

GRUPO SBF

EARNINGS RELEASE

4Q22 & 2022



EARNINGS
RELEASE

4Q22 & 2022



São Paulo, March 02, 2023

Grupo SBF S.A. (B3: SBFG3) announces its fourth quarter of 2022 results. The financial information for the periods ended December 31, 2022 and 2021 include the parent company Grupo SBF S.A. and its subsidiaries.



Conference Call



March 03, 2023

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

11:00 a.m. (Brasília time zone)

14:00 p.m. (London time zone)



Portuguese Webcast



English Web



SBFG

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HIGHLIGHTS



Gross Revenue of R\$ 7.9 billion in the year, growth of +22.9% over 2021



Sales of nike.com.br in the year increased +87.7%, totaling R\$ 1.4 billion (growth of 76.7% in 4Q22)



Centauro's Gross Revenue reached R\$ 4.3 billion in the year, growing 19.0% over 2021



32.5% of Grupo SBF's sales in 4Q22 occurred through online channels, a growth of +4.5 p.p. over 4Q21 (31.9% in the year, up +5.5 p.p.)



Growth of +10.7 p.p. in the share of sales in Fisia's direct-to-consumer channels in 2022, reaching 52.6% (+7.1 p.p. in 4Q22, with a 56.8% share)



Sales on the Group's online channels grew 37% during the Black Friday period



Fisia gross margin reached 42.6% in 4Q22, growth of +6.2 p.p.



9 Nike store openings in 4Q22: 6 Nike Value Stores and 3 Nike Direct Inline Stores



We ended the year with 233 Centauro stores, 239,000 square meters of total sales area and 113 G5 stores accounting for 59% of the sales area



MESSAGE FROM THE MANAGEMENT

We started 2022 aware that we would have a challenging year ahead and important steps to be taken to build the sports ecosystem. We have made progress on the structuring and fundamental fronts to sustain the Company's growth, such as the conclusion of a large part of Fisia's integration, including the full technological internalization, the migrations of ERP systems of Centauro and Fisia and the opening of a new logistics hub in São Paulo. We have also explored the synergy between the Group's companies and partner brands in the sports market, implementing actions to encourage the practice of physical activity, seeking to get closer to sports consumers and get to know them even better.

The performance for the last quarter of 2022 repeated what we observed throughout the year: Centauro facing challenges that impacted its profitability, and Fisia opening new market fronts with revenue growth. Although Fisia partially offset Centauro's performance, the annual result did not reach what we had initially planned. Nevertheless, as a Group, we reached a sales record, 23% higher than the previous year and with a gross margin of 47% - the highest margin since 2019 after the pandemic and the merger of Fisia.

Fisia's main growth and profitability thesis, the growth of the DTC channels, has proven to be a success. In this last quarter, we opened 9 additional stores, 3 Nike Direct Inline Stores and 6 Nike Value Stores, and the results continue to give us confidence in this lever. NVS's profitability strategy has been effective, with this store recording a significant sales volume and attractive profitability, despite lower prices due to the store's discount nature. The NDIS have proven to be a good channel for the sale of higher value-added products within the collection, especially in lifestyle and women's categories, achieving the best margin of the Group. We ended 2022 with 32 stores and will continue to selectively expand in 2023.

Fisia's digital operation is also a lever that continues to show growth potential. In addition to the growth of nike.com.br, the migration from 1P wholesale sales to the 3P sales model within marketplace channels resulted in an increase in Fisia's margin in 2022. There is still potential for sales growth in this channel, generating margin gains.

Even with the migration of part of the sales to the digital channel, the wholesale channel grew in the fourth quarter. We believe that the normalization of the global supply chain can generate further growth, which could offset the additional migration of sales to the digital channel expected to occur in 2023.

We believe that several factors impacted Centauro's performance in the year. Despite sales 19% above what we recorded in 2021, we had planned a higher growth for the year, hoping that the global supply chain would already be normalized and that the structural investments made in marketing, logistics and technology would bring a greater return in the year. With lower-than-planned growth, coupled with the greater need for markdowns that pressured gross margin, we were also only able to dilute part of the structural investments and semi-variable expenses contracted to support a higher revenue level than actually obtained, which ended up impacting the company's profitability.



MESSAGE FROM THE MANAGEMENT

We will have total focus on Centauro's profitability this year, being pragmatic in revenue projections and carrying out a rationalization of expenses and margins. With this focus for the year, we believe there is room to reduce markdowns, marketing investments, especially in less profitable performance channels, and less efficient sales methods. We will also continue evaluating the store portfolio in search of adjustments that may be required to achieve the desired profitability for the business. Centauro has a huge potential, adjusting its profitability this year will be fundamental for us to build the foundations for the growth of this business in the following years.

At the same time, we continue to explore the expertise of our business units to increase customer preference, as well as repeat purchase rate in our physical and digital channels. Thus, in 2022, we worked in joint actions with market players to foster sports in the country, deepen contacts with the public in the best-selling categories and reach audiences in categories that are gaining relevance, such as skateboarding, dance and basketball. We carried out actions such as the Centauro Fit Festival, a dance event organized by X3M in partnership with Centauro and Fit Dance and sponsored by Puma; Centauro Reveza adidas, a racing circuit developed by X3M, and ASICS Movimenta by Centauro, a series of training sessions and street races for women. Moreover, we carried out a joint initiative between Centauro and Fisia in the Ibirapuera Park in São Paulo, to provide society new spaces for practicing sports, with a soccer field, sand and basketball courts, a jogging track and a new Nike's skate park.

Our focus in 2023 will be on increasing the profitability of our business since we know that today's results are what sustain future growth. What we have built in recent years leaves us with a company with revenues close to R\$ 8 billion, 2.5 times higher than the revenues of 2019, with a new business - Fisia - which in two years already delivers higher than expected profitability levels and close to that of Centauro in 2019. Today, we have more resources, a larger audience and together, our online channels already concentrates 21% of traffic among fashion, apparel and footwear companies. With Centauro's profitability resumption, Grupo SBF's potential for generating profit makes us excited for the future.

