



# Duratex

Institucional Presentation

2020



Duratex

Solutions for better living

deca  | hydra  | ceusa  | durafloor  | duratex  | **PORTINARI**



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*Solutions for better living*

deca | hydra | ceusa | durafloor | duratex | PORTINARI

## Disclaimer

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Duratex does not offer any assurances or guarantees regarding the fulfilment of expectations described.



Duratex

# The Company

# Who we are

duratex  durafloor  hydra  deca  ceusa  CERÂMICA PORTINARI

**70** years of history

**+13k** employees

**7** forestry units

**16** plants in Brazil and  
**3** in Colombia

**Leader** in the market for producing bathroom fittings

**Biggest** producer of wood panels in Brazil

**One of the leading companies** in the ceramic tiles segment in Brazil

**Since 1951**  
It is listed on the stock exchange market

## Corporate Governance

Shareholder structure (%)



- Dividend policy requiring minimum distribution of 30% of adjusted net earnings;
- 30% of independent members on the Board Directors;
- Senior board members can not hold na executive position within the Company;
- 6 executive committees;
- Risk management, Compliance, Audit and Ombudsman Departments;
- Analyst Coverage: Bradesco BBI, BTG Pactual, Credit Suisse, Empiricus Research, HSBC, JP Morgan, Morgan Stanley e Nau Securities.

# Business units

**Strong brands** synonym of excellence

**Portfolio of products** as a design benchmark

**Innovation** as a directional of processes

**Solid Management System (SGD)** with focus in shareholder value creation

durafloor 

duratex 



hydra 

deca 



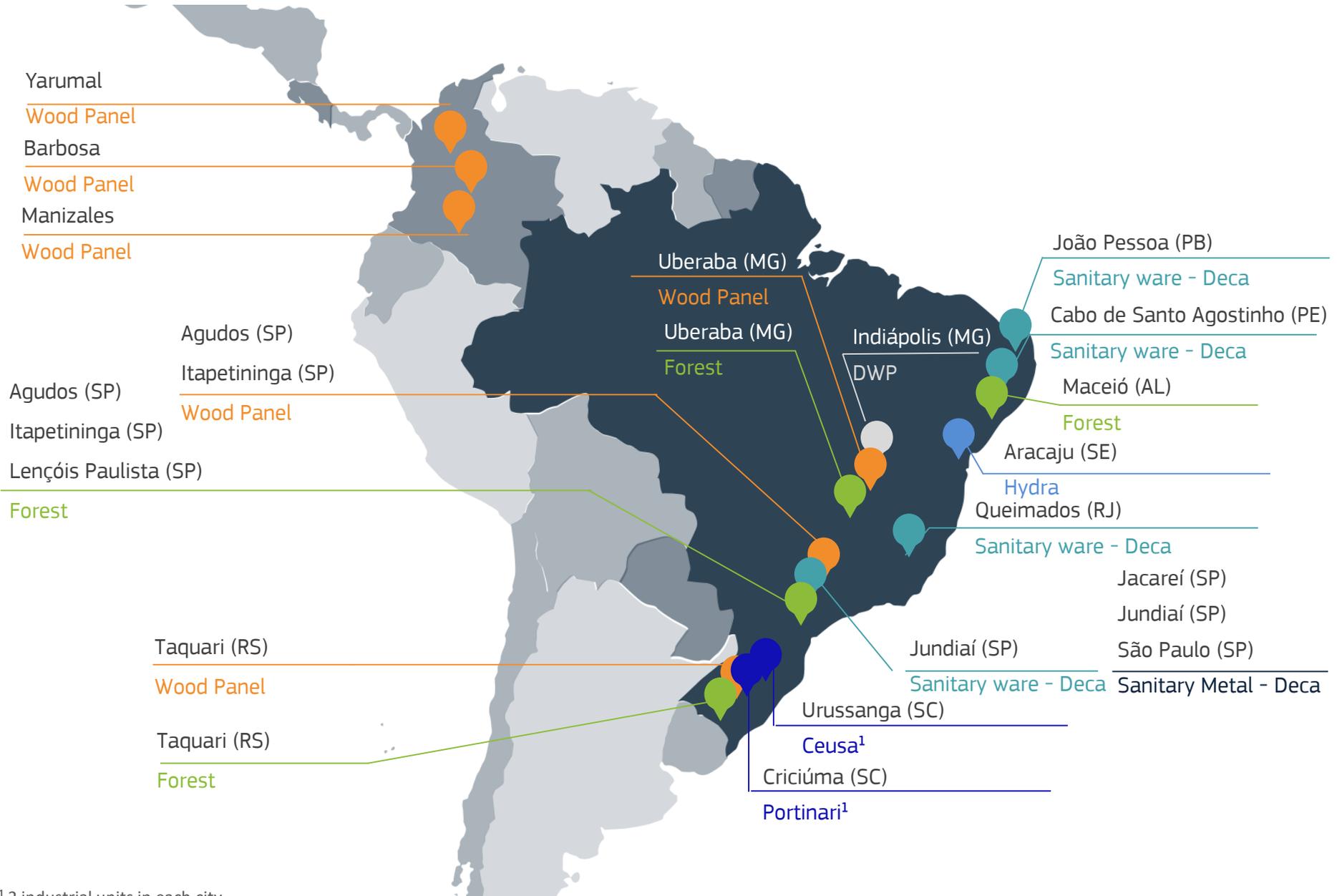
CERÂMICA  
**PORTINARI**  
ceusa 



 LD Celulose



# Where we are



<sup>1</sup> 2 industrial units in each city

# Strategy development

A leaner and more productive Duratex, with stronger shareholder returns

## Growth cycle

### Boom in demand

Increase in market share

Geographical and product diversification

Consolidation of Corporate Governance

### Economy expanding

2007 to 2014

2015

## Management Excellence

Duratex Management System

Identification of gaps and priorities

Zero Based Budgeting

Operational Efficiency

EVA as performance metric

## Cultural transformation

Strategic review of the Duratex culture

Rejuvenated culture ready to face new challenges

High performance teams

Active and engaged leadership

## Economic crisis

2016

2017

## The New Proposal Duratex

Solutions for Better Living

Duratex 2025

Client as center of strategy

Digital innovation

Welcome: Ceusa and Viva Decora

## Asset management

Sale of land and forestry assets

Sale of the Hardboard business

Closure of the unit at Botucatu and re-opening of the unit at Itapetininga

Joint Venture in dissolving wood pulp with the Austrian Company Lenzzing

Unification of shower operations with the closure of the operations in Tubarão/SC

Ceusa Expansion Project

2018

## Economy Recovery

2019

## Company in transformation

Closure of the Sanitary Ware unit in São Leopoldo

License granted for the construction of the Dissolving Wood Pulp factory

Closure of Ceramic Tiles unit in Santa Luzia/MG

Aquisition of Cecrisa

Closure of the wood panels unit in Botucatu/SP

Approval of the creation of the joint venture LD Celulose to produce dissolving wood pulp

# 2020

## Scenario



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1Q  
20

- Social Distancing
- Partial manufacturing shutdown

2Q  
20

- Home improvement stores considered an essential service
- Emergency government aid (R\$600)

3Q  
20

- Resumption of launch of new enterprises
- Reduction in interest rates 2% (Central Bank)

4Q  
20

- Reduction in emergency aid payment (R\$ 300)

- Home office for admin areas
- Raised of R\$1.6bn
- Crisis Committee

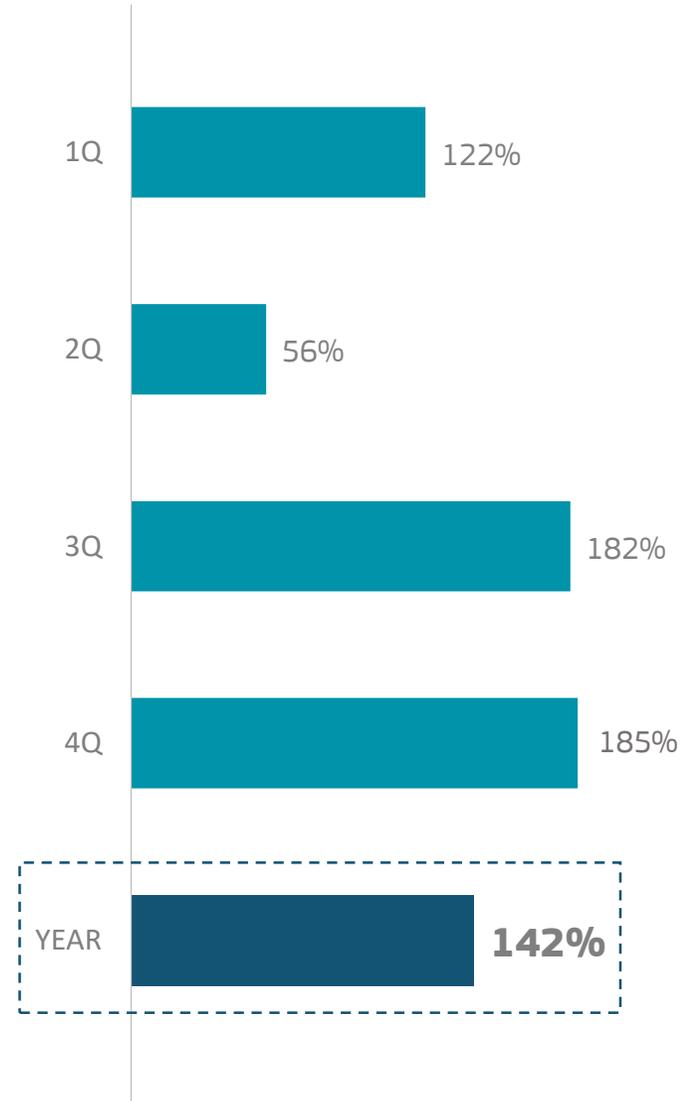
- Temporary shutdown of manufacturing units
- Donation of R\$10 million to combat COVID-19
- Increase in market share

- Factories operating at full capacity
- Strong recovery in demand

- Continued increase in demand
- Redoubling of protections for the returning workforce

## Evolution of the EBITDA

% evolution vs same quarter of the previous year





## **CYCLE 2021 - 2025**

### **A growth cycle**

#### **CURRENT BUSINESS**

Execution of the Strategic Plan and consolidation of results

#### **NEW BUSINESS**

Designing an Inorganic Growth Plan

#### **DIGITAL INNOVATION AND TRANSFORMATION**

Execution of the Technology Roadmap and Approach to the Entrepreneurial Ecosystem

# ESG Commitment

We remain focused on honing and achieving our targets

We have announced the creation of new ESG Management, responsible for leading activities related to environmental, social and corporate governance questions, ensuring focus and prompt action regarding the transformations and challenges the Company faces.



