
PortobelloGrupo

PBG S.A.

PRESS RELEASE 4T17

February 23, 2018

Stock Price (12/31/2017)
PTBL3 - R$ 5.49 | share

Market value (12/31/2017)
R$ 870 millions
U$$ 263 millions

Quantity of shares (12/31/2017)
Common: 158,488,517
Free Float = 46.0%

Investor Relations

John Shojiro Suzuki
Chief Finance and Investor Relations Officer

Gladimir Brzezinski
Controller and Investor Relations Manager

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Índice de Ações com Governança Corporativa Diferenciada IGC
Índice de Ações com Tag Along Diferenciado ITAG
PTBL3 NOVO MERCADO BM&FBOVESPA

COMMENTS ON THE CONSOLIDATED PERFORMANCE OF 2017

PBG S.A. (BM&FBovespa: PTBL3 NM), current name of Portobello S.A., presents its results referring to year ended December 31, 2017. Financial information presented in this document derives from consolidated financial statements of PBG S.A., prepared in accordance with standards of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS).

About PBG S.A.

PBG S.A. is today the largest company of ceramic coating in Brazil, with annual gross income of R$1.3 billion. Its sales, over 40 million square meters, supply the domestic market through Portobello Shop retail chain, home centers, development and construction companies, in addition to clients of the five continents, with brands Portobello and Pointer.

HIGHLIGHTS

- Accumulated **GROSS INCOME** of **R$ 1,278** million for the year, **similar** to the previous year;
- **GROSS PROFIT** of **R$ 417 million** in 2017 and **R$ 363 million** in 2016 - **growth** of **15%;**
- **GROSS MARGIN** of **41**% for the year, 5 pp **higher** than in 2016;
- **EBITDA** reaches the annual record of **R$ 189 million** in 2017, with a margin of 18.5%. Growth of **64%** and 7 pp in the margin when compared to 2016;
- Net **INCOME** of **R$ 64 million;**
- **Decrease** in net **INDEBTEDNESS** in the amount of **R$ 70 million**, **15%** lower than in 2016, with a significant **decrease** of **Net debt/EBITDA ratio** from 4.03x (in 2016) to **2.09x** (in 2017).
- **PTBL3** share ends the year at **R$ 5.49** (R$ 2.03 in 2016), **appreciation of 170%** and growth of **288% in average financial trading volume** in the last 12 months.

MANAGEMENT COMMENTS

The Company has ended 2017 with positive results in a year whose economic instability continued, and the industry has performed below expectations again. The strategy was to increase profitability throughout this year, based on differentials and internal levers of results, which proved to be the adequate path. Exports reached record levels and represented a good alternative in the face of the volatile scenario and the retraction of the domestic market.

Gross sales totaled R$ 1.3 billion, almost equal to 2016. According to Abramat, deflated billings of the construction finishing materials market presented fall of 4.4% in the year, indicating a gain of market share for the Company in the industry.

The Company focused its commercial strategy on a mix of more profitable products in the domestic market, albeit with lower sales volume. Thus, although domestic market revenue fell 3%, the consolidated gross margin recorded a 5 pp gain between 2017 and 2016. In the foreign market, the Company recorded a 21% growth in Reais, directly impacted by the increase in exports. Exports recorded US$ 57 million in 2017 and US$ 43 million in 2016, equivalent to a 32% increase.

Cash generation measured by EBITDA totaled R$189 million and net income was R$64 million in 2017. With margins of 18.5% and 6.3%, respectively. The resumption of profitability is due to the gross margin increase, the rigorous management of expenses, the readjustment of the new business to the current scenario and the significant reduction in financial expenses, with the fall in the basic interest rate and lower indebtedness.

Portobello Shop maintains its plan to expand the exhibition area and its leading role in the Company's growth. The network has 142 units, of which 11 are self-owned. Own stores maintain their franchise laboratory role and advanced in the process of maturation and improved profitability in 2017.

With a focus on innovation and design, the Company launched its new Officina product portfolio in 2017, exclusive to the Portobello Shop network. Officina items bring unique solutions in the art of porcelainware, through the combination of artisanal mastery and state-of-the-art technology for special cuts, design objects, furniture and countertops. With a functional feature, high quality and design signed by national references, Officina items translate Portobello’s essence of high technical and aesthetic performance in several applications.