We would like to thank our 35 million customers and almost 10,000 employees, as well as our directors, shareholders and the millions of people who, in one way or another, connected with our company throughout 2022. We will continue working to deliver the best experiences and results in 2023, generating even more businesses and value for our shareholders and sports in Brazil.

The Management
Grupo SBF



GROSS REVENUE AND OPERATING INDICATORS

CENTAURO R\$ thousand	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
Gross Revenue^{1 2}	1,433,064	1,307,336	9.6%	4,344,047	3,651,348	19.0%
B&M Stores	1,047,939	958,334	9.4%	3,195,245	2,686,187	19.0%
Digital Platform	385,125	349,002	10.4%	1,148,802	965,161	19.0%
Omnichannel Sales	201,107	167,533	20.0%	648,857	521,342	24.5%
Omnichannel – as % of 1P Sales	14.9%	13.3%	+1.6 p.p.	15.7%	14.8%	+0.9 p.p.
Total Number of Stores – Centauro	233	227	2.6%	233	227	2.6%
Number of G5 Stores	113	97	16.5%	113	97	16.5%
Sales Area - Centauro (m²)	239,300	231,062	3.6%	239,300	231,062	3.6%
G5 Total Area (m²)	140,636	118,862	18.3%	140,636	118,862	18.3%
FISIA R\$ thousand	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
Gross Revenue¹	1,261,103	962,255	31.1%	4,088,657	3,229,840	26.6%
Wholesale	544,943	484,428	12.5%	1,937,897	1,875,478	3.3%
Digital Platform	429,681	243,188	76.7%	1,358,276	723,543	87.7%
B&M Stores	286,479	234,639	22.1%	792,485	630,819	25.6%
Share of DTC sales	56.8%	49.7%	+7.1 p.p.	52.6%	41.9%	+10.7 p.p.
Total Number of Stores – Nike Value	27	21	28.6%	27	21	28.6%
Sales Area – Nike Value (m²)	30,556	21,807	40.1%	30,556	21,807	40.1%
Total Number of Stores – Nike Inline	5	0	n.a	5	0	n.a
Sales Area – Nike Inline (m²)	3,144	0	n.a	3,144	0	n.a
GRUPO SBF R\$ thousand	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
Total Gross Revenue¹	2,509,680	2,114,803	18.7%	7,855,839	6,389,593	22.9%
Centauro Gross Revenue ¹	1,433,064	1,307,336	9.6%	4,344,047	3,651,348	19.0%
Fisia Gross Revenue ¹	1,261,103	962,255	31.1%	4,088,657	3,229,840	26.6%
(+) Intercompany elimination	-184,487	-154,788		-576,866	-491,595	
Share of digital sales	32.5%	28.0%	+4.5 p.p.	31.9%	26.4%	+5.5 p.p.

SAME STORE SALES (SSS)



2022 x 2021	4Q22	4Q21	2022	2021
SSS total (lojas + digital)³	7.4%	9.7%	17.4%	21.8%
SSS loja	4.6%	8.8%	13.5%	34.1%
GMV Digital (1P + 3P) ⁴	14.4%	12.0%	26.6%	-0.1%
GMV - share da venda total	29.0%	28.1%	29.3%	28.2%



2022 x 2021	4Q22	2022
SSS total (NVS + digital)³	37.6%	52.4%
SSS Nike Value Store	-2.8%	12.0%
GMV Digital	76.7%	87.7%



(1) Gross revenue, excluding return of goods;

(2) Centauro's digital platform gross revenue adjusted by R\$8.2 million in the accumulated period of 2022 referring to part of the revenue from services that was not considered in 1Q22. The adjustment of the same amount was made in the intercompany elimination of the gross revenue;

(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. **Our methodology does not exclude from the base stores closed due to the pandemic;**

(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	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
Gross Revenue	2,509,680	2,114,803	18.7%	7,855,839	6,389,593	22.9%
Net Revenue	1,983,093	1,683,464	17.8%	6,260,707	5,110,462	22.5%
Gross Profit	944,126	809,829	16.6%	2,940,931	2,351,611	25.1%
Gross Margin	47.6%	48.1%	-0.5 p.p	47.0%	46.0%	1 p.p
EBITDA	272,852	249,629	9.3%	749,535	704,342	6.4%
EBITDA Margin	13.8%	14.8%	-1.1 p.p	12.0%	13.8%	-1.8 p.p
Net Profit	140,666	288,477	-51.2%	204,602	497,831	-58.9%
Net Margin	7.1%	17.1%	-10 p.p	3.3%	9.7%	-6.5 p.p
Adjusted Net Revenue	1,983,093	1,683,464	17.8%	6,260,707	5,102,436	22.7%
Adjusted Gross Profit	944,126	790,677	19.4%	2,938,792	2,329,837	26.1%
Adjusted Gross Margin	47.6%	47.0%	0.6 p.p	46.9%	45.7%	1.3 p.p
Adjusted EBITDA	226,606	271,023	-16.4%	727,804	709,203	2.6%
Adjusted EBITDA Margin	11.4%	16.1%	-4.7 p.p	11.6%	13.9%	-2.3 p.p
Adjusted Net Profit	56,670	303,225	-81.3%	157,420	426,483	-63.1%
Adjusted Net Profit Margin	2.9%	18.0%	-15.2 p.p	2.5%	8.4%	-5.8 p.p
Adjusted EBITDA (ex-IFRS)	160,580	209,967	-23.5%	468,936	482,508	-2.8%
Adjusted EBITDA Margin (ex-IFRS)	8.1%	12.5%	-4.4 p.p	7.5%	9.5%	-2 p.p
Adjusted Net Profit (ex-IFRS)	70,478	313,175	-77.5%	206,493	471,863	-56.2%
Adjusted Net Profit Margin (ex-IFRS)	3.6%	18.6%	-15 p.p	3.3%	9.2%	-5.9 p.p
By Business Unit R\$ thousand	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
CENTAURO Gross Revenue ¹	1,433,064	1,307,336	9.6%	4,344,047	3,651,348	19.0%
Adjusted Net Revenue	1,148,216	1,058,315	8.5%	3,504,480	2,947,232	18.9%
Adjusted Gross Profit	534,716	528,077	1.3%	1,678,448	1,452,776	15.5%
Adjusted Gross Margin	46.6%	49.9%	-3.3 p.p	47.9%	49.3%	-1.4 p.p
FISIA Gross Revenue	1,261,103	962,255	31.1%	4,088,657	3,229,840	26.6%
Net Revenue	968,839	746,487	29.8%	3,206,132	2,536,923	26.4%
Gross Profit	412,982	272,095	51.8%	1,300,778	916,986	41.9%
Gross Margin	42.6%	36.5%	6.2 p.p	40.6%	36.1%	4.4 p.p

