

# EARNING RELEASE

2019



## Results for the 4th quarter of 2019

### Net Revenue of Priner S.A. (PRNR3) totals R\$ 87.9 million and EBITDA of R\$ 10.5 million in 4Q19

The Priner Group presents its consolidated results for 4Q19 according to the IFRS and in Brazilian reais (R\$ thousands). The comparative figures refer to the fourth quarter of 2019 (4Q19) in relation to the same period of 2018 (4Q18) and to the twelve months of 2019 and 2018 (12M19 and 12M18). The information in this report corresponds to the audited Financial Statements.

#### Highlights for 4Q19 and Subsequent Events

- In 4Q19, Net Revenue totaled R\$ 87.9 million, up 1.1% from 2018. Net Revenue for the year 2019 was R\$ 348.6 million, a 6.5% increase in relation to the previous year;
- Gross profit for 4Q19 was R\$ 15.1 million, a drop of 18.6% in relation to 4Q18. Consolidated gross margin was 17.1%, of which +19.1% in Priner (services plus rental) and +4.4% in Smartcoat. In the year to December, Gross Profit increased 8.9% in relation to the previous year, due mainly to the increase in Revenue;
- In 4Q19, EBITDA amounted to R\$ 10.5 million. Pro-forma EBITDA of the Priner Group (taking into consideration the totality of the results of the group companies) in 12M19 was R\$ 28.9 million, of which +R\$ 31.5 million was in Priner (services plus rental), -R\$ 4.8 million in Smartcoat and +R\$ 2.2 million in R&R;
- In 4Q19 and 12M19, the Company recorded a Loss of R\$ 5.4 million and R\$ 10.8 million, respectively. In the 12M19 period, consolidated Loss before income tax was R\$ 5.8 million. In the same period, expenses with Income Tax and Social Contribution on recurring profit in the subsidiary Priner Locação were recognized in the amount of R\$ 6.2 million;
- In February 2020, the Company entered into the Contract of Participation in the New Market with B3, joining the special listing segment of shares traded in B3 called New Market. On February 17, 2020, the Company carried out an Initial Public Offering (IPO) and received a capital contribution of R\$ 161.3 million, net of fees and commissions.

#### Summarized Information (R\$ thousands)

Summary of Results	4Q19	4Q18	%	12M19	12M18	%
Net revenue	87,888	86,931	1.1%	348,612	327,237	6.5%
Gross profit	15,068	18,505	-18.6%	49,027	45,023	8.9%
<b>Gross margin %</b>	<b>17.1%</b>	<b>21.3%</b>	<b>-4.1%</b>	<b>14.1%</b>	<b>13.8%</b>	<b>0.3%</b>
EBITDA	10,506	8,174	28.5%	27,465	29,777	-7.8%
<b>EBITDA margin %</b>	<b>12.0%</b>	<b>9.4%</b>	<b>2.6%</b>	<b>7.9%</b>	<b>9.1%</b>	<b>-1.2%</b>
Profit (loss)	(5,364)	5,454	N/A	(10,798)	5,140	N/A
<b>Net margin %</b>	<b>-6.1%</b>	<b>6.3%</b>	<b>-12.4%</b>	<b>-3.1%</b>	<b>1.6%</b>	<b>-4.7%</b>
Annualized ROIC %	11.1%	10.5%	0.6%	3.9%	6.9%	-3.0%
Capex	1,082	2,288	-52.7%	17,883	14,006	27.7%
Net debt	50,628	77,452	-34.6%	50,628	77,452	-34.6%
Net debt/LTM EBITDA	1.8	2.6	-29.1%	1.8	2.6	-29.1%

Operational Data	4Q19	4Q18	%	12M19	12M18	%
Number of employees	2,676	2,411	11.0%	2,676	2,411	11.0%
Net revenue per employee per month	10,495	9,217	13.9%	9,576	8,698	10.1%
Cost of products sold per employee per month	8,695	7,255	19.9%	8,222	7,495	9.7%
Operating income per employee per month	656	608	8.0%	221	401	-44.8%
Working capital (customers, suppliers and employees)	17,735	28,184	-37.1%	17,735	28,184	-37.1%
Number of days of working capital	16	26	-38.2%	16	28	-42.8%
Investments + Property, plant and equipment + Intangible assets	83,308	76,040	9.6%	83,308	76,040	9.6%