In the Pointer brand, the Company maintained its plans to improve gross margins and plant adequacy. The market in the Northeast region undergoes a significantly slower stabilization and recovery process. Thus, the productive capacity of the Alagoas plant was adequate to meet the prospects of a lower demand in the medium term and have not jeopardize the unit's working capital.

In Tijucas, manufacturing costs were reduced due to the initiatives of modernization, continuous optimization of the structure and inputs. The plant was redesigned to produce items with higher added value (enameled porcelain tiles). The plant also offers greater flexibility and maintains a focus on quality. Throughout 2017, the plant used 100% of its productive capacity.

Debt reduction and increased EBITDA contributed to a less onerous financial leverage. The debt/EBITDA ratio was reduced to 2.09 times, the lowest in the last 36 months.

Portobello Group

PBG S.A. and subsidiaries
Performance comment
In thousands of reais, unless otherwise indicated

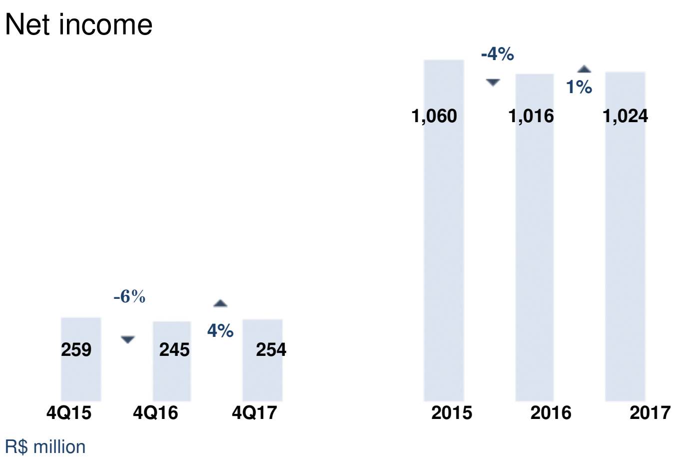
The positive result of the year is in line with the expectations of Management. The good margin performance, coupled with the adequacy of expenses, demonstrates the Company's confidence in its strategy, business model, management and competitive differentials.

ECONOMIC AND FINANCIAL PERFORMANCE

	R$ thousand	4Q15	4Q16	4Q17	▲%	2015	2016	2017	▲%
PERFORMANCE	**Gross income**	**332,548**	**312,765**	**316,868**	**1%**	**1,345,015**	**1,301,050**	**1,277,945**	-2%
	Net income	259,482	245,148	254,163	4%	1,060,395	1,016,400	1,023,937	1%
	Gross income	**95,837**	**88,134**	**99,973**	**13%**	**396,202**	**363,202**	**417,020**	**15%**
	Gross margin	36.9%	36.0%	39.3%	3.3 p.p.	37.4%	35.7%	40.7%	5 p.p.
	EBIT	**28,528**	**13,185**	**31,412**	**138%**	**134,405**	**75,808**	**149,006**	**97%**
	EBIT margin	11.0%	5.4%	12.4%	7 p.p.	12.7%	7.5%	14.6%	7.1 p.p.
	Financial income (loss)	(15,909)	(12,386)	(26,563)	114%	(58,024)	(81,695)	(68,014)	-17%
	Net income	**12,340**	**5,243**	**4,829**	**-8%**	**52,673**	**2,142**	**64,170**	
	Net Margin	4.8%	2.1%	1.9%	-0.2 p.p.	5.0%	0.2%	6.3%	6.1 p.p.
	EBITDA	**37,695**	**23,528**	**41,795**	**78%**	**166,769**	**115,312**	**189,017**	**64%**
	EBITDA margin	*14.5%*	*9.6%*	*16.4%*	6.8 p.p.	*15.7%*	*11.3%*	*18.5%*	7.1 p.p.
INDICATORS	Current liquidity					*1.46*	*1.31*	*1.26*	(0.05)
	Net debt					501,654	464,241	394,367	-15%
	Net debt/EBITDA					*3.01*	*4.03*	*2.09*	(1.94)
	Net debt/Shareholders' equity					*2.16*	*1.95*	*1.38*	(0.56)
PTBL3	Closing quotation					2.06	2.03	5.49	170%
	Market value					326,486	321,732	870,102	

In thousands of reais, unless otherwise indicated

Net income



Consolidated net income totaled R$1,024 million in 2017, maintaining practically the same in the period of prior years.

