	9.6%
Digital Platform	222,767	262,411	-15.1%	632,989	763,678	-17.1%
Omnichannel Sales (GMV)²	147,342	158,452	-7.0%	395,046	447,750	-11.8%
Total Number of Stores – Centauro	225	233	-3.4%	225	233	-3.4%
Number of G5 Stores	118	109	8.3%	118	109	8.3%
Sales Area - Centauro (m²)	232,691	238,608	-2.5%	232,691	238,608	-2.5%
G5 Total Area (m²)	146,941	136,284	7.8%	146,941	136,284	7.8%
FISIA R\$ thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
Gross Revenue¹	1,324,610	929,354	42.5%	3,557,473	2,827,553	25.8%
Wholesale	462,275	419,049	10.3%	1,326,887	1,392,954	-4.7%
Digital Platform	510,921	322,757	58.3%	1,350,780	928,594	45.5%
Nike Value Store	351,416	187,548	87.4%	879,806	506,005	73.9%
Share of DTC sales	65.1%	54.9%	+10.2 p.p.	62.7%	50.7%	+12.0 p.p.
Total Number of Stores – Nike Value	36	22	63.6%	36	22	63.6%
Sales Area – Nike Value (m²)	40,618	23,020	76.5%	40,618	23,020	76.5%
Total Number of Stores – Nike Store	7	2	250.0%	7	2	250.0%
Sales Area – Nike Store (m²)	4,671	1,270	267.8%	4,671	1,270	267.8%
GRUPO SBF R\$ thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
Total Gross Revenue¹	2,318,076	1,870,444	23.9%	6,108,163	5,346,159	14.3%
Centauro Gross Revenue ¹	1,106,204	1,089,039	1.6%	2,986,891	2,910,984	2.6%
Fisia Gross Revenue ¹	1,324,610	929,354	42.5%	3,557,473	2,827,553	25.8%
(+) Intercompany elimination	-112,737	-147,948		-436,201	-392,378	
Share of digital sales	31.7%	31.3%	+0.4 p.p.	32.5%	31.7%	+0.8 p.p.

SAME STORE SALES (SSS)



2023 x 2022	3Q23	3Q22	9M23	9M22
SSS (Istore + digital) ³	2.4%	13.9%	6.3%	23.3%
SSS B&M stores	5.3%	5.9%	9.2%	18.9%
GMV Digital (1P + 3P) ⁴	-5.3%	37.7%	-5.9%	33.4%
GMV – as % of total sales	25.2%	27.5%	26.5%	29.5%



2023 x 2022	3Q23	3Q22	9M23	9M22
SSS (NVS + digital) ³	44,2%	32,1%	35,6%	60,3%
SSS Nike Value Store	19,9%	0,0%	17,3%	20,7%
GMV Digital	58,3%	60,7%	45,5%	93,3%



(1) Gross revenue, excluding return of goods.

(2) Includes goods sold in the 3P modality in the extended inventory of brick-and-mortar stores.

(3) SSS or Same Store Sales means the change in our revenue disregarding the revenue of stores that were closed for renovation or had not been opened in the equivalent months of the two periods analyzed.

(4) GMV or Gross Merchandise Value revenue from the sale of goods from the digital channel, including the marketplace.

MAIN FINANCIAL INDICATORS



The **adjusted** results presented in this report disregard the non recurring effects, and when marked with (ex-IFRS) they also disregard the impacts of IFRS-16, aiming to better represent the economic reality of the business and enable comparison with the Company's historical result.

Consolidated R\$ thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
Gross Revenue	2,318,076	1,870,444	23.9%	6,108,163	5,346,159	14.3%
Net revenue	1,793,263	1,469,980	22.0%	4,858,530	4,277,614	13.6%
Gross Profit	835,558	704,667	18.6%	2,329,896	1,996,806	16.7%
Gross Margin	46.6%	47.9%	-1.3 p.p	48.0%	46.7%	1.3 p.p
EBITDA	271,633	143,262	89.6%	625,559	476,682	31.2%
EBITDA Margin	15.1%	9.7%	5.4 p.p	12.9%	11.1%	1.7 p.p
Net Profit	72,700	14,985	385.2%	41,631	63,936	-34.9%
Net Margin	4.1%	1.0%	3 p.p	0.9%	1.5%	-0.6 p.p
Adjusted Gross Profit	831,600	704,667	18.0%	2,322,465	1,994,666	16.4%
Adjusted Gross Margin	46.4%	47.9%	-1.6 p.p	47.8%	46.6%	1.2 p.p
Adjusted EBITDA	239,799	161,043	48.9%	605,662	501,197	20.8%
Adjusted EBITDA Margin	13.4%	11.0%	2.4 p.p	12.5%	11.7%	0.7 p.p
Adjusted Net Profit	55,348	34,298	61.4%	47,388	100,750	-53.0%
Adjusted Net Profit Margin	3.1%	2.3%	0.8 p.p	1.0%	2.4%	-1.4 p.p
Adjusted EBITDA (ex-IFRS)	169,436	97,250	74.2%	395,516	308,356	28.3%
Adjusted EBITDA Margin (ex-IFRS)	9.4%	6.6%	2.8 p.p	8.1%	7.2%	0.9 p.p
Adjusted Net Profit (ex-IFRS)	70,516	46,235	52.5%	86,467	136,015	-36.4%
Adjusted Net Profit Margin (ex-IFRS)	3.9%	3.1%	0.8 p.p	1.8%	3.2%	-1.4 p.p

By Business Unit R\$ Thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
CENTAURO Gross Revenue	1,106,204	1,089,039	1.6%	2,986,891	2,910,984	2.6%
Net Revenue	882,733	868,724	1.6%	2,390,240	2,356,264	1.4%
Gross Profit	415,733	406,798	2.2%	1,189,393	1,143,732	4.0%
Gross Margin	47.1%	46.8%	0.3 p.p	49.8%	48.5%	1.2 p.p
FISIA Gross Revenue	1,324,610	929,354	42.5%	3,557,473	2,827,553	25.8%
Net Revenue	1,057,657	719,244	47.1%	2,819,552	2,237,293	26.0%
Adjusted Gross Profit	441,851	310,137	42.5%	1,188,984	887,796	33.9%
Adjusted Gross Margin	41.8%	43.1%	-1.3 p.p	42.2%	39.7%	2.5 p.p



(1) Centauro's digital platform gross revenue adjusted by R\$ in 3Q22 referring to part of the revenue from services. The adjustment of the same amount was made in the intercompany elimination of the gross revenue.