## Management's Comments

The year 2019 was characterized by an increase in demand for our services. Consolidated Net Revenue and Gross Profit for 2019 grew 6.5% and 8.9%, respectively, an increase of 0.3 percentage points in relation to 2018. The Gross Profit of Priner (services plus rental) increased 2.0% in relation to the previous year, driven by the strong growth of revenue from rentals (+49% in 2019 from 2018). In order to meet the increase in demand, the Company increased capital investments and the volume of equipment rented from third parties. The Gross Profit of the subsidiary Smartcoat improved significantly in relation to the previous year although it was still negative, due mainly to a contract that generated losses in 2018 and 2019 and was terminated in 2019. In addition to this specific contract, the results of this subsidiary were impacted by the restructuring process completed in 2019, generating costs with dismissals: its number of employees dropped 48% over the course of 2019 (363 in 2019 vs. 700 in 2018). In 2019, Smartcoat continued to change the profile of its contracts, starting to prioritize contracts whose main purpose is the rental of equipment and provision of services with the collection of a daily fee, replacing agreements for the provision of services based on productivity.

Excluding non-recurring items (adjustment to fair value of the call and put options of the investees R&R and Smartcoat, provisions for labor contingencies, revaluation of property, plant and equipment and the relocation of the branch of Priner Serviços in Macaé to the offices of the subsidiary Smartcoat), general and administrative expenses were up 6.9%, when comparing 2018, due to one-off spending increases (collective bargaining and some services suppliers).

In order to meet the demand for new services and rentals, the group increased investments in new assets (R\$ 17.9 million in 2019 compared with R\$ 14.0 million in 2018), 98% of which was in equipment for production. Despite the investments made, in order to meet the growth of demand for services and rental, the Company increased the volume of equipment rented from third parties, generating rental costs of R\$ 7.7 million.

Consolidated net indebtedness decreased by R\$ 26.9 million, which is equivalent to 34.7%. As part of our plan to restructure the Group's bank debts, on May 10, 2019, we completed the process of issuing debentures by Priner Serviços. The operation amounted to R\$ 67.5 million and its purpose was the advance settlement of the working capital financing lines contracted by the Company and its subsidiaries, which permitted the lengthening of the Group's debts. Additionally, the Parent company received a capital contribution in the amount of R\$ 20 million in 2019.

At the beginning of 2019, as part of our strategy aimed at the continuous improvement of internal controls, the subsidiary Smartcoat started to use the ERP system of the Priner Group, which had been implemented in Priner Serviços and Priner Locação in January 2018.

In February 2020, the Company entered into the Contract of Participation in the New Market with B3, joining the special listing segment of shares traded in B3 called New Market. On February 17, 2020, the Company carried out an Initial Public Offering (IPO) and received a capital contribution of R\$ 161.3 million, net of fees and commissions.

The Priner Group has been monitoring, on a daily basis, the impacts of the coronavirus (COVID-19) on its businesses and implementing actions to protect its employees, its liquidity and the services to customers. At the moment, for the medium and long term, we maintain our objective of using the funds from the IPO to carry out the M&A transactions, renew equipment

and strengthen our working capital, aware of the fact that the resumption of these actions will depend on the developments of the coronavirus (COVID-19) and the full understanding of its impacts on our society.