## ENGAGED IN HOW WE IMPACT THE WORLD

**WELL BEING** Our Way of Being and Doing  
Promote health and well-being

**IMPACT** Sustainable growth with positive carbon  
Responsible supply chain

**CARE** Conscious Forest Management  
Engagement of Influencers  
Keeping close to the community

## CONFIDENT IN OUR WAYS OF CREATING VALUE<sup>1</sup>

**62%** of energy generated from fuels with renewable sources.



**79%** reuse of waste discharged from Brazilian operations.<sup>2</sup>



**131%** reuse of water in Brazilian operations.



**R\$ 491 million** paid as compensation for work and government.<sup>3</sup>





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# Business units



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Wood

durafloor 

duratex 

# Portfolio

## MDP

Uncoated MDP, with applications in the furniture and civil constructions sectors



## Madeplac LP<sup>1</sup>

Coated MDP, standart and textured



## MDF

Uncoated MDF, with applications in the heavy-duty furniture sector



## Madefibra LP<sup>1</sup>

Heavy-duty, coated MDF, standar and textured



## High-gloss LP<sup>1</sup>

Coated MDF, with diferente degrees of gloss finish



## Durafloor

Lamited wooden floor coverings and vinyl floor coverings made from PVC 100% recyclable



<sup>1</sup> Low pressure: production process for coating wood panels



# Sector environment

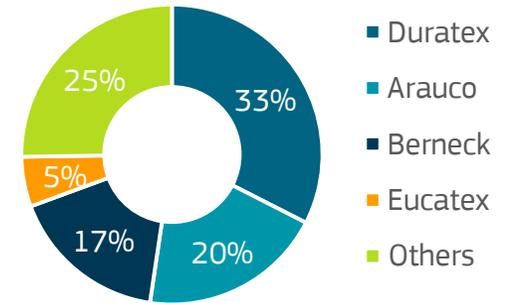
## Main indicators for the sector:

- Brailian GDP
- GDP – Civil construction
- Consumer confidence

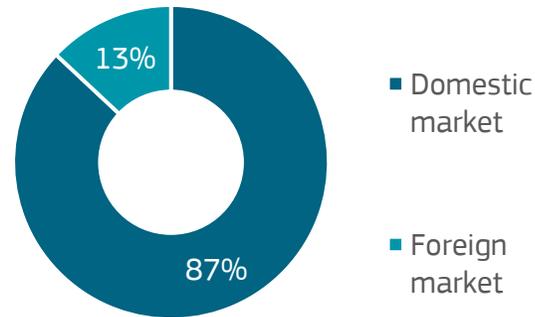
## Main association:

- IBÁ (Brazilian Tree Institute)

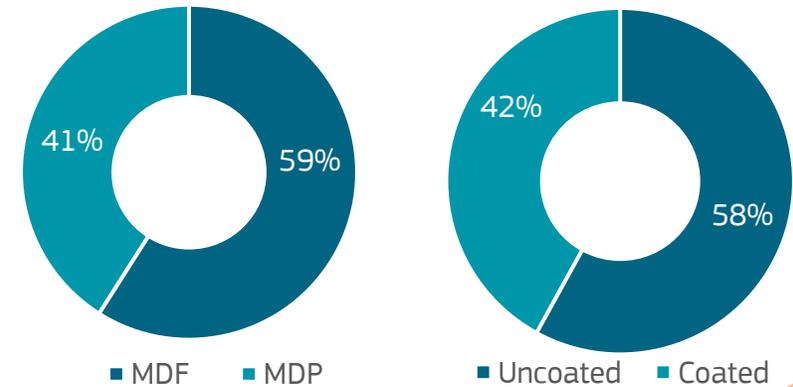
## Capacity Share Brazil<sup>1</sup>



## Final Destination



## Volume by type



<sup>1</sup> Duratex internal estimates



# Operation information

**Verticalized** production with more than 200ha

**4** industrial units – Brazil

- Agudos (SP): MDF and Durafloor
- Itapetininga(SP): MDP and MDF
- Uberaba (MG): MDF
- Taquari (RS): MDP

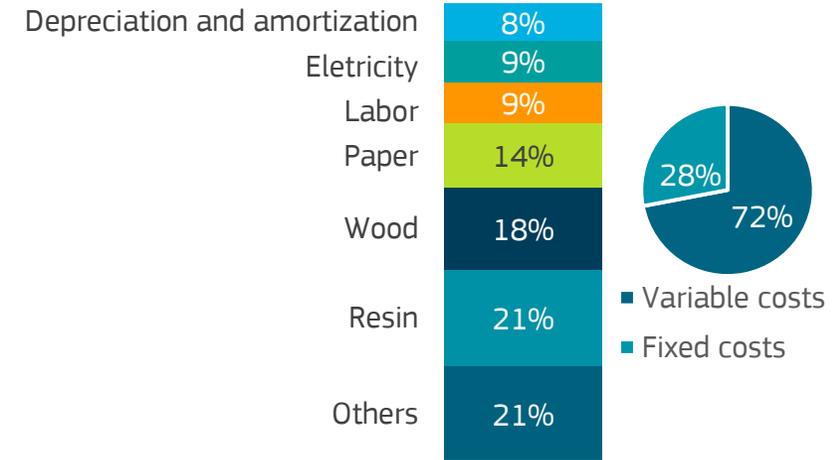
Annual production capacity (m<sup>3</sup>)

- MDP Brazil: ~1.7 million
- MDF Brazil: ~1.8 million
- Colombia: ~0.3 milhões

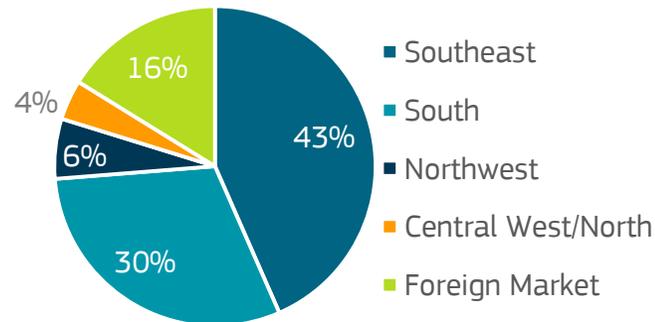
Capacity Share Brazil

- MDP: 39%
- MDF: 28%

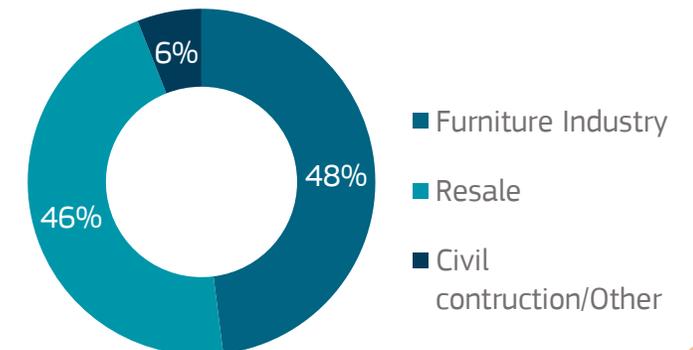
Cost segmentation(%)



Net revenue geographical distribution



Segmentations of sales (%)



# Strategy



## Agenda

### **SALES STRATEGY FOCUSED ON DIFFERENTIATION**

- Pricing
- Sales execution
- Portfolio

### **COST LEADERSHIP FOR COMMODITIES**

- Deduction of the manufacturing units
- Sales and Operations Planning (S&OP)
- Verticalized operation

### **ASSET OPTIMIZATION AND EVA IMPROVEMENT**

- Divestment of forestry assets
- Positive EVA in the division
- Significant improvement in the financial cycle
- Strong cash generation



## Volume and Price

Full capacity

- Competitive efficiency
- Strong growth in Commodities
- Price assertiveness



## Mix

Full potential

- Additional productivity gains
- Differentiation
- Increasing trend towards products of higher added value



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Deca

deca 

—  
hydra 

—

# Portfolio



## Sinks

Applications in commercial and residential kitchens and bathrooms (Inox sink, "Brutalistas")



## Sanitary ware

Applications in commercial and residential bathrooms



## Electric products

Electric taps and showers for bathrooms and kitchens



## Valves

Used in operating flushing mechanisms



## Metals

Wide variety of taps for kitchens and bathrooms



## Accessories

Towel racks, soap dishes, among others

# Sector environment

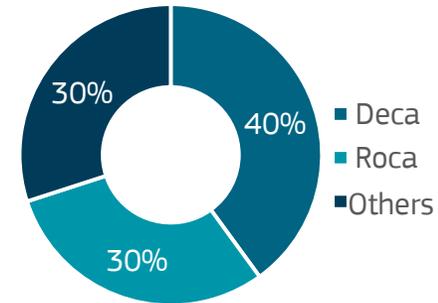
## Main indicators for the sector:

- GDP Brazil
- GDP – Civil construction
- Consumer confidence
- New constructions
- Resale – Civil construction

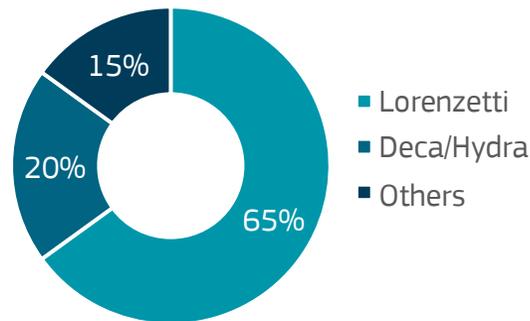
## Main association:

ABRAMAT (Brazilian Association of SanitaryWare Manufacturers)

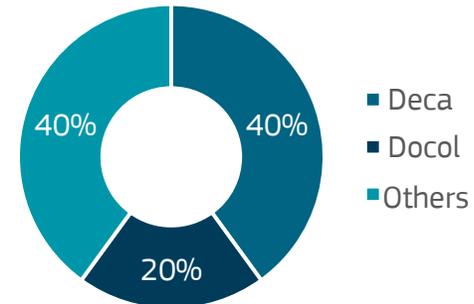
### Market Share Sanitary ware<sup>1</sup>