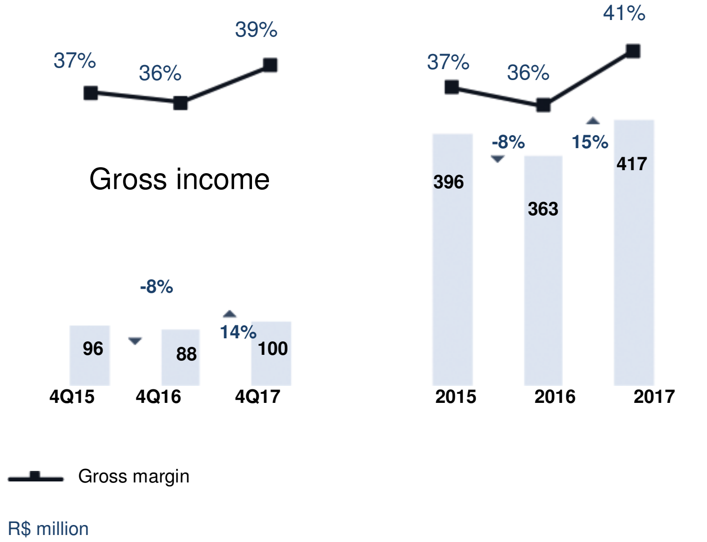
Domestic market net income represented 82% of total and decreased 3% in relation to 2016. The reduction follows the market downturn. According to ABRAMAT, in 2017, domestic finishing material market presented a reduction of 4.4% (deflated) in gross billings.

In the foreign market, sales grew 21% compared to 2016. Exports in 2017 reached US$ 57 million, about 32% higher than the previous year.

	4Q15	4Q16	4Q17	▲%	2015	2016	2017	▲%
Net income	**259,482**	**245,148**	**254,163**	**4%**	**1,060,395**	**1,016,400**	**1,023,937**	**1%**
Domestic market	218,359	210,328	209,909	0%	912,806	864,858	840,999	-3%
Foreign market	41,123	34,820	44,254	27%	147,589	151,542	182,938	21%

Gross income

Gross profit in 2017 totaled R$ 417 million, a growth of 15% compared to 2016. The gross margin recorded a 5 pp gain, due to a mix of sales with higher profitability products and lower costs.



In thousands of reais, unless otherwise indicated

Operating income

Selling expenses totaled R$247 million in 2017, and almost the same as in 2016. This is mainly due to the increase in the effectiveness of the logistics operators' expenses and the adequacy of their operating capacity. Freight expenses and logistic structure represent 16% of commercial expenses. A more effective distribution structure is an important difference to the Company’s position in the market, as service quality would improve.

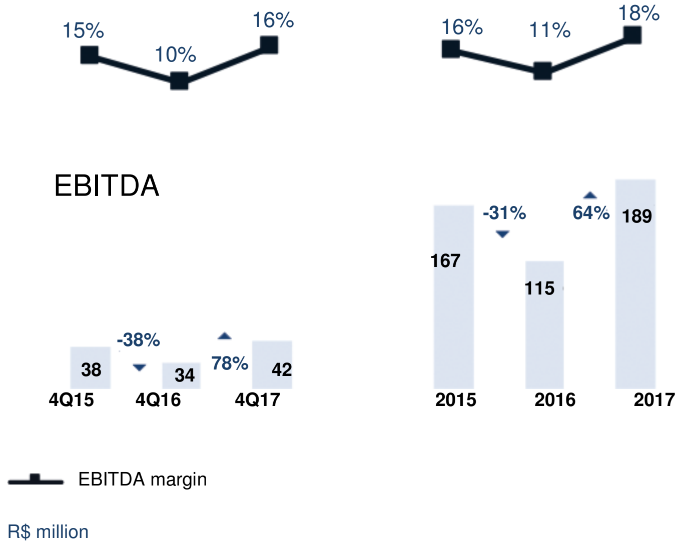
Regarding net income, sales expenses represented 24% in 2017 (25% in 2016), similar to the performance of the previous year. The Company understands that this level is adequate to support its current operation.