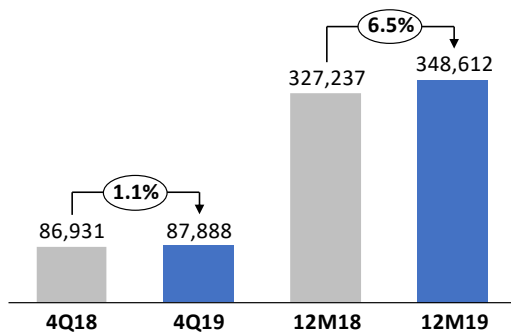
## **The Management**

## Net Revenue

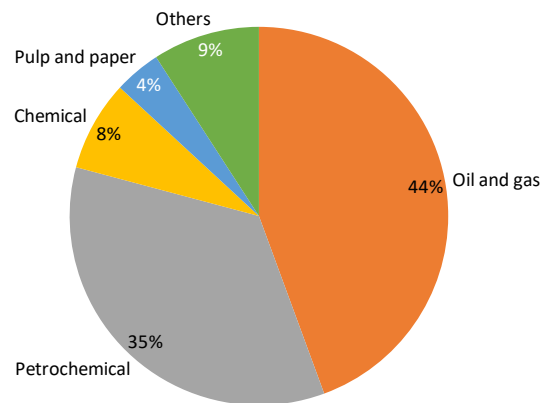
Net Revenue totaled R\$ 87.9 million in 4T19 and R\$ 348.6 million in 12M19, up 1.1% and 6.5% from 4Q18 and 12M18, respectively. In the year, the increase at Priner (services plus rental) was R\$ 46.4 million (19.6%) and at Smartcoat, there was a drop of R\$ 25.0 million (27.5%).

Net operating income per head in 4Q19 was R\$ 10,500 per employee, an increase of 13.9% in relation to the same period of the previous year. In the 12-month period, the increase was of 10.1%. This increase was generated by the growth of the share of revenue from rentals in relation to service revenue.

### NET REVENUE (R\$ THOUSANDS)



### BREAKDOWN OF NET REVENUE PER INDUSTRY (12M19)

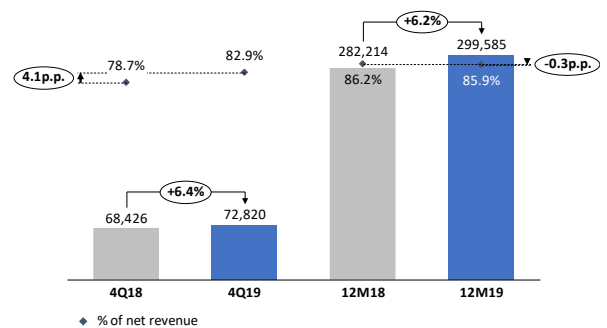


## Cost of Products Sold

Cost of products sold totaled R\$ 72.8 million in 4Q19, representing an absolute growth of R\$ 4.4 million (6.4%) in relation to the same period of the previous year.

This growth was a result of the increase in the volume of our operations and the increase in the volume of equipment rented due to the rise in the demand for our services.

### COST OF PRODUCTS SOLD (R\$ THOUSANDS)

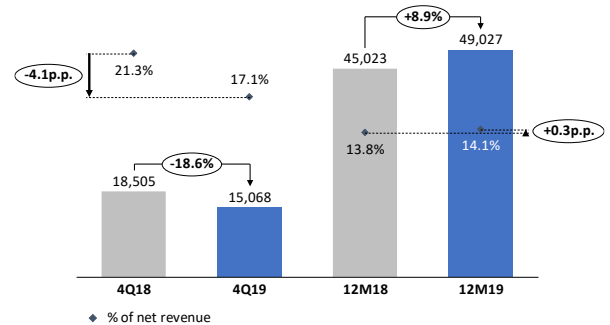


## Gross Profit

Gross Profit in 4Q19 was R\$ 15.1 million, totaling R\$ 49.0 million in 2019.

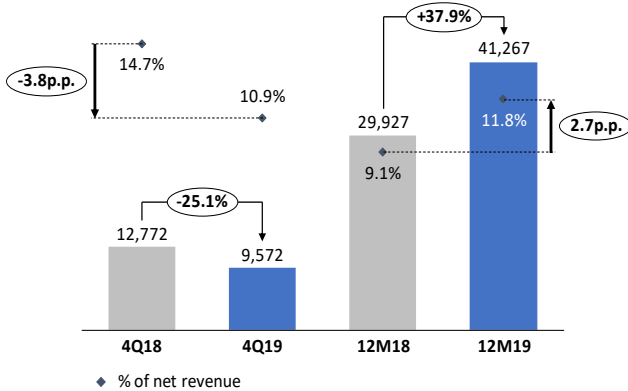
The results for 2019 were affected by the costs of equipment rental due to the increase in demand (R\$ 2.5 million and R\$ 7.7 million in 4Q19 and 12M19, respectively), in addition to the negative results from a contract of Smartcoat terminated in 3Q19.

