espaçolaser depilação

3Q22 Earnings

Earnings Report:

August 16, 2022

11:00 a.m. (Brasília) | 09:00 a.m. (NY)

Webcast: ir.espacolaser.com.br

espaçolaser depilação

3Q22 Release

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São Paulo, November 14, 2022 – MPM Corpóreos S.A. (B3: ESPA3) ("Espaçolaser" or "Company") is announcing today its earnings for the third quarter of 2022 (3Q22). Our financial information has been prepared based on consolidated figures in Brazilian *Reais* (R$), according to the Brazilian Corporate Law and accounting practices in place in Brazil (BRGAAP), already in compliance with the International Financial Reporting Standards (IFRS), except as indicated otherwise.

To ensure our performance for the periods is understood, certain non-recurring effects were excluded, as were IFRS-16 related impacts. Each section includes reconciliations with financial statements.

Highlights

Ticker: ESPA3

Quote: R$1.44

Total Shares: 361,423,066

Market Value: R$0.5bi

IR Contact:
dri@espacolaser.com.br

- We closed 3Q22 with **756 Espaçolaser stores in Brazil**, which represents the opening of **12 stores** in the quarter, 1 of which being owned, and 11 franchised. We have also closed 12 stores in the period, following the optimization of our chain.
- We opened **3 stores** abroad in the quarter, totaling 44 stores in Latin America, with a **76% growth** against the same period of last year.
- **12.0% increase in system-wide sales** for 3Q22, resulting from the **organic expansion** in the period. Same-store sales **recovered** compared to 1Q22 and 2Q22, having benefitted from the **price increases** and increase in **promotional activity and marketing** investments.
- **Adjustment of debt profile** by concluding the **2nd Debenture Issue (R$615 million)**, ensuring more flexibility in financial covenants and lengthening short-term amortizations (15-month grace period).
- Conclusion of a **capital increase** on October 26, totaling the maximum amount of **R$225 million**, with controlling shareholders raising their stake in the Company from 39.6% to 49.9%.
- Adjusted net revenues of **R$227.8 million** for 3Q22, up **1.7%** in the annual comparison, despite the challenging macroeconomic environment. Year-to-date September, net revenues amounted to **R$676.3 million**, an **11.9%** increase in the annual comparison, supported by our **organic expansion** and the acquisition of **100 franchises** in 2021.
- For 3Q22, Adjusted EBITDA amounted to **R$41.4 million**, with margin of **18.2%**, representing a **6.9-p.p. improvement compared to 2Q22**, but an **11.9-p.p.** reduction compared to 3Q21, as a result of intensified promotional activity, combined with inflationary pressures and the maturing effect related to new stores. Accordingly, Adjusted EBITDA for 9M22 amounted to **R$118.0 million**, with a **17.5%** margin, down 16.4 p.p. compared to 9M21.
- We recorded Adjusted Net Losses of **R$16.9 million** for 3Q22, considering an increase in financial expenses, which were in turn impacted by the rise in the SELIC rate and costs incurred in connection with debt prepayments. Relative to 2Q22, there was a **28.5% decrease** in net losses.

R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Operational Highlights						
Number of Espaçolaser Stores	756	681	75	756	681	75
Number of Estudioface Stores	10	13	(3)	10	13	(3)
Number of International Stores	44	25	19	44	25	19
NPS Espaçolaser	86.0	84.0	2.0 p.p.	86.3	83.0	3.3 p.p.
Espaçolaser System-Wide Sales[1]	335,430	299,537	12.0%	937,301	833,071	12.5%
Same-Store Sales (SSS)[2] - YoY Basis	(1.7%)	(7.8%)	6.2 p.p.	(5.8%)	13.6%	(19.4 p.p.)
Espaçolaser Digital Sales	66.3%	60.4%	5.9 p.p.	67.6%	54.1%	13.5 p.p.
Espaçolaser customers by gender - Women	86.7%	90.1%	(3.4 p.p.)	88.8%	90.7%	(1.9 p.p.)
Espaçolaser customers by gender - Men	13.3%	9.9%	3.4 p.p.	11.2%	9.3%	1.9 p.p.
Financial Highlights						
Net Revenues[3]	227,765	224,040	1.7%	676,306	604,200	11.9%
Gross Profit[4]	93,377	105,377	(11.4%)	266,653	303,862	(12.2%)
Gross Margin (%)	41.0%	47.0%	(6.0 p.p.)	39.4%	50.3%	(10.9 p.p.)
Adjusted EBITDA[5]	41,440	67,418	(15.3%)	118,021	204,629	(42.3%)
Adjusted EBITDA Margin (%)	18.2%	30.1%	(11.9 p.p.)	17.5%	33.9%	(16.4 p.p.)
Adjusted Net Income[6]	(16,934)	19,083	(79.3%)	(34,061)	100,514	(133.9%)
Adjusted Net Margin (%)	(7.4%)	8.5%	(16.0 p.p.)	(5.0%)	16.6%	(21.7 p.p.)
Adjusted Operating Cash Flow[7]	(23,713)	(14,810)	n.a.	85,907	22,460	282.5%
Adjusted Operating Cash Flow/Adjusted EBITDA (%)	(57.2%)	(22.0%)	(35.3 p.p.)	72.8%	11.0%	61.8 p.p.

