



Earnings Release 2023

Portobello Grupo

Portobello Grupo

Tijucas, Marth 13th, 2023. PBG S.A. (B3: PTBL3), "PBG" or "Company", ceramic tile company in Brazil, announces its results for the fourth quarter of 2023 (4Q23). The financial data reported herein is derived from PBG S.A.'s consolidated Quarterly Financial Information, prepared according to with the standards issued by the Accounting Pronouncement Committee (CPC) and the International Financial Reporting Standards (IFRS), whose comparisons are based on the same periods of 2022 and/or prior years, as indicated.

Portobello Grupo posts recurring profit of R\$27.4 million in 4Q23 and advances its internationalization strategy.

Highlights

- **4Q23 Net Revenue** was R\$556.2 million, 11.5% higher than 4Q22. Year-to-date 2023 revenue was R\$2.2 billion, -0.3% vs. 2022.
- **Adjusted and Recurring Gross Profit** for 4Q23 reached R\$221.3 million, 10.7% up on 4Q22, with a gross margin of R\$39.8%.
- **Adjusted and Recurring EBITDA** of R\$78.5 million in 4Q23, +29.1% vs. 4Q22, with an EBITDA margin of 14.1%. Accumulated 2023 EBITDA was R\$284.3 million, -26.9% vs. 2022, with an EBITDA margin of 14.1%.
- **Comparable Adjusted and Recurring EBITDA** would be R\$86.6 million, 42.4% higher than in 4Q22, with a margin of 15.6%, excluding expenses with strategic projects. The 2023 backlog would total R\$364.8 million, -5.6% vs. 2022, with an EBITDA margin of 16.7%.
- **Adjusted Operating Expenses** in 4Q23 totaled R\$179.4 million, 8.9% higher than in 4Q22. In 2023, we ended the year with R\$723 million, 29% higher than in 2022. In the comparable view for 2023, expenses would be equivalent to R\$642.3 million, showing an efficiency gain of 0.3p.p. vs. 2022 in the representativeness of expenses over Net Revenue.
- **Adjusted and Recurring Net Profit** in 4Q23 was R\$27.4 million, compared to R\$4.9 million in 4Q22. In 2023, we posted a loss of R\$7.3 million versus a profit of R\$137.4 million in 2022.
- **Comparable Adjusted and Recurring Net Income** would be R\$33.2 million in 4Q23 and R\$55.4 million in 2023, excluding expenses with strategic projects.
- Investment in Working Capital was R\$192.8 million, an improvement of 39.4% vs. 4Q22. The Cash Conversion Cycle was 48 days in 4Q23, a reduction of 9 days compared to 4Q22.
- **PTBL3 shares** ended 2023 quoted at R\$7.46. Market value: R\$1.051 billion. Number of shares: 140,986,886, excluding treasury shares. Free Float: 38.8%.

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Message from Management

2023 was a year of important progress at the Portobello Group's strategy. We would highlight the inauguration and start-up of the plant in the United States, a milestone in the group's internationalization, in addition to the expansion of our direct operations with consumers in Brazil, through the opening of 16 Portobello Shop stores, ending the year with 158 operations around the country, 25 of which are company owned and 133 franchises, with an NPS rating of 86¹.

These advances took place against a global backdrop of macroeconomic and sectoral instability. In Brazil, the ceramic tile sector saw a slowdown in demand, with a 5.7%² drop compared to the previous year. In retail, according to ICVA³ data, the building materials sector shrank by 2.5% in 2023. Brazilian industry felt the effect of lower sales and temporarily shut down some factories, bringing production capacity occupancy to 64%.

In the United States, the main indicators for the construction sector also performed in a way that hindered the resumption of growth, with high interest rates and an increase in the average mortgage rate. In addition, TCNA⁴ data indicated that ceramic tile consumption went through a period of demand accommodation between 4Q22 and 1Q23, with a gradual recovery throughout 2023.

In this context, we consolidated our market share gains in the Brazilian⁵ market, with a portfolio of innovative products, major launches and very successful collaborations at exhibitions and conferences such as ExpoRevestir, Cersaie and Coverings. In retail, Portobello Shop's results demonstrated the strength of its business model, which resulted in it surpassing the R\$ 1 billion mark in annual sales and being recognized among the leading retail brands in Brazil. We supported the continuity of the group's internationalization strategy by expanding our operations and exports to regions such as Central America, the Middle East, Europe, and Africa.

In the US, our plant already operates with approximately 200 employees and is moving forward with a focus on flexibility and productivity in order to meet the demands of customers in the US. Our commitment is to maintain an exceptional level of service and meet the evolving needs of our North American customers, propelling us into the next phase of growth, integration, and profitability.

At the beginning of 2024, we announced strategic changes that shape our business journey. Mr. João Henrique Oliveira, previous CEO of the Portobello Tijucas unit, will now take on the role of CEO at Portobello America, while Mr. Luciano Alves Abrantes, the Group's CTO since May 2023, will become interim CEO of the Portobello BU. We would also like to point out that Mr. Luiz Felipe Brito, who held the position of CEO of the Portobello America, will now lead business development department (CBDO⁶) and Ms. Christiane Ferreira, previous Director of Innovation and Branding at the Portobello Shop unit, will take on the position of CCO⁷ of the Portobello Group.

Against this challenging backdrop, we posted a recurring profit of R\$27.4 million in 4Q23, with a comparable net profit result of R\$33.2 in 4Q23 and R\$55.4 million for the year. In addition to the effects of the operating results, we also reclassified financial expenses related to pre-operational investments in the amount of R\$28 million in 4Q23.

At the end of 2023, we carried out the company's 5th debenture issue, raising R\$367 million and lengthening the average debt term by 1.2 years (2023 vs. 2022) and reducing the cost of debt by 0.7p.p. (2023 vs. 2022). We also adjusted our investment level, still supporting our investments in strategic projects and closing with a net leverage of 3.3x.

We remain strong enough to achieve the 2024 results, maintaining our leadership position by advancing our growth and financial deleveraging strategies for the Group throughout the year.

¹ NPS Portobello Shop em Dez 2023

² Associação Nacional dos Fabricantes de Cerâmica para Revestimentos, Louças Sanitárias e Congêneres

³ Índice Cielo de Varejo Ampliado

⁴ Tile Council of North America

⁵ Ganho de Market Share de 1,2p.p. na via úmida e 0,1p.p. na via seca 2023 vs. 2022. Fonte: Anfacer e Dados PBG.