	4Q15	4Q16	%RL	4Q17	%RL	▲%	2015	2016	%RL	2017	%RL	▲%
Operating expenses	**(67,309)**	**(74,949)**	31%	**(68,561)**	27%	-9%	**(261,797)**	**(287,394)**	28%	**(268,014)**	26%	-7%
Sales	(62,681)	(66,365)	27%	(63,023)	25%	-5%	(214,205)	(250,744)	25%	(246,510)	24%	-2%
General and administrative	(9,057)	(9,972)	4%	(11,023)	4%	11%	(34,568)	(37,155)	4%	(35,877)	4%	-3%
Other income (expenses)	4,429	1,388	-1%	5,485	-2%		(13,024)	505	0%	14,373	-1%	

Administrative expenses totaled R$ 35.9 million in 2017, 3% lower than in 2016, mainly due to the adequacy of the structure for the Pointer/Alagoas operation and review of the expenditure structure carried out at the end of 2016. Regarding net income, the ratio of 4% was maintained when compared to 2016.
Other operating income totaled R$ 14 million and derive from extemporary tax credits and favorable judicial decisions recognized throughout this year.

EBITDA

The Company closed the year with a record annual EBITDA of R$ 189 million, representing an increase of 58%. EBITDA margin increased from 11% in 2016 to 18.5% in 2017, which demonstrates the resumption of the profitability and maturity that the new businesses are achieving.



Portobello Group

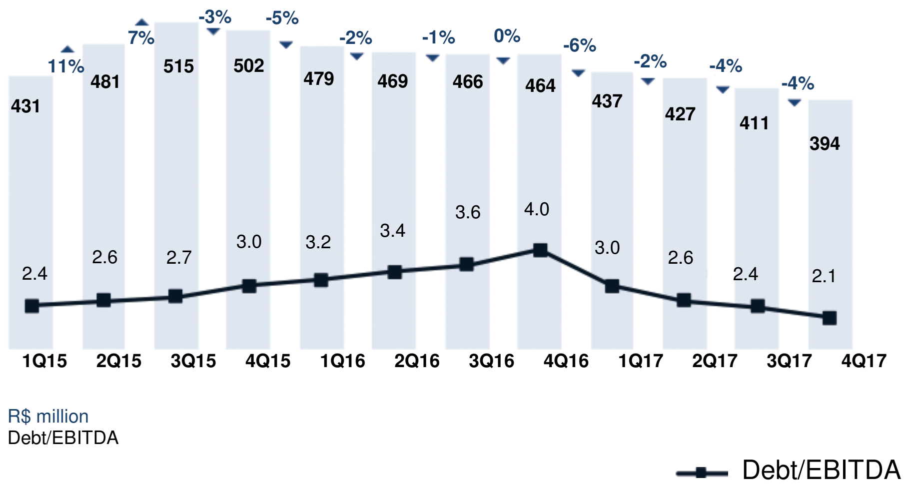
PBG S.A. and subsidiaries
Performance comment
In thousands of reais, unless otherwise indicated

	4Q15	4Q16	4Q17	%RL	▲%	2015	2016	2017	%RL	▲%
Net income	12,340	5,243	4,829	2%	-8%	52,673	2,142	64,170	6%	
(+) Financial income (loss)	15,909	12,386	26,563	10%	114%	58,024	81,695	68,014	7%	-17%
(+) Depreciation and amortization	9,167	10,343	10,383	4%	0%	32,364	39,504	40,011	4%	1%
(+) Income taxes	279	(4,444)	20	0%		23,708	(8,029)	16,822	2%	
EBITDA	**37,695**	**23,528**	**41,795**	**16%**	**78%**	**166,769**	**115,312**	**189,017**	**18%**	**64%**

Net income
The year ended with a profit of R$ 64 million, higher than in 2015. The performance is the result of the greater operating income, diligent efforts for reduction of expenses, judicial favorable results and reduction of financial expenses (exchange rate, lower interest rate and lower indebtedness).

INDEBTEDNESS/CAPITAL STRUCTURE

Net debt



R$ million
Debt/EBITDA

The Company's net debt decreased to R$ 394 million at the end of 2017. Compared to the perceived peak in 3Q15, there was a decrease of R$ 121 million, or around 23%.

Net indebtedness is equivalent to 2.09X EBITDA for the year and 1.4X the shareholders' equity. In the last semester The year 2017 recorded the lowest ratio of the last 36 months.

The minimum covenants of all existing financing agreements in force are being met.

