



Portobello Gruppo  
Results 2Q21

# PBG S.A.

## Press Release 2Q21

June 30, 2021

Stock Price (06/30/2021)

PTBL3 – R\$ 17.47 | shares

Market Value (06/30/2021)

R\$ 2,577.3 Millions

U\$\$ 515.2 Millions

Quantity of shares (06/30/2021)

Common: 147,529,703

Treasury: 71,200

Free Float = 44.4%

### Investor Relations

**Ronei Gomes**

VP of Finance and Investor Relations

**Roger Nickhorn**

Sr. Manager, FP&A and IR

[dri@portobello.com.br](mailto:dri@portobello.com.br)

<http://ri.portobello.com.br/>



## PortobelloGrupo

## Portobello Group registers growth in Net Revenue, EBITDA and Net Income

Tijucas, August 13, 2021. PBG S.A. (B3: PTBL3), the largest ceramic tile company in Brazil, announces its results for the second quarter of 2021. The financial information reported herein is derived from PBG S.A.'s consolidated Quarterly Financial Information, prepared in accordance with the standards issued by the Accounting Pronouncements Committee (CPC) and the International Financial Reporting Standards (IFRS).

## 2Q21 Highlights

- **Net Revenue growth of 92.0% over 2Q20** due to **greater performance of the Company's retail operations and international expansion**. Net Revenue grew **70.7%** in 1H21 over 1H20.
- **Adjusted and Recurring Gross Margin of 41.0% in 2Q21**, up **6.9 p.p. over 2Q20**. In 1H21, Adjusted and Recurring Gross Margin reached **41.9%**, **7.5 p.p. above 1H20**.
- **Adjusted and Recurring EBITDA of R\$ 82.6 million in 2Q21**, **R\$ 66.9 million or 426.4% over 2Q20**, with an improvement in the EBITDA Margin of **11.3 p.p. over 2Q20**. In 1H21, Adjusted and Recurring EBITDA reached **R\$ 163.4 million**, **R\$ 124.9 million or 324.3% higher than in 1H20**.
- **Adjusted and Recurring Net Income of R\$ 40.3 million in 2Q21**, **R\$ 31.5 million or 358.5% higher than in 2Q20**. In 1H21, Adjusted and Recurring Net Income reached **R\$ 80.7 million**, **R\$ 59.4 million or 278.7% higher than in 1H21**.
- **Working Capital Investment of R\$ 223.9 million**, in line with 2Q20, due to **reduction in the Cash Conversion Cycle from 75 days in 2Q20 to 27 days in 2Q21**, an improvement of **48 days over 2Q20**.
- **Net Debt of R\$ 469.4 million in 2Q21**, in line with 2Q20, although **Net Debt/Adjusted and Recurring EBITDA reduced to 1.6 times in 2Q21**, an improvement of **3.5 times over 1Q20**.
- **PTBL3 price ended 2Q21 at R\$ 17.47**, **321.0% over 2Q20**.

R\$ Million		2Q20	2Q21	▲	Absolute	1Q21	1H20	1H21	▲	Absolute
Performance	Net Revenue	241.7	464.3	92.0%	222.6	416.4	515.9	880.7	70.7%	364.8
	Adjusted and Recurring Gross Margin	34.1%	41.0%	6.9 p.p.		42.9%	34.4%	41.9%	7.5 p.p.	
	EBITDA	4.6	82.6	1696.6%	78.0	80.8	40.6	163.4	302.4%	122.8
	Adjusted and Recurring EBITDA	15.7	82.6	426.4%	66.9	80.8	38.5	163.4	324.3%	124.9
	Adjusted and Recurring EBITDA Margin	6.5%	17.8%	11.3 p.p.		19.4%	7.5%	18.5%	11.1 p.p.	
	Net Income	51.7	40.3	-22.0%	-11.4	40.4	72.8	80.7	10.8%	7.9
	Adjusted and Recurring Net Income	8.8	40.3	358.5%	31.5	40.4	21.3	80.7	278.7%	59.4
	Working Capital (R\$)	223.7	223.9	0.1%	0.2	223.7				
Debt	Cash Conversion Cycle (days)	75	27	-64.0%	-48	35				
	Net Debt	467.6	469.4	0.4%	1.8	467.4				
	Net Debt/EBITDA	4.6	1.6	-65.5%	-3.0	2.1				
PTBL3	Net Debt/Adjusted and Recurring EBITDA	5.1	1.6	-69.2%	-3.5	2.0				
	Share Price	4.15	17.47	321.0%	13.32	8.98				

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## Message from Management

In almost a year and a half of the pandemic, after 2Q20 was affected by COVID-19, the Company showed resilience to make the necessary adjustments and deliver a positive result in the face of such an adverse scenario. The 2Q21 results show a sound performance, due to the good results consolidated with the work carried out since then. The year 2021 continues to indicate a favorable environment and increasingly reinforces the attributes of solid growth and a business model aimed at retail and internationalization, focusing on value generation for the Company.

Net Revenue in 2Q21 reached R\$ 464.3 million, with growth of 92.0% over 2Q20 and, in 1H21, it totaled R\$ 880.7 million, 70.7% higher than in 1H20. When compared to 1Q21, the growth is 11.5%, which demonstrates the ongoing evolution in the Company's quarterly performance.

Net Revenue in the domestic market grew 89.3% in 2Q21 over 2Q20 and 69.9% in 1H21 over 1H20. According to ABRAMAT (Brazilian Association of Construction Materials Industries), the sales of the construction materials market grew by 39.3% in 2Q21 over 2Q20 and 27.5% in 1H21 over 1H20. Growth in the civil construction sector continues to be driven by basic materials, due to the resumption of works and real estate launches, as well as the increase in residential renovations.

Net Revenue from the export market grew 102.9% in 2Q21 over 2Q20 (105.5% in Dollars), and 73.6% in 1H21 vs. 1H20 (56.1% in Dollars). This increase was due to the expansion of distribution operations in the United States, through the Portobello America Business Unit, as well as the greater international presence of Portobello and Pointer Business Units.

Net Revenue Growth is the result of the product mix qualification, with better profitability and price increases, combined with the productivity/cost efficiency and gains of scale. Said initiatives continue to drive the Adjusted and Recurring Gross Margin to better levels, reaching 41.0% in 2Q21, an increase of 6.9 p.p. over 2Q20, and 41.9% in 1H21, improving 7.5 p.p. over 1H20.

The progression of the Adjusted and Recurring Gross Margin combined with the optimization of Operating Expenses, which decreased by 6.9 p.p. over 2Q20 in relation to Net Revenue, led the Company's Adjusted and Recurring EBITDA to reach R\$ 82.6 million in 2Q21, with Adjusted and Recurring EBITDA Margin of 17.8% and increase of 11.3 p.p. over 2Q20. Operating Expenses decreased by 5.6 p.p. in 1H21 over 1H20 in relation to Net Revenue, and the Company's Adjusted and Recurring EBITDA reached R\$ 163.4 million, with Adjusted and Recurring EBITDA Margin of 18.5% and increase of 11.1 p.p. over 1H20.

Working Capital investment remained stable in 2Q21 over 2Q20, despite the growth in business scale, mainly due to the 48-day reduction in the Cash Conversion Cycle, arising from the optimization/qualification of the inventory level and improvement in the conversion of the receivables portfolio.

The Company ended 2Q21 with a net debt of R\$ 469.4 with a Net Debt/Adjusted and Recurring EBITDA of 1.6 times. The 3.5 times decrease in leverage compared to 2Q20 was due to the decrease in Net Debt, in line with the improvement in the Cash Conversion Cycle, coupled with a significant increase in Adjusted and Recurring EBITDA in the last twelve months.