⁶ Chief Business Development Officer

⁷ Chief Creative Officer

Portobello Grupo

Economic and Financial Performance - Consolidated

	R\$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Performance	Net Revenue	556.2	496.4	12.0%	59.8	2,190.8	2,196.7	-0.3%	(5.8)
	Gross Profit	207.7	197.3	5.3%	10.5	855.4	945.6	-9.5%	(90.2)
	Gross Margin	37.3%	39.7%	-2.4 p.p.		39.0%	43.0%	-4 p.p.	
	Adjusted and Recurring Gross Profit	221.3	199.9	10.7%	21.4	869.0	945.6	-8.1%	(76.6)
	Adjusted and Recurring Gross Margin	39.8%	40.3%	-0.5 p.p.		39.7%	43.0%	-3.4 p.p.	
	EBIT	28.7	41.4	-30.5%	(12.6)	135.6	314.4	-56.9%	(179)
	Ebit Margin	5.2%	8.3%	-3.2 p.p.		6.2%	14.3%	-8.1 p.p.	
	Net income (loss)	14.3	9.1	56.2%	5.1	(35.1)	153.1	-122.9%	(188)
	Net Margin	2.6%	1.8%	0.7 p.p.		-1.6%	7.0%	-8.6 p.p.	
	Adjusted and Recurring Net Income	27.4	4.9	458.8%	22.5	(7.3)	137.4	-105.3%	(145)
	Adjusted and Recurring Net Margin	4.9%	1.0%	3.9 p.p.		-0.3%	6.3%	-6.6 p.p.	
	EBITDA	65.4	67.5	-3.2%	(2.2)	273.7	406.2	-32.6%	(133)
	EBITDA Margin	11.7%	13.6%	-1.9 p.p.		12.5%	18.5%	-6 p.p.	
	Adjusted and Recurring EBITDA	78.5	60.8	29.1%	17.7	284.3	386.4	-26.4%	(102)
Adjusted and Recurring EBITDA Margin	14.1%	12.2%	1.9 p.p.		13.0%	17.6%	-4.6 p.p.		
Indicators	Working Capital (R\$)	192.8	317.9	-39.4%	(125.1)				
	Cash Conversion Cycle (days)	48	57	-16.0%	(9)				
	Net Debt	895.2	630.5	42.0%	264.7				
	Net debt/EBITDA	3.3	1.6	110.7%	1.7				
PTBL3	Share Price	7.46	8.23	-9.4%	(0.8)				
	Market Value	1,051.8	1,160.3	-9.4%	(108.5)				
	Average Trading Volume (12 Months)	144.7	181.4	-20.2%	(36.7)				
	Average daily trading volume (ADTV)	5.6	14.8	-62.2%	(9.2)				

Comparable Results

In order to show the comparable result, we present below adjustments related to investments made in strategic projects of the Portobello Group, which are expected to bring future results. Part of the additional expenses are related to the Portobello America projects, with the purpose of building demand and structuring teams for the start-up of the new plant in the United States.

The second part of the increases is related to Portobello Shop's projects to expand its network of own stores, which should generate positive results as sales increase and order backlog are formed.

Both investments will bring future results and dilute the additional expenses, bringing operations to the ideal levels of margins and profitability.

R\$ million	4Q23	PB Shop	PBA	4Q23 Comparable	4Q22	▲ %	2023	PB Shop	PBA	2023 Comparable	2022	▲ %
Net Revenue	556.2	-	-	556.2	496.4	12.0%	2,191	-	-	2,191	2,197	-0.3%
Gross Profit	207.7	-	-	207.7	197.3	5.3%	855.4	-	-	855.4	945.6	-9.5%
Gross Margin	37.3%	-	-	37.3%	39.7%	-6.0%	39.0%	-	-	39.0%	43.0%	-9.3%
Expenses	(179.0)	-	8.1	(170.9)	(155.9)	9.6%	(719.8)	30.9	49.6	(639.3)	(631.2)	1.3%
Depreciation	36.6	-	-	36.6	26.2	39.9%	138.1	-	-	138.1	92.0	50.2%
EBITDA	65.4	-	8.1	73.5	67.5	8.8%	273.7	30.9	49.6	354.2	406.2	-12.8%
Non-Recurring Events:	13.1	-	-	13.1	(6.9)		10.6	-	-	10.6	(19.9)	
Adjusted and Recurring EBITDA	78.5	-	8.1	86.6	60.8	42.4%	284.3	30.9	49.6	364.8	386.4	-5.6%
Adjusted and Recurring EBITDA Margin	14.1%			15.6%	12.2%	3.3 p.p.	13.0%			16.7%	17.6%	-0.9 p.p.

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Business Units Operating Performance

Portobello Business Unit ("BU")

R\$ million	4Q23	4Q22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	239.9	219.2	9.4%	20.7	956.8	1,022.8	-6.5%	(66.0)
(-) COGS	148.1	137.7	7.5%	10.4	598.3	577.3	3.6%	21.0
Gross Profit	91.8	81.5	12.7%	10.3	358.5	445.5	-19.5%	(87.0)
Gross Margin	38.3%	37.2%	1.1 p.p.		37.5%	43.6%	-6.1 p.p.	

In 4Q23, the BU's net revenue totaled R\$239.9 million, up 9.4% on 4Q22, with a gross margin of 38.3% (up 1.1 p.p. vs. 4Q22). Results in the Brazilian market performed well, with important advances in the Engineering channel (+25.0% vs. 4Q22), through an assertive strategy and expanding the base of real state developments. This result reinforces the recovery in the second half of the year, with growth in this channel higher than in the third quarter, which is seasonally the strongest period of the year. The Portobello BU achieved this result in the Brazilian market against a backdrop in which there has still been no significant upturn, showing gains of 1.3 p.p. vs. 4Q22 in market share.

In regard to exports, the BU showed a 1.4 p.p. gain in market share in Brazilian exports in 4Q23 compared to 4Q22, as well as made progress in developing new markets, especially in Central America, Europe, the Middle East, and Africa, which partially offsets the more restrictive scenario for exports to Argentina. Even so, the operation was negatively impacted by the heavy rains in the South region of Brazil which paralyzed operations at the port of Itajaí, the main seaport for Portobello products shipping, for around 20 days.

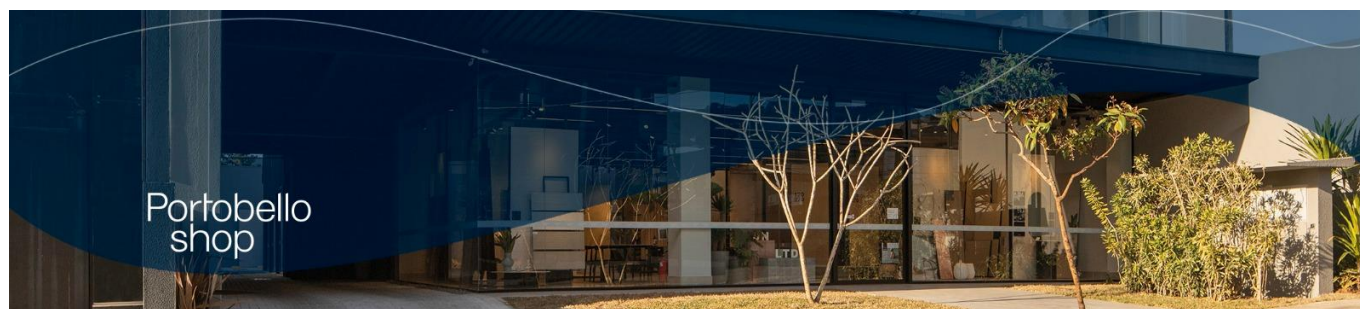
Capacity utilization indicators also outperformed the market, closing the quarter with 93% utilization, while the market average, according to ANFACER, was 74%.