[1] System-wide sales correspond to Espaçolaser units' total sales, as if we owned 100% of all Espaçolaser stores (including franchises).
[2] Same-Store Sales corresponds to sales at stores that were already open in the same period of the previous year, in order to track changes without the effect of stores added in the period.
[3] For comparison purposes, net revenues for the periods were adjusted to: (i) exclude the impact of the postponement of revenue recognition for the months in which stores were closed in 2020; and (ii) consolidate the figures of JVs and franchises merged.
[4] Gross profit adjusted for: (i) postponement of revenue recognition, as mentioned above; (ii) consolidation of figures for JVs and franchises merged; (iii) elimination of non-recurring costs; and (iv) elimination of effects related to IFRS-16.
[5] EBITDA adjusted for: (i) postponement of revenue recognition, as mentioned above; (ii) consolidation of figures of JVs and franchises merged; (iii) elimination of non-recurring costs and expenses; and (iv) elimination of effects related to IFRS-16.
[6] Net income adjusted for: (i) postponement of revenue recognition, as mentioned above; (ii) consolidation of figures of JVs and franchises merged; (iii) elimination of non-recurring costs and expenses; (iv) elimination of effects related to IFRS 16; and (v) elimination of accounting impact related to evolution of MtM of the call and put options we hold with non-controlling shareholders in certain subsidiaries.
[7] Adjusted Operating Cash Flow is calculated based on net cash flow from (used in) operating activities, net of the impact of financial result for the year.

Management's Message

This quarter was marked by a change in our leadership, with Paulo Camargo taking the office of CEO in August. He has since then been making an in-depth assessment of the Company and its operations, in conversations with various teams, stores and customers, and getting full support from the founding shareholders and the Board. At this early stage, he has been focused on our core business, which is providing the best laser hair removal experience, being leaders in a still under-penetrated market.

Towards that end, we have two major projects underway. The first one, as anticipated in the previous quarter, is a review of the variable compensation model for store teams, with the design concluded and the pilot project kick-off expected for December. Through it, we are seeking to specify the job description of each store employee and encourage them, thus, ensuring greater alignment with the Company's goals.

The second project aims to increase price segmentation, which should be adjusted to the different audiences, the depth of their pockets and their expectations. To accomplish that, we are developing a revenue management system taking into consideration those specificities, with pilot projects expected to launch in the first half of 2023 and rolled out subsequently.

Concerning our organizational structure, Thayssa Moura left the Company on October 13, and her duties were taken on by Fernanda Milred, an officer at the Company since 2017, who now leads all the operations teams, consisting of owned stores, franchises, international, Estudioface and expansion, as well as the technical team. That way, we expedited the dissemination of our strategies and guidelines across all our operations. The first results could be seen as early as October, which has historically been our strongest month due to the campaigns we carry out, as we set a new sales record of R$173.6 million, up 4.3% compared to the same period last year.

As for our capital structure, we concluded on September 16 our second issue of debentures, in the aggregate amount of R$615 million, with a 3-year maturity period, and at a cost equal to the CDI rate + 3.5%. The proceeds were used towards an early settlement of certain debts the Company had, including the first debenture issue. Accordingly, we should highlight that we have all of our debt with at least a 15-month grace period for principal amortization and that our leverage ratio, measured as net debt / accounting EBITDA excluding the effects of mergers and non-recurring costs and expenses, was calculated at 3.5x for the first year, 3.0x for the second year, and 2.5x for the final year. Additionally, on October 26 we ratified the capital increase of R$225 million, 100% of the intended total amount, with the proceeds directed at strengthening the Company's cash position and lowering its leverage ratio for 4Q22. We should highlight that the capital increase was supported by the founding shareholders, with a material increase in *L* Catterton's stake, which went from 5.25% to 16.9%. *L* Catterton's greater involvement will support the continuous evolution of the Company's corporate governance, aligned with international standards.

On the expansion front, following a trend already seen in the previous quarter, we opened only one owned store in 3Q22 and saw another 11 franchises open, according to the decision we have made of preserving the Company's cash and focusing on the initiatives mentioned in detail above. Furthermore, we closed 12 loss-making owned stores in the quarter, as part of the optimization of our chain. As a result, our presence in Brazil added up to 756 stores at the end of the quarter, while we opened 3 stores in Latin America, raising our international presence to 44 stores.

Lastly, we should mention that we have completed the corporate restructuring initiated in the second half of 2021, having more than 350 legal entities merged into one operating entity (as a result of our acquisition of franchises and JVs), which will enable us to make significant improvements in our cash management, as well as our procurement and payroll processes.

Aware of the importance of the October and November promotional calendar, we remained devoted to the process of recovery of our hair removal operation, which we believe to be our leading source of shareholder value creation. We are confident that, with Paulo Camargo joining us and by regaining the trust of our investors through funds contributed to our Company, we have laid the foundation we needed to continue developing the laser hair removal market.