NON-RECURRING ADJUSTMENTS



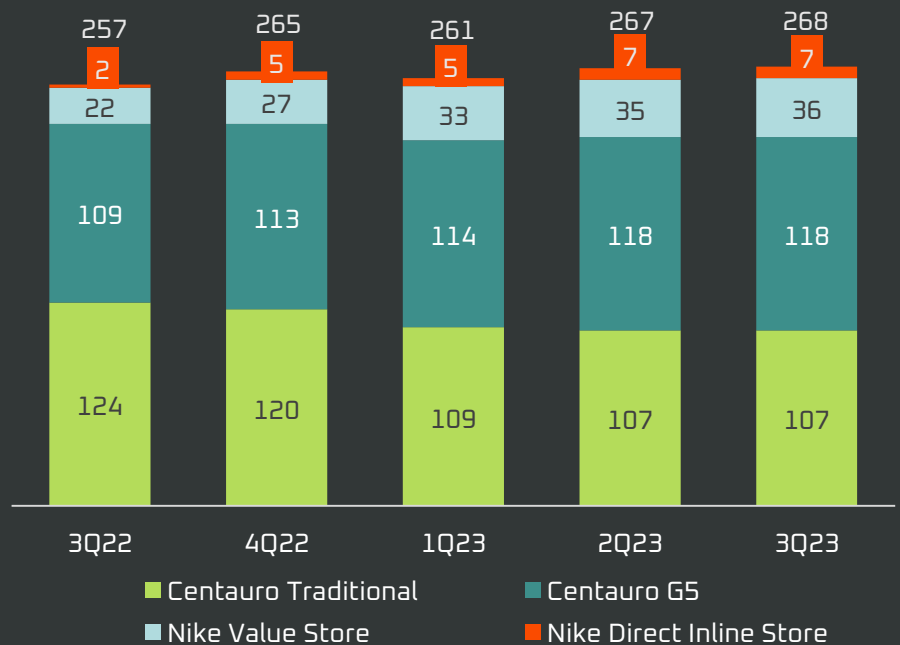
The **adjusted** results presented in this report disregard the non recurring effects, aiming to better represent the economic reality of the business and enable comparison with the Company's historical result.

GRUPO SBF R\$ Thousand	3Q23	9M23
Extemporaneous credits - Cost of Sales	-3,958	-7,431
Stock Option Plan / Non-cash	5,016	10,555
Accounting effects of acquisition – Expenses	-3,935	-11,805
Cost of stores closures	0	2,269
Layoffs costs	0	6,377
Tax credits, debits and provision – expenses	-28,957	-19,863
Impact of non-recurring effects on EBITDA	-31,834	-19,897
EBITDA	271,633	625,559
Adjusted EBITDA	239,799	605,662
Adjusted EBITDA Margin	13.4%	12.5%
EBITDA (ex-IFRS)	201,271	415,413
Adjusted EBITDA (ex-IFRS)	169,436	395,516
Adjusted EBITDA margin (ex-IFRS)	9.4%	8.1%
Accounting effects of acquisition - Depreciation and Amortization	4,618	13,855
Financial Result on Tax Credits, Debts and Provisions	-2,012	-1,049
Income Tax and Social Contribution	11,875	12,847
Impact of non-recurring effects on Net Profit	-17,352	5,757
Net Profit	72,700	41,631
Adjusted Net Profit	55,348	47,388
Adjusted Net Margin	3.1%	1.0%
Net Profit (ex-IFRS)	87,868	80,710
Adjusted Net Profit (ex-IFRS)	70,516	86,467
Adjusted Net Margin (ex-IFRS)	3.9%	1.8%