(1) Centauro's digital platform gross revenue adjusted by R\$8.2 million in the accumulated period of 2022 referring to part of the revenue from services that was not considered in 1Q22. The adjustment of the same amount was made in the intercompany elimination of the gross revenue.



NON-RECURRING ADJUSTMENTS



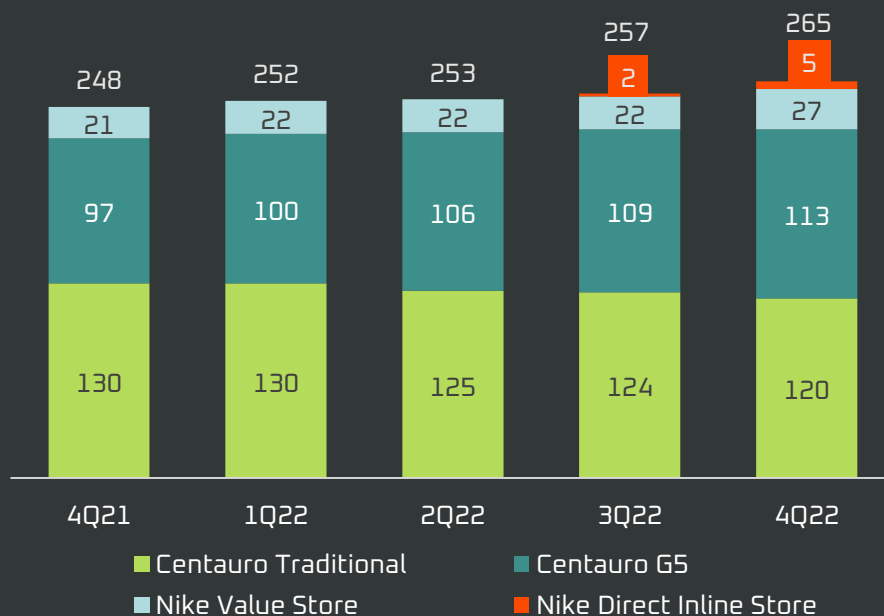
The **adjusted** results presented in this report disregard the non recurring effects, aiming to better represent the economic reality of the business and enable comparison with the Company's historical result.

GRUPO SBF R\$ Thousand	4Q22	2022
Extemporaneous credits - Cost of Sales	0	-2,140
Stock Option Plan / Non-cash	7,556	36,561
Tax credits, debits and provisions - Expenses	-54,866	-64,615
Accounting effects of acquisition – Expenses	-3,935	-15,739
Systemic migration costs	0	13,507
Pricing Project	0	5,697
Other litigation	5,000	5,000
Impact of non-recurring effects on EBITDA	-46,245	-21,730
EBITDA	272,851	749,534
Adjusted EBITDA	226,606	727,804
<i>Adjusted EBITDA Margin</i>	<i>11.4%</i>	<i>11.6%</i>
EBITDA (ex-IFRS)	206,825	490,666
Adjusted EBITDA (ex-IFRS)	160,580	468,936
<i>Adjusted EBITDA Margin (ex-IFRS)</i>	<i>8.1%</i>	<i>7.5%</i>
Asset write-off due to change in useful life	0	926
Accounting effects of acquisition - Depreciation and Amortization	4,618	17,391
Financial income (loss) on tax credits, debits and provisions	-58,109	-58,109
Income Tax and Social Contribution	15,740	14,341
Impact of non-recurring effects on Net Profit	-83,996	-47,182
Net Profit	140,666	204,602
Adjusted Net Profit	56,670	157,420
<i>Adjusted Net Margin</i>	<i>2.9%</i>	<i>2.5%</i>
Net Profit (ex-IFRS)	154,474	253,675
Adjusted Net Profit (ex-IFRS)	70,478	206,493
<i>Adjusted Net Margin (ex-IFRS)</i>	<i>3.6%</i>	<i>3.3%</i>