Operating Results

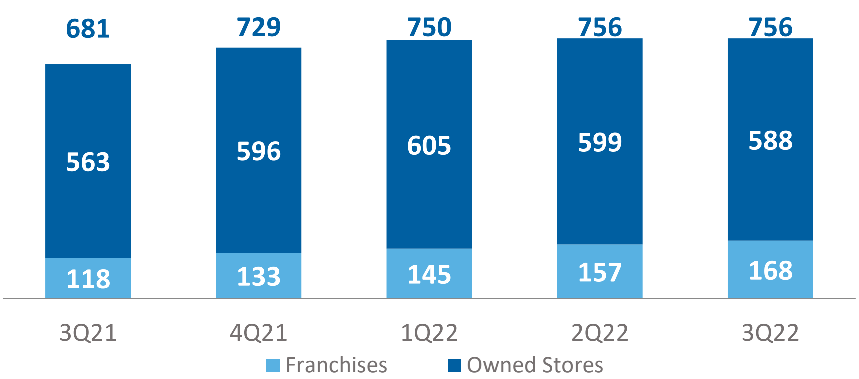
Espaçolaser

At the end of 3Q22, our presence in Brazil added up to 756 stores, representing an 11.0% increase against the same period of last year. This considers the gross opening of 12 new units in this quarter, 1 of which being an owned store, and 11 franchises, especially in the South and Midwest regions of Brazil. As a result, for the first nine months of the year, we opened 20 owned stores and 35 franchises. As disclosed in the past quarter, due to liquidity restrictions experienced by the Company, we should prioritize the opening of franchises, so as to increase the reach of our brand and arrive in smaller and more remote regions.

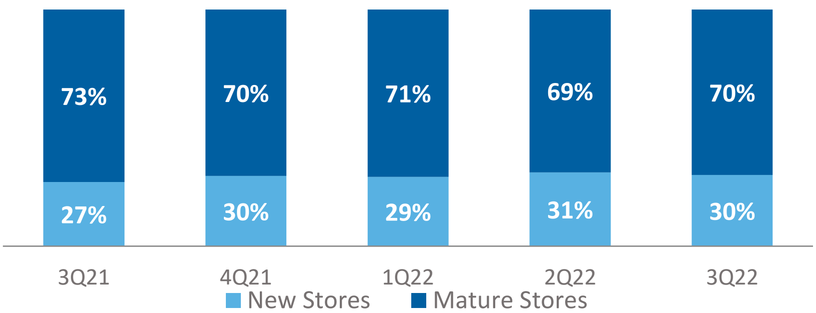
Additionally, we continue assessing opportunities for optimizing our store portfolio and closing underperforming operations, which enables us to redistribute our sales and raise store utilization levels. In 9M22, we closed 28 stores, 12 of which in 3Q22, always ensuring our stores were closed in regions where we already have other stores to absorb our customers and sales.

We should highlight that our stores have a natural maturing curve of two years and that 30% of our stores are still in the ramp-up process in 3Q22 due to our accelerated organic expansion in the past years.

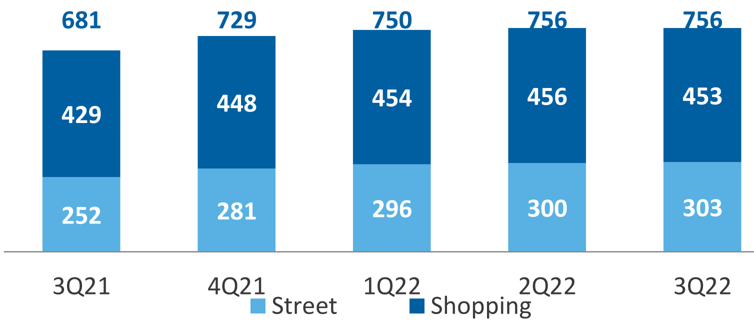
NUMBER OF ESPAÇOLASER STORES



NUMBER OF ESPAÇOLASER STORES



Finally, we slightly increased the representativeness of our street stores, which now represent 40% of our total base.

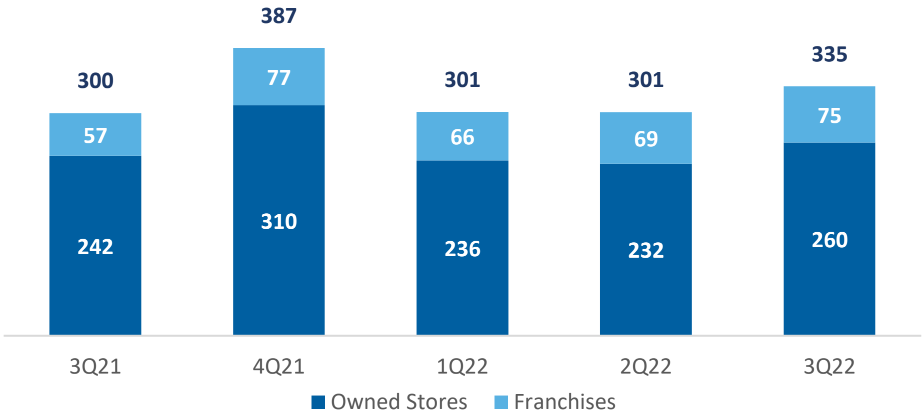


REGION	N	NE	MW	SE	S
2Q22	46	104	71	426	109
3Q22	46	106	75	424	105
% Chg.	**0.0%**	**1.9%**	**5.6%**	**-0.5%**	**-3.7%**

Moving on to a sales analysis, our system-wide sales from Espaçolaser stores in Brazil for 3Q22 amounted to R$335.4 million, up 12.0% compared to the same period of last year, driven by our accelerated organic growth, with a net opening of 75 stores for the past 12 months.

Regarding same-store sales, there was an uptrend relative to 1Q22 and 2Q22, with a 1.7% drop against a 3.7% contraction for 2Q22 and a 12.1% contraction for 1Q22, reflecting price increases, as well as an increase in promotional activity and marketing investments.