This above-average market performance is the result of an assertive multichannel strategy and flexible production, which allows sales efforts to be targeted according to the best opportunities from the point of view of volume and profitability. This characteristic of the Tijucas-SC unit is consequence of the progress made in qualifying product mix, especially with the growth in sales of tile slabs and other large formats, products with a design differential and greater added value, which means that the gross margin is sustained at high levels.

Accumulated revenue for 2023 was 6.5% lower than net revenue for 2022, due to lower revenue in Brazilian currency (exchange rate variation) from exports and lower volume sales in 1H23 vs. 1H22, which was still experiencing a more heated demand scenario. However, the market has already shown an improvement in sales dynamics in 2H23 when compared to the first half of the year, with the expectation that the recovery expected for 2024 will continue, with good opportunities.

The unit's priorities continue to be i) continuous improvement in service levels, ii) efficiency in balancing stock levels and meeting demand and iii) implementing ESG actions.

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Portobello Shop Business Unit ("BU")

R\$ million	4T23	4T22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	226.8	215.1	5.5%	11.7	917.2	813.7	12.7%	103.4
(-) COGS	116.7	120.7	-3.3%	(4.0)	480.6	436.6	10.1%	44.0
Gross Profit	110.1	94.4	16.6%	15.7	436.5	377.1	15.8%	59.4
Gross Margin	48.5%	43.9%	4.6 p.p.		47.6%	46.3%	1.3 p.p.	

Portobello Shop continues to grow sequentially, influenced by the strategic advances that have transformed the Portobello Group's vision of integrated retail.

In 4Q23, the BU's Net Revenue totaled R\$226.8 million, representing growth of 5.5% vs. 4Q22, leading the BU to a new record quarterly and annual result. In 2023, net revenue was 12.7% higher than the previous year, reaching R\$917 million (surpassing the mark of more than R\$1 billion in gross revenue), representing 42% of the company's revenue.

The results achieved by Portobello Shop demonstrate the development, mainly strategic, of the retail business model. Expressive growth is recurring even in a scenario in which the building materials market is facing results comparable to the worst moments in history. ICVA data shows that the building materials retail sector in Brazil fell by -2.5% in 2023 compared to the previous year, in terms of Portobello Shop's market share gains.

Portobello Shop's gross margin also showed a strong result in 2023, closing the year at 47.6%, being positively influenced by the greater share of owned stores, which represented 44.9% of the Unit's total, with a significant growth of 23% in 2023 vs. 2022. The growth in the share of owned stores boosts the absorption of synergies from the integrated chain and begins to offset the costs of investments in strategic projects, generating gains in margins and profitability. Also noteworthy is the growth in the share of the national sales channel and large accounts, from 2.5% in 2022 to 5.3% in 2023.

The company currently has 158 stores in operation across the country, of which 25 are owned and 133 are franchised. 9 franchised stores were opened in 4Q23. The growth in stores that had already been opened in the previous year can be seen in the Same Store Sales indicator for the quarter, which represented an increase of 6.1% in 4Q23 vs. 4Q22.

The NPS indicator, which measures customer satisfaction with own stores, reached 86% in 2023.

It is also worth highlighting the important strategic advances made by Portobello Shop, motivated by the culture of customer-centeredness and the continuous search for operational excellence. These advances are part of the digital transformation that the company has been implementing, enabling agility in capturing and interpreting data that subsidizes strategic actions and guarantees customer satisfaction.

Portobello Grupo



Pointer Business Unit ("BU")

R\$ million	4T23	4T22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	56.8	47.8	19.0%	9.1	193.6	225.4	-14.1%	(31.8)
(-) COGS	50.2	35.0	43.5%	15.2	169.5	153.3	10.6%	16.2
Gross Profit	6.7	12.8	-48.0%	(6.2)	24.1	72.2	-66.6%	(48.0)
Gross Margin	11.7%	26.8%	-15.1 p.p.		12.5%	32.0%	-19.6 p.p.	

From the second half of the year onwards, Pointer showed an important recovery in results, with a 19.0% growth in Net Revenue in 4Q23 vs. 4Q22, achieving the best revenue of the year. The figures reflect, in addition to indicators of recovery in the dry rail market, Pointer's strategic evolution in the North and Northeast regions, which strengthened our regional brand presence, with expansion of penetration supported by strategies to gain commercial and logistical efficiency, leading to an increase in market share (+1.1 p.p. in 4Q23 vs. 4Q22).

In the year, the result was impacted by the lower volumes sold during the first half, closing the year with Net Revenue of R\$194 million and a Gross Margin of 12.5%, 19.6 p.p. down on the previous year, largely due to the lower dilution of production costs and promotional sales actions aimed at balancing inventory levels and productivity.

The BU strengthened its specific actions for the different customer profiles, for each type of product and channel, supported by the training of commercial partners in the region.

In the North and Northeast market, Pointer ended 2023 with a 0.5 p.p. increase in market share vs. 2022. In 4Q23, this gain was 1.1 p.p. vs. 4Q22. Even with a more resistant Brazilian market scenario, Pointer in the Northeast region showed growth.

The acceleration in sales that was confirmed throughout 2H23 made it possible to maintain the kilns working, with technical maintenance stoppages only due to contractual supply issues, showing capacity occupancy of 67% in 4Q23, above the market average in the region, which was approximately 50%, according to ANFACER data.

Portobello Grupo



Portobello America Business Unit ("BU")

R\$ million	4T23	4T22	▲%	▲Abs	2023	2022	▲%	▲Abs
Net Revenue	56.0	49.2	13.9%	6.8	227.8	233.0	-2.2%	(5.2)
(-) COGS	43.5	38.3	13.5%	5.2	175.5	178.2	-1.5%	(2.8)
Gross Profit	12.5	10.8	15.3%	1.7	52.3	54.8	-4.5%	(2.5)
Gross Margin	22.3%	22.1%	0.3 p.p.		23.0%	23.5%	-0.5 p.p.	

In 2023, Portobello America recorded a historic milestone for the company, with the start of operations at the new factory, which had been planned and consolidated since 2018. Over this period, major advances have been made in the BU, whether from the point of view of brand positioning or market development, which have made this first phase possible. The Unit, which now has state-of-the-art facilities and can produce around 4 million m² of products for the North American market every year, is focusing its efforts on consolidating its business model, integrated with production, growth and profitability.