FINANCIAL AND OPERATING PERFORMANCE

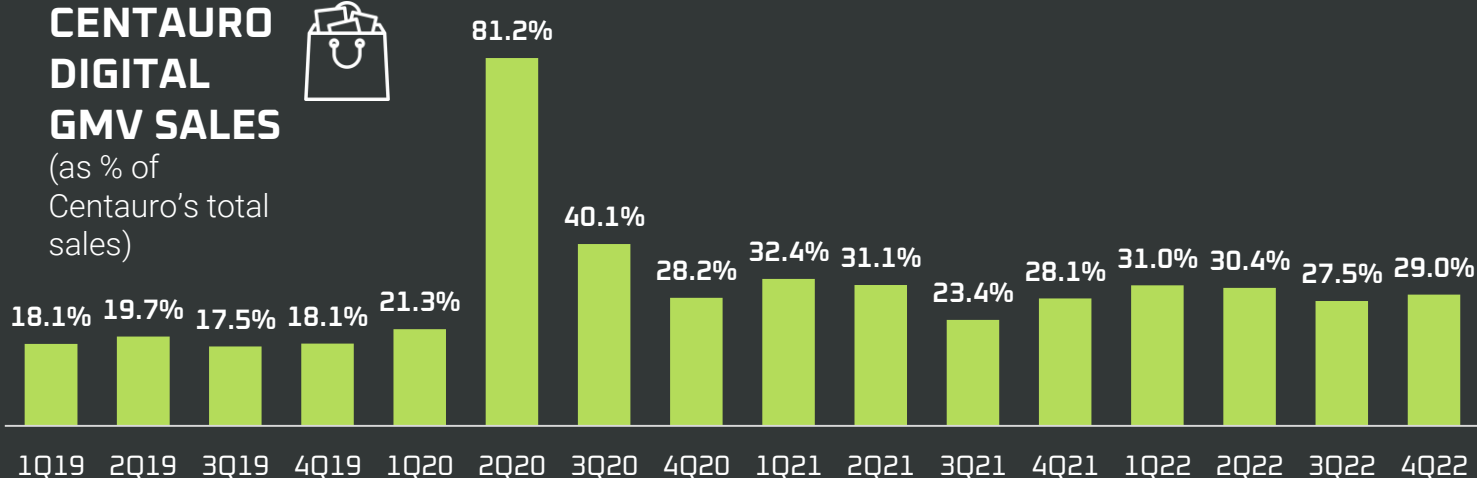


OUR STORES

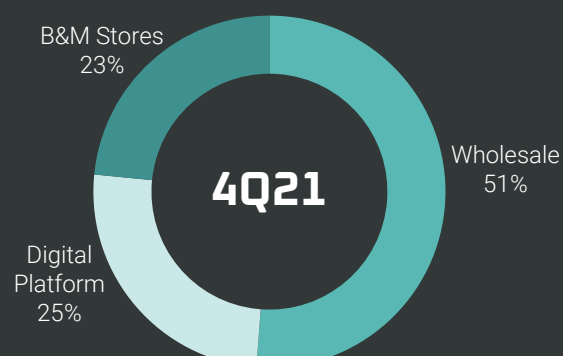
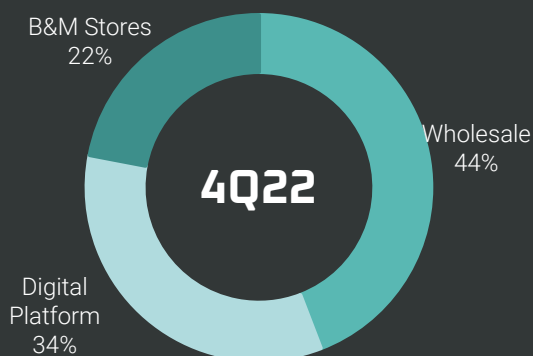


CENTAURO DIGITAL GMV SALES

(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 Income, both for the period of 2022 and 2021. 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 year of 2021, the effects are presented in our 4Q21 earnings release.

> The tables for Net Revenue and Gross Income are presented by business unit. The other tables are presented in the consolidated view of Grupo SBF.



NET REVENUE

R\$ thousand	4Q22 adjusted	4Q21 adjusted	Δ(%)	2022 adjusted	2021 adjusted	Δ(%)
CENTAURO	1,148,216	1,058,315	8.5%	3,504,480	2,947,232	18.9%
B&M Stores	844,969	770,908	9.6%	2,596,549	2,159,798	20.2%
Digital Platform	303,247	287,406	5.5%	907,932	787,435	15.3%
FISIA	968,839	746,487	29.8%	3,206,132	2,536,923	26.4%
Wholesale	427,911	382,081	12.0%	1,541,403	1,519,423	1.4%
Digital Platform	327,806	189,396	73.1%	1,067,406	543,869	96.3%
B&M Stores	213,122	175,009	21.8%	597,323	473,631	26.1%
(+) Intercompany elimination	-133,962	-121,337		-449,905	-381,719	
GRUPO SBF	1,983,093	1,683,464	17.8%	6,260,707	5,102,436	22.7%

CENTAURO

Net Revenue from Centauro's brick-and-mortar stores reached R\$ 845.0 million in 4Q22, an increase of 9.6% over 4Q21, mainly explained by the opening of 6 G5 stores and renovation of further 10 stores to the G5 model carried out in the last 12 months, due to the higher level of markdowns for the period and the incorporation of products from the marketplace in our endless aisle (6.8% of sales from stores refers to the endless aisle and 22.4% of these sales refers to marketplace products). The sale of World Cup products contributed to the growth in revenues. However, unlike past World Cups, we believe that other categories were partially cannibalized during the quarter due to the sales of these products. We also believe that sales were negatively impacted by a more challenging macroeconomic scenario, with higher public debt and inflationary pressure, by a more aggressive competitive market and by a lack of best-selling products caused by the global Supply Chain crisis.

Revenue grew 20.2% in 2022, totaling R\$ 2.6 billion. Besides the factors already mentioned for 4Q22, the 17 openings and 19 renovations of G5 stores during 2021, sales of World Cup products during 3Q22 and a comparison base for 2021 still impacted by the effects of the pandemic contributed positively to the result. On the other hand, the additional negative contributions to the annual result were the effects of the pandemic during 1Q22 and the impacts of the migration of our ERP system during 3Q22. It is important to highlight that said migration was fully completed during the third quarter and did not impact the fourth quarter result in any way.

Digital GMV grew 14.4% in 4Q22 and 26.6% year-to-date (CAGR of 31.3% vs. 2019). Net revenue from the digital platform grew 5.5% in 4Q22 and 15.3% in 2022. As mentioned in the last quarterly releases, the difference between revenue and GMV growth is mainly explained by the end of the DIFAL (Tax Rate Difference) benefit and by Fisia's strategy of migrating to 3P, which made part of Nike products to be sold on Centauro's marketplace, which, together with the strategy of including new sellers, resulted in a growth of 110.9% in the marketplace for the quarter and 125.7% in the year.

The Black Friday performance, 29% higher than 2021, and the higher level of markdowns, positively contributed to sales growth. The negative impacts, as in brick-and-mortar stores, came from a more competitive market and a more challenging macroeconomic scenario.



