

**EARNINGS CONFERENCE CALL**  
**1Q25**  
**May 13, 2025****Gustavo Furtado:**

Good morning, everyone. Let's get started with SBF Group's 1Q25 earnings call. Thank you all for joining us. I am here joined by Salazar, our CFO; and Victoria, our IRO.

This is the agenda for today's earnings call. I will start by giving you the main highlights of the quarter, and then I will turn the floor over to Salazar, who will give you further details about the Group's financial performance in the 1Q25, and then finally, we will open for questions.

On this slide, you can see the main takeaway messages of the quarter. The results of the 1Q25 demonstrates the continuity of the strategy that we have been implementing in recent quarters. We have been focusing on working capital, maintenance of prices in our direct channels, and Centauro continues in its LB growth strategy. And even focusing on LB margins and a very strong baseline last year, the Company has once again been able to achieve growth in its revenue, gross income and mainly net income line.

So we closed the 1Q with an all-time record net revenue of R\$1.6 billion, a 4% increase year-over-year; gross profit of R\$772 million, up 5.8%; and gross margins of 49.7%, up 0.9 p.p. against the 1Q24.

The main highlight of the quarter was the net income expansion that we achieved. We closed the 1Q with net profit of R\$74 million and net margin of 4.8%, an increase of 40.6% and 1.3 p.p. year-over-year, respectively.

The main point of our strategy in recent years was to keep a balanced capital structure. And in recent years, we were very diligent in managing our working capital. And once again, this quarter, we improved our financial cycle by 19 days. And the highlight of this quarter was a 7-day reduction in inventories at Fisia. We are very comfortable with our current leverage level, as well as the debt level at the end of the 1Q.

This quarter marks the beginning of a new phase at our Company in which we resume investment in strategic initiatives that are key to sustain our medium-term growth.

Now on this slide, you can see some of the figures that are showing our performance this quarter. It's worth mentioning that we had improvement in all indicators, except for EBITDA because of an operational leveraging that Salazar will explain later on. I do not want to be repetitive, but anyway, I will go over the main indicators once again.

Net revenue for the quarter closed at R\$1.6 billion, up almost 4%; gross profit of R\$772 million, up 5.8%; and gross margins of 49.7%, 0.9 p.p. above last year's. EBITDA of R\$144 million, down 9.2% against the 1Q24; and EBITDA margin of 9.3%. So 1.3 p.p. lower than the 1Q24. In spite of that, our net profit grew by 40.6%, closing the quarter at R\$74.2 million.

And the management of our financial cycle and working capital can be clearly seen here in the last indicators on the slide. We improved our financial cycle by 19 days this quarter, a decrease of 13.3%, and we reduced our net debt by 45%, closing the quarter at R\$378 million.

And our leverage was reduced by 0.7 p.p. against the 1Q24, closing the quarter at 0.61x. You can also see our LTM figures. These figures are important to enable us to dilute or exclude some seasonal events that may impact some indicators such as EBITDA, for example.

So we closed the last 12 months with net revenue of R\$7.2 billion, up 2.8%. EBITDA closed at R\$757 million, up 19.8%, and net profit closed the last 12 months at R\$439 million, up 66.5% versus the previous last 12 months, which shows consistency in the results that we have delivered in recent quarters.

On this slide, you can see the highlights for Centauro. Centauro was the main positive highlight for the quarter. We closed with net revenue of R\$821 million, a growth of 11.2% against the 1Q24, and we have reached the same-store sales of 13.2%. Both channels did really well.

The digital performance, just like in the 4Q24, was very robust. And the digital performance continues to make the most of the migration of our technological platform, which increased our effective rate. And we had a more accurate marketing strategy and rebalancing of inventory, which enabled us to have the main products available at the distribution centers in order to serve our customers. So digital net revenue reached R\$177 million this quarter, an increase of 24.5%, and GMV expanded by 20.4% year-over-year.

The brick-and-mortar store also did really well, reverting a slight drop in the 4Q24 and achieved an 8% growth in net revenue totaling R\$644 million in the 1Q. The growth in brick-and-mortar stores continue to be sustained by the operational adjustments that we did in stores in order to maximize the number of items per coupon.

This quarter, we also saw improvement in flow and conversion, which boosted the results of our brick-and-mortar stores in the quarter. Margin was also a highlight of the quarter. We closed the quarter with gross margins of 50.7%, an expansion of 1.3 p.p. year-over-year.