CapEx for 2Q21 totaled R\$ 38.8 million, of which 50% was allocated to the Tijucas (SC) industrial park, for updating and migration to produce products of larger formats with greater added value. The remaining CapEx amounts were allocated to the Marechal Deodoro industrial park, the expansion of its own stores, commercial and corporate projects.

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In addition to delivering the 2Q21 operating results, the Company took an important step in its ESG strategy: it is the newest signatory of the UN Global Compact's Brazil Network, committed with the sustainable development goals and accelerating actions in the sustainability area.

The Company recently completed 42 years and is experiencing one of the best moments in its history with a growth trajectory over the last 18 months. At the end of July, the Company announced to the market that it engaged Avison Young to lead the process of obtaining financing for the construction of a new production unit near the city of Nashville, in the United States, in the amount of approximately US\$ 80 million, with the start-up expected for the year 2023.

### Business Unit Performance

The Portobello Business Unit recorded Net Revenue growth of 79.1% in 2Q21 over 2Q20, and of 58.9% in 1H21 over 1H20. The growth achieved in 1H21 in all channels (exports, multi-brand stores and engineering) was leveraged by the advance in the product mix, consolidation of Expo Revestir 2021<sup>1</sup> launches and price management. With full production, chain planning and the choice of formats that leverage the manufacturing differentials and enabled the growth of the Adjusted and Recurring Gross Margin of 8.5 p.p. over 2Q20 and 7.5 p.p. over 1H20, offsetting the strong cost pressure for the period, especially energy.

The Pointer Business Unit, the Group's democratic design brand, recorded a 151.3% growth in Net Revenue in 2Q21 over 2Q20, due to the volume increase, productivity gains, price management and a more qualified mix with "Superceramic" items. Net Revenue growth in 1H21 was 124.5% over 1H20. Adjusted and Recurring Gross Margin increased 14.4 p.p. over 2Q20 due to the positive effects of the qualification of the product mix, pricing and the brand's positioning in the North and Northeast regions of Brazil. In 1H21, Adjusted and Recurring Gross Margin increased by 17.3 p.p., confirming the Unit's performance. With production at full capacity, the Business Unit worked throughout 1H21 seeking to maintain the service level in a highly demanded market.

The Portobello Shop Business Unit ended 2Q21 with Net Revenue growth of 109.3% over 2Q20, and of 77.4% in 1H21 over 1H20, considering the opening of 7 new franchised stores. The ICVA (Cielo Broad Retail Index), which measures the construction materials retail sector in Brazil in value and which showed a sound growth of 22.4% in 2Q21 over 2Q20, and of 20.9% in 1H21 over 1H20. The Business Unit's Adjusted and Recurring Gross Margin also improved, with an increase in 2Q21 of 8.8 p.p. over 2Q20, and an improvement of 7.6 p.p. in 1H21 over 1H20.

The Portobello América Business Unit achieved a 40.1% growth in Net Revenue in 2Q21 over 2Q20 (42.1% in Dollars) and a 49.3% growth in 1H21 over 1H20 (36.1% in Dollars). This growth was due to the increase in sales volume in the North American market and the exchange rate devaluation. The Business Unit presented a one-off reduction in Adjusted and Recurring Gross Margin in 2Q21 of 4.6 p.p. over 2Q20, due to the negative impact of inventory adjustment. However, in 1S21, Adjusted and Recurring Gross Margin increased 2.9 p.p. over 1S20, due to the improvement in the product mix and the effect of the exchange rate devaluation.

<sup>1</sup> Expo Revestir is the largest finishing event in Latin America (for further information please visit <https://en.exporevestir.com.br/>)

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## Perspectives for the 3Q21

- The short-term expectation is that the civil construction market will continue to grow and the Company's Net Revenue in 3Q21 will record a double-digit growth over 3Q20, with absolute figures similar to 2Q21. It is important to mention that the evolution of basic interest rates may affect the growth projections of the economy and prospects for the real estate market in the medium/long term.
- The focus continues to be the maintenance of the Gross Margin around 40.0%, despite the greater inflationary pressure on costs (mainly energy and imported raw materials, with the second increase in gas tariffs as of July), through price increases, improvement of the product mix and factory productivity, in addition to strict management in the choices related to operating costs and expenses.
- The CapEx investment plan continues to focus on strategic projects for growth in retail with the expansion of the Portobello Shop chain, the expansion of the Tijucas (SC) plant, as well as the expansion of Portobello América's businesses, with investments in the architectural design of the plant and earthworks for land preparation.
- Working Capital management also continues to be a priority, focusing on strategic management of suppliers and improvement of the customer base, but with small corrections in the inventory level to improve the service level.
- The maintenance of the Net Debt/EBITDA ratio below 2.5 times the Adjusted and Recurring EBITDA also remains a priority that has been materializing through discipline in cash management, optimization of the Cash Conversion Cycle and preservation of liquidity.
- Despite the possible challenges of the new COVID-19 variants, the Company believes that its sales team is prepared to serve clients remotely via the Omnichannel and through direct contact with its network of partner specifiers (architects, engineers, decorators, etc.).

## COVID-19

As of the end of 2Q21, in addition to the reduced restrictions on commercial establishments, there was mass vaccination against COVID-19 in Brazil and worldwide, whose result is a gradual return to normality and potentially resumption of economic growth.

The new change announced by the Ministry of Health regarding immunization against COVID-19, which determines that millions of industry and civil construction professionals are in the priority group to receive vaccines, made the Company contribute to the vaccination against COVID-19, both at the Tijucas-SC and Marechal Deodoro-AL plants, where about 2,100 people were vaccinated.

Since the beginning of the pandemic, the Company has continued to reinforce all the safety protocols required to guarantee the health of its employees, with the guidance and monitoring of the Crisis Management Committee. Remote work for administrative areas prioritizes people from the risk group. For other employees, the Company adopted the hybrid model, whose actions are synchronized in all units where the Company operates. The company also stresses its contribution to combating the impacts of the pandemic in the communities where the units are located, by donating equipment and food to the most vulnerable population, as well as personal protective equipment.

The Company deeply regrets the enormous loss of human life caused by the pandemic, which is why we are even more grateful to all employees and partners who face the challenge of continuing to move the world with excellence and respect for people with us daily, even in front of all the adversities.

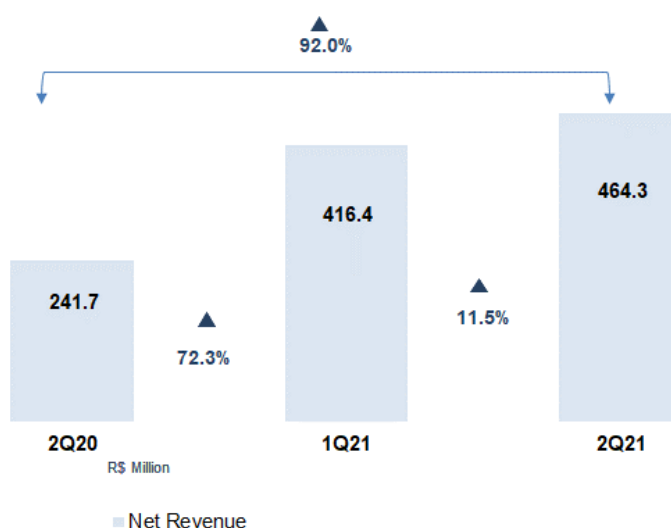
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## Economic and Financial Performance