NET REVENUE

FISIA

Fisia's Net Revenue totaled R\$ 968.9 million in 4Q22, a growth of 29.8%, and R\$ 3.2 billion in the year, up 26.4%. Growth in the quarter benefited from World Cup sales, the opening of 9 new stores, the resumption of revenue from sales to the wholesale channel after the completion of the system migration, the migration of wholesale sales to 3P digital sales and for the largest Black Friday held on nike.com.br channels and Nike Value Stores. The negative performance of Nike Value Stores for the quarter (SSS -2.8%) was expected and is mainly due to the change in the operating strategy of this channel, aiming at greater profitability through the reduction of markdowns and the increase in the share of rebuy products.

During the year, in addition to the effects mentioned above, the more assertive product pricing strategy, investments in performance marketing and the strategic prioritization of DTC channels also favored Fisia's growth in 2022.



GROSS INCOME

R\$ thousand	4Q22 adjusted	4Q21 adjusted	Δ(%)	2022 adjusted	2021 adjusted	Δ(%)
CENTAURO						
Gross Profit	534,716	528,077	1.3%	1,678,448	1,452,776	15.5%
<i>Gross Margin</i>	46.6%	49.9%	-3.3 p.p	47.9%	49.3%	-1.4 p.p
FISIA						
Gross Profit	412,982	272,095	51.8%	1,300,778	916,986	41.9%
<i>Gross Margin</i>	42.6%	36.5%	6.2 p.p	40.6%	36.1%	4.4 p.p
(+) <i>Intercompany elimination</i>	-3,573	-9,494		-40,435	-39,925	
GRUPO SBF						
Gross Profit	944,126	790,677	19.4%	2,938,792	2,329,837	26.1%
<i>Gross Margin</i>	47.6%	47.0%	0.6 p.p	46.9%	45.7%	1.3 p.p

CENTAURO

In 4Q22, Centauro's gross margin reached 46.6%, a decrease of -3.3 percentage points. In 2022, the margin reached 47.9%, -1.4 percentage points below 2021. This drop is partially explained by two factors that impacted the 4Q21 base, which was exceptionally above normal:

- (i) Impact of 0.7 percentage points on the 4Q21 margin due to the end of the DIFAL (Tax Rate Difference) benefit in the digital channel and;
- (ii) In 4Q21, against a backdrop of low inventories, we reached the highest gross margin in a fourth quarter, as a result of a lower level of markdowns during Black Friday.

Furthermore, in 4Q22, the stock out of best-selling products of the biggest sports brands and of our private label with higher margins, the greater need for markdowns and a greater share in the quarter of November sales, which historically has lower margin levels due to Black Friday, negatively impacted the gross margin.

In addition to the impacts mentioned above in 4Q22, we faced more aggressive competition in the online market throughout the year, resulting in the need of a markdown level above that practiced in 2021, the impact of DIFAL since the end of the first quarter and one-off effects of reduction of demand for winter products and bicycles.

FISIA

Fisia's gross margin reached 42.6% in the quarter, increasing 6.2 percentage points. The margin reached 40.6% in the year, an increase of 4.4 percentage points. In this quarter, margin expansion was once again benefited by the new pricing strategy initiated last quarter, which offset the exchange rate pressure still recorded in the cost of imported products. As a result, we could see the effect of the migration to DTC channels as in 3Q22, which increased from 49% to 56% of sales and contributed to the gross margin gain during the quarter. For the year, the comparison basis benefited by the acquisition inventory in 2021 and the exchange rate pressure in 2022 was offset by the increase in share of DTC channels and more assertive pricing.

OPERATING EXPENSES



R\$ thousand	4Q22 adjusted	4Q21 adjusted	Δ(%)	2022 adjusted	2021 adjusted	Δ(%)
Operating Expenses	-717,520	-519,653	38.1%	-2,210,989	-1,620,634	36.4%
% of Net Revenue	36.2%	30.9%	5.3 p.p	35.3%	31.8%	3.6 p.p
(+) IFRS16 Impact on Expenses	-66,026	-61,058	8.1%	-258,867	-226,695	14.2%
Operating Expenses (ex-IFRS)	-783,546	-580,711	34.9%	-2,469,855	-1,847,329	33.7%
% of Net Revenue	39.5%	34.5%	5 p.p	39.5%	36.2%	3.2 p.p
Selling Expenses (ex-IFRS)	-645,480	-467,858	38.0%	-2,062,919	-1,555,201	32.6%
% of Net Revenue	32.5%	27.8%	4.8 p.p	33.0%	30.5%	2.5 p.p
General and Administrative Expenses (ex-IFRS)	-140,118	-91,387	53.3%	-419,355	-277,088	51.3%
% of Net Revenue	7.1%	5.4%	1.6 p.p	6.7%	5.4%	1.3 p.p
Other net operating income/expenses (ex-IFRS)	2,052	-21,466	109.6%	12,419	-15,040	182.6%



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

Grupo SBF recorded -R\$ 783.5 million in Operating Expenses (ex-IFRS) in 4Q22, accounting for an increase of 34.9% over 4Q21. In the year, the total increase was 33.7%, totaling -R\$ 2,469.9 billion.

In the quarter, operating expenses (ex-IFRS) as a % of net revenue reached 39.5%, accounting for an increase of 5.0 percentage points. There were three types of factors that contributed to such increase:

- (i) Structural increases – caused by the dynamics of the business itself or by essential investment needs. The main impacts were: the greater share of DTC channels from Fisia, which have higher expenses than wholesale, increased marketing fees paid to Nike Inc and increased expenses with information security. Such increases accounted for 1.9 percentage points;
- (ii) Discretionary increases – investment decisions in specific expense lines that are considered important for the Company's growth, but which did not generate a positive result in the short term. The main impacts were: the increase in marketing expenses, an increase in teams such as marketing, logistics, Ventures and strategy, as well as the Company's salary and benefit adjustments. Such increases accounted for 2.3 percentage points;
- (iii) Extraordinary effects – the main impacts refer to the credit card management fee, which was undercharged in the previous quarters of 2022 and was retroactively adjusted by acquirers in 4Q22, as well as the impact of rent discounts in 4Q21, still a result of the negotiations during the pandemic, which did not occur in 4Q22. The extraordinary impacts represented 0.8 percentage points.