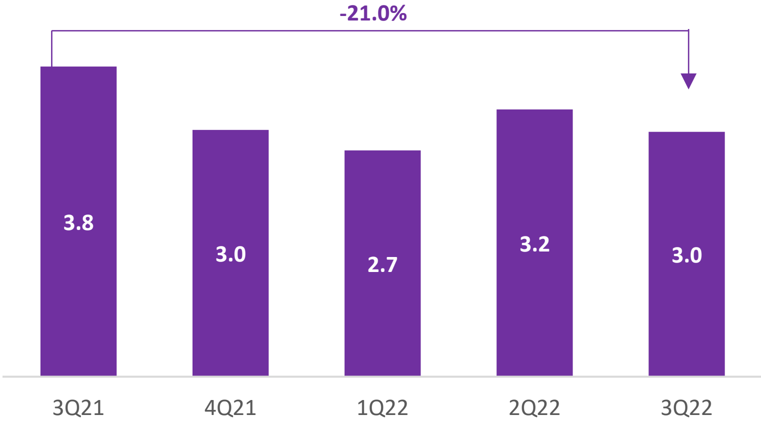
ESPAÇOLASER SYSTEM-WIDE SALES



Estudioface

Our Estudioface division is focused on rejuvenation and facial aesthetics, and its main services include the offer of botulinum toxin, facial fillers and laser. The brand's sales in 3Q22 amounted to R$3.0 million, down 21.0% due to our decreased number of stores. Currently, we have ten stores, one of which being owned store, and nine franchises. It is important to mention that we continue to work on understanding and validating the best model in this business vertical.

ESTUDIOFACE SALES (R$ MM)

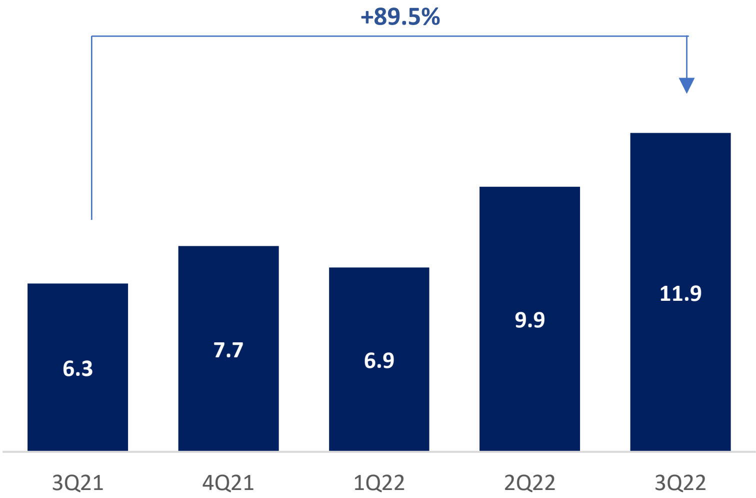


International Expansion

Argentina

Argentina was the first country of operation outside Brazil, and we entered this market using a joint venture model. In 3Q22, we opened two more franchises in that country, closing the quarter with 16 units, 12 of which being owned. Our sales in Argentina added up to R$11.9 million, up 89.5% compared to 3Q21. Lastly, in the course of the quarter, we received the international franchise stamp bestowed by the ABF and were promoted from the Senior to the Master category.

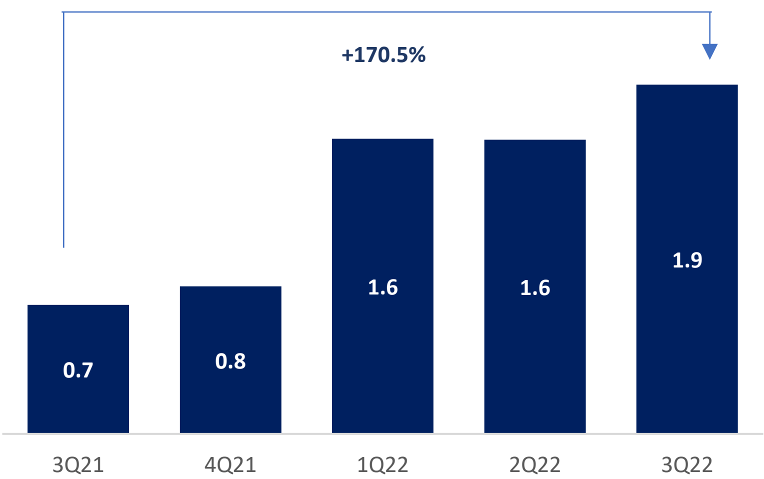
ARGENTINA SALES (R$ MM)



Colombia

In 2020, we opened our first store in Colombia through a greenfield operation, and we currently have 8 owned stores. In 3Q22, we performed 20,500 procedures, compared to 3,500 in 3Q21, resulting in a sales volume of R$1.9 million in 3Q22, a 170.5% increase.