Portobello Group

PBG S.A. and subsidiaries
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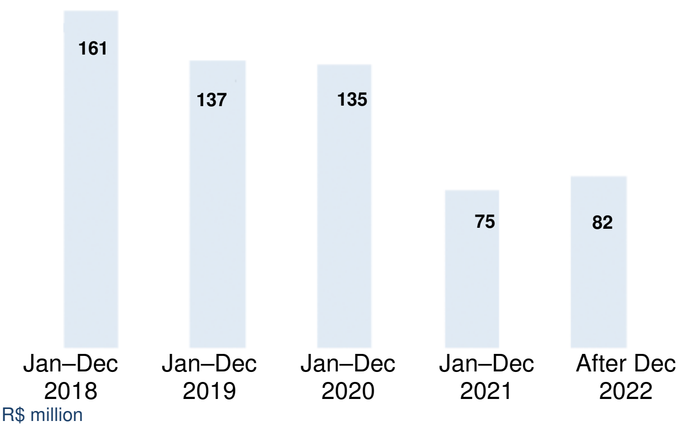
In thousands of reais, unless otherwise indicated

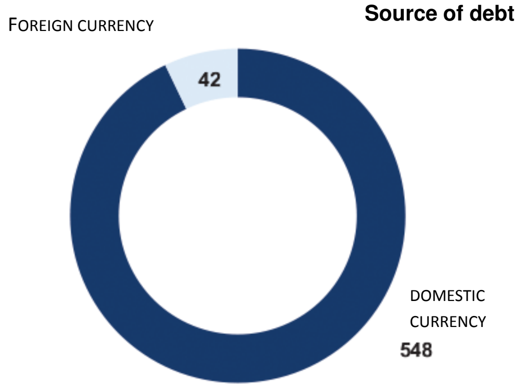
	2015	2016	2017	▲ R$
Bank indebtedness	697,728	586,661	513,561	(73,100)
Tax indebtedness	82,495	79,199	76,774	(2,425)
(=) Gross indebtedness	**780,223**	**665,860**	**590,335**	**(75,525)**
(+) Cash and cash equivalents	(193,968)	(112,196)	(101,317)	10,879
(+) Related party credits	(84,601)	(89,423)	(94,651)	(5,228)
(=) Net indebtedness	**501,654**	**464,241**	**394,367**	**(69,874)**
EBITDA (last 12 months)	166,769	115,312	189,017	73,705
Net debt/EBITDA	*3.01*	*4.03*	*2.09*	
Net debt/Shareholders' equity	*2.16*	*1.95*	*1.38*	

Gross indebtedness value is divided into: 27% maturing in the short-term and 73% maturing in the long term. The Company is working on extending its debt profile.

Amortization schedule
(gross indebtedness)



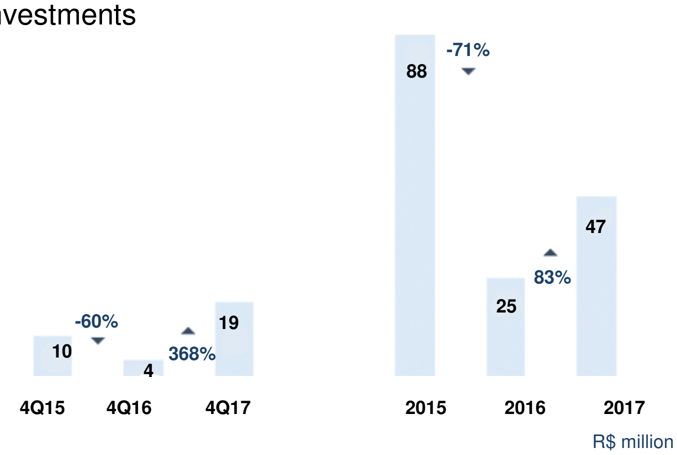
Source of debt



INVESTMENTS

There was a resumption of organic investments in the second half of 2017, ending the year with R$ 47 million. Of this amount, R$ 29 million (60%) corresponds to the preparation and updating of the industrial facilities in Tijucas for the production of products with higher added value and larger formats. Other investments were allocated to own stores (16%), to make Alagoas (7%) plant adequate and to systems (4%).