### Market Share Showers<sup>1</sup>



### Market Share Metals (% Net revenue)<sup>1</sup>



<sup>1</sup> Duratex internal estimates

# Operation information

## Metals

### 3 Industrial unit

- São Paulo (SP)
- Jacareí (SP)
- Jundiaí (SP)

### Annual production capacity (piece)

- Sanitary ware: ~9 millions
- Metals: ~20 millions
- Showers: ~9 millions

## Sanitary ware

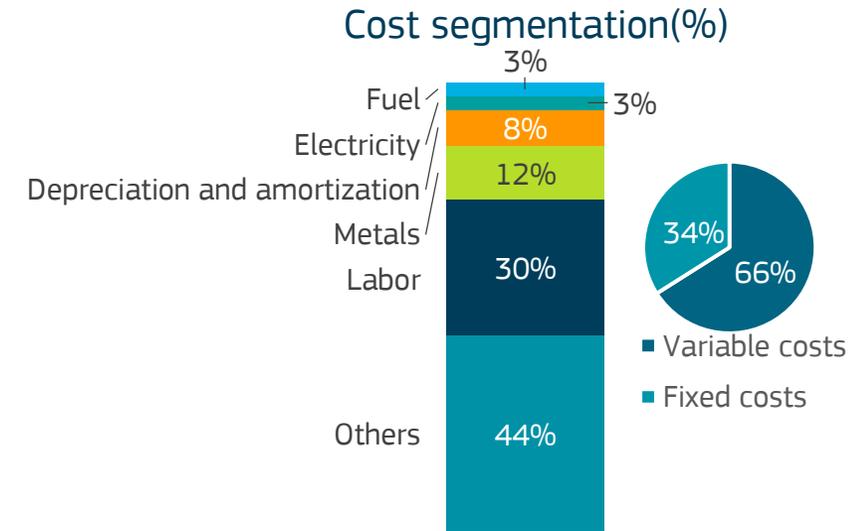
### 4 Industrial unit

- Jundiaí (SP)
- Queimados (RJ)
- João Pessoa (PB)
- Cabo de Santo Agostinho (PE)

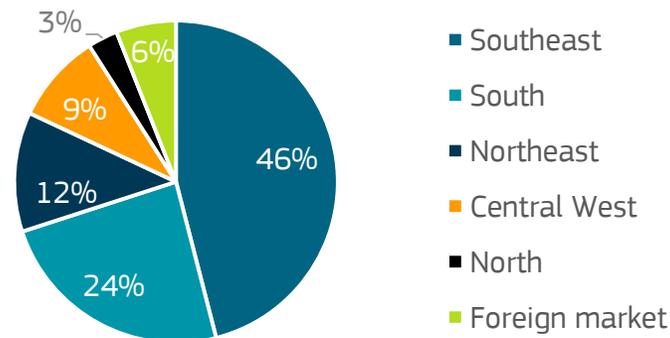
## Showers

### 1 Industrial unit

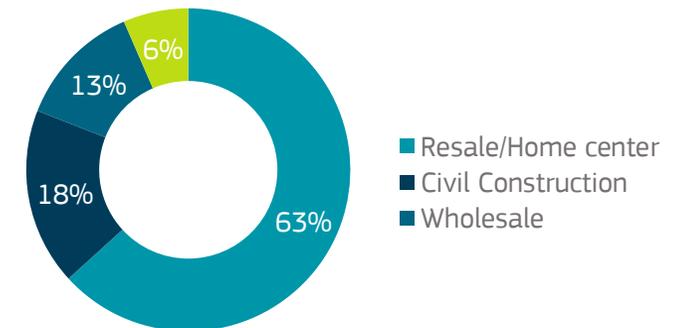
- Aracaju (SE)



### Net revenue geographical distribution



### Segmentations of sales (%)



# Strategy

## Initiatives 2018 - 2020



### OPERATIONAL AND LOGISTICAL EFFICIENCY

- 30% reduction in the portfolio
- Gains in manufacturing productivity
- Factory consolidation
- Headcount reduction
- Maximization of Tax Incentive
- Start of ZBB for management of working capital
- Service level evolution
- Ongoing search for productivity
- Paraíba fittings operating at 93% IQG
- Hydra – Restructuring of the product platform
- Restructuring of the factory layout



### INNOVATION

- New funnel reducing time to market to 4 months
- Inox washbasin launch
- Rapid delivery launches at Revestir
  - Touchless line
  - Ricardo Dias design line
  - Textured line
  - Hydramotion line
  - Colored wash-basins
  - Hydra Puravita
  - “Brutalistas” wash-basins → Asset Light



### SALES EXECUTION

- Start of Sales Policy redesign
- Structuring of the Trade Marketing area
- Integration and capture of Deca + Hydra synergies
- Launch of new Sales Policy
- Implementation of quarterly JBP
- Restructuring of the Sales Area
- Introduction of new metrics in the sales routine
- Launch of Marketplace Deca
- Sales force priming in the Ceará
- Creation of the RGM – Revenue growth management area

- OCT18 TO OCT19
- OCT19 TO OCT20

## Strategic pillars

### SOLUTIONS FOR BETTER LIVING





## Ceramic Tiles



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ceusa 

PORTINARI

# Portfolio



## Polished porcelain tiles

Applications in drier environments such as living rooms, corridors and bedrooms



## Tiles

Wide range of applications for wet or dry environments



## Special finishings

Wide range of applications with exclusive designs using 3D technology



## Roof tiles

Wide range of applications with high durability and lifetime, preserving characteristics over time

# Sector environment



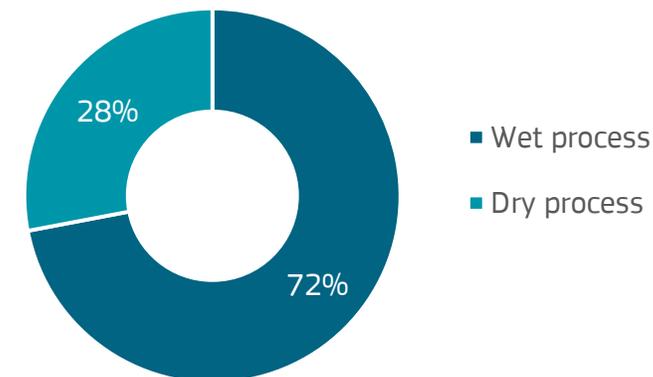
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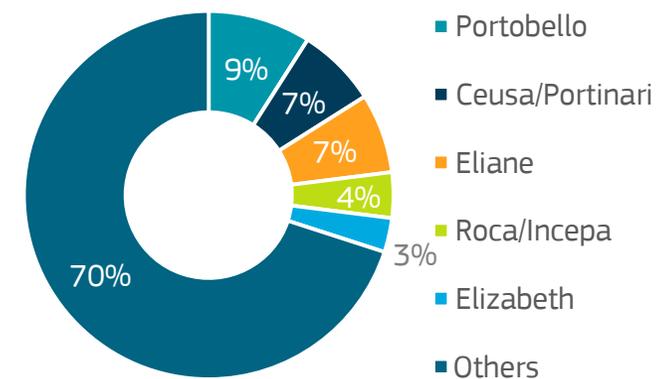
## Main association:

- ANFACER (National Association for Ceramic Tile Manufacturers)

## Production by type



## Market Share 2019 (% Net revenue)<sup>1</sup>



<sup>1</sup> Duratex internal estimates



# Operation information

## 4 Industrial unit

- 2 in Urussanga/SC
- 2 in Criciúma/SC

## Annual production capacity

- 31 millions m<sup>2</sup>/year<sup>1</sup>

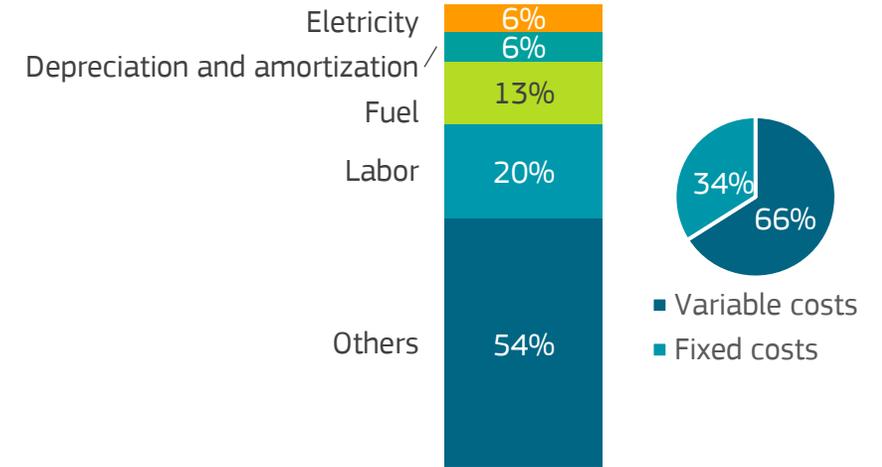
## Capacity Share

- 3%

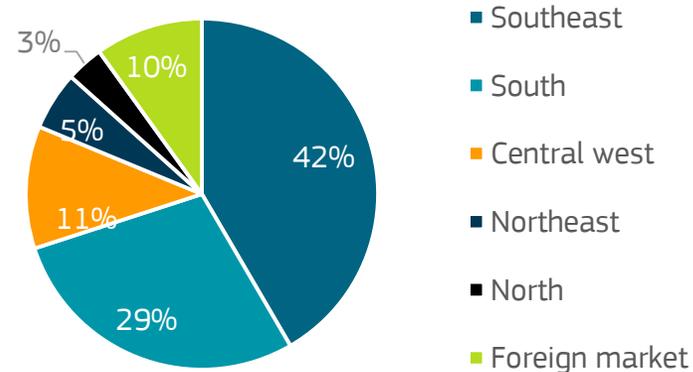
## Product Differentials

- Monotone
- Mono-caliber
- Dry joint fitting

## Cost segmentation (%)

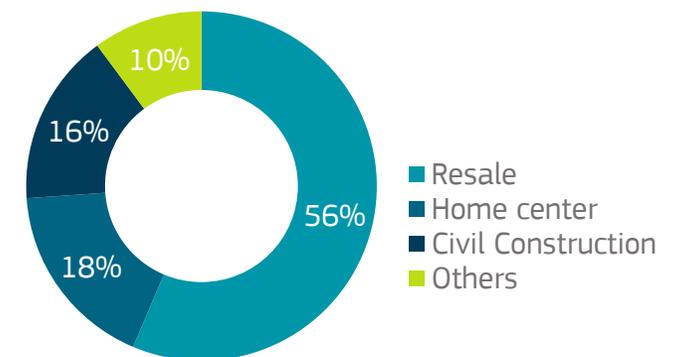


## Net revenue geographical distribution



<sup>1</sup> Consider Ceusa expansion

## Sales segmentation (%)



# Strategy

Synergy in focus

ceusa   
**P O R T I N A R I**

LET'S BUILD  
**THE BEST**  
IN BRAZIL.