R\$ Million	2Q20	2Q21	▲	Absolute	1Q21	1H20	1H21	▲	Absolute
<b>Net Revenue</b>	<b>241.7</b>	<b>464.3</b>	<b>92.0%</b>	<b>222.6</b>	<b>416.4</b>	<b>515.9</b>	<b>880.7</b>	<b>70.7%</b>	<b>364.8</b>
<b>Gross Profit</b>	<b>55.6</b>	<b>190.4</b>	<b>242.2%</b>	<b>134.8</b>	<b>178.5</b>	<b>150.8</b>	<b>368.9</b>	<b>144.6%</b>	<b>218.1</b>
Gross Margin	23.0%	41.0%	18,0 p.p.		42.9%	29.2%	41.9%	12,7 p.p.	
<b>Adjusted and Recurring Gross Profit</b>	<b>82.3</b>	<b>190.4</b>	<b>131.4%</b>	<b>108.1</b>	<b>178.5</b>	<b>177.5</b>	<b>368.9</b>	<b>107.8%</b>	<b>191.4</b>
Adjusted and Recurring Gross Margin	34.1%	41.0%	6,9 p.p.		42.9%	34.4%	41.9%	7,5 p.p.	
<b>EBIT</b>	<b>(9.4)</b>	<b>66.7</b>	<b>-809.0%</b>	<b>76.1</b>	<b>65.3</b>	<b>12.2</b>	<b>131.9</b>	<b>981.1%</b>	<b>119.7</b>
EBIT Margin	-3.9%	14.4%	18,3 p.p.		15.7%	2.4%	15.0%	1,4 p.p.	
<b>Net Income</b>	<b>51.7</b>	<b>40.3</b>	<b>-22.0%</b>	<b>-11.4</b>	<b>40.4</b>	<b>72.8</b>	<b>80.7</b>	<b>10.8%</b>	<b>7.9</b>
Net Margin	21.4%	8.7%	-12,7 p.p.		9.7%	14.1%	9.2%	-5,0 p.p.	
<b>Adjusted and Recurring Net Income</b>	<b>8.8</b>	<b>40.3</b>	<b>358.5%</b>	<b>31.5</b>	<b>40.4</b>	<b>21.3</b>	<b>80.7</b>	<b>278.7%</b>	<b>59.4</b>
Adjusted and Recurring Net Margin	3.6%	8.7%	5,0 p.p.		9.7%	4.1%	9.2%	5,0 p.p.	
<b>EBITDA</b>	<b>4.6</b>	<b>82.6</b>	<b>1696.6%</b>	<b>78.0</b>	<b>80.8</b>	<b>40.6</b>	<b>163.4</b>	<b>302.4%</b>	<b>122.8</b>
EBITDA Margin	1.9%	17.8%	15,9 p.p.		19.4%	7.9%	18.5%	10,7 p.p.	
<b>Adjusted and Recurring EBITDA</b>	<b>15.7</b>	<b>82.6</b>	<b>426.4%</b>	<b>66.9</b>	<b>80.8</b>	<b>38.5</b>	<b>163.4</b>	<b>324.3%</b>	<b>124.9</b>
Adjusted and Recurring EBITDA Margin	6.5%	17.8%	11,3 p.p.		19.4%	7.5%	18.5%	11,1 p.p.	
<b>Working Capital (R\$)</b>	<b>223.7</b>	<b>223.9</b>	<b>0.1%</b>	<b>0.2</b>	<b>223.7</b>				
<b>Cash Conversion Cycle (days)</b>	<b>75</b>	<b>27</b>	<b>-64.0%</b>	<b>-48</b>	<b>35</b>				
<b>Net Debt</b>	<b>467.6</b>	<b>469.4</b>	<b>0.4%</b>	<b>1.8</b>	<b>467.4</b>				
Net debt/EBITDA	4.6	1.6	-65.5%	-3.0	2.1				
<b>Adjusted and Recurring Net Debt/EBITDA</b>	<b>5.1</b>	<b>1.6</b>	<b>-69.2%</b>	<b>-3.5</b>	<b>2.0</b>				
Share Price	4.15	17.47	321.0%	13.32	8.98				
Market Value	657.7	2,577.3	291.9%	1,919.6	1,292.4				
Average Trading Volume (12 Months)	95.6	523.6	447.7%	428.0	305.8				
Average daily trading volume (ADTV)	6.6	52.4	693.9%	45.8	29.8				

## Net Revenue

Net Revenue totaled R\$ 464.3 million in 2Q21, an increase of 92.0% over 2Q20 and 11.5% over 1Q21. In 1H21, Net Revenue reached R\$ 880.7 million, an increase of 70.7% over 1H20. This growth is mainly due to: (i) the higher sales volume due to market growth, (ii) higher value-added product mix, with higher prices, (iii) expansion of the share in the retail segment, (iv) expansion of the share of international business, and (iv) favorable effect of the exchange rate on sales in the foreign market.



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Net Revenue from the domestic market grew 89.3% in 2Q21 over 2Q20 and 69.9% in 1H21 over 1H20, while the construction materials sector (in value) grew 39.3% in 2Q21 over 2Q20 and 27.5% in 1H21 over 1H20, according to data from ABRAMAT (Brazilian Association of Construction Materials Industries). According to ANFACER (Brazilian Association of Ceramic Tiles Manufacturers), the volume of ceramic tiles sales (in square meters) grew by 33.2% in the 2Q21, compared to 2Q20, and 27.1% in the 1H21, compared to the 1H20.

In the foreign market, Net Revenue grew 102.9% in 2Q21 over 2Q20 (105.5% in Dollars) and 73.6% in 1H21 over 1H20 (56.1% in Dollars). This increase was influenced by the expansion of the Portobello America Business Unit, the growth in exports by the Portobello and Pointer Business Units and the effect of the exchange rate devaluation.

R\$ million	2Q20	2Q21	▲	Absolute	1H20	1H21	▲	Absolute
<b>Net Revenue</b>	<b>241.7</b>	<b>464.3</b>	<b>92.0%</b>	<b>222.6</b>	<b>515.9</b>	<b>880.7</b>	<b>70.7%</b>	<b>364.8</b>
Domestic market	193.0	365.3	89.3%	172.3	408.1	693.6	69.9%	285.5
Foreign market	48.8	99.0	102.9%	50.2	107.8	187.1	73.6%	79.3
US\$ million	2Q20	2Q21	▲	Absolute	1H20	1H21	▲	Absolute
Foreign market	9.1	18.7	105.5%	9.6	22.3	34.8	56.1%	12.5

## Gross Profit

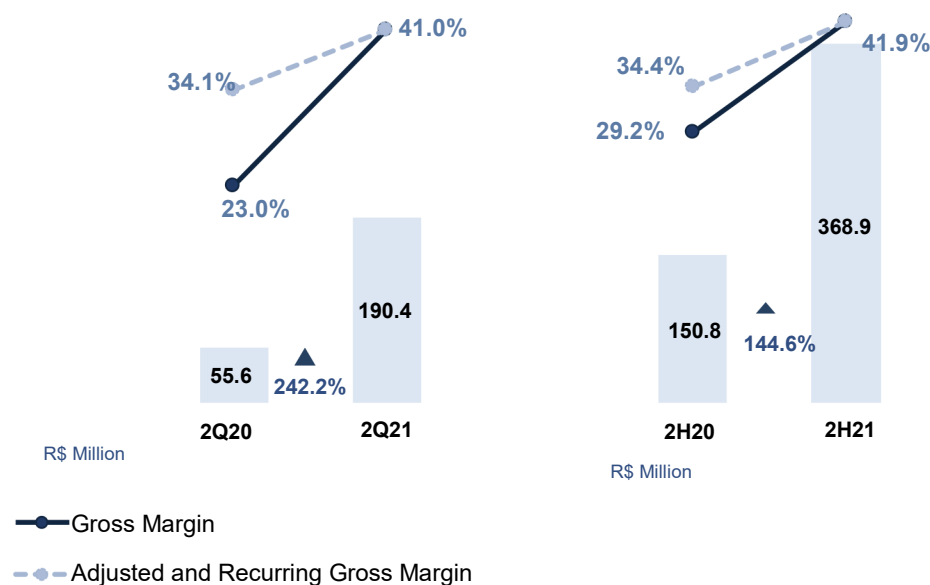
Adjusted and Recurring Gross Profit in 2Q21 increased 131.4% over 2Q20 and the increase was 107.8% in 1H21 over 1H20. In 2Q20, Gross Profit was negatively impacted by the non-dilution of fixed costs arising from idleness (R\$ 26.7 million arising from non-recurring stoppage costs during the pandemic).