FINANCIAL AND OPERATING PERFORMANCE

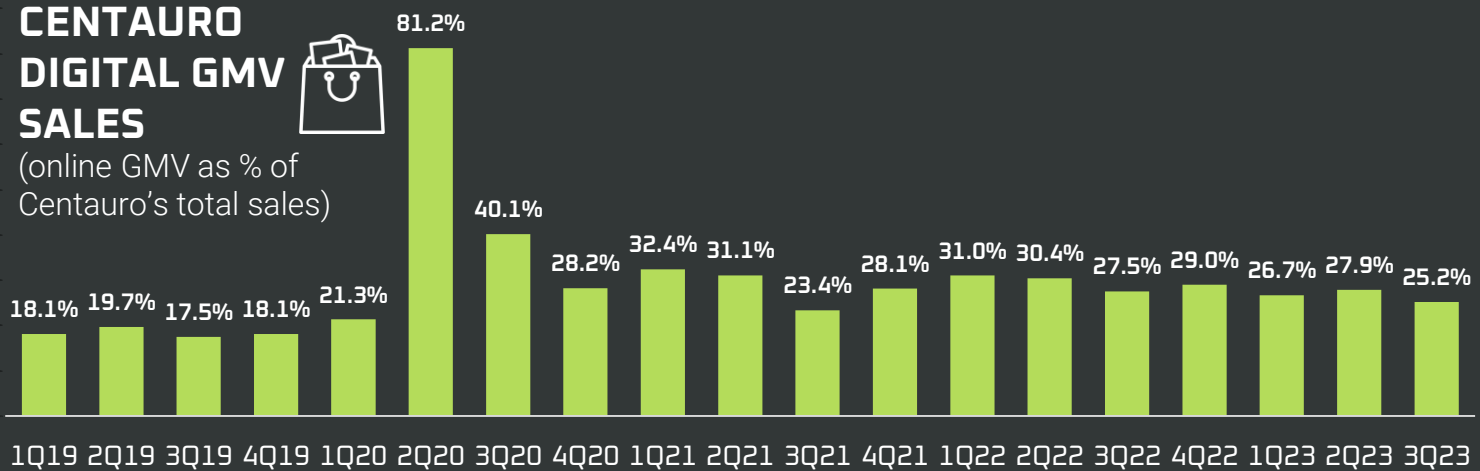


OUR STORES

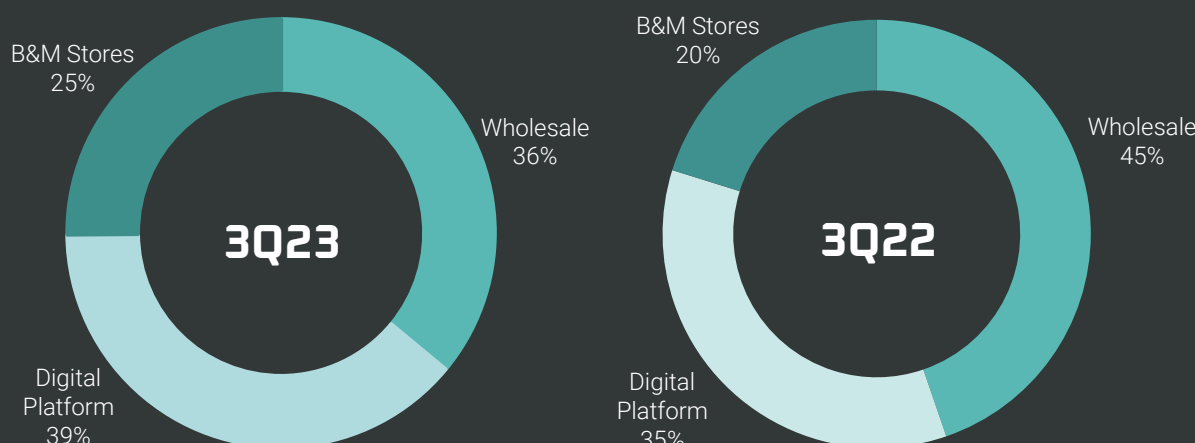


CENTAURO DIGITAL GMV SALES

(online GMV as % of Centauro's total sales)



FISIA NET REVENUE BY CHANNEL





FINANCIAL PERFORMANCE

- > As indicated throughout this report, the results will be explained **disregarding the impact of IFRS 16** on Operating Expenses, EBITDA, Financial Result and Net Profit, both for the period of 2023 and 2022. With this adjustment, it is possible to analyze the Company considering the Rental Expense as an Operating Expense.
- > The **adjusted** results presented in this report disregard the non-recurring effects listed on **page 07**. For the first quarter of 2022, the effects are presented in our 3Q22 earnings release.
- > The tables for Net Revenue and Gross Profit are presented by business unit. The other tables are presented in the consolidated view of Grupo SBF.



NET REVENUE

R\$ thousand	3Q23 adjusted	3Q22 adjusted	Δ(%)	9M23 adjusted	9M22 adjusted	Δ(%)
CENTAURO	882,733	868,724	1.6%	2,390,240	2,356,264	1.4%
B&M Stores	704,239	665,307	5.9%	1,890,379	1,751,580	7.9%
Digital Platform	178,494	203,417	-12.3%	499,861	604,684	-17.3%
FISIA	1,057,657	719,244	47.1%	2,819,552	2,237,293	26.0%
Wholesale	381,040	321,736	18.4%	1,077,755	1,113,492	-3.2%
Digital Platform	410,862	252,293	62.9%	1,077,938	739,600	45.7%
B&M Stores	265,755	145,216	83.0%	663,858	384,202	72.8%
(+) Intercompany elimination	-147,128	-117,989		-351,262	-315,943	
GRUPO SBF	1,793,263	1,469,980	22.0%	4,858,530	4,277,614	13.6%

CENTAURO

Centauro's net revenue in the second quarter added up R\$ 882.7 million, an increase of 1.6% compared to 3Q22. Revenue grew 1.4% YTD, totaling R\$ 2.4 billion, as a result of this year's plan with focus on profitability.

Brick-and-mortar stores reached R\$ 704.2 million in 3Q23, growing 5.9% vs 3Q22, with SSS of 5.3%. Growth was positively impacted by the performance of high-end stores and the apparel category. On the other hand, revenue was negatively affected by competition that was still discounted due to the high inventory levels in the market and the profitability actions adopted by the company throughout 1S23, such as the closure of 10 unprofitable stores.

The digital platform presented a drop of -12.3% in revenue and -5.3% in GMV. As in the B&M channel, the more discounted competitive market and the profitability strategy negatively impacted the growth of the digital channel. Profitability actions, such as reducing investments in performance marketing and shipping, resulted in a revenue drop but an increase in the channel's profitability.



NET REVENUE

FISIA

Fisia's net revenue added up R\$ 1.1 million in 3Q23, an increase of 47.1% when compared to 3Q22, and R\$ 2.8 billion year-to-date, growing 26.0% compared to the same period of the previous year.

The wholesale channel grew 18.4% vs 3Q22, mainly impacted by a comparison basis affected by the impacts of ERP migration last year. The channel continues to be impacted by a high inventory level in the market this year. However, we highlight the sequential improvement of 17.3% compared to 2Q23. As expenses in this channel are predominantly fixed, said growth is healthy for Fisia's operational leverage and contributes to the recovery of the EBITDA Margin comparing to the last quarter.

The growth in the brick-and-mortar store channel of 83.0% can be explained mainly by the opening of 19 Nike stores in the last 12 months. In the quarter, Same Store Sales (SSS) of NVS was 19.9%, benefiting from the discount policy implemented with the purpose of selling the excess inventory and due to the evolution of the operational processes of the stores.

The digital channel grew 62.9% in 3Q23. In addition to the migration of sales of Nike products from the market's digital platforms to the 3P sales modality, which continues benefiting the channel's growth, 1P sales continue to grow organically and continue to be favored by the more aggressive pricing strategy this quarter, also aiming at inventory outflow.