## Strategy agenda

### SALES EXCELLENCE

- Restructuring of market intelligence
- Entry into e-commerce
- Strengthening of sales policy
- Synergy between businesses

### STRENGTHENING BRANDS

- Growth of relationship programs with specifiers, sellers and settlers
- Focus on the Consumer Journey
- Smart store.

### MANUFACTURING SYNERGY

- 4.0 Industry
- High industrial performance
- Evolution of the service level – S&OP
- Go Live SAP S4/HANA



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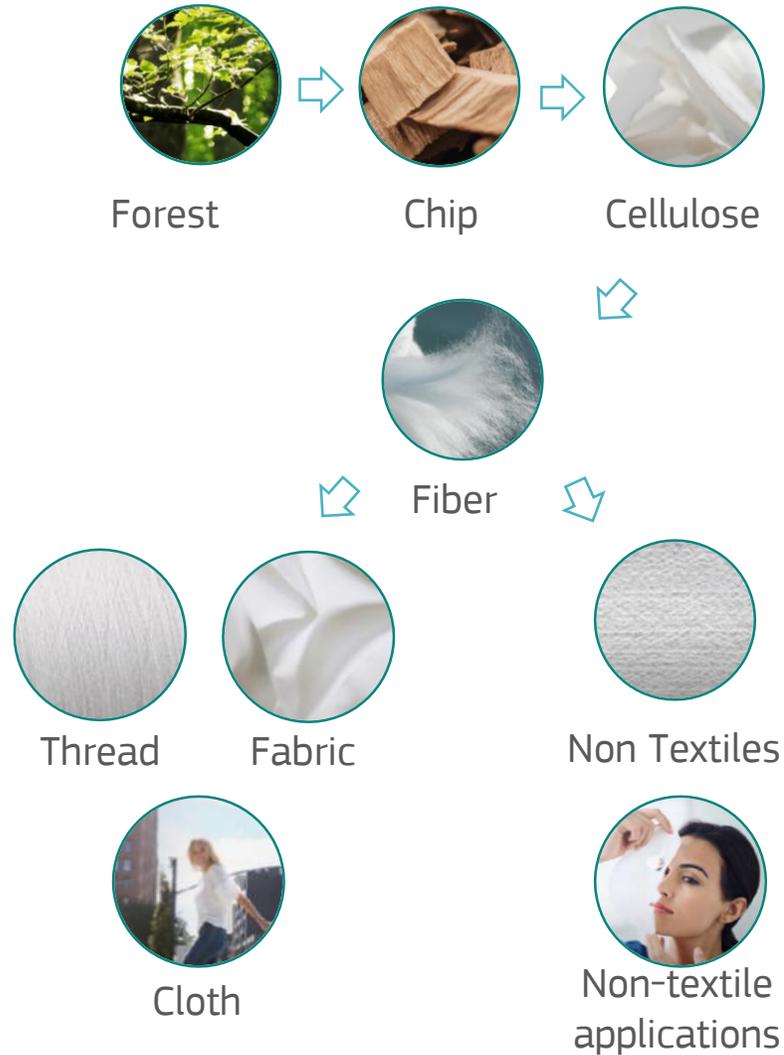


LD Celulose

# Dissolving Wood Pulp

# Dissolving Wood Pulp

## Productive chain



## Location of the factory



# Dissolving Wood Pulp

## The project

### ● Competitive advantages

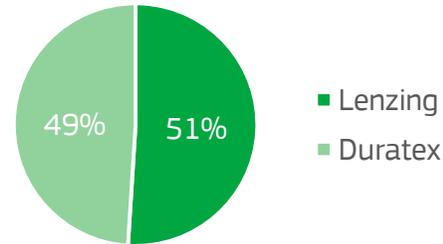
- Lowest cash cost in the sector worldwide
- Integrated logistics
- Capacity of 500k ton/year;
- Wood certified by international standards

### ● The Joint Venture

- Total industrial investment of approximately 1.2 billion dollars
- Product 100% sold, destined for Lenzing factories in Europe, Asia and North America for production of viscose and Lyocell
- Duratex contribution (forest and cash) realized between 2019 and 2020

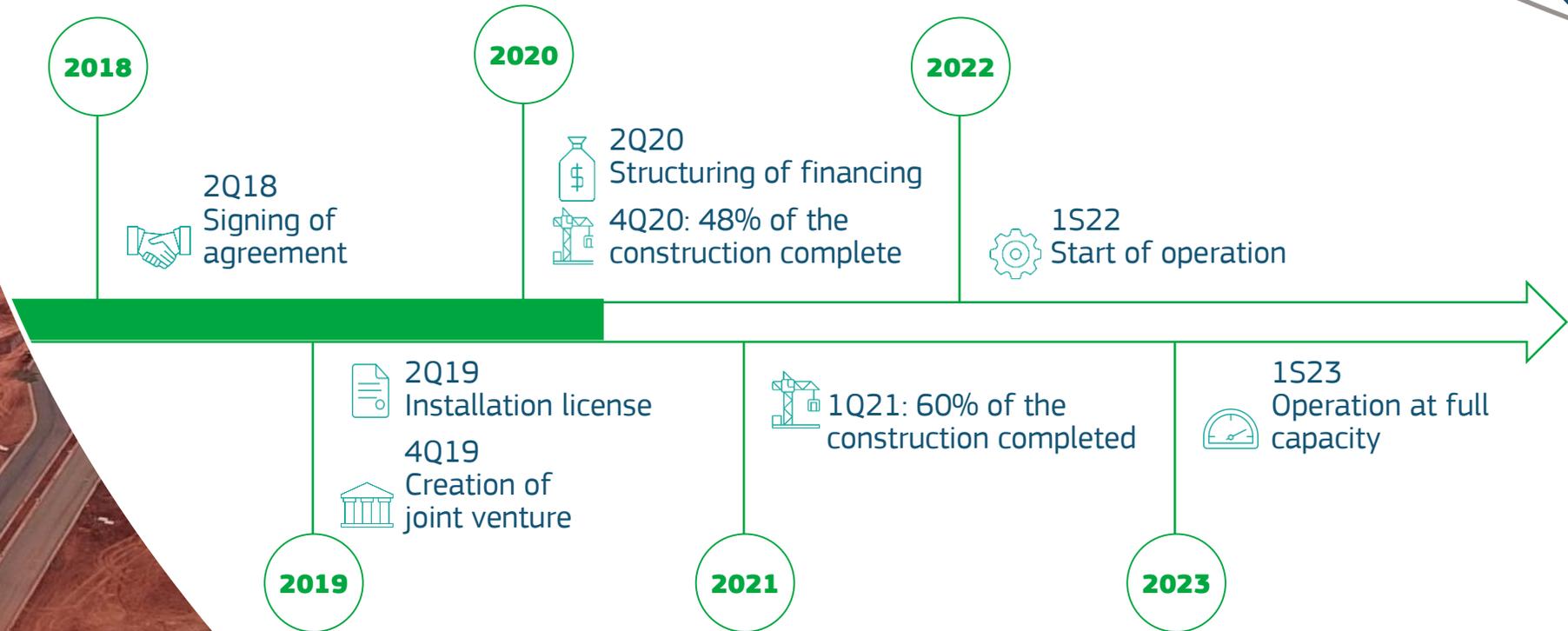


Shareholder structure



# Dissolving Wood Pulp

*Timeline – On time, on budget*



# THE NEW DURATEX

A company focused on...