The positive variation in Adjusted and Recurring Gross Margin is mainly due to: (i) increase in sales volume due to market performance, (ii) increase in the share of products with higher added value, (iii) price adjustments, and (iv) dilution of fixed production costs. Thus, there was an increase in Adjusted and Recurring Gross Margin of 6.9 p.p. over 2Q20 and 7.5 p.p. over 1H20.

R\$ Million	2Q20	2Q21	▲	Absolute	1H20	1H21	▲	Absolute
Net Operating Revenue	241.7	464.3	92.0%	222.5	515.9	880.7	70.7%	364.7
Cost of Goods Sold (COGS)	(159.4)	(273.8)	71.8%	114.4	(338.4)	(511.8)	51.2%	173.3
Idleness Costs	(26.7)	-	-100.0%	-26.7	(26.7)	-	-100.0%	-26.7
<b>Gross operating income</b>	<b>55.6</b>	<b>190.4</b>	<b>242.2%</b>	<b>134.8</b>	<b>150.8</b>	<b>368.9</b>	<b>144.6%</b>	<b>218.1</b>
Gross Margin	23.0%	41.0%	18.0p.p.		29.2%	41.9%	12.7 p.p.	
Adjusted and Recurring Gross Margin	34.1%	41.0%	6.9 p.p.		34.4%	41.9%	7.5 p.p.	
<b>Adjusted and Recurring Gross Profit</b>	<b>82.3</b>	<b>190.4</b>	<b>131.4%</b>	<b>108.1</b>	<b>177.5</b>	<b>368.9</b>	<b>107.8%</b>	<b>191.4</b>

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## Gross Profit



## Operating Expenses

Adjusted and Recurring Operating Expenses recorded a significant decrease when analyzed as a percentage of Net Revenue, reaching 26.7% in 2Q21 and 26.9% in 1H21, showing scale gain and dilution of 6.9 p.p. over 2Q20 and 5.6 p.p. over 1H20, due to revenue growth of 92.0% in 2Q21 and 70.7% in 1H21.

R\$ Million	2Q20	%NR	2Q21	%NR	▲	Absolute	1H20	%NR	1H21	%NR	▲	Absolute
<b>Operating Expenses</b>												
Selling	(70.1)	29.0%	(101.6)	21.9%	44.9%	31.5	(144.8)	28.1%	(193.2)	21.9%	33.5%	48.5
General and Administrative	(10.2)	4.2%	(15.6)	3.4%	53.1%	5.4	(20.9)	4.1%	(29.1)	3.3%	39.3%	8.2
Other Revenues (Expenses)	15.3	6.3%	(6.7)	-1.4%	-143.8%	-22.0	27.2	5.3%	(14.7)	-1.7%	-154.1%	-41.9
<b>Operating Expenses</b>	<b>(65.0)</b>	<b>26.9%</b>	<b>(123.9)</b>	<b>26.7%</b>	<b>90.6%</b>	<b>58.9</b>	<b>(138.5)</b>	<b>26.8%</b>	<b>(237.1)</b>	<b>26.9%</b>	<b>71.2%</b>	<b>98.6</b>
Non-Recurring Revenues	(16.2)	-	-	-	-	-	(29.4)	-	-	-	-	-
<b>Adjusted Operating Expenses</b>	<b>(81.2)</b>	<b>33.6%</b>	<b>(123.9)</b>	<b>26.7%</b>	<b>52.6%</b>	<b>42.7</b>	<b>(167.9)</b>	<b>32.5%</b>	<b>(237.1)</b>	<b>26.9%</b>	<b>41.2%</b>	<b>69.2</b>

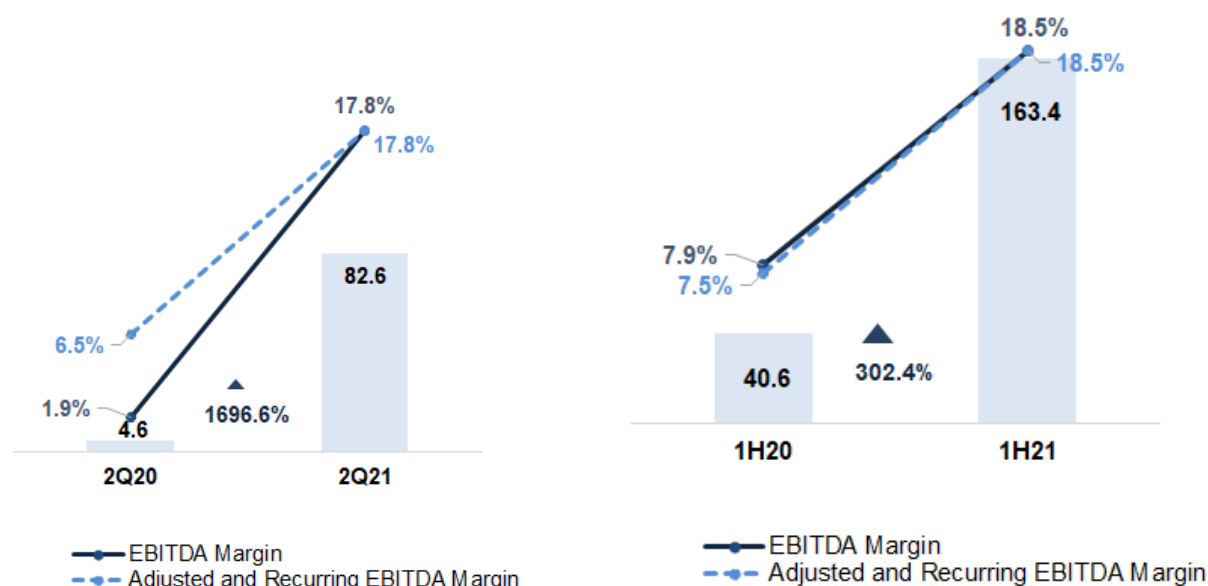
Selling Expenses reached 21.9% of Net Revenue in 2Q21 and 1H21, with a dilution of 7.1 p.p. over 2Q20 and 6.2 p.p. over 1H20. In absolute figures, Selling Expenses grew 44.9% over 2Q20 and 33.5% over 1H20 due to the increase in sales volume, the intensification of retail operations, the opening of another Distribution Center in Curitiba (PR) and salary readjustments due to the collective bargaining agreement.

General and Administrative Expenses reached 3.4% of Net Revenue in 2Q21 and 3.3% in 1H21, with a dilution of 0.8 p.p. over 2Q20 and 1H20. In absolute figures, General and Administrative Expenses grew 53.0% over 2Q20 and 39.3% over 1H20 due to the implementation of the new organizational structure focused on the Business Units, strengthening of corporate governance and salary readjustments according to the collective bargaining agreement.

Other Revenues and Expenses in 2Q21 and 1H21 refer mostly to the provision for the Profit Sharing Program (PSP) and the Long-Term Incentive Plan (LTIP). In 2Q20, the Company recorded a reversal of taxation (PIS/COFINS) based on the IPI premium credit proceeding (Plaintiff), in the amount of R\$ 16.2 million, due to a decision by the STF (Brazilian Federal Supreme Court) with binding effect and general repercussion. In addition to this event, in 1Q20 the Company recognized the complementary portion of the IPI premium credit, update and complementation of lawsuits, in the amount of R\$ 13.2 million, totaling R\$ 29.4 million in 1H20.