And this is a result of a continuous initiative to have more rational markdowns and better inventory control so we have better levels of old inventories, especially in January. And this quarter was also marked by a strengthening of our presence in Brazilian soccer, sponsoring Paulistão and Copinha championships.

Now on this slide, you see the highlights for Fisia. Just like we expected, this quarter, our channels had completely different dynamics here. In an aggregated manner, Fisia closed the quarter with net revenue of R\$825 million, a decrease of 5.9%, impacted by a drop in wholesale.

It's worth highlighting that the revenue of the wholesale channel this quarter is actually reflecting the sales captured in the first half of last year. At that time, the markdowns dynamic was completely different from the current markdown dynamic. And ever since then, our strategy to maintain prices in our direct channels has become much clearer, and retailers are now placing more robust purchase orders that will be materialized in the coming quarters of 2025.

Now, our Fisia direct channels. Even with a very robust baseline, Fisia was able to expand its revenue by 1.5%, with a highlight being the 1P segment of the digital channel, which grew by 5.8% versus the 1Q24. Gross margins made it clearer what the strategy is. The combined direct channels closed with margins of 52%, an increase of 1.6 p.p. against the 1Q24. So combined, all channels together delivered gross profit of R\$360 million and gross margins of 43.7%, slightly above the numbers delivered last year.

A main pillar of Fisia's strategy in recent years was disciplined working capital management. And in the last 1 to 2 years, we have accumulated improvements of 76 days in working capital. This quarter, the highlight was the reduction of inventory days by 7 days.

This quarter was also marked by the launch of the new Nike's running strategy. They want to reformulate the portfolio into 3 categories: responsiveness, stability and comfort, to improve communication and the experience of runners.

Now I would like to turn the floor over to Salazar, who will give you further details about our financial performance this quarter.

**José Salazar:**

Thank you, Gustavo. Good morning, everyone. I will give you an overview of our results. I think that the main takeaway here about revenue. And I know I am being a bit repetitive because Gustavo has already mentioned this, but we are now closing a cycle.

We believe that prices have gone back to the right level, so we have recovered our gross margins quite a lot. And as a result, we had a growth of around 4%, which reflects a strong discipline in not generating additional revenue with inappropriate margins. So we believe that we have been able to resume the right pricing level and the right discount level.

So we can see the reflex of this strategy bearing fruit in the last 12 months. Our focus has been on recovering gross margins and recovering the Company's profitability. We can see the evolution of gross profit and gross margins. We can clearly see that that's the direction we are taking with significant growth of gross margins going back to our historical levels, and we keep on growing this indicator quarter-on-quarter.

So the motto of the last 12 months, or even the last 24 months, has been recover of gross margins, right discount levels, right pricing levels as well as right inventory levels in order to normalize our prices from now on.

Now let's move on to expenses. We worked really hard to reduce expenses, particularly back in 2023, and we kept the good work throughout 2024 and now in the 1Q25. I will try to shed some light into this topic.

Most of the growth in expenses in terms of revenue percentage this quarter was due to the fact that wholesale dropped by 19%, as Gustavo mentioned earlier. Wholesale is a channel with a fixed cost structure that is a bit heavier. So we have to believe that this market is not going to recover to make any adjustments in expenses to resume profitability in this channel.

But since we believe that this was an isolated situation and that starting in the 2Q with the movement and the new orders that are being placed, we believe this revenue will come back. And so the fixed costs will be diluted once again. So I believe that a major step of this operating deleverage because of the fixed costs of wholesales will likely not happen starting in the second half of the year because we will have orders that are at a more appropriate size considering the magnitude of this market. So we just wanted to make that clear.

A second point. When we say that there has been an increase in marketing expenses, we are talking about performance marketing, basically. And with both channels combined, we had an expansion of almost 14%, especially for Centauro. And there is no question that part of this growth came due to the strong investment in performance marketing with an appropriate ROI.

So if we were to break this down by channel, we would see that the growth has brought good sales and good profitability for the Company. So we are not concerned about the growth in

performance marketing because this is connected to greater sales, and this is bringing positive results for the Company. These expenses are a bit hidden within the operational deleveraging that happened because of the fixed cost structure, as I explained earlier in the wholesale channel.

And the third factor here that impacted the numbers can be broken down into two parts. The growth in logistics expenses is one of them. We also have an issue related to variable costs here. Centauro is growing, both in brick-and-mortar stores and in digital sales, and we have been using our logistics to ship the product to our stores and to our customers. So once again, this variable cost is related to growth in revenues, especially at Centauro.