Investments



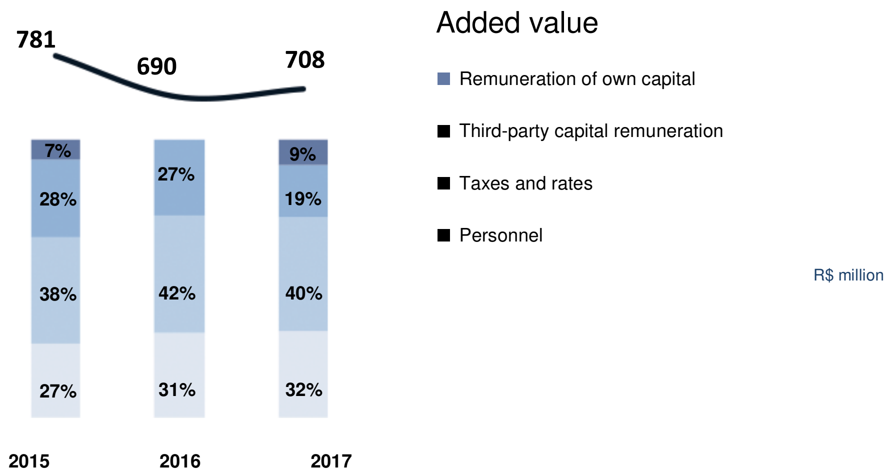
REMUNERATION TO SHAREHOLDERS AND DECISIONS IN SHAREHOLDERS' MEETING

Management will propose to distribute total dividends of 50% in the amount of R$ 30,464. Of these, R$ 9,615 have already been advanced in the form of interest on own capital on August 18. The amount to be paid will be R$ 20,850, whose approval, payment form and payment date will be decided at the Annual General Meeting.

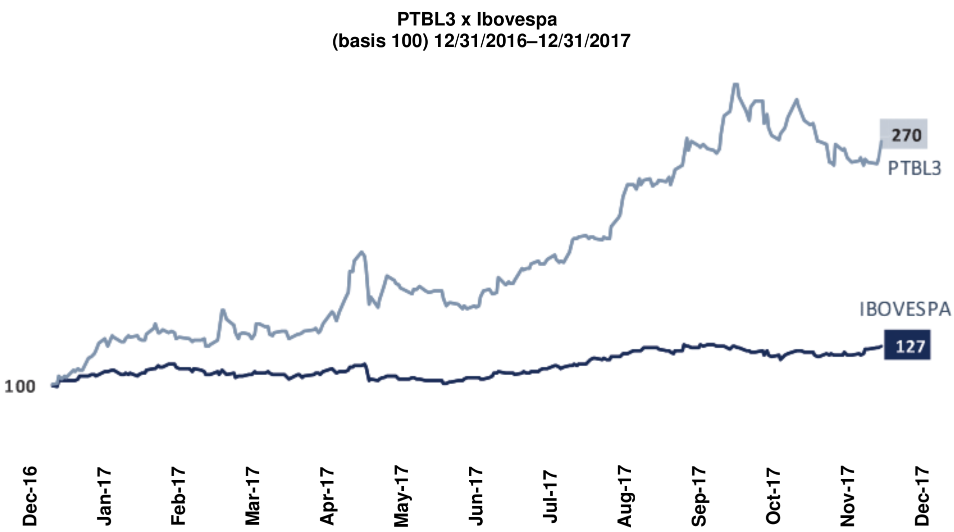
Thus, the total remuneration to be distributed to shareholders for 2017 will represent a yield (dividend per share divided by final share quotation) of 3.50%.

ADDED VALUE

Added value in 2017 totaled R$708 million (R$690 million in 2016). Of this amount, 40% was allocated to taxes, 32% to labor (personnel) remuneration, and 19% to remuneration of third parties and 9% retained as income for the period.



PERFORMANCE OF PTBL3 SHARES



Common shares issued by PBG S.A., traded at BM&FBovespa under code PTBL3, closed December 2017 last trading session quoted at R$5.49, an appreciation of 170% in the last twelve months, and, in the same period, Ibovespa grew 27%.

Average financial volume traded in the last 12 months was R$ 46 million, an increase of 288% in face of the R$ 12 million for the same prior year. In the end of 2017, PBG S.A. presented a market value equivalent to R$ 870 million (R$ 426 million as of September 31, 2016).