In 4Q23, Portobello America's Net Revenue grew by 13.9% compared to 4Q22, reaching R\$56 million, with the highlight being the recovery in the home centers channel, which was going through a market scenario of greater retraction. Gross margin was 22.3% in the period, in line with 4Q22, with the factory in the setup phase and gaining production scale. With production at the new factory stabilized, the focus will be on expanding the distribution channel, whose profitability is more attractive.

The BU's Net Revenue in 2023 was R\$228 million, practically in line with the previous year, surpassing the market result which, according to TCNA data, showed a drop of -8.0% in volumes sold in the year to 3Q23, with most of the impact reflected in imports and keeping consumption of local products more stable.

During the year, a large part of Portobello America's expenses was characterized as pre-operational. In this sense, expenses related to preparing for the start-up of the plant or to sales, marketing and other support activities amounted to R\$47.9 million in 2023, representing a 51.0% increase in Portobello America's expenses. These expenses are part of the unit's strategic planning and are considered, for management purposes, part of the project's investment, from which a future return is expected.

In the first phase of the project, the BU has a furnace with a production capacity of 3.6 million m² plus special parts. In the future, the factory project aims to have a second line, which should double capacity to around 7.2 million m². Portobello America will continue to sell ceramic tiles produced at the Portobello and Pointer BU factories in Brazil, as a way of complementing its portfolio and gaining scale for phase II of the project.

Portobello Grupo

Consolidated Performance

Net Revenue

R\$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Net Revenue	556.2	496.4	12.1%	59.8	2,190.8	2,196.7	-0.3%	(5.9)
Domestic Market (BR)	449.5	398.3	12.9%	51.2	1,740.2	1,683.6	3.4%	56.6
International Market	106.7	98.1	8.8%	8.6	450.7	513.2	-12.2%	(62.5)
US\$ million	4T23	4T22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
International Market	20.2	16.4	22.9%	3.8	85.4	92.9	-8.1%	(7.5)

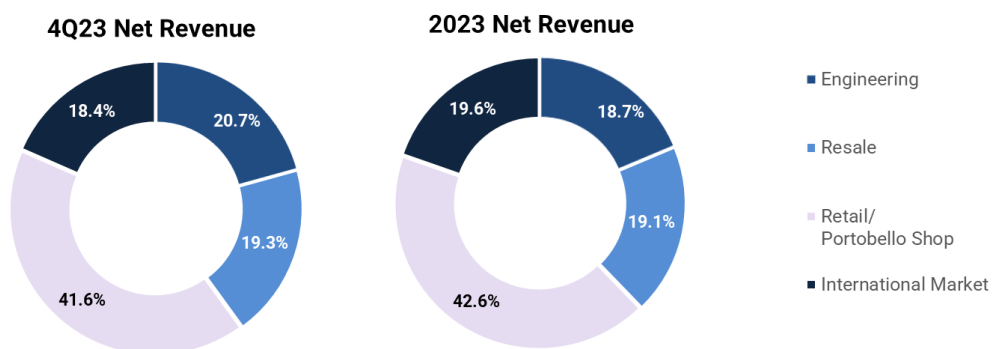
Portobello Grupo's Net Revenue in 2023 was R\$2.2 billion, in line with the previous year. In light of the context of cooling demand, this revenue built up over the year is considered positive, since the company faced market challenges with greater restrictions and performed well above the sector, reflecting the resilience of the business model and the assertiveness of the multichannel strategy.

It is worth highlighting the progress made in the Brazilian market, with a 3.4% growth in Net Revenue, in a year in which the building materials market shrank by -4.4%, according to deflated data from ABRAMAT. According to ANFACER data, the ceramic tile sector saw a reduction in volumes sold (in square meters) of around -5.7% in 2023 vs. 2022.

Regar exports, the actions taken to develop new markets are already starting to be reflected in the company's results. In 4Q23, Net Revenue in dollars grew by 22.9% compared to 4Q22. In addition, another positive point is related to the qualification of the mix of products sold abroad, whose share of Net Revenue was around 67% of large formats, products with higher added value and more attractive margins.

In the year to date, the company posted a -8.1% reduction in Net Revenue in dollars in 2023, impacted mainly by an international market with greater instability and restrictive measures in some countries, such as Argentina, resulting in lower volumes sold to some of Portobello's main clients. Throughout the year, Portobello continued to develop its internationalization plan, making progress in important markets such as Central America, Europe, the Middle East and Africa.

The distribution of sales between channels highlights the company's ability to execute its multichannel strategy. Highlights include i) retail sales, which account for 42.6% of the Group's total Net Revenue in 2023 vs. 38.0% in 2022; ii) the export channel, with a 19.6% share of the result, 9.9% of which is accounted for by sales made by Portobello America in the United States and 9.7% for the other markets of the Portobello and Pointer Business Units; and iii) the Engineering channel's 18.7% share of sales.



Portobello Grupo

Gross Profit

R\$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Net Operating Revenue	556.2	496.4	12.1%	59.9	2,190.8	2,196.7	-0.3%	(5.8)
Cost of Goods Sold (COGS)	(340.7)	(299.1)	-13.9%	(41.6)	(1,314.9)	(1,251.0)	-5.1%	(64.0)
Idleness Costs	(7.8)	-	-100.0%	(7.8)	(20.5)	-	-100.0%	(20.5)
Gross Operating Profit	207.7	197.4	5.2%	10.3	855.4	945.6	-9.5%	(90.2)
Gross Margin	37.3%	39.8%	-2.4 p.p.		39.0%	43.0%	-4 p.p.	
Non-Recurring Events:	13.5	2.5	441.9%	11.0	13.5	-	0.0%	13.5
1) DIFAL unconstitutionality reversal	-	2.5			-	-		
2) Inventory Adjustment	13.5	-			13.5	-		
Adjusted and Recurring Gross Profit	221.3	199.9	10.7%	21.4	869.0	945.6	-8.1%	(76.6)
Adjusted and Recurring Gross Margin	39.8%	40.3%	-0.5 p.p.		39.7%	43.0%	-3.4 p.p.	

Adjusted and Recurring Gross Profit accumulated in 2023 was R\$869.0 million, a reduction of -8.1% vs. 2022 and -3.4 p.p. in gross margin. Over the course of the year, the company showed an important recovery in gross margin, managing to close the year at 40%. The advances were partly due to a resumption of sales levels in the market, which put pressure on the flexibility of the prices charged, but also made it possible to return to production levels which allow for greater dilution of costs.

In addition, in 2023 the company faced some impacts resulting from more restrictive market scenarios, such as: (i) an increase in costs resulting from inflationary pressure on goods, services and labor that occurred throughout 2022 and were reflected in the 2023 results; (ii) a retraction in the sector margins scenario, which was partially offset by commercial strategies to make prices for specific products more flexible, seeking to maintain the level of market share and better production planning without impacting inventories and (iii) the start of production at the Portobello America plant, which is still undergoing a process of evolution in productivity and efficiency, in line with the strategic plan. We would also highlight the +41.1% increase in natural gas in 2022, based on data from the Ministry of Mines and Energy, but which showed reductions in 2023, accumulating a variation of -10.3% in the year.