### GROSS PROFIT (R\$ THOUSANDS) AND GROSS MARGIN (%)



## Operating and General and Administrative Expenses, net of Equity in the Results of Investees

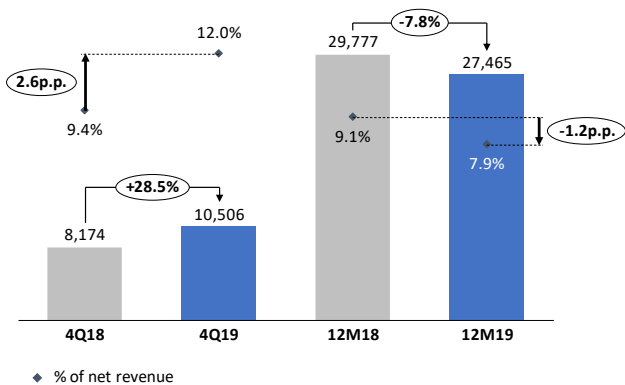
### OPERATING AND GENERAL AND ADMINISTRATIVE EXPENSES WITH INVESTEES (R\$ THOUSANDS)



Excluding non-recurring items (adjustment to fair value of the call and put options of the investees R&R and Smartcoat, provisions for labor contingencies, revaluation of property, plant and equipment and the relocation of the branch of Priner Serviços in Macaé to the offices of the subsidiary Smartcoat in the same city), expenses in 12M19 were up 6.9% from 12M18. This increase was a result of one-off spending increases (collective bargaining and some service suppliers). Among the non-recurring items in 12M18, the most relevant was the recognition of a gain related to the Adjustment to Fair Value of Put and Call Options of the Investees R&R and Smartcoat (R\$ 6.1 million).

## EBITDA

### EBITDA (R\$ THOUSANDS) AND EBITDA MARGIN (%)



EBITDA reached R\$ 10.5 million in 4Q19, representing an absolute growth of R\$ 2.3 million (28.5%) in relation to 4Q18. Annual EBITDA was R\$ 27.5 million.

Pro-forma EBITDA of the Priner Group (taking into consideration the totality of the results of the group companies) in 12M19 was R\$ 28.9 million, of which +R\$ 31.5 million was in Priner (services plus rental), -R\$ 4.8 million in Smartcoat and +R\$ 2.2 million in R&R..

EBITDA	4Q19	4Q18	%	12M19	12M18	%
Net revenue	87,888	86,931	1.1%	348,612	327,237	6.5%
(-) Cost of products sold	(72,820)	(68,426)	6.4%	(299,585)	(282,214)	6.2%
(-) Operating and general and administrative expenses	(10,500)	(12,059)	-12.9%	(42,064)	(30,375)	38.5%
(+) Equity in the results of investees	928	(713)	N/A	797	448	77.9%
(+) Depreciation and amortization	5,010	2,441	105.2%	19,705	14,681	34.2%
<b>EBITDA</b>	<b>10,506</b>	<b>8,174</b>	<b>28.5%</b>	<b>27,465</b>	<b>29,777</b>	<b>-7.8%</b>
Margin %	12.0%	9.4%	2.6%	7.9%	9.1%	-1.2%

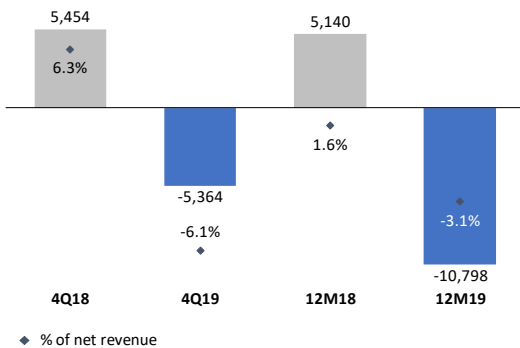
## Finance Result

The net finance result in 4Q19 was R\$ 3.5 million (costs) compared to R\$ 1.9 million (costs) in 4Q18. The increase in these costs in 4Q19 and 12M19 in relation to 4Q18 and 12M18 was due to the increase of the debt of the subsidiary Smartcoat.