COLOMBIA SALES (R$ MM)

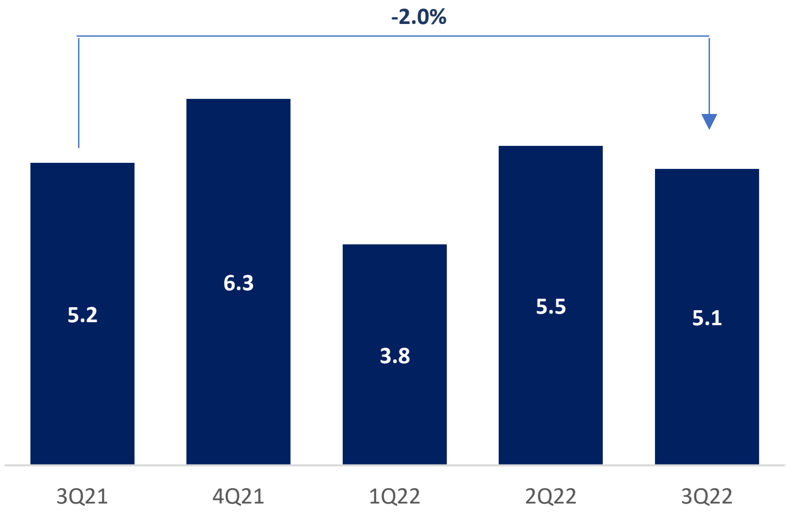


Chile

In May 2021 we completed the purchase of control in Chile's Cela group, a brand that displays similarities to Espaçolaser in services, technology and culture. Since then, we have implemented a series of improvements in our sales model, following the strategy used in Brazil and other countries.

In 3Q22, we opened one more store in that country, with 47,000 procedures performed and sales amounting to R$5.1 million, down 2.0% relative to 3Q21.

CHILE SALES (R$ MM)



Financial Results

Adjusted Net Revenues

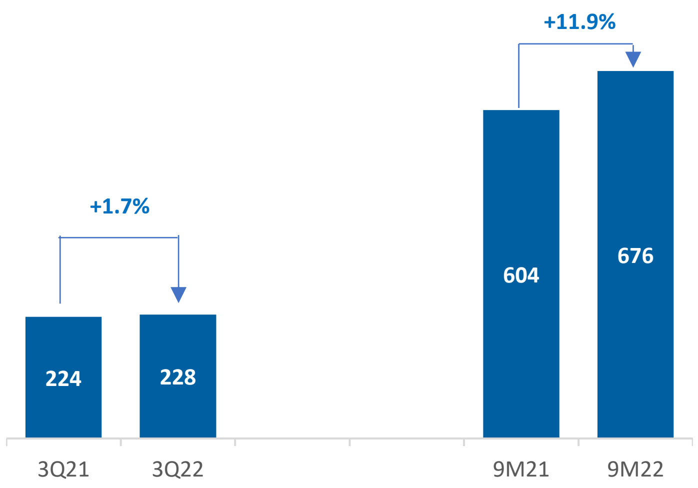
For the sake of comparison, we added the results from JVs and franchises merged. Under articles 226 and 227, and paragraphs, of Law No. 6.404/76, merged JVs and franchises are absorbed by the Company, with their results for the year transferred to the shareholders' equity of the Company, the surviving entity.

For 3Q22, our net revenues amounted to R$227.8 million, up 1.7% relative to the same period of the previous year, thanks to the growth in sales experienced in the period, partly consumed by the increase in cancellations, following a trend that has been observed since 4Q21 as a result of the liquidity restriction and increase in the level of indebtedness of Brazilian families. By comparison to the previous quarter, sales grew by 5.6%, reflecting price increases.

Accordingly, net revenues for 9M22 amounted to R$676.3 million, up 11.9% in the annual comparison, especially due to our organic growth for the period and the absorption of the 100 franchises purchased in 2021.

R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Net Revenues	**209,996**	**104,268**	**101.4%**	**650,218**	**547,045**	**18.9%**
(+/-) Impact from Postponement of Revenues (COVID 2020)	–	(780)	n.a.	–	(63,398)	n.a.
(+) JV and Franchises Mergers Effect	17,769	120,552	n.a.	26,088	120,552	n.a.
Adjusted Net Revenues	**227,765**	**224,040**	**1.7%**	**676,306**	**604,200**	**11.9%**

CONSOLIDATED NET REVENUES (R$ MM)



Adjusted Cost of Services Provided and Gross Profit

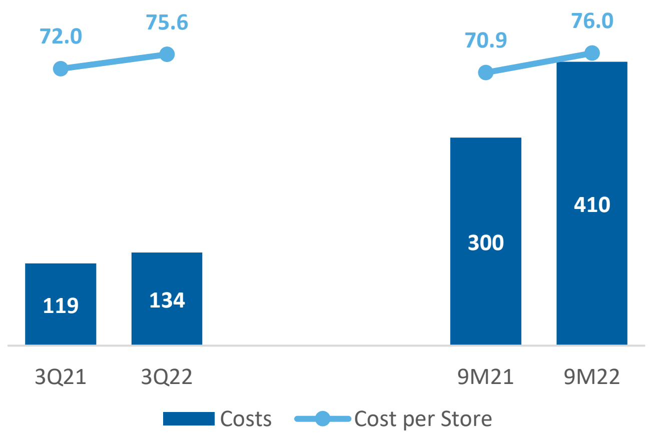
We have adjusted the costs of services provided to exclude costs incurred in connection with store closures, such as employment terminations and penalties for breach of lease agreements.

Our cost per store amounted to R$75,600 per month, up 5.1% relative to 3Q21, below the 7.2% inflation accumulated for the past 12 months, as a result of cost containment efforts at the store. Our year-to-date September average cost per store was R$76,000 per month, up 7.1% against the same period of last year, due to a wage adjustment and rent adjustments.