Operating Expenses

R\$ Million	4Q23	%RL	4Q22	%RL	▲ %	▲ Abs	2023	%RL	2022	%RL	▲ %	▲ Abs
Operating Expenses												
Selling	(163.2)	29.3%	(139.9)	28.2%	16.6%	(23.3)	(627.8)	28.7%	(534.0)	24.3%	17.6%	(93.8)
General and Administrative	(34.2)	6.2%	(25.5)	5.1%	34.2%	(8.7)	(118.8)	5.4%	(90.2)	4.1%	31.8%	(28.6)
Other Revenues (Expenses)	18.4	-3.3%	9.5	-1.9%	-94.0%	8.9	26.8	-1.2%	(7.1)	0.3%	-477.8%	33.9
Operating Expenses	(179.0)	32.2%	(155.9)	31.4%	14.8%	(23.1)	(719.8)	32.9%	(631.2)	28.7%	14.0%	(88.6)
Non-Recurring Revenues	(0.5)	0.1%	(9.4)	1.9%	-95.2%	8.9	(2.9)	0.1%	(20.0)	1%	-85.3%	17.0
Adjusted Operating Expenses	(179.4)	32.3%	(165.3)	33.3%	8.6%	(14.1)	(722.7)	33.0%	(651.2)	29.6%	11.0%	(71.6)

Adjusted Operating Expenses totaled R\$722.7 million in 2023, an increase of 11.0% vs. 2022. When analyzed as a percentage of Net Revenue, they showed an increase of 3.4 p.p. compared to 2022.

The biggest variations in absolute terms were concentrated in: (i) Portobello America (+45.9% vs. 2022) due to the marketing strategy and team structuring adopted during the stage of building demand for the start-up of the new factory; and (ii) Portobello Shop (+11.2% vs. 2022), explained by the growth in the sales structure absorbed in the acquisitions made in the expansion of the Owned Stores network. Without the strategic expenses, the company would have seen a reduction in expenses of R\$80.5 million in absolute terms.

Selling Expenses: An increase of R\$94 million (+17.6%) vs. 2022, due to by the additional investments in the company's strategic projects that will bring future results, as mentioned above.

General and Administrative Expenses: Increase of R\$29 million (+31.8%) vs. 2022, contemplating investments in the structure of the teams of the operations with the highest growth, mainly in the Portobello America and

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Portobello Shop Business Units. These investments are in line with the Company's strategic planning and should be supported by the expected growth and expenses will be diluted in proportion to the development of operations.

Other Revenues and Expenses: Mainly refer to the recognition of tax credit and update of provisions.

EBITDA and Adjusted EBITDA

R\$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Net Income	14.3	9.1	56.2%	5.1	(35.1)	153.1	-122.9%	(188.2)
(+) Financial Expenses	12.2	37.9	-67.7%	(25.6)	159.2	109.7	45.2%	49.5
(+) Depreciation and Amortization	36.6	26.2	39.9%	10.4	138.1	92.0	50.2%	46.1
(+) Income Taxes	2.2	(5.7)	139.3%	7.9	11.5	51.5	-77.6%	(39.9)
EBITDA	65.4	67.5	-3.2%	(2.2)	273.7	406.2	-32.6%	(132.5)
EBITDA Margin	11.7%	13.6%	-1.9 p.p.		12.5%	18.5%	-6 p.p.	-6%
Non-Recurring Events:	13.1	(6.9)			10.6	(19.9)		
1) DIFAL unconstitutionality reversal	-	(4.9)				(17.3)		
2) Other Favorable Outcomes in Lawsuits	-	1.0			(0.4)	0.3		
4) COFINS - Tax optimization	-	(3.0)			(1.4)	(3.0)		
5) Recognition and Restatements of Lawsuits	-	-			(1.5)	-		
6) Commissions	-	-			0.8	-		
7) Inventory provision Adjustment	13.1	-			13.1	-		
Adjusted and Recurring EBITDA	78.5	60.8	29.1%	17.7	284.3	386.4	-26.4%	102.0
Adjusted and Recurring EBITDA Margin	14.1%	12.2%	1.9 p.p.		13.0%	17.6%	-4.6 p.p.	

Adjusted and Recurring EBITDA in 2023 was R\$284 million, -26.4% less than in 2022, with an Adjusted and Recurring EBITDA Margin of 13.0%, -4.6 p.p. compared to the previous year. To calculate the adjusted result, gains from updates to legal proceedings were disregarded. In 4Q23, the result was 29% higher than in 4Q22, reinforcing the construction of the result throughout the year and reflecting a significant evolution in the second half of the year.

These results in an adverse market scenario throughout the year reinforce Portobello Grupo's competitive edge, delivering positive results and guaranteeing investments in strategic projects focused on sustainable growth and which will bring significant returns. Over the course of 2024, in line with strategic planning, the company will begin to incorporate the good levels of profitability with the maturing of the factory operations at Portobello America

The company continues to prioritize its position as the leading design and innovation brand in the ceramic tile segment, constantly seeking to improve the product mix, optimize production, improve sales performance and the development of all channels, maintain prices, all combined with discipline in managing costs, expenses and investments.

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Net Income

R\$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
EBITDA	65.4	67.5	-3.2%	-2.2	273.7	406.2	-32.6%	-132.5
(-) Financial Expenses	(12.2)	(37.9)	67.7%	25.6	(159.2)	(109.7)	-45.2%	-49.5
(-) Depreciation and Amortization	(36.6)	(26.2)	-39.9%	-10.4	(138.1)	(92.0)	-50.2%	-46.1
(-) Income Taxes	(2.2)	5.7	-139.3%	-7.9	(11.5)	(51.5)	77.6%	39.9
Net Income	14.3	9.1	56.2%	5.1	(35.1)	153.1	-122.9%	-188.2
Net Margin	2.6%	1.8%	0.7 p.p.		-1.6%	7.0%	-8.6 p.p.	
Non-Recurring Events:	13.1	(4.2)			27.8	(15.7)		
(1) DIFAL unconstitutionality reversal	-	(4.9)			-	(17.3)		
(2) SELIC on Income Tax/Social Contribution Basis	-	(0.3)			-	(1.1)		
(3) Recognition and Restatements of Lawsuits	-	(0.4)			16.8	(2.5)		
(4) Others ¹	-	-			(2.9)	5.1		
(5) Recognition and Restatements of Lawsuits – Other revenues/expenses	-	1.0			-	0.3		
(6) Recognition and Restatements of Lawsuits-IR/CSLL	-	3.3			-	7.8		
(7) COFINS - Tax optimization	-	(3.0)			-	(3.0)		
(8) Commissions	-	-			0.8	-		
9) Inventory provision Adjustment	13.1	-			13.1	-		
Adjusted and Recurring Net Income	27.4	4.9	453.8%	22.4	(7.3)	137.4	-105.3%	-144.7
Adjusted and Recurring Net Margin	4.9%	1.0%	3.9 p.p.		-0.3%	6.3%	-6.6 p.p.	