**...cash generation, while maximizing shareholder value**

Remuneration of executives based on cash generation and EVA

**...sustainable growth**

Organic and inorganic growth within our

## Way of Being and Doing

**...innovation and digitalization**

As a way to simplify our processes and leverage our sales channels

**...strategic assets**

Optimization of current assets and productive management with strategic partners

**...client solutions**

One-stop shop, complete experiences and environments

## Strategic Pillars



### People

People are our strength



### Results

Sustainable high performance



### Processes

We work well, simply and safely



### Client

We are the best choice



Nice to meet you. We are Duratex

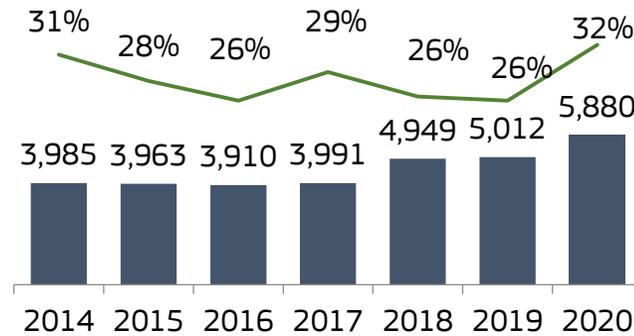


Duratex

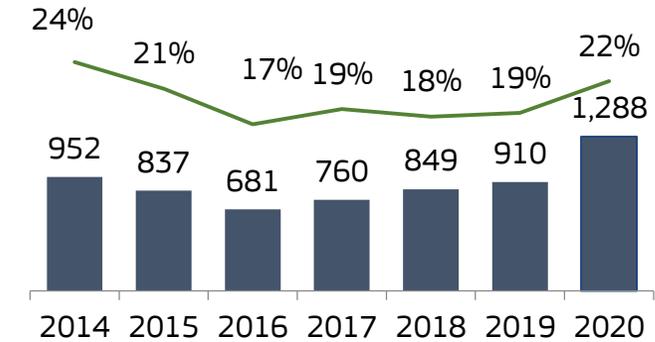
# Finance information

# Consolidated result

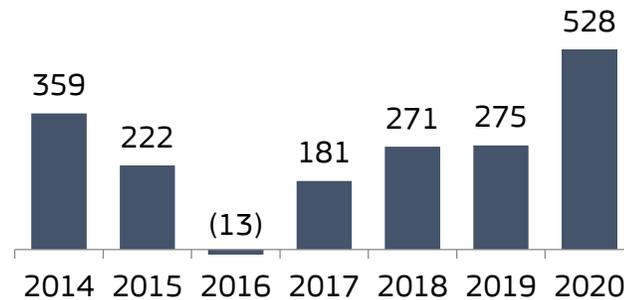
### Net Revenue and Gross Margin



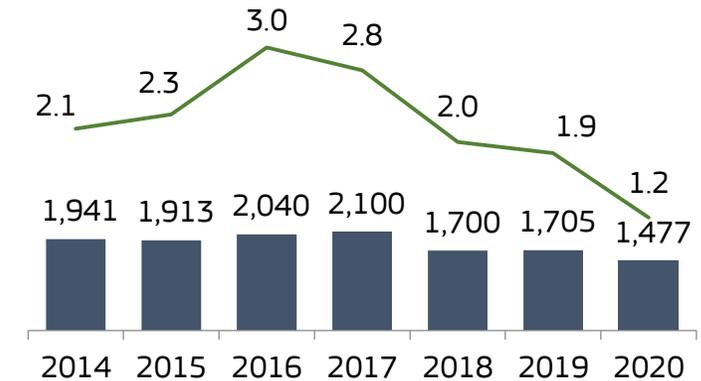
### Recurring EBITDA and Margin EBTIDA



### Recurring Net Income



### Net Debt and Financial Leverage



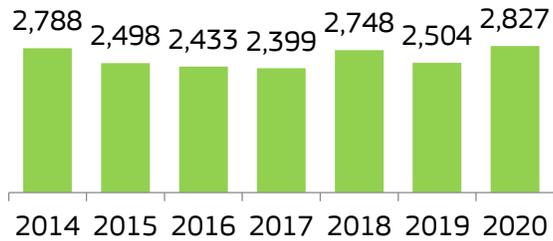
# Business units results

BRL Million

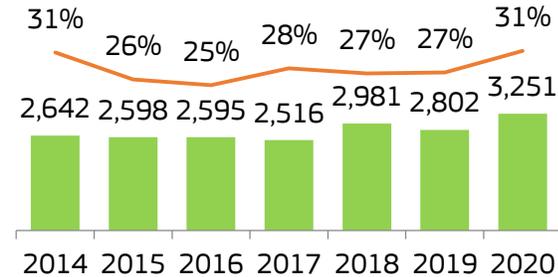


## Wood

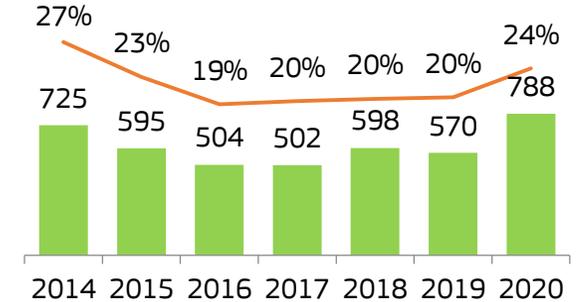
Volume ( ` 000 m<sup>3</sup>)



Recurr. Net Revenue and Gross Margin

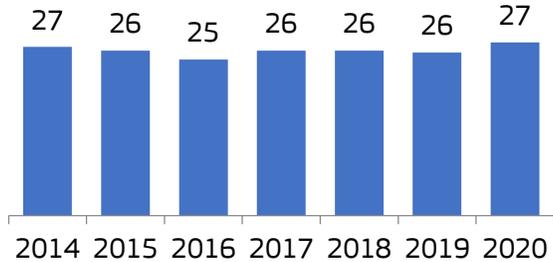


Recurring EBITDA and Margin EBTIDA

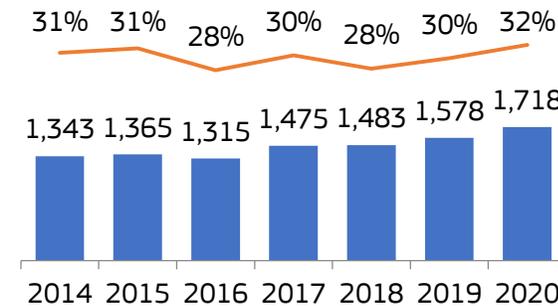


## Deca

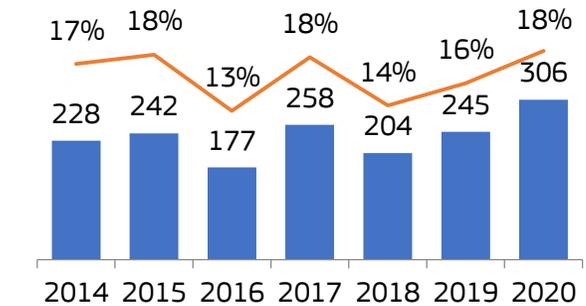
Volume (million of pieces)



Recurr. Net Revenue and Gross Margin

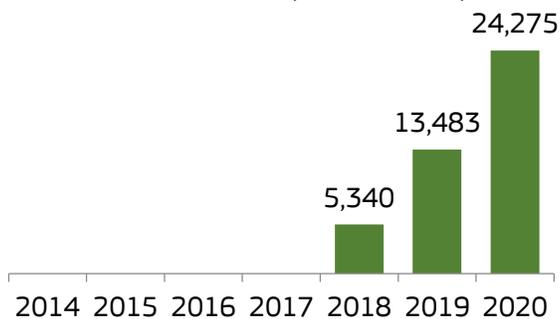


Recurring EBITDA and Margin EBTIDA

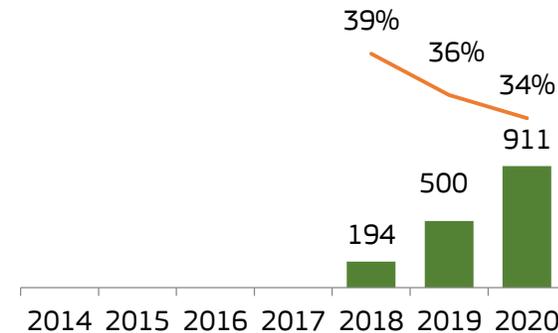


## Ceramic Tiles

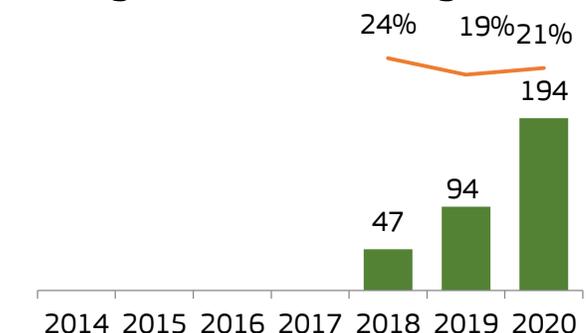
Volume ( ` 000 m<sup>2</sup>)



Recurr. Net Revenue and Gross Margin

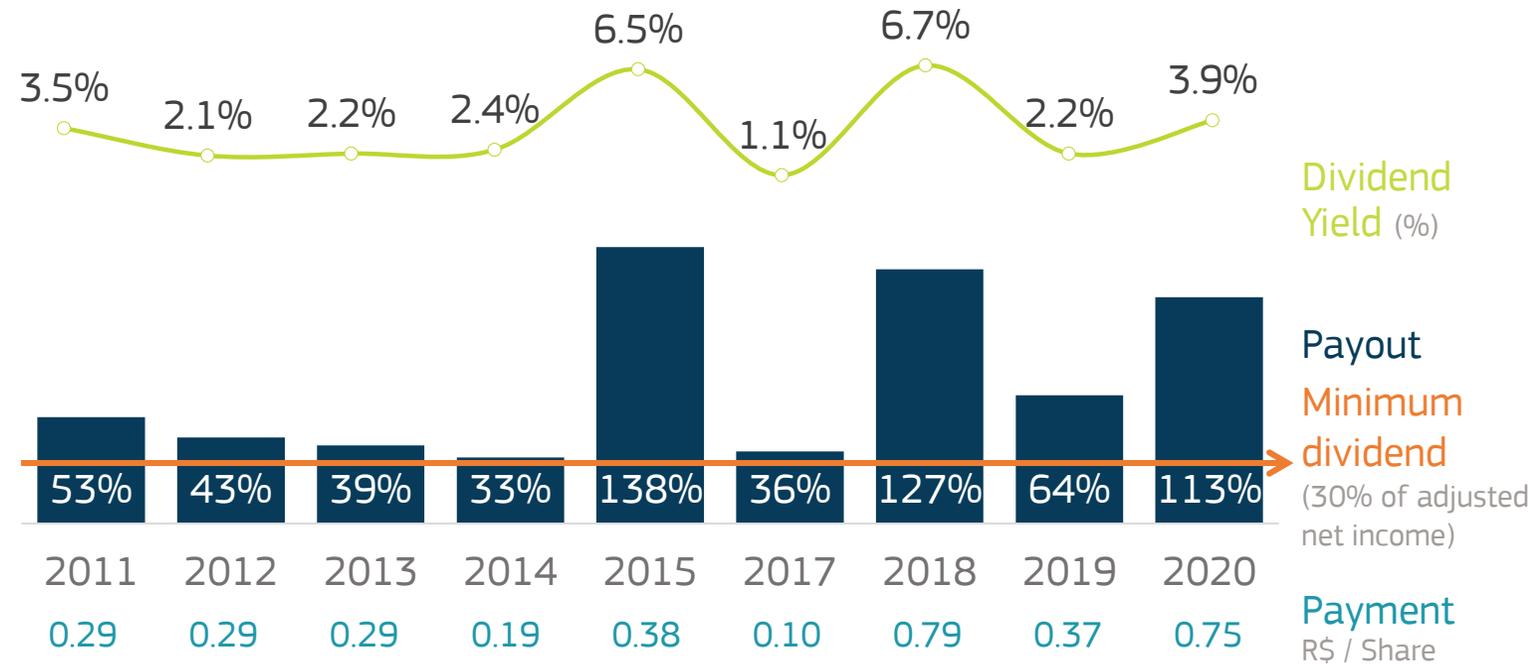


Recurring EBITDA and Margin EBTIDA



# Dividend Policy<sup>2</sup>

– Payment at least once per year.