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## EBITDA



R\$ Million	2Q20	2Q21	▲	Absolute	1H20	1H21	▲	Absolute
Net Profit	51.7	40.3	-22.0%	-11.4	72.8	80.7	10.8%	7.9
(+) Financial Expenses	2.3	24.5	965.2%	22.2	(8.4)	36.0	-528.6%	44.4
(+) Depreciation and Amortization	14.1	15.9	12.8%	1.8	28.4	31.5	10.9%	3.1
(+) Income Taxes	(63.5)	1.9	-103.0%	65.4	(52.1)	15.2	-129.2%	67.3
<b>EBITDA</b>	<b>4.6</b>	<b>82.6</b>	<b>1696.6%</b>	<b>78.0</b>	<b>40.6</b>	<b>163.4</b>	<b>302.4%</b>	<b>122.8</b>
<b>EBITDA Margin</b>	<b>1.9%</b>	<b>17.8%</b>	<b>15.9 p.p.</b>		<b>7.9%</b>	<b>18.5%</b>	<b>10.7 p.p.</b>	
<b>Non-Recurring Events:</b>	<b>11.1</b>	<b>-</b>			<b>(2.1)</b>	<b>-</b>		
1) COVID (Idleness Costs)	27.3	-			27.3	-		
2) Reversal of Taxation (Plaintiff)	(16.2)	-			(16.2)	-		
3) Other Favorable Outcomes in Lawsuits	-	-			(13.2)	-		
<b>Adjusted and Recurring EBITDA</b>	<b>15.7</b>	<b>82.6</b>	<b>426.4%</b>	<b>66.9</b>	<b>38.5</b>	<b>163.4</b>	<b>324.3%</b>	<b>124.9</b>
<b>Adjusted and Recurring EBITDA Margin</b>	<b>6.5%</b>	<b>17.8%</b>	<b>11.3 p.p.</b>		<b>7.5%</b>	<b>18.5%</b>	<b>11.1 p.p.</b>	

The Company ended 2Q21 with Adjusted and Recurring EBITDA of R\$ 82.6 million, R\$ 66.9 million or 426.4% above 2Q20. In 1H21, Adjusted and Recurring EBITDA reached R\$ 163.4 million, R\$ 124.9 million or 324.3% above 1H20. Adjusted and Recurring EBITDA Margin was 17.8% in 2Q21, 11.3 p.p. above 2Q20. In 1H21, Adjusted and Recurring EBITDA Margin was 18.5%, 11.1 p.p. above 1H20.

The Company continues to show a constant increase in Adjusted and Recurring EBITDA in absolute figures and in Adjusted and Recurring EBITDA Margin, even with pressure from input and energy costs. The main factors that contributed to the generation of EBITDA and improvement in the EBITDA Margin were as follows: (i) increase in sales due to market growth in volume, (ii) price increases, (iii) mix of more profitable products and channels, (vi) favorable exchange rate effect, and (v) productivity gains and greater operational efficiency with the dilution of fixed costs and expenses.

Other Favorable Outcomes in Lawsuits of R\$ 16.2 million recorded in 2Q20 refer to the reversal of taxation (PIS/COFINS) of the IPI premium credit proceeding (Plaintiff), due to a decision by the STF (Brazilian Federal Supreme Court) with binding effect and general repercussion. Moreover, the Company recognized R\$ 26.7 million in idleness costs in 2Q20 due to non-recurring stoppages and R\$ 0.6 million in non-recurring expenses during the pandemic.

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In 1Q20, the complementary portion of the IPI premium credit (Plaintiff) was also recognized, with updating and complementation of lawsuits, in the amount of R\$ 13.2 million.

## Net Income

Adjusted and Recurring Net Income in 2Q21 totaled R\$ 40.3 million, an increase of 358.5% or R\$ 31.5 million over 2Q20. In 1H21, Adjusted and Recurring Net Profit reached R\$ 80.7 million, an increase of 278.7% or R\$ 59.4 million over 1H20. The growth in Adjusted and Recurring EBITDA, combined with the financial and tax impacts, were the main reasons for the increase in Adjusted and Recurring Net Profit in 2Q21 and 1H21.

In 2Q20, there was a R\$ 54.0 million decrease in income tax, due to the reversal of provisions on the realization of the IPI premium credit (Plaintiff) due to the STF decision with binding effect and general repercussion.

R\$ Million	2Q20	2Q21	▲	Absolute	1H20	1H21	▲	Absolute
<b>Net Income</b>	<b>51.7</b>	<b>40.3</b>	<b>-22.0%</b>	<b>(11.4)</b>	<b>72.8</b>	<b>80.7</b>	<b>10.8%</b>	<b>7.9</b>
<b>Non-Recurring Events</b>	<b>(42.9)</b>	<b>-</b>			<b>(51.5)</b>	<b>-</b>		
(1) Financial Expenses	-	-			(1.3)	-		
(2) Corporate Income Tax / Social Contribution	(54.0)	-			(48.1)	-		
(3) Other revenues/expenses	11.1	-			(2.1)	-		
<b>Adjusted and Recurring Net Income</b>	<b>8.8</b>	<b>40.3</b>	<b>358.5%</b>	<b>31.5</b>	<b>21.3</b>	<b>80.7</b>	<b>278.7%</b>	<b>59.4</b>
<b>Adjusted and Recurring Net Margin</b>	<b>3.6%</b>	<b>8.7%</b>	<b>5,0 p.p.</b>		<b>4.1%</b>	<b>9.2%</b>	<b>5,0 p.p.</b>	

## Cash Flow

The Company ended 2Q21 with a cash position of R\$ 174.2 million, accounting for a decrease of R\$ 68.7 million when compared to 1Q21, mainly due to financing activities related to compliance with the amortization schedule. In 1H21, there was a reduction of R\$ 152.1 million in the cash position when compared to 4Q20, due to financing activities related to compliance with the amortization schedule, payment of dividends and the disbursement of the share buyback program.

The Company's operating activities totaled R\$ 78.2 million in 2Q21 and R\$ 119.2 million in 1H21, mainly due to EBITDA generation and working capital optimization.

The Company's investment activities totaled R\$ 38.8 million in 2Q21 and R\$ 55.7 million in 1H21, allocated to CapEx in the Tijucas-SC plant, to update the industrial park for the manufacturing of products with greater added value and larger formats, in the plant in Marechal Deodoro-AL, to update and revitalize the plant, and to expand the sales area of owned stores.

R\$ Million	2Q20	2Q21	Absolute	1H20	1H21	Absolute
<b>Activities</b>						
Operating	84.8	78.2	-6.6	132.0	119.2	-12.8
Investment	-63.9	-38.8	25.1	-78.2	-55.7	22.5
Financing	-63.6	-108.1	-44.5	-47.0	-215.6	-168.6
Increase (Decrease) in Cash	-42.7	-68.7	-26.0	6.8	-152.1	-158.9
<b>Opening Balance</b>	<b>324.8</b>	<b>242.9</b>	<b>-81.9</b>	<b>275.4</b>	<b>326.3</b>	<b>50.9</b>
<b>Closing Balance</b>	<b>282.1</b>	<b>174.2</b>	<b>-107.9</b>	<b>282.1</b>	<b>174.2</b>	<b>-107.9</b>

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## Working Capital

The Company's Working Capital in 2Q21 maintained the same levels of 2Q20, with emphasis on the optimization of finished goods inventory levels and better management of the receivables portfolio. The Cash Conversion Cycle in 2Q21 reached 27 days, with a significant reduction of 48 days over 2Q20, due to the optimization of inventories, with management of unhealthy items and of the receivables portfolio with lower default levels.