EBITDA

R\$ thousand	4Q22 adjusted	4Q21 adjusted	Δ(%)	2022 adjusted	2021 adjusted	Δ(%)
Net Income	56,670	303,225	-81.3%	157,420	426,483	-63.1%
(+) Income tax and social contribution	-16,997	127,588	-113.3%	730	157,992	-99.5%
(+) Net financial result	-69,635	-27,551	152.7%	-241,732	-152,927	58.1%
(+) Depreciation and amortization	-83,304	-67,835	22.8%	-329,381	-287,785	14.5%
(=) EBITDA	226,606	271,023	-16.4%	727,804	709,203	2.6%
EBITDA Margin	11.4%	16.1%	-4.7 p.p	11.6%	13.9%	-2.3 p.p
(+) IFRS16 Impact on Expenses	-66,026	-61,058	8.1%	-258,867	-226,695	14.2%
EBITDA (ex-IFRS)	160,580	209,967	-23.5%	468,936	482,508	-2.8%
EBITDA Margin	8.1%	12.5%	-4.4 p.p	7.5%	9.5%	-2 p.p

Grupo SBF's EBITDA (ex-IFRS) reached R\$ 160.6 million in 4Q22, with an EBITDA margin (ex-IFRS) of 8.1%, a decrease of -4.4 percentage points in margin compared to the result of 4Q21. We ended the year with an EBITDA (ex-IFRS) of R\$ 468.9 million, accounting for a decrease of -2.8% over 2021, and an EBITDA margin (ex-IFRS) of 7.5%, accounting for a contraction of -2.0 percentage points.

The drop in EBITDA margin for the quarter and in the year is explained by the decrease in Centauro's gross margin, the increase in expenses focused on the growth of Grupo SBF and the increase in Centauro's expenses, aiming for a revenue growth above what was achieved.

FINANCIAL INCOME (LOSS)

R\$ thousand	4Q22 adjusted	4Q21 adjusted	Δ(%)	2022 adjusted	2021 adjusted	Δ(%)
Net Financial Income/Expenses	-69,635	-27,551	152.7%	-241,732	-152,927	58.1%
(+) Financial Expenses – Right of Use (IFRS)	33,013	32,998	0.0%	125,375	116,587	7.5%
Net Financial Income/Expenses (ex-IFRS)	-36,623	5,446	n.a	-116,357	-36,339	220.2%

The Company presented a financial result (ex-IFRS) of –R\$ 36.6 million in the quarter, compared to R\$ 5.4 million in the fourth quarter of 2021. The Financial Result (ex-IFRS) was –R\$ 116.4 million in the year, an increase of 220.2% when compared to 2021.

The increase in net financial expenses reflects the growth in the Company's indebtedness, the reduction in the cash position, the increase in interest rates for the period and a lower positive impact of interest on tax credits.

NET INCOME (LOSS)



R\$ thousand	4Q22 adjusted	4Q21 adjusted	Δ(%)	2022 adjusted	2021 adjusted	Δ(%)
Net Income (Loss)	56,670	303,225	-81.3%	157,420	426,483	-63.1%
Net Margin	2.9%	18.0%	-15.2 p.p	2.5%	8.4%	-5.8 p.p
(+) IFRS16 Impact on Expenses	-66,026	-61,058	8.1%	-258,867	-226,695	14.2%
(+) Depreciation and amortization Right of Use (IFRS16)	46,821	42,908	9.1%	182,565	174,549	4.6%
(+) Financial Expenses – Right of Use (IFRS16)	33,013	32,998	0.0%	125,375	116,587	7.5%
(+) Income tax (IFRS16)	0	-4,900	100.0%	0	-19,062	100.0%
Net Income (Loss) (ex-IFRS)	70,478	313,175	-77.5%	206,493	471,863	-56.2%
Net Margin (ex-IFRS)	3.6%	18.6%	-15 p.p	3.3%	9.2%	-5.9 p.p

In 4Q22, Grupo SBF recorded Net Income (ex-IFRS) of R\$ 70.5 million, and R\$ 206.5 million in the year, accounting for a decrease of -56.2% compared to last year.

The drop in income is explained by the increase in operating expenses, the increase in financial expenses and by a comparison basis in the income tax for 2021 benefited by the recognition of R\$ 185.9 million of extemporaneous deferred income tax that was off the balance sheet.



NET WORKING CAPITAL



R\$ thousand	31/12/2022	31/12/2021	Δ(%)
Accounts receivable	1,715,172	1,330,303	28.9%
Taxes and income tax to be offset	574,406	611,081	-6.0%
Inventories	1,737,002	1,042,336	66.6%
Other accounts receivable	81,597	84,279	-3.2%
	4,108,177	3,067,999	33.9%
Other accounts payable	180,356	442,552	-59.2%
Resale suppliers	1,561,547	914,294	70.8%
Tax liabilities	225,628	134,048	68.3%
Lease payable	278,072	195,561	42.2%
Labor liabilities	191,851	157,520	21.8%
Other liabilities	152,851	20,073	n.a
	2,590,305	1,864,048	39.0%
Net Working Capital¹	1,517,872	1,203,951	26.1%



(1) Amount referring to 2021 adjusted in relation to that presented in 2021 in the lines of Current Liabilities.

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 an increase in its Net Working Capital compared to 4Q21, from R\$ 1,203.9 million to R\$ 1,517.9 million, a growth of 26.1%, in line with the growth observed in the year so far 22.5%.

The inventory increase recorded in the period is explained by: (i) a normalization in global supply chains in the quarter, which resulted in a high volume of goods received for Fisia, including goods scheduled to be received in 2023 and; (ii) a lower-than-expected sales from Centauro in the quarter, which resulted in a higher-than-desired inventory accumulation that will be adjusted throughout 2023.