The high interest rates that impacted 2023 reflected not only on Portobello Grupo's market, but also on the company's financial results. Gross indebtedness combined with high interest rates led to an increase of R\$49.5 million in financial expenses compared to 2022.

The resumption in operating performance during the second half of 2023 was partially offset by the increase in financial expenses, which was unable to reverse the result for the first half of the year, resulting in an Adjusted and Recurring Net Profit of R\$27.4 million in 4Q23 and an Adjusted and Recurring Net Loss of R\$7.3 million for the year to date.

The company continues to work on several fronts to ensure greater operating cash generation and prioritization of investments, with a consequent reduction in financial leverage and financing costs.

Cash Flow

R\$ Million	4Q23	4Q22	▲ %	▲ Abs	2023	2022	▲ %	▲ Abs
Activities								
Operating	59.8	4.6	1188.8%	55.2	186.3	227.0	-17.9%	(40.7)
Investment	(60.2)	(38.6)	-55.8%	(21.6)	(332.8)	(206.0)	-61.6%	(126.9)
Financing	161.2	155.9	3.4%	5.3	376.9	45.3	731.5%	331.6
Changes in Cash	160.8	121.9	31.9%	38.9	230.4	66.4	247.1%	164.0
Opening Balance	325.7	134.1	142.8%	191.6	256.1	189.7	35.0%	66.4
Closing Balance	486.5	256.1	90.0%	230.4	486.5	256.1	90.0%	230.4

The company ended 2023 with a cash position of R\$486 million, R\$230 million higher than the previous year. The main variations occurred in financing activities, with funding of around R\$644 million and interest and amortization payments of R\$268 million. The company continues to focus its efforts on efficient debt and cash management, always seeking to optimize debt costs combined with the best amortization schedule.

The level of investment activities was more intense due to the concentration of the flow of payments for the investments made in Portobello America and Portobello Shop, mainly in the first half of the year.

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The company's operating activities in 4Q23 generated cash of R\$117.2 million and in the year to date R\$214.1 million, a reduction of R\$12.9 million in the year compared to 2022, mainly due to higher costs that negatively impacted the operating margin in the first half.

Working Capital

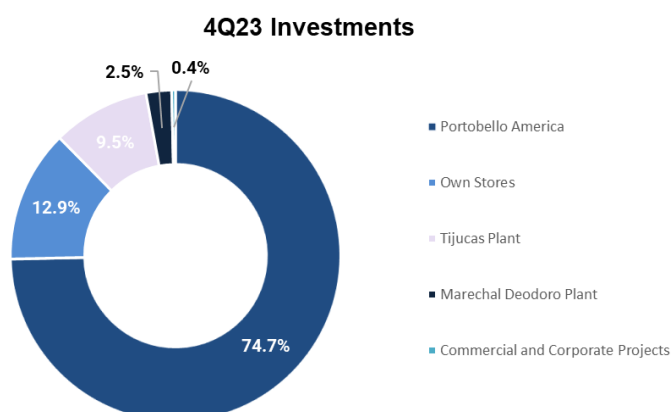
	4Q23	4Q22	▲ %	▲ Abs	3Q23	▲ %	▲ Abs	
R\$ million	Accounts Receivable	152.3	230.0	-33.8%	(77.7)	210.6	-27.7%	(58.2)
	Inventories	489.0	455.0	7.5%	34.0	467.9	4.5%	21.1
	Suppliers	(448.6)	(367.1)	22.2%	(81.5)	(403.0)	11.3%	(45.6)
	Working Capital	192.8	317.9	-39.4%	(125.1)	275.5	-30.0%	(82.7)
Days	Accounts Receivable	29	37	-21.7%	(8)	34	-14.7%	(5)
	Inventories	131	129	1.6%	2	131	-0.3%	(0)
	Suppliers	(112)	(108)	3.9%	(4)	(106)	5.8%	(6)
	Cash Conversion Cycle (CCC)	48	57	-16.0%	(9)	59	-19.4%	(12)

The company's Working Capital fell in 4Q23 to R\$192.8 million, down R\$125.1 million on 4Q22 (-39.4%). The Cash Conversion Cycle in 4Q23 was 48 days, -9 days lower than in 4Q22, due to the improvement in the terms of the receivables portfolio by 5 days and the payment term by 6 days.

Investments

In 4Q23, investments totaled R\$88.0 million, of which R\$28 million refers to the reclassification of Financial Expenses, related to the capitalization of interest on the purchase of equipment for the Portobello America Unit. Of the total investments made in 4Q23, 74.7% were earmarked for the new Portobello America factory project, 12.9% for the Portobello Shop between own stores and digital evolution, 9.5% for the Portobello BU plant in Tijucas-SC, 2.5% for investments in the Pointer industrial plant and 0.4% for commercial and corporate projects.

The investments made at Portobello America are largely related to the acquisition of machinery and equipment for phase 1 of the new plant, which began operating in July 2023. The plant is one of the most modern ceramic tile factories in the United States, with state-of-the-art technology in all its facilities.



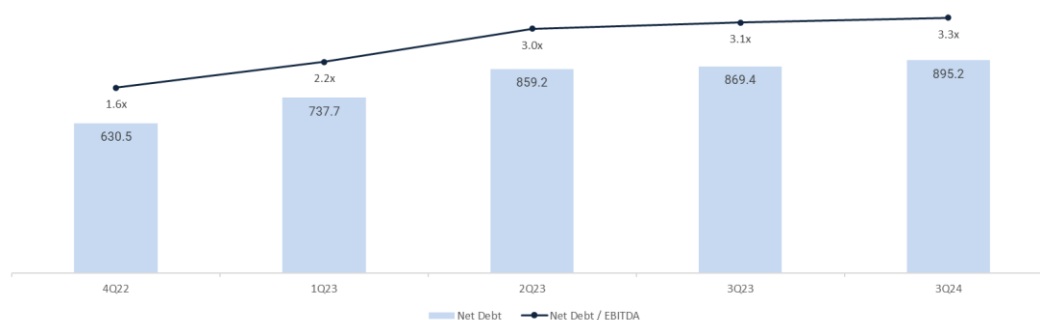
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Indebtedness and Capital Structure

The company's net debt ended the year at R\$895.2 million, an increase of R\$264.6 million vs. 2022, necessary to support the strategic investment cycle that ended in 2023. The reduction in Adjusted and Recurring EBITDA over the last 12 months to R\$273.7 million added to the higher level of debt brought financial leverage to 3.3x. The company's expectation is that this level of leverage will be reduced as the evolution of EBITDA in the coming quarters replaces the lower results of previous quarters. Portobello Grupo continues to have financial management discipline as one of its priorities, with a focus on constant optimization of the Cash Conversion Cycle.