And the second point that is impacting this number here is the temporary expenses related to the migrations to get the remainder of the tax incentives at Fisia. In late March 2023, we got with this tax incentive for Fisia's brick-and-mortar stores, which we did not have previously. And during the migration, we had extra expenses. But these expenses are more than offset by the results that we will be able to achieve with the tax incentives.

Just as a reminder for our timeline here in the end of March, we started with tax incentives for Fisia physical stores. And in the 2Q, we are going to work with the tax incentives throughout the full quarter. And then in the 3Q, we will also have tax incentives for wholesale. That's going to generate extra results for the Company, which will more than offset the foreign exchange rate effects, but that will generate some additional expenses because of some logistic operations that have to be added so that you can benefit from such incentive.

So overall, if we exclude the variable costs of performance marketing and if we exclude the extra cost of logistics because of the higher volume at Centauro and because of the new tax incentives, the main issue here was the operational deleveraging of wholesale. In nominal terms, we continue controlling expenses really well. And the operational leverage will pick up as the wholesale channel recovers. I think that's the main takeaway of our operating expenses.

EBITDA once again was impacted by the operational deleveraging. And this happened twice because we did not have the revenue and we had the operational deleveraging. But as the wholesale market normalizes, the revenue will come back. So we are going to have extra gross income with that additional revenue, and we will dilute the expenses, increasing the Company's profitability.

So once again, we believe this is an issue happening in wholesale, and it's an isolated effect. Things will go back to normal in the second half of the year, in our view. And this is a conclusion based on the orders that we have received in the 1Q of the year.

In net profit, financial expenses were much lower than last year. I just want to emphasize what Gustavo mentioned in terms of discipline for working capital management and discipline in reducing our debt costs and the deleveraging that we were able to achieve in the last 18 months. So this is reflex of a lower debt level.

Now moving on to the next slide. Our cash flow is at an interesting level. The 1Q and 2Q of the year, historically, are quarters that burn a bit more operational cash flow because we are preparing and creating inventory to prepare for the 3Q and 4Q, which are typically stronger in terms of sales because of the season.

And in the last 2 years, we had an operating cash flow that was positive this quarter, which is not the case if we look at our historical numbers. So we have been working really hard to improve our cash position, and we have seen positive results this quarter.

Investment flow was pretty much in line with what we had last year, and we have been generating cash to pay out our debt using the cash we have in-house. We have been using this cash to buy back shares as well. Like we announced back in December, we bought back about R\$100 million. And with the payout of our debts and the buyback of our shares, we had a negative cash flow of around R\$193 million, which is comparable to the negative cash flow of R\$431 million last year. But the main issue here is the positive operating cash flow in the 1Q25, which, historically speaking, is not expected for 1Q.

And just to emphasize what Gustavo mentioned, once again, we have great discipline and managing our financial cycle, reducing it to 124 days, and we have a normalization of our accounts payable now. We have normalized Fisia's procurement in line with our revenue, not using our inventories to generate sales. So we have normalized this indicator at around 120 days. Actually, 110 days.

P&R, we worked really hard to reduce this indicator in the last 2 years. And I believe that we have now achieved a very satisfactory level. It's now just about fine-tuning our management of the different regions in Brazil and payment terms and minimal installments to adapt these to the specificities of each region in Brazil. And our inventory is working hard in Fisia in order to try and improve our efficiencies.

So we are already at the inventory levels we want. We think that we can improve our operational efficiency, but this is pretty much going to be done by managing and our processes and improving our processes.

And finally, our last slide as Gustavo already mentioned, but I want to emphasize at a time with high interest rates and difficult economy or capital structure makes us feel comfortable to continue with our strategy moving forward, and from now on, we can focus more on growth. Our capital structure is very comfortable, and it will enable us to start this new phase that Gustavo mentioned in the beginning of his presentation. This is a new phase in which we are going to focus on generating growth.

That's all. Now I would like to open for questions, and thank you once again for your attention.

**Victor Rogatis, Itaú BBA:**

Thank you for taking my questions. I have two questions on my side. The first is about the physical stores of Centauro. When we look at the store performance, we understand that the main driver was the 7% improvement in your indicator. My first question is to understand if the same strategy will continue in the coming quarter and if the 7% increase will be maintained in the coming quarters. That's my first question.