PROSPECTS

- The Company remains confident that the market in 2018 should maintain the gradual improvement perceived throughout 2017;
- The retail segment should remain a pillar of industry growth, along with exports. On the other hand, the construction market is expected to show signs of resumption this year, which should reflect more clearly in the finishing industry in early 2019. Thus, the next year for this segment should still remain challenging for the Engineering area;
- Efforts in the foreign market are focused on expanding exports or internationalizing the Company to create a more robust structure to reduce the dependence on the domestic market;
- Internally, the focus will be maintained on qualifying sales mix, seeking margin gains;
- The Alagoas plant and the Pointer brand continue their plan to adapt themselves to the current market context and seek economic balance;
- The Company resumed the pace of investment for 2018. In the manufacturing plants of Tijucas and Alagoas, the focus is the qualification of the production. In its own stores, investments are divided into the expansion of the current units and creation of new ones. The distribution structure will also be the focus of investments, both domestically (for both brands) and internationally;
- Thus, efforts are translated into the expansion and improvement of the competitive differentials of Portobello Shop business, with new own stores, distribution and Officina;
- Management will continue focused on decrease of debt/EBITDA ratio. Actions are directed to discipline cash management, decrease working capital, and preserve liquidity and decrease of financial costs;
- The Company remains confident about its competitive differences and reaffirms its efforts to improve results.

INDEPENDENT AUDIT

The policy of PBG S.A. towards its auditors with respect to service provision not related to external audits of financial statements, which is covered by the principles that preserve the professional independence. These principles are based on the assumption that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client. In 2017, the Company did not hire independent auditors for services other than those related to external auditing.

COMPOSITION OF MANAGEMENT

Board of Directors

Name	Position
Cesar Bastos Gomes	President
Cesar Gomes Júnior	Vice-President (CEO)
Nilton Torres de Bastos Filho	Board Member
Roberto Alves de Souza Waddington	Board Member (Independent)
Plínio Villares Musetti	Board Member (Independent)
Glauco José Corte	Board Member (Independent)
Mário José Gonzaga Petrelli	Board Member (Independent)

Executive Board

Name	Position
Cesar Gomes Júnior	Chief Executive Officer
Cláudio Ávila da Silva	Director Vice-President
John Shojiro Suzuki	Financial and Investor Relations Officer
Mauro do Valle Pereira	Corporate Officer

WEBCAST TELECONFERERENCE

On Wednesday, February 28, 2018 at 10 a.m., teleconference in Portuguese will be held to address results for 2017.

Data for connection: Telephone: +55 11 3193 1001 Password: PORTOBELLO

For those not able to accompany teleconferences live, full audio record will be made available directly at the Company's website www.ri.portobello.com.br/).

Portobello Group

PBG S.A. and subsidiaries
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In thousands of reais, unless otherwise indicated

Balance sheet

Assets	12/31/2017	12/31/2016	Liabilities	12/31/2017	12/31/2016
Current	**522,623**	**535,369**	**Current**	**414,310**	**409,155**
Cash and cash equivalents	94,379	105,745	Loans / Debentures	146,402	197,004
Accounts receivable	218,412	215,379	Suppliers and Credit Granting	149,696	124,451
Inventories	179,323	185,880	Taxes and social contributions	31,157	25,188
Recoverable taxes	15,922	19,079	Social and labor obligations	31,330	27,155
Prepaid expenses	1,720	1,995	Advances from clients	12,615	17,977
Other	12,867	7,291	Dividends payable	6,035	915
			Other	37,075	16,465
Non-current	**729,385**	**701,991**	**Non-current**	**552,638**	**589,746**
Long-term assets	**268,926**	**247,847**	Loans / Debentures	367,159	389,657
Judicial deposits	93,501	81,742	Suppliers	78,496	68,990
Recoverable taxes	6,407	6,124	Deferred income and social contribution taxes	14,186	3,250
Judicial assets	45,969	26,735	Tax obligations to be paid in installments	62,648	69,342
Related party credits	94,651	89,423	Provisions	30,149	58,507
Receivables - Eletrobrás	12,821	32,208			
Other non-current assets		11,615			
			Shareholders' equity	**285,060**	**238,459**
Investments	**298**	**243**	Capital	130,000	119,565
Property, plant and equipment	**440,595**	**433,348**	Profit reserves	143,988	121,129
Intangible assets	**19,566**	**20,553**	Other comprehensive income	(4,172)	(2,246)
			Retained earnings	15,232	-
			Non-controlling interest	12	11
Total assets	**1,252,008**	**1,237,360**	**Total liabilities**	**1,252,008**	**1,237,360**

Please visit the Investor Relations website: www.portobello.com.br/ri