GROSS PROFIT

R\$ thousand	3Q23 adjusted	3Q22 adjusted	Δ(%)	9M23 adjusted	9M22 adjusted	Δ(%)
CENTAURO						
Gross Profit	415,733	406,798	2.2%	1,189,393	1,143,732	4.0%
<i>Gross Margin</i>	<i>47.1%</i>	<i>46.8%</i>	<i>0.3 p.p</i>	<i>49.8%</i>	<i>48.5%</i>	<i>1.2 p.p</i>
FISIA						
Gross Profit	441,851	310,137	42.5%	1,188,984	887,796	33.9%
<i>Gross Margin</i>	<i>41.8%</i>	<i>43.1%</i>	<i>-1.3 p.p</i>	<i>42.2%</i>	<i>39.7%</i>	<i>2.5 p.p</i>
(+) Intercompany elimination	-25,985	-12,269		-55,912	-36,862	
GRUPO SBF						
Gross Profit	831,600	704,667	18.0%	2,322,465	1,994,666	16.4%
<i>Gross Margin</i>	<i>46.4%</i>	<i>47.9%</i>	<i>-1.6 p.p</i>	<i>47.8%</i>	<i>46.6%</i>	<i>1.2 p.p</i>

CENTAURO

In 3Q23, Centauro's Gross Margin reached 47.1%, up 0.3 percentage points. In 9M23, Centauro's Gross Margin reached 49.8%, up 1.2 percentage points.

After recent quarters with record Gross Margins, Centauro increased the markdowns applied this quarter once again. Unlike 3Q22, when discounts were widespread aiming to increase revenue, the strategy in 3Q23 was to focus on products with lower turnover, helping to improve inventory quality, which was below desired levels after the adjustments made in 1S23.

We highlight that, even with the reduction in Gross Margin compared to 2Q23, the optimization of Centauro's Operating Expenses that we carried out throughout 1S23 resulted in a sequential improvement in Centauro's Contribution Margin.

FISIA

Fisia's Gross Margin reached 41.8% in the quarter, a drop of 1.3 percentage points comparing to 3Q22 and in line with the 2Q23 margin. We continue adopting the markdown policy initiated last quarter, as part of the plan to reduce inventory levels. We estimate that such discounts impacted the quarter's Gross Margin by -3.9 percentage points. This impact was partially offset by the 10 percentage point increase in the share of sales in DTC channels, which operate with a significantly higher gross margin than the wholesale channel.

OPERATING EXPENSES



R\$ thousand	3Q23 adjusted	3Q22 adjusted	Δ(%)	9M23 adjusted	9M22 adjusted	Δ(%)
Operating Expenses	-591,801	-543,624	8.9%	-1,716,803	-1,493,469	15.0%
% of Net Revenue	33.0%	37.0%	-4 p.p	35.3%	34.9%	0.4 p.p
(+) IFRS16 Impact on Expenses	-70,362	-63,792	10.3%	-210,146	-192,840	9.0%
Operating Expenses (ex-IFRS)	-662,163	-607,415	9.0%	-1,926,950	-1,686,310	14.3%
% of Net Revenue	36.9%	41.3%	-4.4 p.p	39.7%	39.4%	0.2 p.p
Selling Expenses (ex-IFRS)	-583,064	-531,438	9.7%	-1,666,142	-1,417,439	17.5%
% of Net Revenue	32.5%	36.2%	-3.6 p.p	34.3%	33.1%	1.2 p.p
General and Administrative Expenses (ex-IFRS)	-89,153	-82,211	8.4%	-285,545	-279,237	2.3%
% of Net Revenue	5.0%	5.6%	-0.6 p.p	5.9%	6.5%	-0.7 p.p
Other net operating income/expenses (ex-IFRS)	10,055	6,234	61.3%	24,738	10,367	138.6%



*Operating expenses are presented net of Depreciation and Amortization Expenses.

After a first semester of adjustments in operations, we started to capture the benefits of these adjustments in our SG&A in 3Q23, therefore, the Grupo SBF presented -R\$ 662.2 million in Operating Expenses (ex-IFRS) in 3Q23, a drop of 4.4 percentage points as a % of net revenue. In the year to date, the increase was 14.3%, adding up -R\$ 1.9 billion.

The main adjustments made throughout the 1st semester were:

- (i) Staff reduction in all areas of the company
- (ii) Renegotiation of contracts with suppliers
- (iii) Profitability increase on Centauro's digital channel
- (iv) Closing, at the beginning of the year, of unprofitable stores
- (v) Reduction of investments in marketing

In addition, the company's 18.0% growth in the period enabled an important dilution of our fixed expenses. Comparing to 2Q23, we observed a dilution of 4.6 percentage points in expenses. This dilution can be explained by:

- (i) Operational leverage caused by the growth of brick-and-mortar store channels (both Centauro and Fisia) and wholesale;
- (ii) Reduction of pressures caused by inventory increases in Fisia, especially the advance payment of royalties (payment of royalties is made upon receipt of goods and not in sales, which causes royalty expense pressure in scenarios with sequential increase in inventory levels, as has occurred in recent quarters). With the expected normalization of Fisia's inventory level, we believe that the negative pressure in this account has reached its peak.



EBITDA

R\$ thousand	3Q23 adjusted	3Q22 adjusted	Δ(%)	9M23 adjusted	9M22 adjusted	Δ(%)
Net Income	55,348	34,298	61.4%	47,388	100,750	-53.0%
(+) Income tax and social contribution	4,667	31,180	-85.0%	-9,715	17,727	-154.8%
(+) Net financial result	-90,689	-72,705	24.7%	-261,344	-172,097	51.9%
(+) Depreciation and amortization	-98,430	-85,221	15.5%	-287,216	-246,077	16.7%
EBITDA	239,799	161,043	48.9%	605,662	501,197	20.8%
EBITDA Margin	13.4%	11.0%	2.4 p.p	12.5%	11.7%	0.7 p.p
(+) IFRS16 Impact on Expenses	-70,363	-63,792	10.3%	-210,147	-192,840	9.0%
EBITDA (ex-IFRS)	169,436	97,250	74.2%	395,516	308,356	28.3%
EBITDA Margin (ex-IFRS)	9.4%	6.6%	2.8 p.p	8.1%	7.2%	0.9 p.p

The Group's EBITDA (ex-IFRS) reached R\$ 169.4 million in 3Q23, with an EBITDA Margin of 9.4%, an increase of 2.8 percentage points compared to the margin presented in 3Q22. In the nine-month period, EBITDA grew 28.3%, totaling R\$ 395.5 million, and the margin, which added up 8.1%, had an increase of 0.9 percentage points compared with the same period of the previous year.