My second question, about expenses. Salazar's explanation was quite clear. I just want to follow up on the selling as well as marketing and advertising expenses. When we look at the headcount at Fisia and Centauro, I would like to understand if that headcount increase were already completed in the 1Q, and will it be maintained in the coming quarters? Or will the headcount still be expended in April and May?

When it comes to marketing and advertising, can we expect great investments for the remainder of the year? He talked about wholesale deleveraging, but all this investment in marketing and advertising has been bringing in more sales, right? So do you expect to maintain the same levels of investment in marketing?

**Gustavo Furtado:**

Thank you for your question, Victor. I will try to answer the first and the third part, and then I will turn over to Salazar. So the first question is about the item per coupon indicator. So this has become a mantra in our stores. In the last 18 months, we have been developing a training playbook to make sure there are no gaps among our sales team.

When we look at our team, we always find gaps. So we are working really hard and insisting on this in all of our meetings with the sales team about the importance of sustaining this indicator. And we always look at the people with the best indicators to see what they are doing differently and so that we can teach the rest of the team. So we continue focusing on that playbook, but that's not the only thing that we have been doing to increase our physical stores sales. We have been systematically improving the way we allocate products.

Centauro is a national and very democratic network, and stores have different needs of types of products depending on the location they are at. So we are working to cluster the stores in the best possible way so that they can get a more accurate assortment, both in terms of shoes and other items. And this has a great impact on conversion.

Another thing that we are careful about is the technological platform that we have installed for shoes in order to manage the salespeople queue. So we manage this queue, and we can also collect data about the service the salespeople provide.

So this helps us improve the conversion of each salesperson, and it gives us like a people analytics. So we can see the spread of each salesperson, not only sales, but also NPS and all other metrics. And this is also something that requires continuous work, focusing on best practices.

And to wrap up, also exposure. We have developed a 365 project, which is for continuous improvement. And all of these metrics, they impact 1 quarter a bit more than the other, but the playbook remains the same. So rest assured that when you get into a Centauro store, you will be approached with the same improved script from our sales team, which aims to increase the number of items per ticket.

You also asked about the marketing investments in the coming quarters. We always have to break this down into performance marketing and funnel market. Performance market is considered a variable cost. So every month, we will look at the marginal contribution of every dollar invested to see if it makes sense to continue investing in performance marketing. And we have been able to increase our investments, keeping the desired profitability.

When it comes to top of the funnel marketing, what we have been doing is to redirect our investments to focus on two key categories, both for Centauro and Fisia: Running and Soccer. So in 1Q25, we sponsored Copinha and Paulistão championships, so there was a mismatch of investments. That does not mean that we have increased or decreased our marketing budget. But that was a type of sponsorship that we did not do in the past and that we decided to do right now, but we will continue focusing our marketing investment in these two categories.

Now I would like to turn it over to Salazar to answer the second part of your question.

**José Salazar:**

Victor, you asked about the distribution center. If we draw a parallel to the third part of your question that Gustavo already answered, if we continue with a good same-store sales at Centauro, of course, we are going to increase logistics because we will have to ship more

products to the stores because the stores are selling more. So that's an important point because everything in this case is variable cost, which is completely related to revenue.

About migration. When we start distribution to our brick-and-mortar stores within the SBF Group and no longer through our logistics partner, we have to deal with two issues. First, we have the personnel additional, which in the medium term will be cheaper than what we paid previously to our logistics partner. And in addition to that, we also have the new tax incentives coming in.

So yes, structurally speaking, I think we are going to expand our headcount, but we are going to have the tax incentives benefits. So this more than offset those increases. We believe that with the tax incentives, we will be able to offset the foreign exchange rate fluctuation this year. And in the short term, we may have duplicate costs, but they will not be significant because we are doing the transition and bringing this in-house, structuring the tax incentives for wholesale as well.

So we are going to have this extra expense in order to make the migration, but all of that tends to be offset. Like we said earlier, the foreign exchange rate impact will be offset by the tax incentives. So we are talking about the net impact of this tax incentive. Everything that we have been generating in terms of benefits against all the extra expenses we have had in order to obtain the tax incentive. I do not know if I was clear, but that's pretty much your answer.