Finance Results	4Q19	4Q18	%	12M19	12M18	%
Income from financial investments	238	13	1730.8%	674	215	213.5%
Interest on financing (including IOF)	(2,352)	(1,769)	33.0%	(9,404)	(6,951)	35.3%
Debt from acquisition	(51)	(77)	-33.8%	(438)	(578)	-24.2%
Interest of customers	215	474	-54.6%	434	1,253	-65.4%
Assignment of credit rights	(1,056)	(293)	260.4%	(3,242)	(782)	314.6%
Other	(460)	(239)	92.5%	(1,609)	(2,288)	-29.7%
<b>Total</b>	<b>(3,466)</b>	<b>(1,891)</b>	<b>83.3%</b>	<b>(13,585)</b>	<b>(9,131)</b>	<b>48.8%</b>

## Net Profit (loss)

### NET PROFIT (LOSS) - (R\$ THOUSANDS)



Consolidated loss in 12M19 was R\$ 10.8 million. We present below the main components of the drop from 12M18:

- ✓ Measurement at fair value of the put and call options of subsidiaries: gains of R\$ 6.1 million and R\$ 0.4 million in 12M18 and 12M19, respectively;
- ✓ Net finance result: expenses of R\$ 9.1 million and R\$ 13.6 million in 12M18 and 12M19, respectively;
- ✓ Income Tax and Social Contribution: increases of R\$ 2.6 million and R\$ 1.6 million in the Deferred and Current income tax and social contribution accounts, respectively.

## Investments

In 4Q19, CAPEX was R\$ 1.1 million, totaling R\$ 17.9 million in 12M19. Investments increased 27.7% in relation to 2018. Despite this increase, there was a need to increase the volume of equipment rented so as to meet the growth of demand.

Most of these investments are composed of tubular material, flooring, suspended scaffolding and painting equipment. A small portion of the investments refers to information technology equipment.

## Cash and Cash Equivalents and Debts

Consolidated net indebtedness decreased by R\$ 26.9 million, which is equivalent to 34.7%.

As part of our plan to restructure the Group's bank debts, on May 10, 2019, we completed the process of issuing debentures by Priner Serviços. The operation amounted to R\$ 67.5 million and its purpose was the advance settlement of the working capital financing lines contracted by the Company and its subsidiaries, which permitted) the lengthening of the Group's debts.

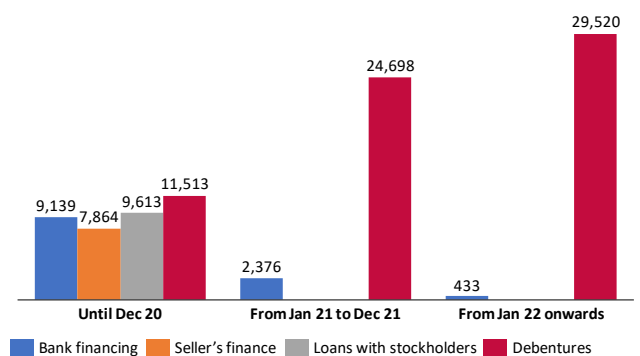
Additionally, the Parent company received a capital contribution in the amount of R\$ 20.0 million in 2019.

Financial Indicators	4Q19	4Q18	4Q17
Cash and cash equivalents	44,528	3,474	2,508
Bank loans	(11,948)	(65,474)	(65,812)
Debentures	(65,731)	0	0
Loans	(9,613)	(6,734)	0
Acquisition-related debts (Seller's loan)	(7,864)	(8,718)	(10,516)
Gross debt (R\$ thousands)	(95,156)	(80,926)	(76,328)
Net debt (R\$ thousands)	(50,628)	(77,452)	(73,820)
Net debt (R\$ thousands)			
	1.8	2.6	15.8
Net debt/LTM EBITDA (2)	1.8	2.6	5.1

(1) EBITDA;

(2) Pro-forma EBITDA in 2017: taking into consideration 12 months of the subsidiary Smartcoat and excluding the allowance for doubtful accounts of UTC and Alphatec in the same subsidiary.