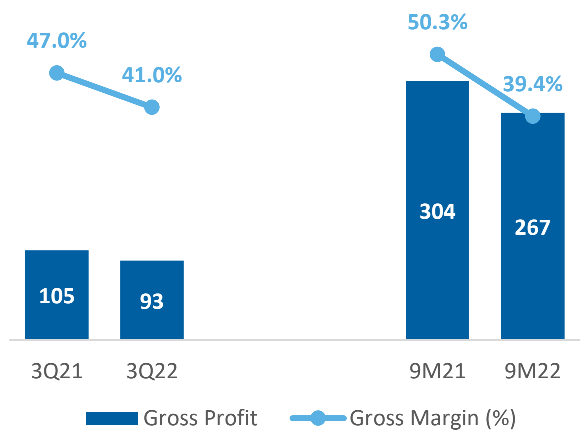
Accordingly, we recorded gross profit of R$93.4 million for 3Q22, with a 41.0% margin, which represents, a 6.0 p.p. decrease compared to the previous year, especially due to the increase in promotional activity, combined with cost inflation and the maturing effect of new stores, given our strong organic expansion in the past two years. Compared to 2Q22, there was a 9.1-p.p. increase in our gross margin. We should point out that the store maturing effect represented 4.9 p.p. in 3Q22, without which our gross margin would have been 45.9%.

For 9M22, our gross profit amounted to R$266.7 million, with a gross margin of 39.4%, a 10.9 p.p. decrease against 9M21.

CONSOLIDATED COSTS (R$ MM)



CONSOLIDATED GROSS PROFIT (R$ MM)



R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Gross Profit (ex-Depreciation and Amortization)	**89,370**	**9,198**	**871.6%**	**284,141**	**293,254**	**(3.1%)**
(+/-) Revenue Postponement Impact (COVID 2020)	–	(780)	n.a.	–	(63,398)	n.a.
(+) JV and Franchises Mergers Impact	13,912	103,374	(86.5%)	20,360	103,374	(80.3%)
(-) Credit Card Commissions Reallocated from G&A to Costs	(1,989)	(1,613)	23.3%	(8,370)	(6,456)	29.6%
(-) IFRS-16 Impact	(8,725)	(4,803)	81.7%	(30,288)	(22,913)	32.2%
(+) Non-Recurring Expenses Incurred in Connection with Store Closures (Terminations and Lease Penalties)	808	–	n.a.	808	–	n.a.
Adjusted Gross Profit (ex-Depreciation and Amortization)	**93,377**	**105,377**	**(11.4%)**	**266,653**	**303,862**	**(12.2%)**
Adjusted Gross Margin	*41.0%*	*47.0%*	*(6.0 p.p.)*	*39.4%*	*50.3%*	*(10.9 p.p.)*

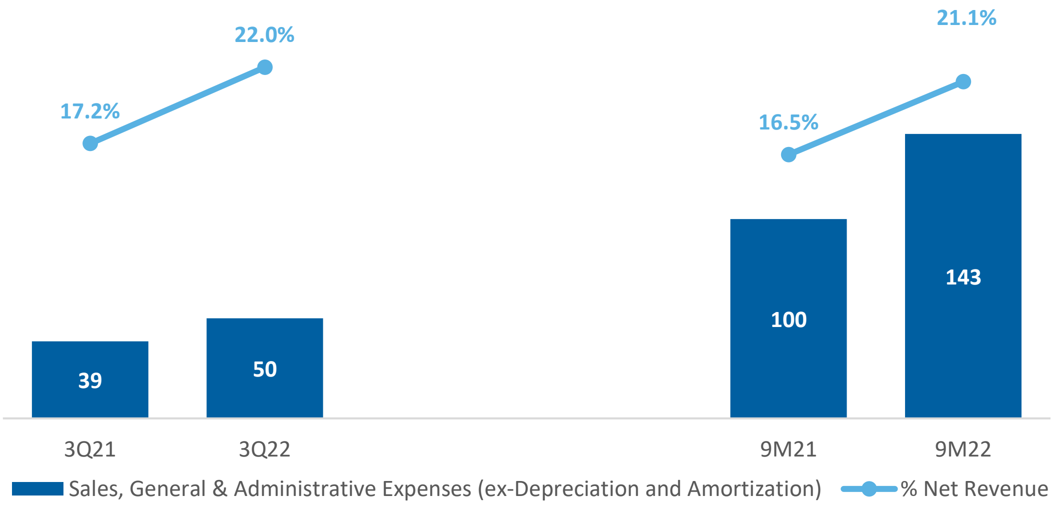
Adjusted General and Administrative Expenses

We have adjusted general and administration expenses to exclude the impact of the merger of JVs and franchises and non-recurring expenses incurred in connection with the hiring of advisory services and the closing of stores (write-off of third-party property improvement), for 3Q22, and with advisory services, penalty for health plan change, and early settlement of SOP in 9M21.

General and administrative expenses amounted to R$50.1 million for 3Q22, the equivalent of 22.0% of net revenues for the quarter, 4.8 p.p. above the same period of last year, due to the strengthening of our corporate structure to cope with the material expansion of our owned store base, as well as an increase in marketing expenses, with the intensification of our marketing campaigns.

Accordingly, for 9M22, our general and administrative expenses amounted to R$142.6 million, representing 21.1% of net revenues, up 4.6 p.p. compared to the previous year.