**Daniela Eiger, XP:**

Thank you for taking my questions. I actually have two questions on my side. The first is about demand and growth prospects. In your release, you talked about a more stable scenario of prices from your competitors, and we see a more favorable scenario in terms of consumption and price acceptance on the side of consumers and demand. So can you tell us about the price pass-through dynamics? You said that you are planning to use tax benefits to mitigate price pressure, but can you also use the price lever here, or even your mix? Because you are launching a new product with Nike. So can you give us an update on the demand/growth dynamics?

And my second question is about the working capital dynamics. We see sales picking up on the side of suppliers, but can you tell us about the type of products at Centauro and how we can think about the evolution of this line going forward? And if the reduction in the receivables term is structural or not.

**Gustavo Furtado:**

Danni, thank you for your question. I will answer the first part, and if Salazar wants, I can also tell you a bit about the inventory part. So we are happy with the consumption trends that we saw in the 1Q, and we are analyzing the pricing strategy, especially in our Summer collection. Price maintenance was quite important, together with other strategies that we adopted in wholesale to recover the performance of this channel in the near future.

There is a specificity here. Centauro is the main wholesale customer of Fisia. So that gives us an advantage because we can capture the full margin of the chain, but we are also looking at the price movements from our competitors because we want to remain competitive. So we will have to be careful when we pass through the prices because we have to protect profitability and at the same time, maintain our products at a competitive level. I think that we can achieve the right balance in this equation.

About inventory. You are asking whether Centauro's inventory has grown and the quality of this inventory. Yes, indeed, we have had inventory growth. In 1Q, we had an 11% growth in

inventory, and we are doing inventory recomposition when we have a better idea of how the coming months will be like.

But we are very disciplined about two things. The first, the percentage of older inventory that we have in-house. And the levels of older inventory that we saw in the 1Q was very healthy, and how this inventory is distributed in our distribution centers and stores. And we are also quite disciplined to make sure that we have the right inventory level in our distribution centers to do inventory recomposition as the items are sold rather than just sending everything to the stores, which is what happened in the 1Q of last year.

So we changed inventory allocation, which favored our performance in the 1Q25. This higher inventory level is a reflex of the increase in sales that we have been seeing in digital and in brick-and-mortar stores.

**José Salazar:**

Let me just add something here, Danni, although I am being a bit repetitive. But once we see greater growth. And we have robust same-store sales, especially at Centauro. The first thing we have to do is if you believe this is going to be maintained as such is to acquire to buy more. So inventory increase is related to our performance of operations.

Having said that, although this was not your question specifically, I think we should talk about Fisia. Historically speaking, in our mind, we should have a difference of around 30 days of inventory between Fisia and Centauro. And we have not yet addressed that ideal gap. So I think that in the next 2 years, we are going to change processes and implement other initiatives because there is no silver bullet, but little by little, will be able to gain inventory days without affecting our sales, which is an important point.

About accounts receivable, which was the last part of your question, it is structural. Nevertheless, it can still fluctuate a bit, because Brazil is quite diverse. Maybe in a city in the countryside of Bahia, we need longer payment terms than in São Paulo or Rio de Janeiro.

So this is about fine-tuning our accounts receivable to the demographic characteristics of each region of the country. I am sure that some places in the countryside or the hinder lands of Bahia are completely different from the capital city of the state of São Paulo. Having said that, we believe there will be fluctuations in this number, but it's now a bit of science and a bit of art. There is science behind, of course, but there is also a bit of art to adapt to each region of Brazil.

**Felipe Rached, Goldman Sachs:**

Thank you for taking my question. I would like to get further details about the dynamics at Fisia in the last quarter. The multi-brand strategy was quite clear, but now can we expect a similar trend at Fisia in the coming quarter or only in the 2H25?

And more importantly, in spite of the drop in sales in your multi-brand, we did not see growth in DTC. So what are the dynamics impacting here? DTC and multi-brand have different dynamics, or are they somehow related? Do you see a yellow light there? Can you please give us some more color into this topic?

**Gustavo Furtado:**

Felipe, let me try to paraphrase your question to make sure I understand it. You want us to give you some more color into Fisia's results. And wholesales had different dynamics, and you

want us to explore a bit more Fisia's own stores potential and how this compares to a multi-brand store?

**Felipe Rached:**

Yes, that's right. Because in a way, with multi-brand stores performing worse, we could expect DTC to offset that somehow, except the assortments are completely different at the point of sale. So can you tell us about this relationship?