### DEBT AMORTIZATION SCHEDULE (R\$ THOUSANDS)



## Working Capital

In 4Q19, the balance of trade accounts receivable exceeded the balance of accounts payable to suppliers and employees by R\$ 17.7 million. In relation to 2018, there was a significant reduction in the average receipt term of 38.5% (10 days), due to the increase in operations for the advance payment of receivables.

Financial Indicators	4Q19	4Q18	4Q17
Trade accounts receivable	52,607	69,815	67,185
Number of days	48	65	80
Accounts payable (suppliers and employees)	34,872	41,631	31,142
Number of days	32	39	37
<b>Working capital, taking into consideration</b>	<b>17,735</b>	<b>28,184</b>	<b>36,043</b>
Number of days	16	26	43



## Balance Sheets

Assets	31/12/2019	31/12/2018
<b>Current assets</b>	<b>127,862</b>	<b>105,316</b>
Cash and cash equivalents	44,528	3,428
Trade accounts receivable	52,607	69,815
Inventories	692	1,052
Taxes recoverable	25,022	23,011
Dividends receivable	0	0
Other current assets	5,013	8,010
<b>Non-current assets</b>	<b>111,679</b>	<b>102,670</b>
Deferred taxes	18,047	16,813
Other assets	10,324	9,817
Investments	1,728	1,696
Property, plant and equipment	77,024	67,964
Intangible assets	4,556	6,380
<b>Total assets</b>	<b>239,541</b>	<b>207,986</b>

Liabilities and equity	31/12/2019	31/12/2018
<b>Current liabilities</b>	<b>95,180</b>	<b>114,810</b>
Trade accounts payable	9,761	13,246
Debts	25,714	53,735
Finance lease payable – Right of use CPC 06	1,601	0
Loan payable	9,613	2,676
Seller's finance	7,864	6,525
Salaries and social charges	24,967	28,385
Taxes payable	4,615	4,281
Other payables	11,045	5,962
<b>Non-current liabilities</b>	<b>69,752</b>	<b>27,047</b>
Trade accounts payable	144	0
Debts	57,444	13,902
Finance lease payable – Right of use CPC 06	6,618	0
Loan payable	0	4,303
Seller's finance	0	2,193
Deferred taxes	0	0
Provision for tax, civil and labor contingencies	5,258	4,794
Other liabilities	288	1,855
<b>Equity</b>	<b>74,609</b>	<b>66,129</b>
<b>Total liabilities and equity</b>	<b>239,541</b>	<b>207,986</b>