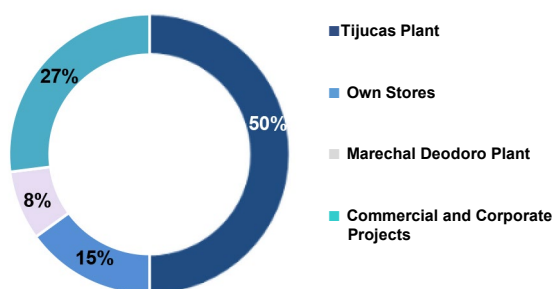
		2Q20	2Q21	▲	Absolute
In R\$ million	Trade Receivables	189.2	288.5	52.5%	99.3
	Inventories	254.7	224.9	-11.7%	-29.8
	Suppliers	220.2	289.5	31.5%	69.3
	<b>Working Capital</b>	<b>223.7</b>	<b>223.9</b>	<b>0.1%</b>	<b>0.2</b>
In days	Trade Receivables	55	48	-12.7%	-7
	Inventories	129	80	-38.0%	-49
	Suppliers	109	101	-7.3%	-8
	<b>Cash Conversion Cycle (CCC)</b>	<b>75</b>	<b>27</b>	<b>-64.0%</b>	<b>-48</b>

## Investments

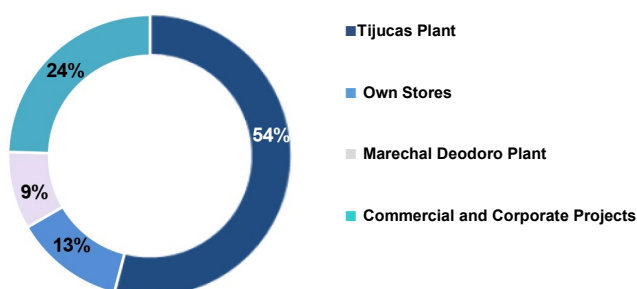
Investments in 2Q21 totaled R\$ 38.8 million, accumulating R\$ 55.7 million in 1H21, of which 54% were allocated to the Tijucas-SC plant, 24% to commercial and corporate projects, 13% to owned stores and 9% to Marechal Deodoro-AL plant.

At the Tijucas-SC plant, 95% of the investments were allocated to optimizing the industrial park for the production of products with higher added value and larger formats, and 5% for logistics projects. At the Marechal Deodoro-AL plant, most of the investments were allocated to the structural adjustment of the industrial park. The remaining investments were for the digital transformation of the commercial area, the expansion of its own stores and the updating of points of sale, taking the innovation of large size formats to the front of stores.

Investments 2Q21



Investments 2021

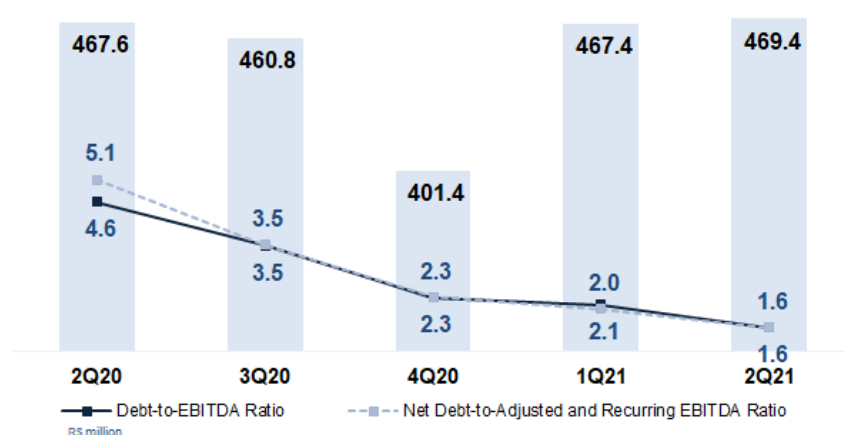


# PortobelloGrupo

## Indebtedness / Capital structure

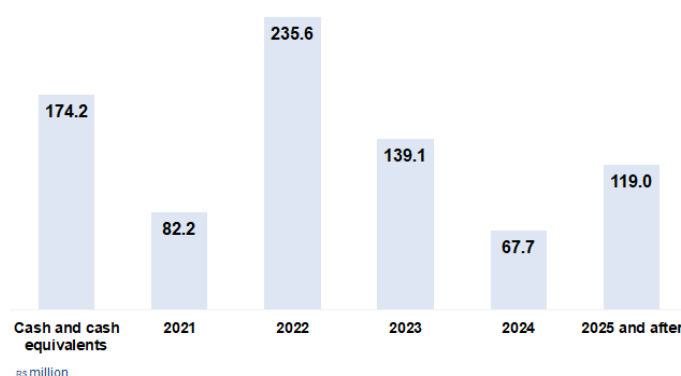
The Company's Net Debt was R\$ 469.4 million in 2Q21, in line with 2Q20. The increase in Adjusted and Recurring EBITDA in the last 12 months, reaching R\$ 299.4 million, and the Company's financial management discipline, whose focus is on optimizing the Cash Conversion Cycle, resulted in the reduction of financial leverage to 1.6 times Adjusted and Recurring EBITDA, an improvement of 3.5 times over 2Q20.

In 2Q21, a total of R\$ 98.6 million in Bank Debt was amortized, referring to several operations, such as Debentures, ACC and Working Capital. Funding totaled R\$ 40.0 million, referring to Banco do Brasil's ACC and Banco Votorantim's NCE. At the end of 2Q21, all covenants related to the leverage ratio were met, which could lead to the early maturity of financing contracts and Debentures if not complied with.



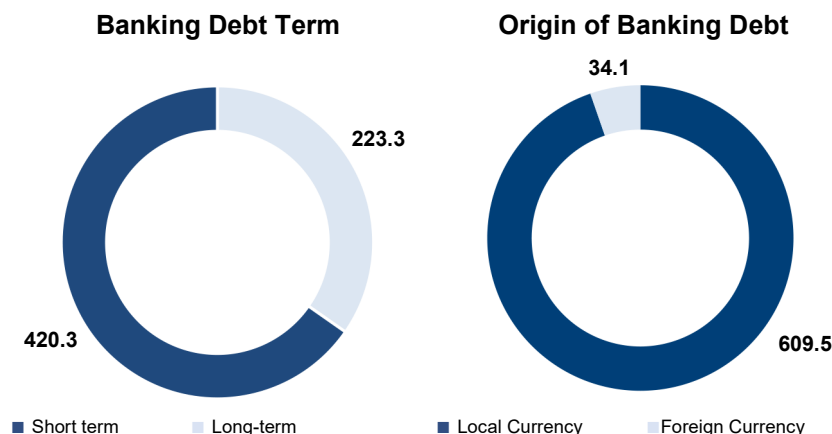
R\$ million	2Q20	3Q20	4Q20	1Q21	2Q21
<b>Gross Banking Debt</b>	<b>749.7</b>	<b>750.0</b>	<b>727.8</b>	<b>710.3</b>	<b>643.6</b>
Cash and cash equivalents	-282.1	-289.2	-326.4	-242.9	-174.2
<b>Net Indebtedness</b>	<b>467.6</b>	<b>460.8</b>	<b>401.4</b>	<b>467.4</b>	<b>469.4</b>
EBITDA (Last 12 months)	102.6	130.9	175.3	220.1	298.1
Adjusted and Recurring EBITDA (Last 12 months)	93.5	130.0	174.5	232.4	299.4
Net Debt-to-EBITDA Ratio	4.6	3.5	2.3	2.1	1.6
<b>Net Debt-to-Adjusted and Recurring EBITDA Ratio</b>	<b>5.1</b>	<b>3.5</b>	<b>2.3</b>	<b>2.0</b>	<b>1.6</b>

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



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Gross Banking Debt maturing in the short term represents 34.7% of the total and the remainder matures in the long term, as shown in the amortization schedule above. The Gross Banking Debt is mostly in domestic currency (94.7%). The average total cost of Banking Debt is 6.1% per annum and the average term is 3.6 years.