**Gustavo Furtado:**

Multi-brand and Nike stores are not necessarily part of the same trading zone. So there are some stores in outlet malls and others in regular malls. So in malls, we should see some kind of similarity. But the outlet mall behavior is quite different from that of other stores depending on the season of the year as well as markdown strategy for different days of the week.

At Fisia, the comparison this quarter is a bit distorted because of the baseline of the markdown strategy for Nike's products last year. The brick-and-mortar channel grew by 29% last year, if I am not mistaken. So it was only expected that this growth be less significant this year. In this quarter, we struggled with shortage of supply in January because the sales during the holiday seasons were really strong, and we had a shortage of supply of the main franchisees of the base of the running pyramid. So Fisia had a weaker performance in January because of that, but it recovered in the following months.

So yes, we can draw a parallel between multi-brand stores and NVS stores in the same trading zones with similar products, but we cannot draw a parallel of the multi-brand stores within NDIS because the portfolios are completely different. And at NDIS, what impacted the most was the Big 3 performance, and the outlet mall performance is a whole different world depending on their markdown policies and other factors.

Would you like to add anything, Salazar?

**José Salazar:**

Yes. Let me just add one comment about the digital channel at Fisia. Please correct me if I am wrong, Felipe, but I think you also asked about digital. When it comes to digital, right now, the wholesale decision takes 9 months to a year to materialize. When we are selling in wholesale now, it's a decision that we made a year ago. And digital had huge discounts, and then they did not want to buy because they thought they would not be able to sell at those prices. So they purchased less.

And the digital has a very strong baseline to compare with because we were starting to remove the discounts. So in 2024, in the 1Q, we still had major discounts. And so right now, digital has a strong comparison base, and wholesale has just started buying now, believing that we would keep our sales and promotions under control.

So the timings do not match. You have digital selling as in real life with much higher prices than the previous year, and you have wholesale that purchased a year in advance and now they believe in the Company once again, but believing in the Company is something that we will only see materialize in the 2H of the year. So I think that we have a timing dynamic here impacting thus.

Going back to your original question, we believe that the wholesale recovery will happen gradually. So we believe that the 2Q will be better than the 1Q. And then, starting on in 3Q and 4Q, we will start to see a positive result in wholesale. I hope I was clear.

**Felipe Rached:**

Yes, you were very clear. That's exactly what I wanted to understand, if it was a matter of timing or a matter of demand. So it's more a matter of timing, as you said. It's quite clear.

**Vinicius Strano, UBS:**

Thank you for taking my question. I want to explore the drivers that led to gross margin improvements at Centauro. What were the factors here? Assortment? And what are your expectations for gross margins at Centauro from now on?

And now a question about Nike. Can you tell us about the competitive landscape for Nike today? Thank you very much.

**Gustavo Furtado:**

Vinicius, thank you for your question. First, let's talk about the margins at Centauro in the 1Q25. There were a few factors here driving these numbers. For some time now, we have been sophisticating our markdowns. So with systems deployment, and recently with the use of algorithms, we were able to determine the prices that we should be practicing for different groups of products in different stores. So this makes sure that we can sell older inventory at better margins than we had previously.

But it's no use doing this if you have a very high level of older inventory. And this quarter, we had a healthy margin percentage. So our strategy was to make sure that would start off the year with our product available at our distribution center, which enabled us to decrease our discounts in the stores because we were sending carryover products to the stores.

This helped maintain the margins, and the maintenance of Fisica prices, particularly in the digital channel, also has a positive impact on Centauro's margin. And we will keep on tracking these metrics to make sure we continue capturing this margin expansion throughout the year. Of course, the gap is smaller, but we are being more sophisticated in our strategy here.

And your second question was about the competitive landscape for Nike in Brazil. Is that right?

**Vinicius Strano:**

Yes. That's right.

**Gustavo Furtado:**

Nike is experiencing challenges worldwide. They had a channel management problem. They got away from retailers abroad more than in Brazil, and they also had a franchise management problem that stuffed the market with the Big 3. And they also had a problem of product innovation, especially in the running category. And they also took a step back from soccer worldwide.

And now they have created a global strategy to address those four things. So when we look at the soccer offensive, historically speaking, Nike was not well represented in Brazilian soccer. We had a partnership with Corinthians that had been there for 22 years, and once every 4 years, we had a strong brand presence during the World Cup. Also the Copa America, but mostly once every 4 years. So we started focusing on soccer, and Nike will probably be present in other clubs in the near future, because we continue working to expand the brand footprint in the soccer category.