The EBITDA margin was positively impacted by the expense reduction initiatives, the operational leverage generated in the period and the Fisia migration to DTC channels, and was partially offset by the negative effects caused by Fisia's high inventory level, mainly markdowns and increase in logistics expenses, as well as an increase in the royalty rate.

FINANCIAL INCOME (LOSS)

R\$ thousand	3Q23 adjusted	3Q22 adjusted	Δ(%)	9M23 adjusted	9M22 adjusted	Δ(%)
Net Financial Income/Expenses	-90,689	-72,705	24.7%	-261,344	-172,097	51.9%
(+) Financial Expenses – Right of Use (IFRS)	33,901	32,000	5.9%	101,117	92,362	9.5%
Net Financial Income/Expenses (ex-IFRS)	-56,788	-40,705	39.5%	-160,227	-79,735	100.9%

The Company presented a Financial Result (ex-IFRS) of -R\$ 56.8 million in the quarter compared to -R\$ 40.7 million in the 3Q22. Year-to-date, the financial result was -R\$ 160.2 million, a change of 100.9% when compared to the nine month-period of 2022. The increase in financial expenses is mainly due to the increase in the company's debt in the period.

NET PROFIT



R\$ thousand	3Q23 adjusted	3Q22 adjusted	Δ(%)	9M23 adjusted	9M22 adjusted	Δ(%)
Net Profit (Loss)	55,348	34,298	61.4%	47,388	100,750	-53.0%
Net Margin	3.1%	2.3%	0.8 p.p	1.0%	2.4%	-1.4 p.p
(+) IFRS16 Impact on Expenses	-70,363	-63,792	10.3%	-210,147	-192,840	9.0%
(+) Depreciation and amortization - Right of Use (IFRS16)	52,871	43,732	20.9%	152,049	135,744	12.0%
(+) Financial Expenses – Right of Use (IFRS16)	33,901	32,000	5.9%	101,117	92,362	9.5%
(+) Income tax (IFRS16)	-1,240	-1	n.a	-3,941	0	n.a
Net Profit (ex-IFRS)	70,516	46,235	52.5%	86,467	136,015	-36.4%
Net Profit Margin (ex-IFRS)	3.9%	3.1%	0.8 p.p	1.8%	3.2%	-1.4 p.p

In 3Q23, Grupo SBF recorded Net Income (ex-IFRS) of R\$ 70.5 million, a 52.5% growth over 3Q22. Year-to-date, we recorded Net Income (ex-IFRS) of R\$ 86.5 million, a drop of 36.4% compared to 9M22. The quarter's result is mainly explained by a greater dilution of operating expenses. In the year to date, we still observed a worsening of the Net Income, mainly due to the effects caused by the growth in inventory levels, both in margin and in expenses, and by the increase in financial expenses resulting from the increase in Net Debt.



NET WORKING CAPITAL



R\$ thousand	30/09/2023 Adjusted	30/09/2022 adjusted	Δ(%)
Accounts receivable	1,580,537	1,300,045	21.6%
Taxes and income tax to be offset	459,888	462,720	-0.6%
Inventories	1,959,912	1,489,632	31.6%
Other accounts receivable	109,294	81,231	34.5%
	4,109,631	3,333,628	23.3%
Other accounts payable	225,385	138,810	62.4%
Resale suppliers	811,701	919,548	-11.7%
Tax liabilities	258,773	143,704	80.1%
Lease payable	194,776	205,217	-5.1%
Labor liabilities	164,454	191,546	-14.1%
Other liabilities	99,072	53,034	86.8%
	1,754,161	1,651,859	6.2%
Net Working Capital	2,355,470	1,681,769	40.1%

☞ The Net Working Capital concept adopted is based on calculating the difference between Current Liabilities and Current Assets, excluding Cash, Debt and Installment Payment of Taxes and including Factoring of Receivables.

Grupo SBF recorded a 40.1% increase in its Net Working Capital compared to 3Q22, totaling R\$ 2.4 billion. The change is mainly explained by the R\$ 470.3 million increase in inventory, which will be discussed below.

Inventory

- (i) Change in the company's strategy to a greater focus on profitability: the slowdown in purchases to fit that strategy is observed later due to 9-12 month supply chain lead time in our market; this mismatch between reduced revenue and reduced purchases generates a temporary increase in inventory;
- (ii) Global supply chain normalization: this chain came from 2 years of delays and cancellations due to the pandemic and its normalization led to an inventory overshoot in the global market;
- (iii) Worse performance in wholesale sales: resulted in the accumulation in our inventory of the goods purchased by Fisia to supply this channel.

Also contributed to the increase in working capital: (i) The increase in the level of accounts receivable by 21.6% , in line with the increase in revenues recorded in the period and; (ii) the drop in the level of suppliers, which is related to the lower level of purchases in the 3Q compared to the 2Q. The increase in tax obligations is explained by the provision for the payment of DIFAL (Tax Rate Differential), while we wait for the decision of the Federal Supreme Court (STF) on the matter. This provision is recorded against judicial deposits, under non-current assets.

We have been working on several fronts to normalize working capital, which is temporarily high due to the inventory status. The key actions are:


- (i) Reduction in purchases of future collections - as the lead time for our purchases is 9 to 12 months, the purchase reductions at the end of 2022 started taking effect in this 3Q and should increase in intensity in the next quarter;
- (ii) Temporary increase in markdowns to increase inventory turnover and accelerate the reduction of excess inventory;
- (iii) One-time negotiation of additional payment terms with suppliers to mitigate the accumulation of receipts caused by the normalization of the supply chain.