GENERAL AND ADMINISTRATIVE EXPENSES (R$ MM)



R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Operating Expenses (ex-Depreciation and Amortization)	**50,464**	**33,636**	**50.0%**	**149,332**	**114,469**	**30.5%**
(+) Credit Card Commissions Reallocated from G&A to Costs	1,989	1,613	23.3%	8,370	6,456	29.6%
(+) JV and Franchises Mergers Effect	(2,677)	(6,581)	n.a.	(2,675)	(6,581)	n.a.
(+) Non-Recurring Expenses	1,039	–	n.a.	1,039	14,724	n.a.
Adjusted Operating Expenses (ex-Depreciation and Amortization)	**50,113**	**38,604**	**29.8%**	**142,597**	**99,869**	**42.8%**

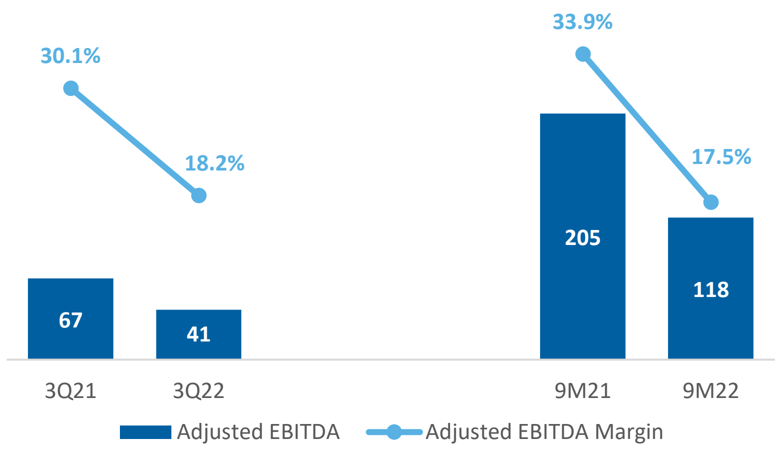
R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Adjusted General and Administrative Expenses	**50,113**	**38,604**	**29.8%**	**142,597**	**99,869**	**42.8%**
% Net Revenues	**22.0%**	**17.2%**	**4.8 p.p.**	**21.1%**	**16.5%**	**4.6 p.p.**
General and Administrative Expenses	18,312	15,644	17.1%	52,419	34,485	52.0%
% Net Revenues	**8.0%**	**7.0%**	**1.1 p.p.**	**7.8%**	**5.7%**	**2.0 p.p.**
Personnel Expenses	18,702	14,951	25.1%	59,112	38,448	53.7%
% Net Revenues	**8.2%**	**6.7%**	**1.5 p.p.**	**8.7%**	**6.4%**	**2.4 p.p.**
Marketing	9,523	6,264	52.0%	25,484	16,517	54.3%
% Net Revenues	**4.2%**	**2.8%**	**1.4 p.p.**	**3.8%**	**2.7%**	**1.0 p.p.**
Provision for expected credit losses	3,576	1,744	105.0%	5,583	10,419	-46.4%
% Net Revenues	**1.6%**	**0.8%**	**0.8 p.p.**	**0.8%**	**1.7%**	**-0.9 p.p.**

Adjusted EBITDA

In 3Q22, our Adjusted EBITDA amounted to R$41.4 million, with margin of 18.2%, down 11.9 p.p. compared to the same period of last year, but up 6.9 p.p. from 2Q22, following the rise in revenues and optimization of costs.

As a result, our Adjusted EBITDA amounted to R$118.0 million for 9M22, with a 17.5% margin, down 16.4 p.p. against 9M21.

ADJUSTED EBITDA (R$ MM)



R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Net Income	**(19,005)**	**8,515**	**n.a.**	**(35,309)**	**157,283**	**n.a.**
(+/-) Income Tax and Social Contribution	3,851	(11,375)	n.a.	2,856	27,326	n.a.
(+) Depreciation and Amortization	16,299	15,077	8.1%	59,171	48,143	22.9%
(+/-) Financial Result	42,613	31,445	35.5%	116,506	14,125	n.a.
EBITDA	**43,758**	**43,662**	**0.2%**	**143,224**	**246,877**	**(42.0%)**
(-) IFRS 16 Impact	(8,725)	(4,803)	81.7%	(30,288)	(22,913)	32.2%
(+/-) Revenue Postponement Impact (COVID), 2020	–	(780)	n.a.	–	(63,398)	n.a.
(+) JV and Franchises Mergers Effect	4,560	29,338	(84.5%)	3,236	29,338	(89.0%)
(+) Non-Recurring Expenses	1,847	–	n.a.	1,847	14,724	(87.5%)
Adjusted EBITDA	**41,440**	**67,418**	**(38.5%)**	**118,020**	**204,629**	**(42.3%)**
Adjusted EBITDA Margin	*18.2%*	*30.1%*	*(11.9 p.p.)*	*17.5%*	*33.9%*	*(16.4 p.p.)*

Depreciation and Amortization

Our depreciation and amortization added up to R$11.5 million in the quarter, leading to a total R$38.0 million for 9M22, an 8.6% increase against 9M21, following the expansion of our owned store base.

Adjusted Financial Result

We adjusted our financial result in order to exclude the impact of gains and losses of the option to buy and sell non-controlling interests from the results recorded in 2021.