MANAGEMENT CASH FLOW

R\$ thousand	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
EBITDA	272,852	249,629	9.3%	749,535	704,342	6.4%
Depreciation and Interest Rates IFRS 16	-79,835	-75,906	5.2%	-307,941	-291,136	5.8%
Working Capital Variation ¹	163,897	200,444	-18.2%	-313,921	-147,116	113.4%
Other	55,851	-196,597	128.4%	31,241	-62,953	149.6%
Operating Cash Flow	412,765	177,570	132.5%	158,913	203,136	-21.8%
M&A	0	0	n.a	-37,669	-48,555	-22.4%
Other	-152,734	-100,131	52.5%	-341,232	-284,256	20.0%
Cash Flow from Investing Activities	-152,734	-100,131	52.5%	-378,901	-332,811	13.8%
Debt ²	-90,370	-80,682	12.0%	149,949	165,731	-9.5%
Factoring of Receivables	0	0	n.a	0	-4,241	n.a
Tax Installment Payment	-8,022	-10,288	-22.0%	-39,357	-4,805	n.a
Dividends	0	0	n.a	-28,637	0	n.a
Capital	83	1,904	-95.6%	6,997	8,042	-13.0%
Cash Flow from Financing	-98,309	-89,066	10.4%	88,952	164,727	-46.0%
Total Cash Variation	161,722	-11,627	n.a	-131,036	35,053	n.a

-  (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\$ 412.8 million in 4Q22, mainly impacted by the Company's natural cash generation in the last quarter of the year – such effect is justified by the low rate of payments to suppliers in the period, considering the Company's average PMP. In 4Q21, the item Other was mainly impacted by the transfer of ICMS credits from Fisia from Short to Long Term, due to the expectation of consumption after accessing the import and export carrier, thus reversing the positive effect recorded in 3Q21. In 4Q22, there was a partial return of these tax assets from Long to Short Term, positively impacting the line Other.

Cash Flow from Investments was mainly explained by investments in technology and in the opening of Grupo SBF stores (Centaurus G5 and, for Fisia, Nike Value Store and Nike Direct Inline Store), in addition to investments in M&As by SBF Ventures over the year.

Cash Flow from Financing remained stable when compared to the same quarter of the previous year, considering interest payments on loans and debentures, in addition to state and federal tax installment payments being the most representative.



INDEBTEDNESS

R\$ thousand	31/12/2022 adjusted	31/12/2021 adjusted	Δ(%)
(+) Loans and financing	1,133,562	823,778	37.6%
(-) Cash and cash equivalents	418,311	549,347	-23.9%
(=) Net Debt	715,251	274,431	160.6%
(+) Factoring of Receivables	0	0	n.a
(+) Tax Installment Payment	112,389	151,746	-25.9%
(=) Adjusted Net Debt	827,640	426,177	94.2%
Adj. Net Debt /Adj. EBITDA (LTM)	1.14x	0.6x	0.54x
Adj. Net Debt /Adj. EBITDA (Ex-IFRS) (LTM)	1.76x	0.88x	0.88x

The increase in the balance of loans and financing in the 4Q22 in relation to the same period in 2021 reflects the new debts raised to finance the Company's growth and its investment needs.

INVESTMENTS - CAPEX

R\$ thousand	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
New Stores	70,521	21,328	230.6%	116,156	75,361	54.1%
Stores Refurbishment	15,908	25,613	-37.9%	37,820	72,969	-48.2%
Technology	33,705	31,830	5.9%	116,715	93,821	24.4%
Logistics	20,078	1,084	n.a	31,205	5,954	n.a
Others	12,522	20,276	-38.2%	39,336	36,151	8.8%
Total Investments	152,734	100,131	52.5%	341,232	284,256	20.0%

CAPEX in 4Q22 increased 52.5% over 4Q21, reflecting the beginning of the expansion of Nike stores in Brazil, with the opening of 9 Nike Value and Nike Direct Inline Stores and renovations of 4 Centauro stores for the G5 model in the quarter, in addition to the acceleration of investments in structuring technology and logistics projects.

CAPEX increased 20.0% in the year, mainly reflecting investments in technology, such as system migrations of the Centauro and Fisia ERP, the internalization of the nike.com.br digital platform and the opening of new Nike stores in the country.





CONSOLIDATED BALANCE SHEET

R\$ thousand	31/12/2022	31/12/2021
Assets	8,470,247	7,146,492
Current	4,526,488	3,617,346
Cash and cash equivalents	418,311	549,347
Accounts receivable	1,711,003	1,301,044
Derivative financial instruments	4,169	29,259
Recoverable taxes	525,351	601,308
Income tax and social contribution to be offset	49,055	9,773
Inventories	1,737,002	1,042,336
Other accounts receivable	81,597	84,279
Non-current	3,943,759	3,529,146
Accounts receivable	0	27
Taxes to be offset	146,880	272,981
Income tax and social contribution to be offset	93,055	117,127
Loans receivable	10,036	0
Deferred tax assets	841,811	756,103
Judicial deposits	291,673	148,449
Other amounts receivable	67,727	72,675
Investments	5,001	0
Property and equipment	571,951	430,112
Intangible assets	487,453	403,830
Right of use	1,428,172	1,327,842
Liabilities	8,470,247	7,146,492
Current	2,948,338	2,161,217
Suppliers	1,561,547	914,294
Loans and financing	86,082	129,733
Debentures	191,836	77,743
Derivative financial instruments	39,612	4,617
Tax liabilities	192,684	82,697
Income tax and social contribution payable	32,944	51,351
Tax installment payment	47,030	61,056
Labor and social security liabilities	191,851	157,520
Dividends payable	33,085	28,637
Lease payable	278,072	195,561
Other accounts payable	140,744	437,935
Other obligations	152,851	20,073
Non-current	3,112,055	2,760,640
Loans and financing	81,997	165,260
Debentures	773,647	451,042
Tax installment payment	65,359	90,690
Deferred tax liability	0	0
Provisions for contingencies	559,713	619,431
Deferred income tax and social contribution	9,724	0
Lease payable	1,358,170	1,295,100
Other obligations	123,874	122,989
Other accounts payable	139,571	16,128
Shareholders' equity	2,409,854	2,224,635
Capital stock	1,830,524	1,823,527
Capital reserves	261,528	224,967
Incentive reserves	331,702	159,770
Equity valuation adjustments	-15,157	15,726
Accumulated losses	1,257	645