Although we expect a more pronounced effect in the 4Q, mainly due to the reduction in purchases and the seasonality of sales, we have already observed a reduction of R\$ 120.9 million in the inventory level compared to 2Q23. It is worth highlighting that we have a low fashion impact in our market, therefore there is little need for markdowns to turn old collections. Our markdown is mainly driven by the inventory quantity and not by its quality.



MANAGEMENT CASH FLOW

R\$ thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
EBITDA	271,633	143,262	89.6%	625,559	476,682	31.2%
Depreciation and Interest Rates IFRS 16	-86,771	-75,732	14.6%	-253,166	-228,107	11.0%
Working Capital Variation ¹	-191,396	-86,895	120.3%	-837,598	-477,818	75.3%
Other	121,484	-51,355	336.6%	42,633	-24,610	273.2%
Operating Cash Flow	114,950	-70,719	262.5%	-422,572	-253,852	66.5%
M&A	0	-5,992	n.a	0	-37,669	n.a
Other	-59,250	-63,392	-6.5%	-208,866	-188,498	10.8%
Cash Flow from Investing Activities	-59,250	-69,384	-14.6%	-208,866	-226,167	-7.6%
Debt ²	255,701	-2,202	n.a	395,660	240,319	64.6%
Factoring of Receivables	-283,167	0	n.a	24,840	0	n.a
Tax Installment Payment	-5,847	-8,273	-29.3%	-11,753	-31,335	-62.5%
Dividends	-33,085	0	n.a	-33,085	-28,637	15.5%
Capital	348	0	n.a	348	6,914	-95.0%
Cash Flow from Financing	-66,050	-10,475	n.a	376,010	187,261	100.8%
Total Cash Variation	-10,350	-150,578	-93.1%	-255,428	-292,758	-12.8%

- 
 (1) Factoring of receivables and installment payment of taxes are classified as cash flow from financing;
 (2) Includes net amount between payment and new debt funding.

Operating Cash Flow was positive by R\$ 115.0 million, an improvement of R\$ 185.7 million compared to 3Q22, when it was negative by R\$ 70.7 million. This positive flow, unlike the normal seasonality for the period, is the result of actions taken throughout the year to reduce leverage, mainly the reduction in merchandise purchases. Said actions should continue to take effect in the next quarter. Cash consumption in CGL and generation in "Others" is the result of an accounting effect of allocation of the foreign exchange hedge of Fisia's purchases.

Cash Flow from Investments is mainly explained by investments in openings and renovations of Grupo SBF stores (Centauro G5, Nike Value and Nike Direct InLine), besides investments in structuring technology and logistics projects (Fisia new distribution center) and its decrease in relation to 3Q23 is also a result of the actions made to decrease the leverage.

We issued new debts in the quarter with maturities between 3 and 5 years, finalizing the funding needs for the year and already anticipating maturities at the beginning of 2024. Thus, there was no need to renew the sales of receivables made in the previous quarter and we were able to let them mature.



INDEBTEDNESS

R\$ thousand	30/09/2023 adjusted	30/09/2022 adjusted	Δ(%)
(+) Loans and financing	1,695,996	1,178,336	43.9%
(-) Cash and cash equivalents	162,883	256,589	-36.5%
(=) Net Debt	1,533,113	921,747	66.3%
(+) Factoring of Receivables	24,840	0	n.a
(+) Tax Installment Payment	100,636	120,411	-16.4%
(=) Adjusted Net Debt	1,658,589	1,042,158	59.1%
Adj. Net Debt /Adj. EBITDA (LTM)	1.99x	1.35x	0.64x
Adj. Net Debt /Adj. EBITDA (ex-IFRS) (LTM)	2.98x	2.01x	0.97x

The increase in the balance of loans and financing in the 3Q23 in relation to the same period in 2022, reflects the new debt raised to finance Company's growth and temporary cash needs caused by the inventory situation. Despite the positive operating cash generation in 3Q23, we observed an increase in Net Debt of R\$40 million when compared to 2Q23, caused by interest accrued on the balance of this debt and for the payment of dividends during the quarter.

Leverage, although still above the levels we consider appropriate for the Company, is already showing signs of improvement and should continue reducing with the company's normal seasonality and the actions taken throughout the year to generate cash.

INVESTMENTS - CAPEX

R\$ thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
New Stores	7,807	14,586	-46.5%	40,061	45,635	-12.2%
Stores Refurbishment	2,889	2,205	31.0%	9,755	21,912	-55.5%
Technology	26,357	27,459	-4.0%	92,413	83,010	11.3%
Logistics	13,858	5,090	172.3%	47,168	11,127	323.9%
Others	8,339	14,052	-40.7%	19,469	26,814	-27.4%
Total Investments	59,250	63,392	-6.5%	208,866	188,498	10.8%

CAPEX in 3Q23 recorded a decrease of 6.5% compared to 3Q22 and an increase of 10.8% in 9M23. The changes are explained by a concentration of store openings throughout the first semester of 2023, while in 2022 most stores were opened in the second semester, and by investments in technology and logistics structural projects (new Fisia distribution center opened this quarter).