## Remuneration to Shareholders and Resolutions in Meetings

The total remuneration distributed to shareholders for 2020 represented R\$ 60.9 million, which represented a dividend yield (dividend per share divided by share price at the end of the period) of 6.11%. On May 13, 2021, the residual dividends for 2020 were paid.

On August 12, 2021, the Board of Directors approved the advance payment of dividends in the amount of R\$ 19.2 million, or R\$ 0.1298 per share, which represented a dividend yield (dividend per share divided by the share price at the end of the quarter) of 0.74%. The base date for calculating dividends will be 09/03/2021, with shares traded "ex" dividends on 09/06/2021 and payment is scheduled for 09/15/2021.

## Buyback Plan

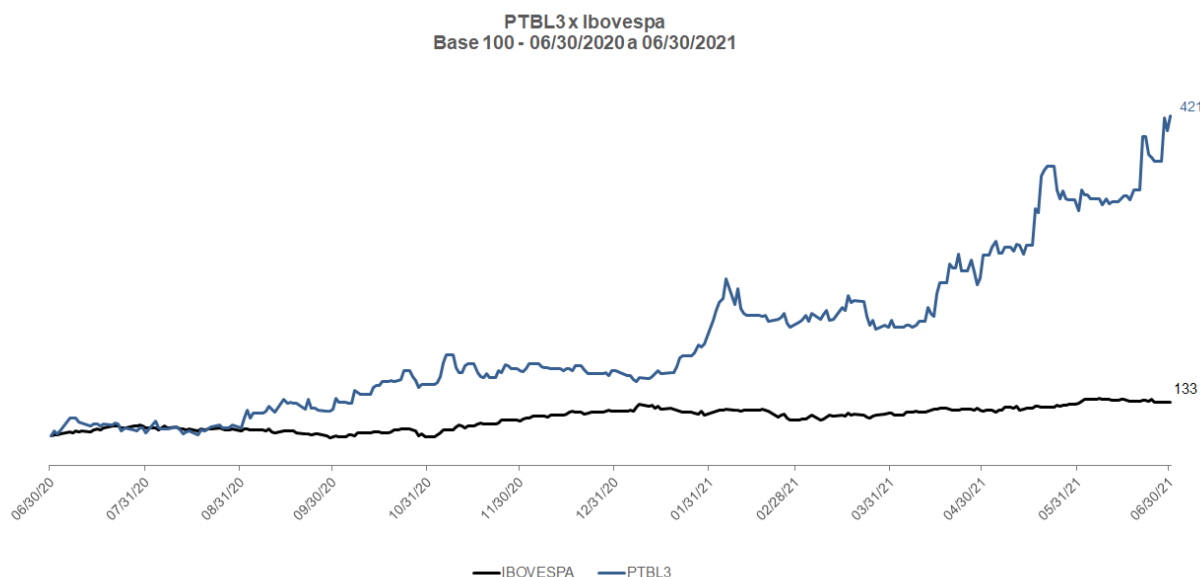
On June 14, 2021, the Board of Directors approved the new buyback program for the acquisition of up to 6.7 million shares, corresponding to 4.4% of the total shares issued by the Company or 10% of the free float, effective until June 14, 2022. Until July 30, 2021, the Company repurchased a total of 71.2 thousand shares at the average price of R\$ 13.98.

## PTBL3 Stock Performance

The shares traded under the ticker symbol PTBL3 closed the last trading session of June 2021 quoted at R\$ 17.47, with an increase of 321.0% when compared to the closing of June 2020 (R\$ 4.15). The PTBL3 stock performed 321.7% above the Bovespa index during this period. The average monthly financial volume traded in the last twelve months was R\$ 523.6 million, an increase of 447.7% compared to the R\$ 95.6 million in June 2020. It is worth highlighting that the average daily trading volume exceeded R\$ 52.4 million in 2Q21, compared to R\$ 6.6 million in 2Q20, an increase of 693.9%.

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At the end of 2Q21, the Company had a market cap equivalent to R\$ 2,577.3 million, considering the final share price of R\$ 17.47, an increase of R\$ 1,919.6 million over 2Q20.



## 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 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.

## Management

### Statutory Executive Board

Name	Position
Mauro do Valle Pereira	Chief Executive Officer
Ronei Gomes	VP of Finance and Investor Relations
Edson Luiz Mees Stringari	VP of Legal and Compliance

### Board of Directors

Name	Member
César Gomes Júnior	Chairman of the Board
Cláudio Ávila da Silva	Vice-Chairman of the Board
Nilton Torres de Bastos Filho	Board Member
Glauco José Côrte	Independent Board Member
Geraldo Luciano Mattos Junior	Independent Board Member
Walter Roberto de Oliveira Longo	Independent Board Member
Marcos Gouvêa de Souza	Independent Board Member

## Corporate Governance

# PortobelloGrupo

Electronic address to communicate corporate governance related issues to senior management

[dri@portobello.com.br](mailto:dri@portobello.com.br)

Below are the main points related to Corporate Governance at Portobello:

- Shares listed on the Novo Mercado of B3;
- Only outstanding common shares, that is, each share entitles their holders to one vote in General Shareholders' Meetings;
- 100% Tag-Along rights;
- Four independent members on the Board of Directors;
- Policy on minimum mandatory dividend of 25% of adjusted net income;
- Policies in force on the disclosure of significant acts and facts and on securities trading.

The adjustment to regulatory requirements in the new market began in relation to the inspection and control bodies, including the Audit Committee's pilot, in addition to the areas of internal audit, compliance and internal controls, functions that are in the implementation phase.

## Conference Call

Tuesday, August 17, 2021 at 11:00 am. The conference call will be held in Portuguese to report the earnings for the 2Q21.

Data for connection:

Telephone: +55 11 3137-8043 (Brazil)  
+1 786 209 -1795 (United States)  
+44 20 3769 - 3830 (United Kingdom)

Password: PORTOBELLO

The audio of the teleconference will be transmitted over the Internet, accompanied by the slide show, which will be available 30 minutes in advance at: <https://ri.portobello.com.br/>