CASH FLOW

R\$ thousand	31/12/2022	31/12/2021
Net profit (loss) of the period	204,602	497,831
Adjusted by:		
Depreciation and amortization	353,780	324,249
Interest rates	303,459	231,407
Impairment losses on accounts receivables	1,994	820
Equity Income	-210	0
Share-based payment	36,561	30,507
Residual cost in the write-off of property & equipment and intangible assets	-1,927	18,542
Income (loss) from write-off of property, plant and equipment and intangible assets	0	0
Write-off of residual leases	-30	-2,247
Provision for inventory obsolescence	46,948	36,293
Present value adjustment, Net	0	-1,575
Net recording of provision for contingencies	-18,161	108,965
Tax credits (IRPJ and CSLL) related to tax overpayments	0	-85,771
Exclusion of ICMS from PIS and COFINS calculation basis	0	-39,734
Current income tax and social contribution	127,140	57,689
Deferred income and social contribution taxes	-113,529	-345,239
Lease discounts	-10,108	-23,765
	930,519	807,973
(Increase) decrease in Assets		
Accounts receivable	-411,908	-348,627
Inventory	-741,317	-177,154
Derivative financial instruments	-5,793	-13,533
Deferred taxes, income tax and social contribution to be offset	190,891	234,413
Judicial deposits	-143,221	-22,698
Other accounts receivable	9,866	-9,192
Increase (decrease) in liabilities		
Suppliers	645,265	252,180
Tax liabilities	99,174	-70,825
Tax installment payment	-44,490	-29,788
Derivative financial instruments	34,995	4,617
Contingencies paid	-41,557	-36,669
Labor and social security liabilities	34,156	63,812
Other accounts payable	-175,319	18,566
Other obligations	133,663	-29,023
Chg. in assets and liabilities:	-415,595	-163,921
Interest rate paid on financing	-34,597	-27,191
Interest rate paid on debentures	-106,820	-28,395
Interest paid on leases	-127,402	-115,379
Income tax and social contribution paid	-108,002	-66,005
Net cash (used in) generated by operating activities	138,103	407,082
Cash flow from investing activities		
Additions to property and equipment	-230,266	-187,512
Additions to intangible assets	-141,455	-101,651
Acquisition of subsidiary net of cash received	-22,160	-220,186
Net cash (used in) investing activities	-393,881	-509,349
Cash flow from financing activities		
Loans and financing raised	2,536	17,625
Loans and financing paid	-207,268	-95,347
Issue of debentures	496,098	299,039
Lease Paid	-134,984	-92,039
Advance for future capital increase	0	0
Capital increase	6,997	8,042
Loans receivable	-10,000	0
Dividends paid	-28,637	0
Net cash (used in) financing activities	124,742	137,320
Decrease of cash and cash equivalents	-131,036	35,053
Cash and cash equivalents at the beginning of the year	549,347	514,295
Cash and cash equivalents at the end of the year	418,311	549,348

INCOME STATEMENT



IFRS

R\$ thousand	4Q22	4Q21	Δ(%)	2022	2021	Δ(%)
Net revenue	1,983,093	1,683,464	17.8%	6,260,707	5,110,462	22.5%
Cost of sales	-1,038,967	-873,636	18.9%	-3,319,775	-2,758,851	20.3%
Gross Profit	944,126	809,828	16.6%	2,940,932	2,351,611	25.1%
Operating expenses	-671,275	-560,198	19.8%	-2,191,399	-1,647,268	33.0%
Selling expenses	-551,499	-412,500	33.7%	-1,784,804	-1,316,257	35.6%
General and Administrative Expenses	-138,715	-127,255	9.0%	-406,410	-299,339	35.8%
Other net operating income/expenses	18,940	-20,444	192.6%	-184	-31,672	-99.4%
Depreciation and amortization expenses	-87,922	-72,673	21.0%	-347,698	-301,967	15.1%
Operating Income (Loss)	184,929	176,956	4.5%	401,836	402,375	-0.1%
Financial income	51,330	42,282	21.4%	254,441	185,051	37.5%
Financial expenses	-62,856	-98,340	-36.1%	-438,064	-377,145	16.2%
Net financial income (expenses)	-11,526	-56,058	-79.4%	-183,623	-192,094	-4.4%
Profit before taxes	173,403	120,898	43.4%	218,213	210,281	3.8%
Income tax and social contribution	-32,737	167,579	-119.5%	-13,611	287,550	-104.7%
Net income for the period	140,666	288,477	-51.2%	204,602	497,831	-58.9%

IFRS adjusted by non-recurring effects


R\$ thousand	4Q22 adjusted	4Q21 adjusted	Δ(%)	2022 adjusted	2021 adjusted	Δ(%)
Net revenue	1,983,093	1,683,464	17.8%	6,260,707	5,102,436	22.7%
Cost of sales	-1,038,967	-892,787	16.4%	-3,321,915	-2,772,599	19.8%
Gross Profit	944,126	790,677	19.4%	2,938,792	2,329,837	26.1%
Operating expenses	-717,520	-519,653	38.1%	-2,210,989	-1,620,634	36.4%
Selling expenses	-585,856	-412,500	42.0%	-1,827,287	-1,346,565	35.7%
General and Administrative Expenses	-133,715	-84,334	58.6%	-395,634	-256,223	54.4%
Other net operating income/expenses	2,052	-22,819	109.0%	11,933	-17,846	166.9%
Depreciation and amortization expenses	-83,304	-67,835	22.8%	-329,381	-287,785	14.5%
Operating Income (Loss)	143,302	203,189	-29.5%	398,423	421,417	-5.5%
Financial income	21,842	42,282	-48.3%	224,953	167,355	34.4%
Financial expenses	-91,478	-69,833	31.0%	-466,686	-320,282	45.7%
Net financial income (expenses)	-69,635	-27,551	152.7%	-241,732	-152,927	58.1%
Profit before taxes	73,667	175,638	-58.1%	156,691	268,491	-41.6%
Income tax and social contribution	-16,997	127,588	-113.3%	730	157,992	-99.5%
Net profit for the period	56,670	303,225	-81.3%	157,420	426,483	-63.1%




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.

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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