R\$ million	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22
Gross Bank Debt¹	1,381.6	1,195.1	1,268.2	1,127.4	886.6	718.4	733.4
Cash and Cash Equivalents	(486.5)	(325.7)	(409.0)	(389.7)	(256.1)	(134.2)	(190.6)
Net Indebtedness	895.2	869.4	859.2	737.7	630.5	584.3	542.8
EBITDA (LTM)	273.7	276.0	290.4	337.6	406.2	433.2	427.1
Adjusted and Recurring EBITDA (LTM)	284.3	266.5	276.7	325.4	385.1	422.3	423.1
Net Debt-to-EBITDA ratio	3.3	3.1	3.0	2.2	1.6	1.3	1.3

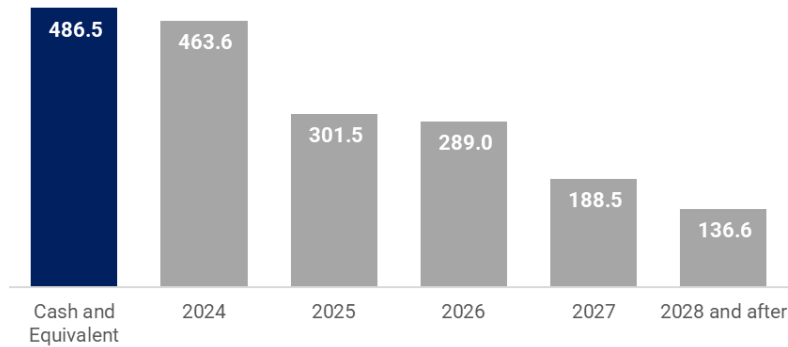
In 4Q23, in line with the company's funding plan, the 5th issue of Simple Debentures was carried out, in the amount of R\$367 million at a rate of CDI + 3.65%, with a term of five years and a one-year grace period to pay the principal. Part of this funding was used to settle the Commercial Notes issued at the beginning of 2023, as well as to extend the term of the group's debt.



At the end of 2023, all the contractual requirements (covenants) relating to the leverage ratio, which could lead to the early maturity of financing contracts and debentures, were achieved.

The details of the amortization schedule (Gross Banking Debt) can be found below:

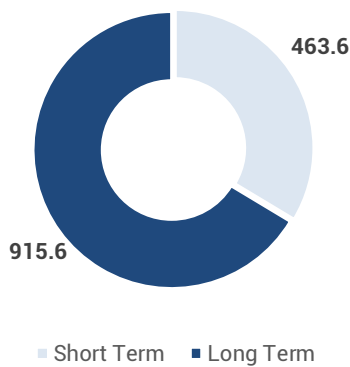
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Gross Debt maturing in the short term represents 33.6% of the total, the rest of the debt maturing in the long term, as shown in the amortization schedule above. Most of the Gross Bank Debt (86.9%) is in local currency. The average total cost of Bank Debt is 13.3% p.a. and the average maturity is 5 years.

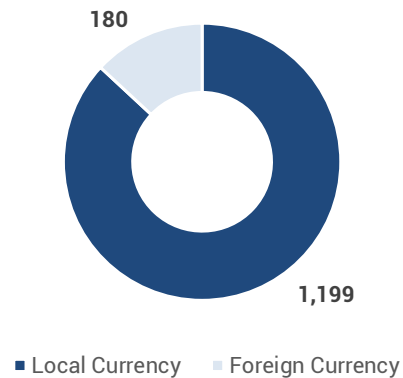
Bank Debt Term

R\$ million



Origin of Bank Debt

R\$ milhões



2024 Outlook and Strategic Planning

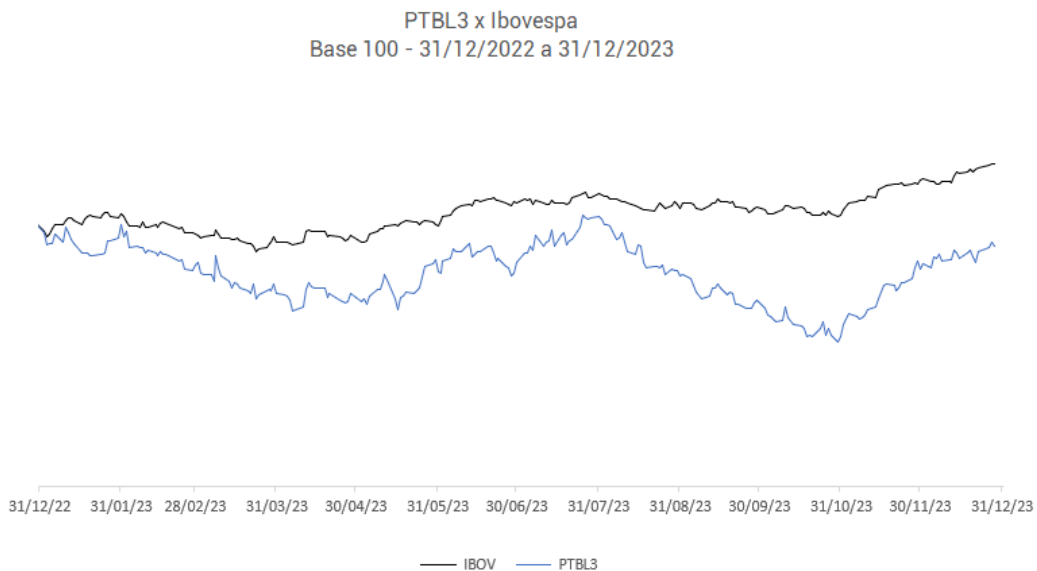
- For 2024, the company expects a market with stability and gradual recovery, both in Brazil and in the United States. As in previous years, the ceramic tiles sector has a well-defined seasonality, with a sequential evolution until the third quarter and a slight cooling in the fourth quarter.
- The North American construction sector shrank in 1H23, which was also reflected in Portobello America's performance in 2023, mainly due to inflation, high interest rates and lower growth. In this context, the ceramic tile market tends to gradually recover over the course of 2024, with greater stability for local producers.
- Portobello Shop:** Evolution of Portobello Shop's results, advances in productivity and profitability of strategic investments. Increase of Same Store Sales and advances in new sales channels.

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- **Portobello America:** Profitability of the investments made in the factory with a plan to accelerate sales in distribution channels and home centers and expand margins with the start of production in the USA.
- **UN Portobello:** Progress in internationalization with the development of new markets and advanced hubs. Focus on constant optimization of the product mix and management of sales channels.
- **Pointer:** Acceleration in sales with a consequent market share gain with advances in small and medium-sized resellers and strengthening of home centers. Optimization of installed capacity.
- The company has a positive outlook for working capital, with actions to reduce inventories in all units and improve payment and receivables terms, maintaining a controlled level of defaults.
- Regarding investments, Portobello Grupo's focus is on making the most of the investments already made in this 2022-2023 cycle, maintaining a perspective only of investments necessary for the maintenance and continuity of operations in 2024.
- Outlook for a continuous reduction in the level of net leverage (ratio of net debt to adjusted and recurring EBITDA for the last 12 months) with a sequential reduction bias for the coming quarters.