CONSOLIDATED BALANCE SHEET

R\$ thousand	30/09/2023	31/12/2022
Assets	8,232,827	8,470,247
Current	4,247,674	4,526,488
Cash and cash equivalents	162,883	418,311
Accounts receivable	1,555,167	1,711,003
Derivative financial instruments	530	4,169
Recoverable taxes	410,321	525,351
Income tax and social contribution to be offset	49,567	49,055
Inventories	1,959,912	1,737,002
Other accounts receivable	109,294	81,597
Non-current	3,985,153	3,943,759
Taxes to be offset	213,820	146,880
Income tax and social contribution to be offset	56,909	93,055
Loans receivable	10,064	10,036
Deferred tax assets	748,784	841,811
Judicial deposits	388,747	291,673
Other amounts receivable	57,065	67,727
Investments	5,169	5,001
Property and equipment	601,626	571,951
Intangible assets	516,418	487,453
Right of use	1,386,551	1,428,172
Liabilities	8,232,827	8,470,247
Current	2,479,608	2,948,338
Suppliers	811,701	1,561,547
Loans and financing	97,671	86,082
Debentures	591,687	191,836
Derivative financial instruments	66,277	39,612
Tax liabilities	247,010	192,684
Income tax and social contribution payable	11,763	32,944
Tax installment payment	36,073	47,030
Labor and social security liabilities	164,454	191,851
Dividends payable	16	33,085
Lease payable	194,776	278,072
Other accounts payable	159,108	140,744
Other obligations	99,072	152,851
Non-current	3,291,171	3,112,055
Loans and financing	185,008	81,997
Debentures	821,630	773,647
Tax installment payment	64,563	65,359
Provisions for contingencies	579,952	559,713
Deferred income tax and social contribution	10,710	9,724
Lease payable	1,428,012	1,358,170
Other obligations	105,651	123,874
Other accounts payable	95,645	139,571
Shareholders' equity	2,462,048	2,409,854
Capital stock	1,830,872	1,830,524
Capital reserves	272,083	261,528
Incentive reserves	331,702	331,702
Equity valuation adjustments	-15,205	-15,157
Accumulated losses	42,596	1,257

CASH FLOW



Em R\$ mil	30/09/2023	30/09/2022
Profit before taxes	64,193	44,810
Adjusted by:		
Depreciation and amortization	309,695	253,261
Interest rates	279,183	212,168
Impairment losses on accounts receivables	1,469	1,441
Equity Income	-168	-87
Share-based payment	10,555	29,005
Income (loss) from write-off of property, plant and equipment and intangible assets	34,254	3,835
Write-off of residual leases	-7,438	0
Provision for inventory obsolescence	53,347	28,008
Net recording of provision for contingencies	38,438	27,256
Lease discounts	-1,133	-10,199
	782,395	589,498
(Increase) decrease in Assets		
Accounts receivable	154,367	9,791
Inventory	-276,257	-475,007
Derivative financial instruments	3,639	12,210
Deferred taxes, income tax and social contribution to be offset	174,629	73,668
Judicial deposits	-97,074	-84,782
Other accounts receivable	-17,035	-5,520
Increase (decrease) in liabilities		
Suppliers	-751,949	3,509
Tax liabilities	52,642	34,885
Tax installment payment	-18,419	-34,281
Derivative financial instruments	18,784	24,666
Contingencies paid	-18,199	-12,777
Labor and social security liabilities	-27,397	33,851
Other accounts payable	-15,556	-189,029
Other obligations	-82,008	21,276
Chg. in assets and liabilities:	-899,833	-587,540
Interest rate paid on financing	-20,112	-22,102
Interest rate paid on debentures	-104,736	-35,220
Income tax and social contribution paid	-33,078	-92,067
Net cash (used in) generated by operating activities	-275,364	-147,431
Cash flow from investing activities		
Additions to property and equipment	-110,104	-111,373
Additions to intangible assets	-120,312	-87,583
Acquisition of NETWORK Participações	0	-7,617
Aquisição de controlada líquido do caixa recebido - FitDance	0	-9,636
Aquisição de participação em coligada - X3M	0	-4,792
Net cash (used in) investing activities	-230,416	-221,001
Cash flow from financing activities		
Loans and financing raised	194,248	2,536
Loans and financing paid	586,848	496,132
Issue of debentures	-260,588	-201,027
Lease Paid	-237,419	-189,883
Capital increase	348	6,997
Loans receivable	0	-10,444
Dividends paid	-33,085	-28,637
Net cash (used in) financing activities	250,352	75,674
Decrease/Increase of cash and cash equivalents	-255,428	-292,758
Cash and cash equivalents at the beginning of the year	418,311	549,347
Cash and cash equivalents at the end of the year	162,883	256,589

INCOME STATEMENT



IFRS

R\$ thousand	3Q23	3Q22	Δ(%)	9M23	9M22	Δ(%)
Net revenue	1,793,263	1,469,980	22.0%	4,858,530	4,277,614	13.6%
Cost of sales	-957,705	-765,313	25.1%	-2,528,634	-2,280,808	10.9%
Gross Profit	835,558	704,667	18.6%	2,329,896	1,996,806	16.7%
Operating expenses	-563,925	-561,405	0.4%	-1,704,337	-1,520,124	12.1%
Selling expenses	-489,316	-468,971	4.3%	-1,459,969	-1,233,305	18.4%
Administrative and general expenses	-83,675	-89,450	-6.5%	-269,264	-267,695	0.6%
Other net operating income/expenses	9,066	-2,984	n.a	24,896	-19,124	230.2%
Depreciation and amortization expenses	-103,048	-89,910	14.6%	-301,071	-259,775	15.9%
Operating Income (Loss)	168,585	53,352	216.0%	324,488	216,907	49.6%
Financial income	71,578	44,331	61.5%	201,535	203,111	-0.8%
Financial expenses	-160,255	-117,036	36.9%	-461,830	-375,208	23.1%
Net financial income (expenses)	-88,677	-72,705	22.0%	-260,295	-172,097	51.2%
Profit before taxes	79,908	-19,353	n.a	64,193	44,810	43.3%
Income tax and social contribution	-7,209	34,338	-121.0%	-22,562	19,126	-218.0%
Net income for the period	72,700	14,985	385.2%	41,631	63,936	-34.9%