## Statements of Income (Operations)

Statements of Income (R\$ thousands)	4Q19	4Q18	%	12M19	12M18	%
<b>Net revenue</b>	<b>87,888</b>	<b>86,931</b>	<b>1.1%</b>	<b>348,612</b>	<b>327,237</b>	<b>6.5%</b>
<b>Cost of products and/or services sold</b>	<b>(72,820)</b>	<b>(68,426)</b>	<b>6.4%</b>	<b>(299,585)</b>	<b>(282,214)</b>	<b>6.2%</b>
<b>% of net revenue</b>	<b>-82.9%</b>	<b>-78.7%</b>	<b>-4.1%</b>	<b>-85.9%</b>	<b>-86.2%</b>	<b>0.3%</b>
Construction costs	(67,085)	(67,588)	-0.7%	(267,507)	(265,216)	0.9%
Depreciation of rented equipment	(4,175)	(1,747)	139.0%	(16,419)	(11,785)	39.3%
Other costs	(1,560)	909	N/A	(15,659)	(5,213)	200.4%
<b>Gross profit</b>	<b>15,068</b>	<b>18,505</b>	<b>-18.6%</b>	<b>49,027</b>	<b>45,023</b>	<b>8.9%</b>
<b>% of net revenue</b>	<b>17.1%</b>	<b>21.3%</b>	<b>-4.1%</b>	<b>14.1%</b>	<b>13.8%</b>	<b>0.3%</b>
Operating and general and administrative expenses	(10,500)	(12,059)	-12.9%	(42,064)	(30,375)	38.5%
<b>% of net revenue</b>	<b>-11.9%</b>	<b>-13.9%</b>	<b>1.9%</b>	<b>-12.1%</b>	<b>-9.3%</b>	<b>-2.8%</b>
Equity in the results of investees	928	(713)	N/A	797	448	77.9%
<b>% of net revenue</b>	<b>1.1%</b>	<b>N/A</b>	<b>N/A</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Profit (loss) from operations</b>	<b>5,496</b>	<b>5,733</b>	<b>-4.1%</b>	<b>7,760</b>	<b>15,096</b>	<b>-48.6%</b>
<b>% of net revenue</b>	<b>6.3%</b>	<b>6.6%</b>	<b>-0.3%</b>	<b>2.2%</b>	<b>4.6%</b>	<b>-2.4%</b>
<b>Finance result</b>	<b>(3,466)</b>	<b>(1,891)</b>	<b>83.3%</b>	<b>(13,585)</b>	<b>(9,131)</b>	<b>48.8%</b>
<b>% of net revenue</b>	<b>-3.9%</b>	<b>-2.2%</b>	<b>-1.8%</b>	<b>-3.9%</b>	<b>-2.8%</b>	<b>-1.1%</b>
Finance income	1,117	1,191	-6.2%	4,465	6,331	-29.5%
Finance costs	(4,583)	(3,082)	48.7%	(18,050)	(15,462)	16.7%
<b>Profit before income tax</b>	<b>2,030</b>	<b>3,842</b>	<b>-47.2%</b>	<b>(5,825)</b>	<b>5,965</b>	<b>N/A</b>
Income tax and social contribution	(7,394)	1,612	N/A	(4,973)	(825)	502.8%
<b>Profit (loss)</b>	<b>(5,364)</b>	<b>5,454</b>	<b>N/A</b>	<b>(10,798)</b>	<b>5,140</b>	<b>N/A</b>
<b>% of net revenue</b>	<b>N/A</b>	<b>6.3%</b>	<b>N/A</b>	<b>N/A</b>	<b>1.6%</b>	<b>N/A</b>

## Statements of Cash Flows

Consolidated Cash Flows	12M19	12M18
<b>Profit (loss)</b>	<b>(10,798)</b>	<b>5,140</b>
Depreciation and amortization	19,705	14,681
Capital reserve (stock options)	0	0
Provision for decommissioning of 2017, recorded in equity (CPC 47, implemented in 2018)	0	(5,285)
<b>Changes in working capital and non-current assets and liabilities:</b>		
Trade accounts receivable	17,208	(2,630)
Accounts payable	(1,412)	10,489
Other current and non-current accounts (except Property, plant and equipment and Intangible ass	3,197	(25,019)
<b>Cash from operating activities</b>	<b>27,900</b>	<b>(2,624)</b>
<b>Acquisition of a fixed asset (net of write-offs)</b>	<b>(17,506)</b>	<b>(14,849)</b>
<b>Acquisition of right of use (CPC 06) (net of write-offs)</b>	<b>(9,435)</b>	<b>0</b>
<b>Investments</b>	<b>(32)</b>	<b>(449)</b>
<b>Financial activities:</b>		
Capital increase	20,000	11,500
Changes in short-term financing	(37,944)	12,637
Changes in long-term financing	(14,979)	(3,497)
Changes in short and long-term debentures	65,731	0
Changes in restricted deposits (escrow account)	(6,755)	0
Changes in short and long-term acquisition-related debt	(854)	(1,798)
Changes in short and long-term finance leases	8,219	0
Interest on capital/dividends proposed	0	0
<b>Cash from financing activities</b>	<b>33,418</b>	<b>18,842</b>
<b>Changes in cash (see Note)</b>	<b>34,345</b>	<b>920</b>
Opening balance	3,428	2,508
Closing balance	37,773	3,428

Note: "Cash" includes Cash and cash equivalents and Marketable securities. It does not include restricted bank deposits (escrow account related to the debentures).



**PRNR**  
B3 LISTED NM