PTBL3 Stock Performance

The shares traded under the ticker PTBL3, closed the trading session on December 29, 2023 at R\$7.46, a decrease of -9.4 when compared to the close of 2022 (R\$8.23). The average daily trading volume (ADTV) in 4Q23 was R\$9.4 million. At the end of the quarter, the company had a market value equivalent to R\$1,052 million.



Independent Audit

The policy of the Company in relation to its independent auditors, with regard to the provision of services not related to the external audit of financial statements, is based on the principles that preserve professional independence. These principles assume that the auditor should not audit their own work, perform managerial functions, or act as a lawyer for their client.

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Financial Statements

Balance Sheet

Assets	4Q23	AV %	4Q22	AV %	Var%
Current assets	1,331.8	40.4%	1,103.1	44.5%	20.7%
Cash and cash equivalents	486.5	14.8%	256.1	10.3%	90.0%
Trade Receivables	269.0	8.2%	314.5	12.7%	-14.5%
Inventories	489.0	14.8%	455.0	18.3%	7.5%
	11.1	0.3%	11.8	0.5%	-5.8%
Other	76.1	2.3%	65.7	2.6%	15.8%
Non-current assets	1,964.3	59.6%	1,376.7	55.5%	42.7%
Long-term assets	256.6	7.8%	375.0	15.1%	-31.6%
Judicial deposits	7.1	0.2%	106.7	4.3%	-93.3%
Judicial assets	115.1	3.5%	140.3	5.7%	-18.0%
Guarantee deposit	19.9	0.6%	19.4	0.8%	2.7%
Receivables - Eletrobrás	-	0.0%	12.8	0.5%	-100.0%
Restricted financial investments	10.3	0.3%	9.3	0.4%	10.8%
Recoverable taxes and deferred tax	69.6	2.1%	19.4	0.8%	258.2%
Other non-current assets	34.5	1.0%	67.0	2.7%	-48.5%
Fixed assets	1,707.7	51.8%	1,001.7	40.4%	70.5%
PPE, Intangible Assets and Investments	1,141.7	34.6%	813.6	32.8%	40.3%
Right of Use of Leased Assets	562.7	17.1%	187.7	7.6%	199.7%
Other investments	3.3	0.1%	0.3	0.0%	862.1%
Total assets	3,296.0	100.0%	2,479.8	100.0%	32.9%
Liabilities	4T23	AV %	4T22	AV %	Var%
Current liabilities	1,321.2	40.1%	945.1	38.1%	39.8%
Loans and Debentures	463.6	14.1%	165.9	6.7%	179.5%
Trade Payables and Credit Assignment	459.7	13.9%	378.8	15.3%	21.4%
	89.4	2.7%	82.0	3.3%	9.0%
Lease obligations	40.3	1.2%	26.4	1.1%	52.6%
Tax liabilities	41.2	1.3%	43.2	1.7%	-4.6%
Payroll and related taxes	76.6	2.3%	64.6	2.6%	18.5%
Advances from Customers	116.7	3.5%	84.5	3.4%	38.1%
Other	33.7	1.0%	99.7	4.0%	-66.2%
Non-current liabilities	1,588.9	48.2%	1,067.5	43.0%	48.8%
Loans and Debentures	915.6	27.8%	717.7	28.9%	27.6%
Suppliers	-	0.0%	94.4	3.8%	-100.0%
	107.0	3.2%	28.1	1.1%	280.8%
Debts with related parties	56.3	1.7%	56.3	2.3%	0.1%
Provisions	80.0	2.4%	88.4	3.6%	-9.5%
Lease obligations	6.4	0.2%	6.4	0.3%	-0.2%
	404.3	12.3%	51.4	2.1%	0.0%
Other Non Current Liabilities	19.3	0.6%	24.9	1.0%	-22.5%
Equity	385.9	11.7%	467.2	18.8%	-17.4%
Capital	250.0	7.6%	250.0	10.1%	0.0%
Treasury shares	191.8	5.8%	255.3	10.3%	0.0%
Earnings reserve	(55.9)	-1.7%	(38.1)	-1.5%	46.6%
Total liabilities	3,296.0	100.0%	2,479.8	100.0%	32.9%

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Income Statement

R\$ Million	4Q23	4Q22	2023	2022
Net Sales Revenue	556.2	496.4	2,190.8	2,196.7
Cost of goods sold	(348.5)	(299.1)	(1,335.4)	(1,251.1)
Gross Operating Profit	207.7	197.3	855.4	945.6
Operating Income (Expenses), Net	(179.0)	(155.9)	(719.8)	(631.4)
Selling	(163.2)	(139.9)	(627.8)	(534.0)
General and Administrative	(34.2)	(25.5)	(118.8)	(90.2)
Other Operating Income (Expenses), Net	18.4	9.5	26.8	(7.2)
Operating Profit before Financial Income	28.7	41.4	135.6	314.2
Financial Result	(12.2)	(37.9)	(159.2)	(109.6)
Financial Revenues	7.6	3.2	37.5	18.2
Financial Expenses	(24.9)	(31.5)	(196.0)	(122.4)
Net exchange rate change	5.0	(9.6)	(0.6)	(5.4)
Income (loss) before income taxes	16.5	3.5	(23.6)	204.6
Income Tax and Social Contribution	(2.2)	5.7	(11.5)	(51.5)
Net income (loss) for the Period	14.3	9.1	(35.1)	153.1

Cash Flow

R\$ Million	4Q23	4Q22	2022	9M22
Net cash from operating activities	59.8	4.6	186.3	227.0
Cash from operations	55.0	24.0	263.0	346.7
Changes in assets and liabilities	41.5	3.9	75.1	18.4
Interest paid and income taxes paid	(36.7)	(23.4)	(151.8)	(138.1)
Net cash used in investment activities	(60.2)	(38.6)	(332.9)	(206.0)
Acquisition of property, plant and equipment	(44.7)	(77.0)	(273.2)	(179.6)
Acquisition of intangible assets	(15.5)	(7.4)	(56.7)	(23.0)
	-	45.8	-	(59.2)
	-	-	(3.0)	-
Receipt for the sale and reimbursement of fixed assets	-	-	-	55.8
Net cash provided by (used in) financing activities	161.2	155.9	376.9	45.3
Funding loans and financing	230.7	176.2	644.8	192.9
Payment of loans and financing	(28.6)	(13.8)	(148.9)	(74.8)
Dividends paid	-	(0.0)	(29.6)	(46.9)
Lease Amortization	(40.9)	(6.4)	(89.4)	(25.9)
Increase/(Decrease) in Cash for the period/year	160.8	121.9	230.3	66.4
Opening Balance	325.7	134.1	256.1	189.7
Closing Balance	486.5	256.0	486.5	256.0

Please visit the Investor Relations website:
<https://ri.portobello.com.br/>