When it comes to product innovation, particularly in the running category, which is a very relevant category here in Brazil, Nike did a reset. ASICS is really strong, and other brands that are hurting Nike abroad are still quite incipient in Brazil. So Nike still has a very relevant share in the running category.

Nike's revolution is the basis of the running pyramid. Nevertheless, Nike did a reset in their strategy, and they now have a much more straightforward communication to capture the sales not only at the basis of the pyramid in which Nike has been a leader, but also in the middle and at the top of the pyramid. So for product innovation in running and soccer, this is something that we have been addressing.

And when it comes to lifestyle, this is an industry with a more angular dynamic. Nike flew high for certain years, but then it cooled down. And we are very confident that we are going to go back to previous levels.

A specificity of Brazil when compared to other countries is that our industry is more resistant at the basis of the pyramid. And that creates pressure to increase the percentage of products made in Brazil. So this is a conversation that is constantly happening. All brands are looking into this. And I am sure that we are also going to keep up with that.

**Vitor Fuziharo, Santander:**

Thank you for taking my questions. My first question is about the profitability of the Company from now on. We see this growth being resumed. What are some of the opportunities that we want to explore and how are you going to balance growth and margins?

And my second question, even with the pulling down of the streetwear discussion in recent days, we see the effect of the global chain. So do you expect any novelty in terms of the supply for Fisia for the rest of the year?

**Gustavo Furtado:**

Thank you for your questions, Victor. I will start by talking about the tariffs. We are in close contact with Nike, and we are paying close attention to that. But I can tell you that up until now, nothing has changed.

We are actually more optimistic than we were a week ago, like everyone else, but we do not anticipate any type of disruption. Our imports come through Vietnam, and they do not do any type of triangulation. So 50% comes from Vietnam, the other 50% is local, and we have no other concern about disruptions in this chain.

The first part of your question was about our growth avenues and how to maintain good margins as we grow. So let's start with the long term, the medium term and finally, short term. In the long term, our growth revenues continue, the ones that we have been sharing with you for a long time now. I have to be careful with the numbers I share. I always look at Victoria and Salazar just to make sure they will not scold me, but we talked about our IPO, 600 malls in Brazil. We have 227 malls with Centauro, so we have some malls where we can expand Centauro's presence.

And when it comes to Fisia, we see an important growth opportunity here, especially with in-line stores because our penetration is still very low in this area, and with ROICs just like the rest of the network and healthy margins, this is always going to be under our radar.

In the medium term, we believe that we can still extract a lot of juice from the existing Centauro boxes. This year, we are going to pay close attention to extract more growth from the Centauro boxes. We still have 104 stores that are in the older generation. And when we look at the growth profile of stores throughout the year, this is not a linear growth profile. And when we look at the histogram, we see great opportunities for growth.

Overall, what we see is good performance in more modern stores, stores with a better social income. And we have worse performance in older generation stores with a worse assortment as well. So we have to pay due attention in same-store sales, Centauro stores.

But in the short term, I do not see a scenario in which the digital will not be a growth lever. I think that we have defined a clear vision for digital, which is based on three pillars that have been working really well. The first pillar is to have a robust tech platform with the main market leaders, and that's what we did in the last 2 years. Centauro and Fisia today have a good technological platform, but will still have many features that can be introduced. So there is a growth lever here.

The second channel is the multichannel approach, which distinguishes us from the other players in the market. Last year, we rolled out this feature that enables any product that you buy on a website to be picked up, returned or exchanged in stores. So now we also deliver other products at the stores.

And finally, the last pillar is that we now have a platform to buy sporting products. So any sporting product can be best purchased at Centauro than anywhere else. So we believe this is going to continue to be a growth lever with healthy margins.

We are working hard to decrease the margin spread between the digital world and the physical world, and Fisia is a driver for that. The strategy of going to 3P and to work on the online segment is helping us, but we can still improve the digital margins here.

So considering all of the growth levers, I would say we have opportunities in the short, medium and long terms, and this can have an impact on G&A. For example, if we talk about renovating a store, you have a CAPEX associated. And you have to hire people, train them to finally be able to extract value from these employees, but we are confident that we have great growth opportunities there as well.

This concludes our Q&A session. Once again, I would like to thank you all for joining us and for your interest in our Company. Now in August, we will hold our next call. See you then. Bye-bye.

**Operator:**

SBF's earnings call is now completed. Thank you for joining.

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