<sup>2</sup> In 2016, no disbursements was made regarding dividends and interest on capital

# Main investments

Movements aligned to the purpose Solutions for Better Living



## Wood

2014  **Caetex**

Joint Operation with Caeté S.A. plant for the formation of forests in the Northeast of Brazil

2015  **TABLEMAC**

Forests and 3 industrial units in Colombia with MDP and MDF production  
Annual capacity: ~0,3 millions m<sup>3</sup>



## Deca

2011  **Elizabeth**

Sanitary ware – industrial unit (João Pessoa – PB)  
Annual capacity: ~1,8 million pieces

2012  **LUPATECH MIPEL**

Industrial valves unit (Jacareí - SP)  
Annual capacity: ~0,8 million pieces

2013  **ThermoSystem**

A vida na temperatura certa.

Electronic showers and heating system  
Annual capacity: ~1,5 million pieces

2015  **CORONA**

Electric showers  
Annual capacity: ~5,0 million pieces



## Ceramic Tiles

2017  **Ceusa**

Entry in the Ceramic Tiles sector  
Annual capacity: ~6,0 millions m<sup>2</sup>

2019  **CECRISA S.A.**

Ceramic Tiles  
Annual capacity: ~20,0 million m<sup>2</sup>



## Dissolving wood pulp

2019  **LD Celulose**

Joint Venture with Lenzing AG  
Annual capacity: 500k ton



# Quarter results



# Duratex

Results Presentation

## 1Q21

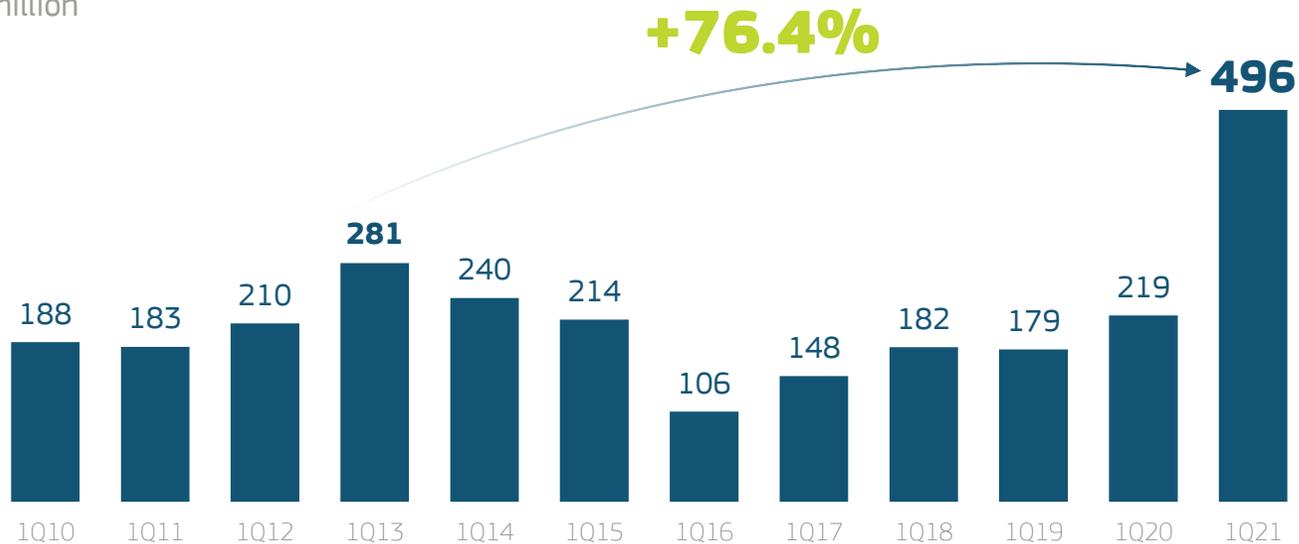


# Highlights

Record result, with the best 1<sup>st</sup> quarter in the Company's history

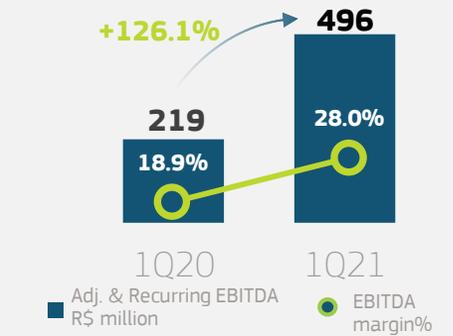
- High levels of demand continue despite the stricter enforcement of social distancing measures;
- Price repass offsetting the increase in the cost of materials;
- Less than 12 months to the start-up of the new DWP unit, with improvement in prospects arising from the currency exchange rate and pulp price (DWP China).

Evolution of the EBITDA Adjusted and Recurring  
R\$ million



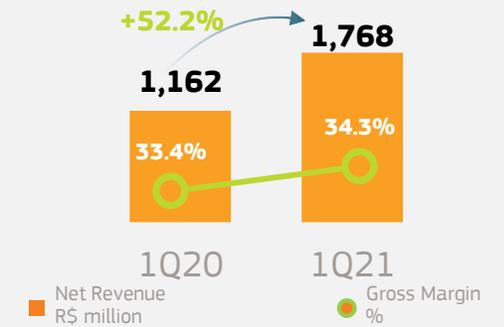
Adjusted and Recurring EBITDA Margin

R\$ million/ %



Recurring Net Revenue and Gross Margin

R\$ million/ %



Recurring Net Income

R\$ million



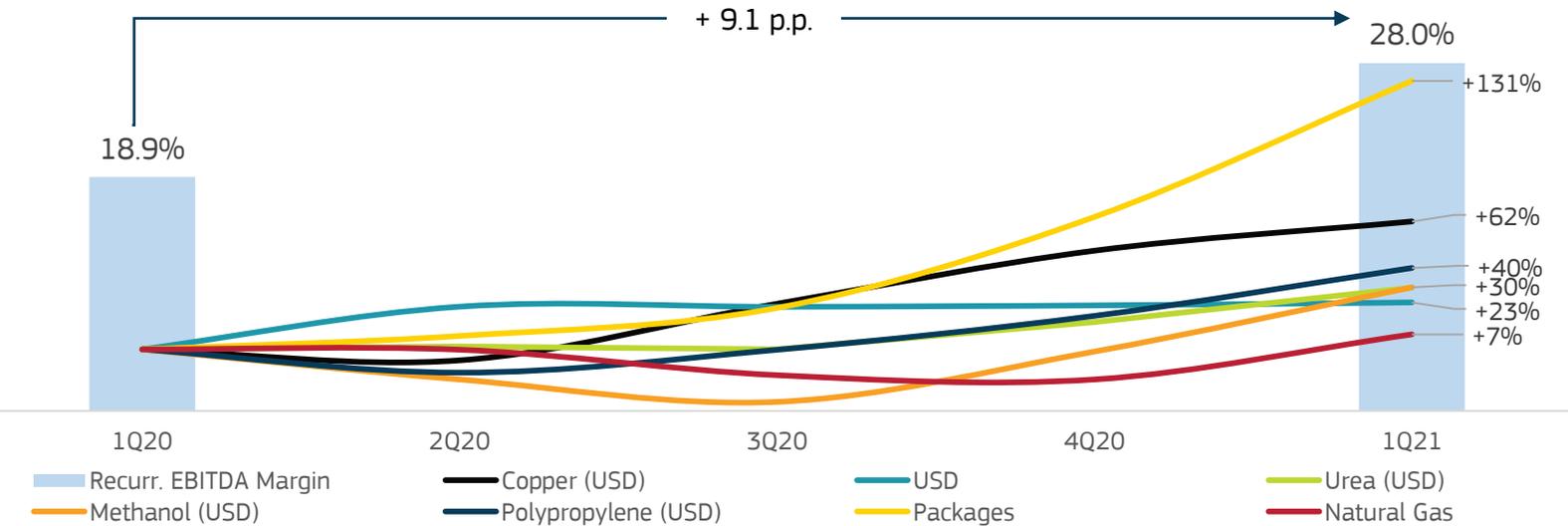


# Costs vs Margins

## Margins continue to improve despite the impact on costs

### Consolidated

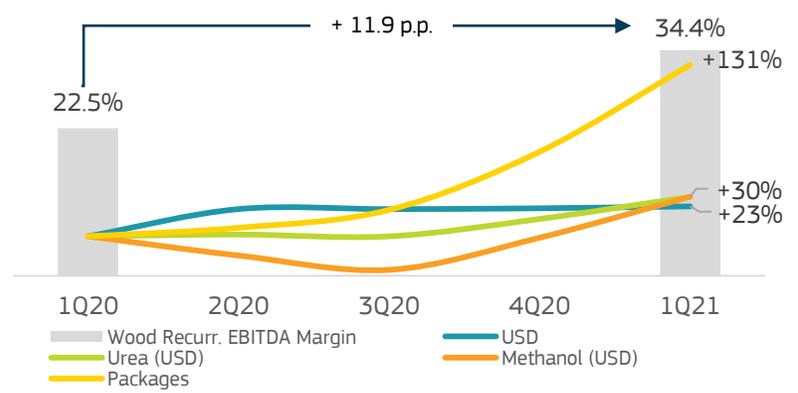
Costs vs Recurring EBITDA Margin



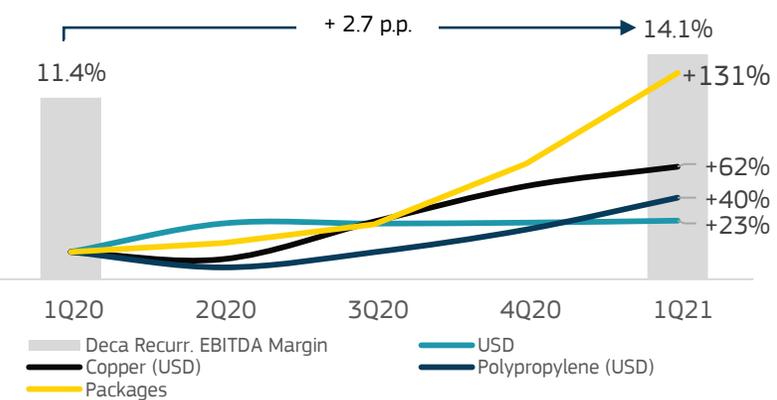
### Headlines:

- Productivity gains and price increases compensating the increase in cost of materials
- Margin is 9.1p.p. higher than year-on-year