IFRS adjusted by non-recurring effects






R\$ thousand	3Q23 adjusted	3Q22 adjusted	Δ(%)	9M23	9M22	Δ(%)
Net revenue	1,793,263	1,469,980	22.0%	4,858,530	4,277,614	13.6%
Cost of sales	-961,663	-765,313	25.7%	-2,536,065	-2,282,948	11.1%
Gross Profit	831,600	704,667	18.0%	2,322,465	1,994,666	16.4%
Operating expenses	-591,801	-543,624	8.9%	-1,716,803	-1,493,469	15.0%
Selling expenses	-518,181	-468,040	10.7%	-1,491,905	-1,241,431	20.2%
Administrative and general expenses	-83,675	-81,829	2.3%	-257,075	-261,919	-1.8%
Other net operating income/expenses	10,055	6,245	61.0%	32,177	9,881	225.6%
Depreciation and amortization expenses	-98,430	-85,221	15.5%	-287,216	-246,077	16.7%
Operating Income (Loss)	141,369	75,822	86.4%	318,446	255,120	24.8%
Financial income	69,566	44,331	56.9%	199,523	203,111	-1.8%
Financial expenses	-160,255	-117,036	36.9%	-460,867	-375,208	22.8%
Net financial income (expenses)	-90,689	-72,705	24.7%	-261,344	-172,097	51.9%
Profit before taxes	50,680	3,117	n.a	57,102	83,023	-31.2%
Income tax and social contribution	4,667	31,180	-85.0%	-9,715	17,727	-154.8%
Net income for the period	55,348	34,298	61.4%	47,388	100,750	-53.0%

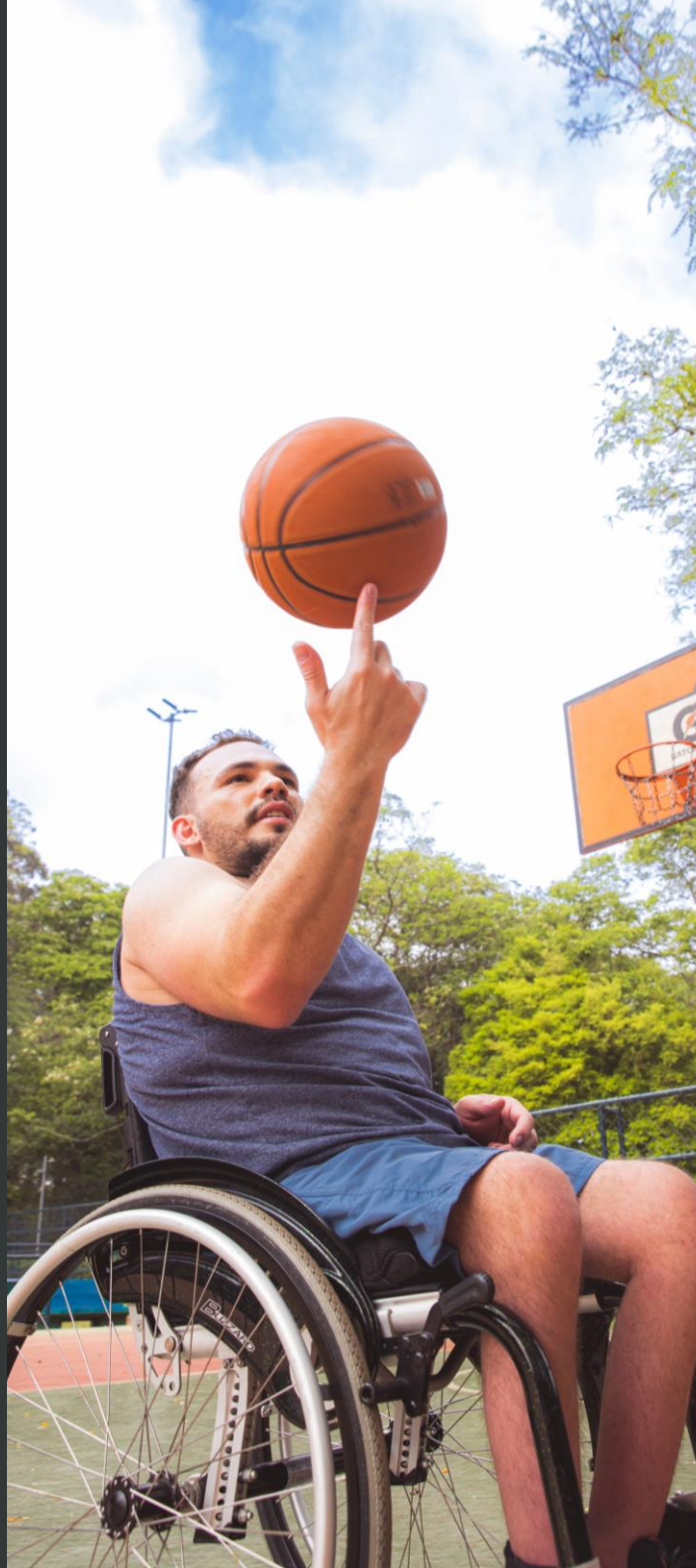


ABOUT GRUPO SBF

Grupo SBF is a sports company founded in 1981 and until 2020 operated in the Brazilian market through Centauro, the largest sporting goods retailer in Brazil and Latin America and the first omnichannel retailer in Brazil, with e-commerce and brick-and-mortar operations fully integrated since 2018. In December 2020, a new business unit joined Grupo SBF: FISIA, the exclusive representative of Nike in Brazil (products distribution, Nike stores and e-commerce operations). In February 2021, a new acquisition was made: NWB, the largest digital producer of sports content in Brazil. Also in 2021, we started SBF Ventures to speed up our ecosystem consolidation. In 2022, we invested in Onefan, our “super-app” for soccer team club fans, which allows the clubs to offer exclusive services and experiences. We also acquired X3M, specialized in organizing races and sporting events, and FitDance, the largest dance platform in Brazil. At Grupo SBF, we believe that sport transforms lives, and we wake up every day to boost sports in Brazil.

 [ri.gruposbf.com.br/en](mailto:ri@gruposbf.com.br) | ri@gruposbf.com.br

-  José Salazar
-  Daniel Regensteiner
-  Luna Romeu
-  Luísa Milan
-  Joao Marques



Disclaimer

The assumptions contained in this report relating to the business outlook, projections and results and the growth potential of the Company constitute mere forecasts and were based on management's expectations in relation to the future of the Company. These expectations are highly dependent on changes in the market and in the overall economic performance of the country, the industry and the international market; therefore, they are subject to changes.



GRUPO SBF

SMLLB3 | ICONB3 | IGC B3 | IGC-NMB3 | IGCTB3 | ITAG B3 | IBRA B3 | IGPTWB3