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



## PortobelloGrupo

## Financial Statements

## Balance Sheet

Assets	2Q20	AV %	1Q21	2Q21	AV %	Var%
<b>Current assets</b>	<b>847.9</b>	<b>43.1%</b>	<b>876.4</b>	<b>851.7</b>	<b>43.1%</b>	<b>-7.1%</b>
Cash and cash equivalents	282.1	14.3%	242.9	174.2	8.8%	-46.6%
Trade Receivables	219.9	11.2%	320.1	343.4	17.4%	18.8%
Inventories	254.7	13.0%	218.3	225.0	11.4%	10.0%
Other	91.1	4.6%	95.0	109.1	5.5%	12.8%
<b>Non-current assets</b>	<b>1,118.4</b>	<b>56.9%</b>	<b>1,119.7</b>	<b>1,123.4</b>	<b>56.9%</b>	<b>0.5%</b>
<b>Long-term assets</b>	<b>493.0</b>	<b>25.1%</b>	<b>460.1</b>	<b>455.5</b>	<b>23.1%</b>	<b>-1.9%</b>
Judicial deposits	143.8	7.3%	158.5	166.8	8.4%	6.7%
Judicial assets	119.7	6.1%	119.7	119.7	6.1%	0.0%
Guarantee deposit	-	0.0%	87.1	87.1	4.4%	-0.3%
Related party credits	101.8	5.2%	-	-	0.0%	100.0%
Receivables - Eletrobrás	12.8	0.7%	12.8	12.8	0.6%	0.0%
Restricted financial investments	7.6	0.4%	10.5	8.2	0.4%	-46.4%
Recoverable taxes and deferred tax	87.0	4.4%	49.4	33.8	1.7%	-33.7%
Other non-current assets	20.3	1.0%	22.0	27.0	1.4%	22.7%
<b>Fixed assets</b>	<b>625.4</b>	<b>31.8%</b>	<b>659.6</b>	<b>667.9</b>	<b>33.8%</b>	<b>2.3%</b>
PPE, Intangible Assets and Investments	563.7	28.7%	585.0	587.4	29.7%	1.0%
Right of Use of Leased Assets	61.7	3.1%	74.2	80.2	4.1%	12.3%
Other investments	-	0.0%	0.3	0.3	0.0%	0.0%
<b>Total assets</b>	<b>1,966.2</b>	<b>100.0%</b>	<b>1,996.1</b>	<b>1,975.1</b>	<b>100.0%</b>	<b>-2.9%</b>
Liabilities	2Q20	AV %	1Q21	2Q21	AV %	Var%
<b>Current liabilities</b>	<b>675.7</b>	<b>34.4%</b>	<b>760.3</b>	<b>758.0</b>	<b>38.4%</b>	<b>2.3%</b>
Loans and Debentures	251.8	12.8%	248.9	223.9	11.3%	0.0%
Trade Payables and Credit Assignment	235.3	12.0%	297.1	316.9	16.0%	8.3%
Lease obligations	12.7	0.6%	32.2	17.1	0.9%	-50.9%
Tax liabilities	24.8	1.3%	33.2	33.2	1.7%	-1.8%
Payroll and related taxes	55.3	2.8%	53.5	67.0	3.4%	44.1%
Advances from Customers	30.8	1.6%	43.1	54.9	2.8%	25.3%
Other	65.1	3.3%	52.2	45.0	2.3%	-30.9%
<b>Non-current liabilities</b>	<b>879.2</b>	<b>44.7%</b>	<b>838.0</b>	<b>814.1</b>	<b>41.2%</b>	<b>-7.1%</b>
Loans and Debentures	498.0	25.3%	461.4	419.7	21.2%	-16.7%
Suppliers	159.8	8.1%	169.3	176.1	8.9%	3.8%
Debts with related parties	56.3	2.9%	56.4	56.4	2.9%	0.1%
Provisions	61.9	3.2%	65.6	66.7	3.4%	4.9%
Lease obligations	25.3	1.3%	45.4	65.7	3.3%	71.2%
Other Non Current Liabilities	77.8	4.0%	40.0	29.5	1.5%	-33.9%
<b>Equity</b>	<b>411.4</b>	<b>20.9%</b>	<b>397.8</b>	<b>403.1</b>	<b>20.4%</b>	<b>-3.4%</b>
Capital	200.0	10.2%	200.0	250.0	12.7%	25.0%
Treasury shares	(7.5)	-0.4%	(62.4)	(1.0)	-0.1%	-92.9%
Earnings reserve	257.4	13.1%	277.6	237.3	12.0%	-5.4%
Other comprehensive income	(44.4)	-2.3%	(47.9)	(83.3)	-4.2%	66.2%
Additional dividends proposed	5.8	0.3%	30.4	-	0.0%	-100.0%
<b>Total liabilities</b>	<b>1,966.3</b>	<b>100.0%</b>	<b>1,996.1</b>	<b>1,975.2</b>	<b>100.0%</b>	<b>-2.9%</b>

## PortobelloGrupo

## Income Statement

R\$ million	2Q20	2Q21	1Q21	1H20	1H21
Net Sales Revenue	241.7	464.3	416.4	515.9	880.7
Gross Operating Profit	55.6	190.4	178.5	150.8	368.9
<b>Operating Income (Expenses), Net</b>	<b>(64.9)</b>	<b>(123.9)</b>	<b>(113.2)</b>	<b>(138.5)</b>	<b>(237.1)</b>
Selling	(70.1)	(101.5)	(91.7)	(144.8)	(193.2)
General and Administrative	(10.2)	(15.7)	(13.5)	(20.9)	(29.1)
Other Operating Income (Expenses), Net	15.3	(6.7)	(8.0)	27.2	(14.7)
<b>Operating Profit before Financial Income</b>	<b>(9.4)</b>	<b>66.5</b>	<b>65.3</b>	<b>12.3</b>	<b>131.8</b>
<b>Financial Result</b>	<b>(2.3)</b>	<b>(24.4)</b>	<b>-11.5</b>	<b>8.4</b>	<b>(36.0)</b>
Financial Revenues	8.3	1.9	3.1	17.0	4.9
Financial Expenses	(16.9)	(22.7)	(15.4)	(35.0)	(38.1)
Net exchange rate change	6.3	(3.6)	0.8	26.4	(2.8)
<b>Income (loss) before income taxes</b>	<b>(11.7)</b>	<b>42.1</b>	<b>53.8</b>	<b>20.7</b>	<b>95.8</b>
Income Tax and Social Contribution	63.5	(1.9)	-13.4	52.1	(15.2)
<b>Net income (loss) for the Period</b>	<b>51.8</b>	<b>40.2</b>	<b>40.4</b>	<b>72.8</b>	<b>80.6</b>

## Cash Flow

R\$ million	2Q20	2Q21	1Q21	1H20	1H21
<b>Net cash from operating activities</b>	<b>84.8</b>	<b>78.2</b>	<b>41.0</b>	<b>132.0</b>	<b>119.2</b>
Cash generated in operations	(59.5)	55.2	95.3	(8.3)	150.5
Changes in assets and liabilities	162.5	48.8	(39.2)	167.3	9.6
Interest paid and income taxes paid	(18.2)	(25.8)	(15.1)	(27.0)	(40.9)
<b>Net cash from investment activities</b>	<b>(63.9)</b>	<b>(38.8)</b>	<b>(16.9)</b>	<b>(78.2)</b>	<b>(55.7)</b>
Acquisition of fixed assets	(62.2)	(35.2)	(13.0)	(74.4)	(48.2)
Acquisition of intangible assets	(1.7)	(3.6)	(3.9)	(3.8)	(7.5)
<b>Net cash from financing activities</b>	<b>(63.6)</b>	<b>(108.1)</b>	<b>(45.1)</b>	<b>(47.0)</b>	<b>(215.6)</b>
Funding loans and financing	45.7	40.0	16.9	83.4	56.9
Payment of loans and financing	(89.2)	(98.6)	(41.5)	(107.9)	(140.0)
Dividends paid	0.1	(43.5)	(17.2)	0.1	(60.7)
Lease Amortization	(20.2)	(5.2)	(3.3)	(22.6)	(8.5)
Treasury acquisitions	-	(0.8)	(62.4)	-	(63.3)
<b>Increase/(Decrease) in Cash for the period/year</b>	<b>(42.7)</b>	<b>(68.7)</b>	<b>(21.0)</b>	<b>6.8</b>	<b>(152.1)</b>
<b>Opening Balance</b>	<b>324.8</b>	<b>242.9</b>	<b>326.3</b>	<b>275.4</b>	<b>326.3</b>
<b>Closing Balance</b>	<b>282.1</b>	<b>174.2</b>	<b>305.3</b>	<b>282.1</b>	<b>174.2</b>

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