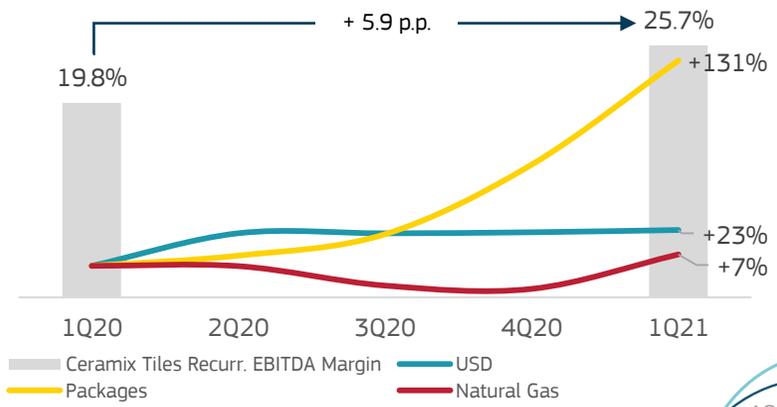
### Wood



### Deca



### Ceramic Tiles



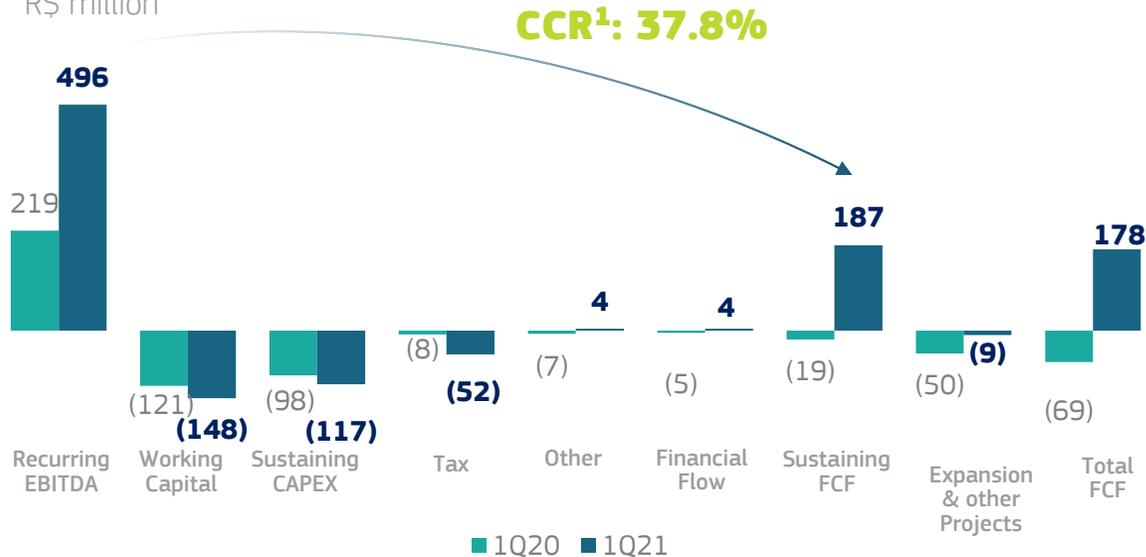
# Cash Flow

## Record cash generation for the 1<sup>st</sup> quarter

- 57 day reduction in the Cash Conversion Cycle, with improvement across all pillars;
- Increase in disbursement with inventory due to increase in purchase of raw materials, ensuring greater efficiency in the operations;
- Reduction in Working Capital/Net Revenue from 26.0% to 13.0%.

### Free Cash Flow YTD

R\$ million



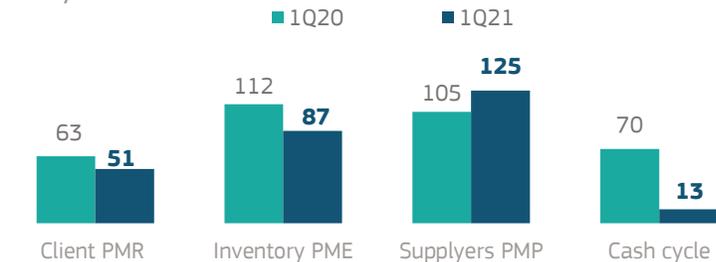
### CAPEX

R\$ million

Investment	1Q20	1Q21
FORESTRY OPEX	30	40
MAINTENANCE	67	77
<b>Sustaining CAPEX</b>	<b>98</b>	<b>117</b>
EXPANSION PROJECTS	73	16

### Cash Conversion Cycle

Days



1 – Cash Conversion Ratio: rate of conversion of Adjusted & Recurring EBITDA into Sustaining FCF

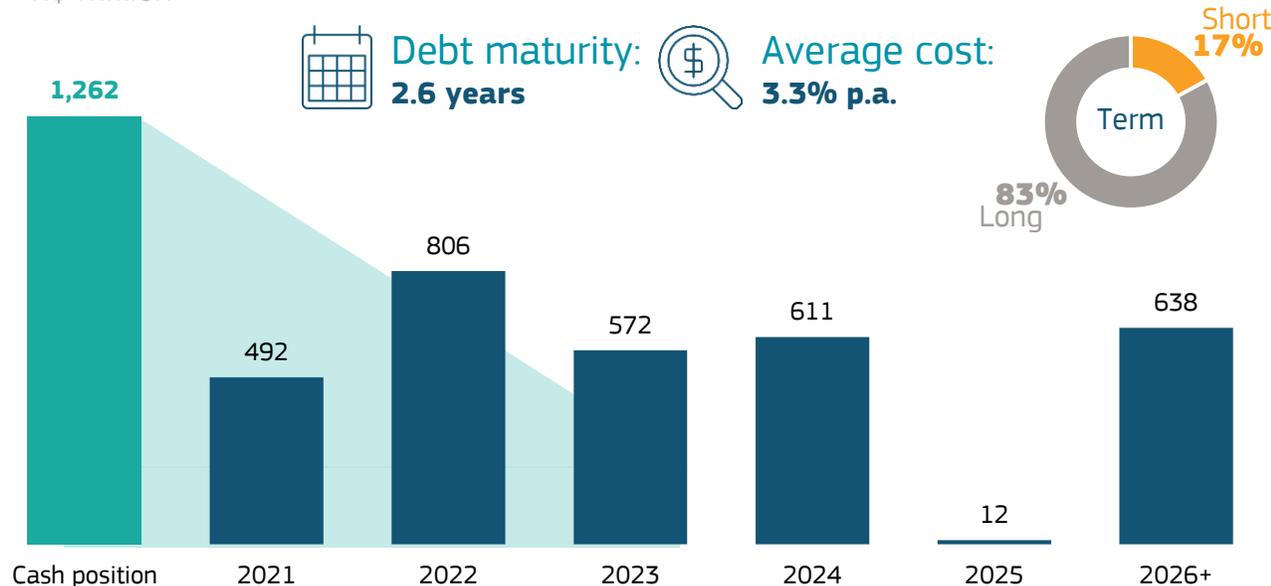
# Corporate Debt

## Operating Performance supporting the low level of leverage

- Strong cash generation and record profits have compensated for the payment of dividends of R\$517.1 million, with the leverage remaining at 1.2x;
- Securing of credit line of R\$697.0 million with BNDES to finance the acquisition of equipment and materials, with the funds expected by the end of 2021, at an average term of 12 years.

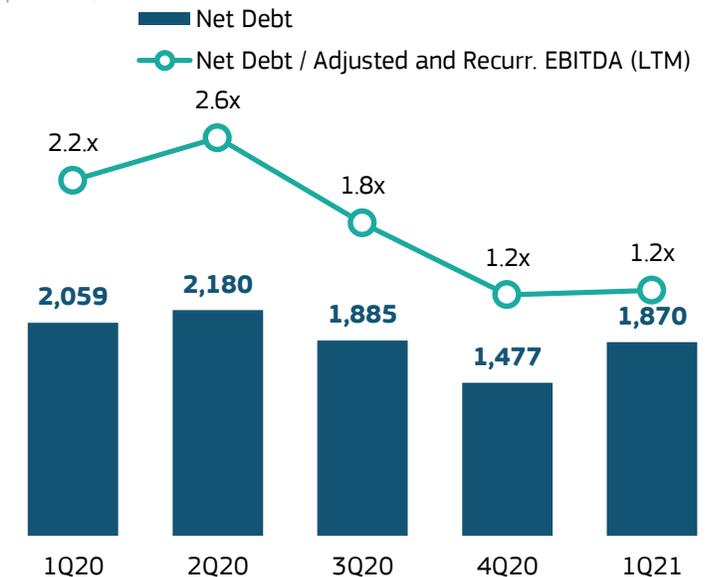
### Amortization Timeline

R\$ million



### Financial Leverage

R\$ million





# Wood

durafloor 

—  
duratex 



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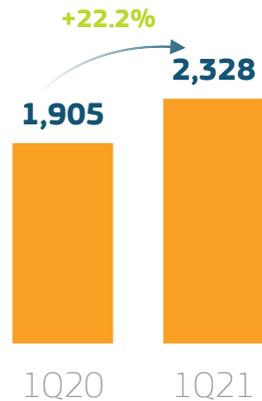
# Sector Environment

## IBA data

- Growth in our two main markets (Carpentry and Furniture Industry), reflecting in significant growth for the sector of 22.2% over the same period in 2021;
- Increase of only 3.7% in the External Market, despite the currency depreciation.

### Panels Total

Volume 000m<sup>3</sup>



Internal Market: **+25.5%**

External Market: **+3.7%**

### MDP Internal Market

Volume 000m<sup>3</sup>



### MDF Internal Market

Volume 000m<sup>3</sup>



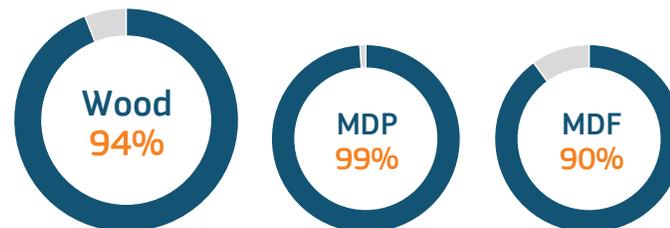


# Results 1Q21

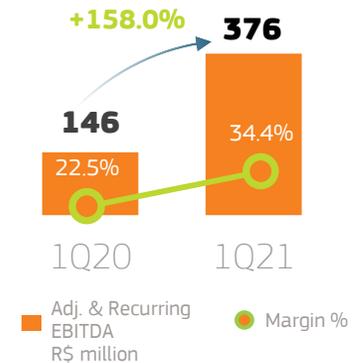
## Second consecutive record performance

- Heating up of demand coinciding with the sector's seasonality;
- Assertive introduction of pricing and mix changes compensating for cost pressures, with an increase of 23.7% in unit revenue vs 1Q20;
- Highest EBITDA in the Division's history, with margin of 34.4%, 11.9 p.p. higher than 1Q20 and 4.1 p.p. higher than 4Q20.

Capacity Utilization 1Q21 (%):



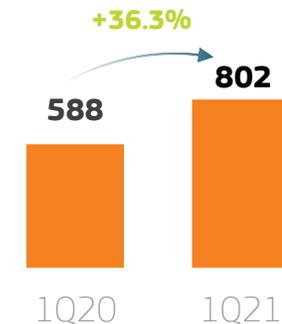
Adjusted and Recurring EBITDA Margin  
R\$ million/ %



Recurr. Net Revenue & Gross Margin  
R\$ million/ %



Volume  
000m<sup>3</sup>





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Deca

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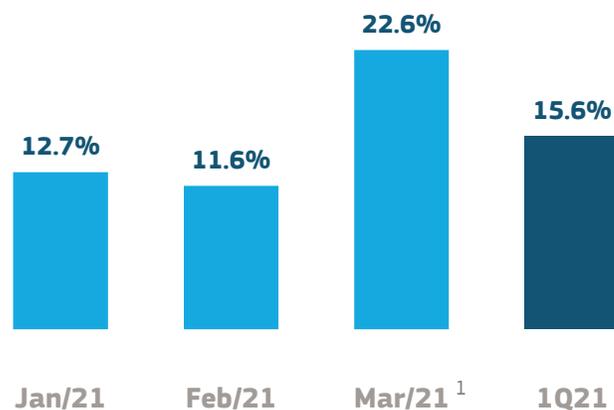
# Sector Environment

## ABRAMAT data

- Sector operating with a capacity utilization greater than the same period in 2020;
- Increase in the revenue level between March/21 and March/20, due to the beginning of the COVID-19 crisis in 2020.

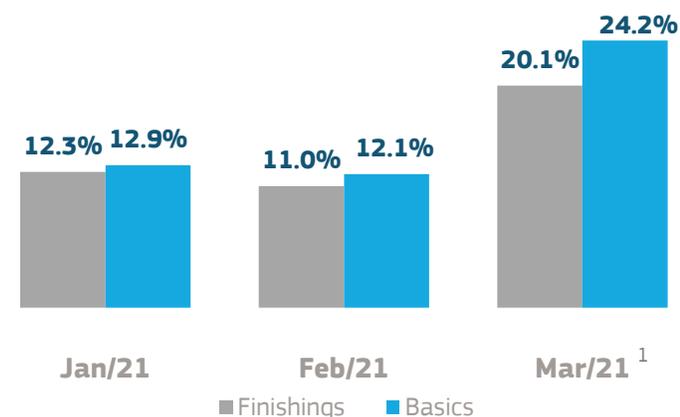
Revenue for the building materials industry vs 2020

%



Deflated gross revenue vs 2020

%



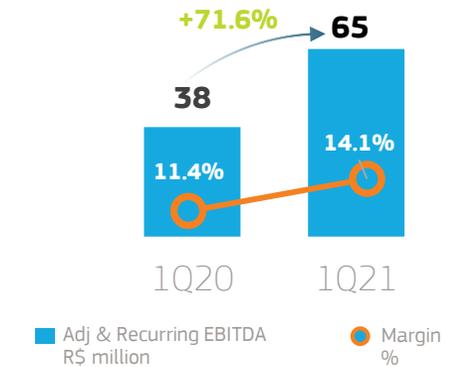
1 - Estimate

# Results 1Q21

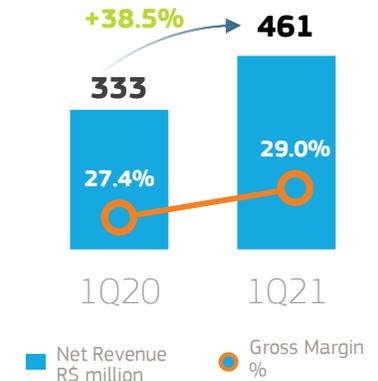
8<sup>th</sup> quarter of margin gains y/y, if excluded the pandemic impact

- Volume greater than expected as a result of strategic positioning of the Company's products;
- Improvement in price and mix compensating for cost increases;
- Operating efficiency and commercial excellence activities driving growth of 71.6% of EBITDA versus 1Q20.

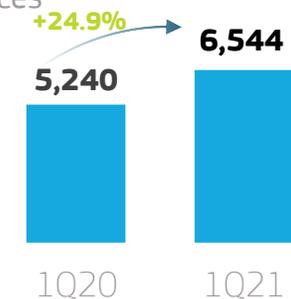
Adjusted and Recurring EBITDA Margin  
R\$ million/ %



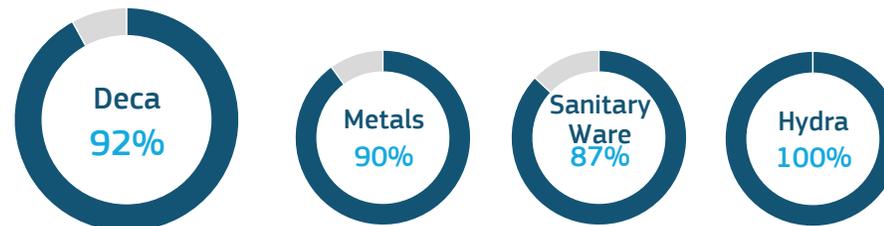
Recurr. Net Revenue & Gross Margin  
R\$ million/ %



Volume  
'000 pieces



Capacity Utilization 1Q21 (%):





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Ceramic Tiles

ceusa 

PORTINARI

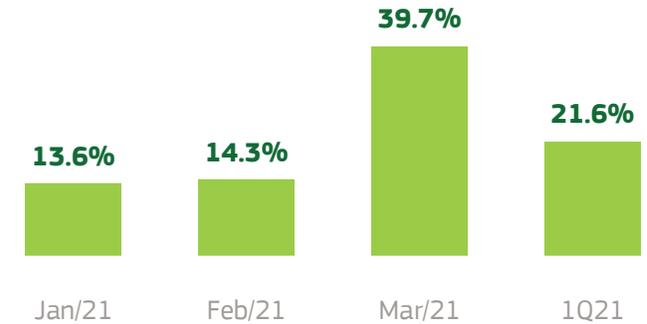


# Sector Environment

## ANFACER data

- Increase of 21.6% in the first quarter of the year versus 2020;
- Improved utilization in 1Q21 versus 1Q20, reinforcing the growth of the sector in the period.

Volume of sales in the ceramic tiles industry vs 2020  
%



Capacity utilization  
%



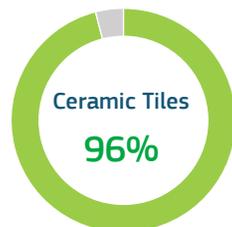


# Results 1Q21

Margin greater than 25.0% even with seasonality

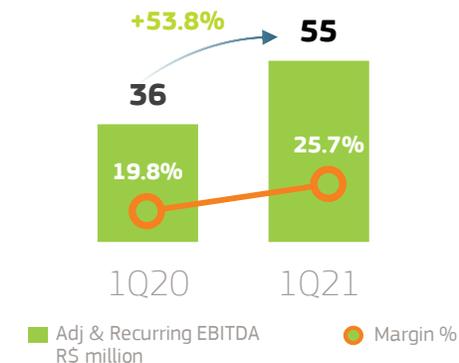
- Capturing synergies remains above expectations with branding and price increases leading to the unit revenue by 6.9%;
- Factory productivity gains compensating for the increases in costs, especially gas;
- Start of the implementation of SAP S/4Hana negatively impacting the sales volume in 1Q21.

Capacity Utilization 1Q21 (%):



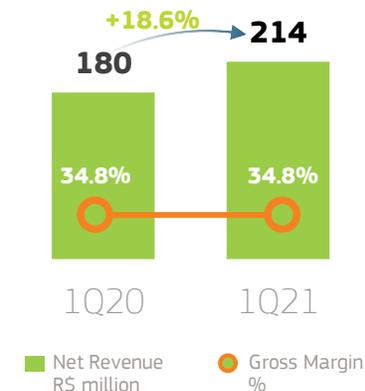
## Adjusted and Recurring EBITDA Margin

R\$ million/ %



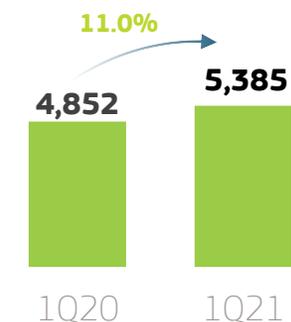
## Recurr. Net Revenue & Gross Margin

R\$ million/ %



## Volume

'000m<sup>2</sup>





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LD Celulose

# Dissolving Wood Pulp

# Dissolving Wood Pulp

On budget, on time



- Less than 12 months to the start of operations, with no impact on the budget forecast despite cost pressures on construction materials;
- Improvement in the prospects for the price of pulp (DWP China) and the currency exchange;
- Effective management of the pandemic at the construction site.



 + **5.0k** workers  
involved in the activities



**60.0%** of the  
construction complete

# Next steps



## General Scenario

- Interest rates to remain low;
- Continued launch of new property projects in the year, despite the impact of the social distancing measures in 1Q21;



## Wood

- Maintain levels of factory utilization;
- Cost pressures from dollar denominated materials and commodities offset by price increases;



## Deca

- Continue monitoring the increase in dollar denominated materials and commodities;
- Improve the mix and introduce new price increases;



## Ceramic Tiles

- Advance in commercial integration with Deca;
- Improvement in the mix arising from the successful launch of Revestir;



## Dissolving Wood Pulp

- Progress the building of the new unit;
- Continuous pricing scenario improvement of dissolving wood pulp.

# INVESTOR RELATIONS

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# Q&A

Results Presentation

1Q21



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3.novembro  
2020