Our financial result in 3Q22 corresponded to expenses of R$42.3 million, with expenses of R$20.5 million recorded for 3Q21. That increase reflects the rise in our gross debt for the period, along with a significant increase in the key interest rate used as a reference for our financing cost. Additionally, we experienced a R$2.5-million impact consisting of the settlement costs of certain debts held by the Company using the proceeds of the 2nd issue of debentures, which was concluded on September 16.

Accordingly, our year-to-date September financial result was an expense of R$109.2 million, against an expense of R$38.1 million in 9M21.

Adjusted Income Tax and Social Contribution

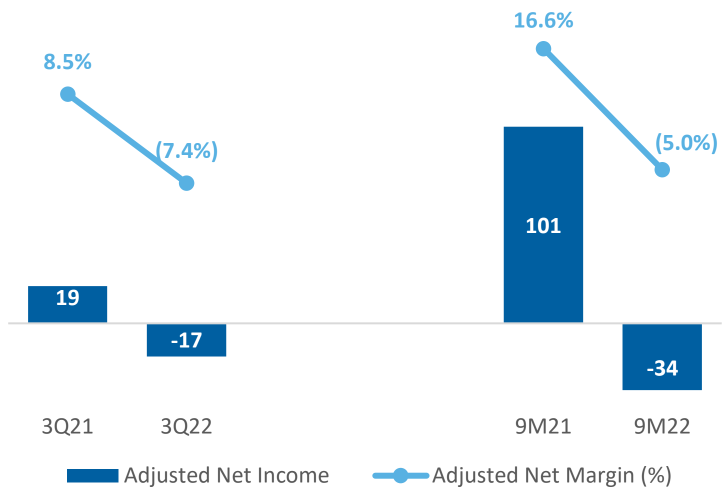
We adjusted our income tax and social contribution for the effects of net revenues, costs, general and administrative expenses and financial result set out in the corresponding sections of this document.

Income tax and social contribution in 3Q22 were negative by R$4.6 million, compared to negative R$9.8 million for the same quarter of the previous year. For 9M22, this item was negative by R$4.9 million, against negative R$31.0 million reported for 9M21.

Adjusted Net Income (Loss)

Considering the aforementioned impacts, we recorded adjusted net loss of R$16.9 million for 3Q22, compared to adjusted net profit of R$19.1 million in 3Q21. Accordingly, for 9M22, our adjusted net loss amounted to R$34.1 million, compared to adjusted net income of R$100.5 million reported for 9M21.

NET INCOME (R$ MM)



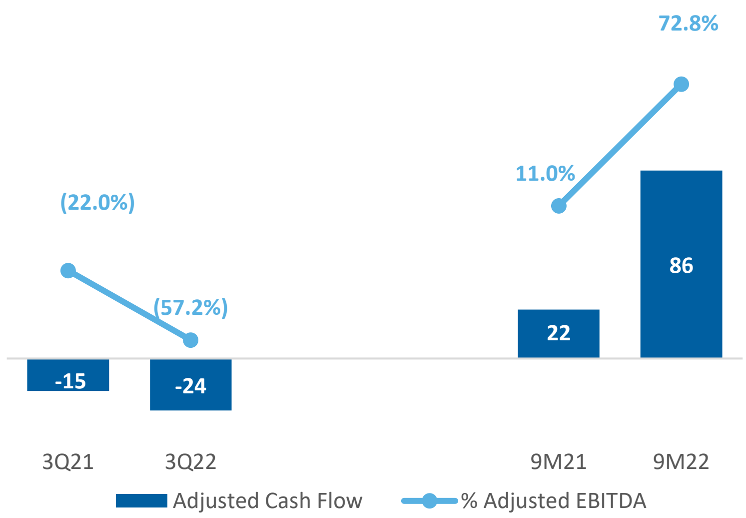
R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Net Income	**(19,005)**	**8,515**	**n.a.**	**(35,309)**	**157,283**	**n.a.**
(+/-) Variation in Value of Call and Put Options	–	10,371	n.a.	–	(19,198)	n.a.
(-) IFRS 16 Impact	225	712	(68.4%)	(603)	1,003	n.a.
(+/-) Revenue Postponement Impact (COVID)	–	(515)	n.a.	–	(50,276)	n.a.
(+) JV and Franchises Merger Effect	(0)	1		4	1	n.a.
(+) Non-Recurring Expenses	1,847	–	n.a.	1,847	11,701	(84.2%)
Adjusted Net Income	**(16,934)**	**19,083**	**n.a.**	**(34,061)**	**100,514**	**n.a.**
Adjusted Net Margin	*(7.4%)*	*8.5%*	*(16.0 p.p.)*	*(5.0%)*	*16.6%*	*(21.7 p.p.)*

Operating Cash Flow

In 3Q22, the adjusted cash used in our operations amounted to R$23.7 million, a deterioration relative to the R$14.8 million in cash used in our operations recorded in 3Q21, primarily due to a decrease in income for the period, reflecting the pressure on sales and expenses.

However, in 9M22, the Company reported adjusted cash from operations of R$85.9 million, up 282.5% against cash from operations of R$22.5 million for the first nine months of 2021, reflecting shorter average installment payment term for clients and a lower number of owned store openings, since these demand a greater volume of working capital in the initial stages following inauguration.

ADJUSTED OPERATING CASH FLOW (R$ MM)



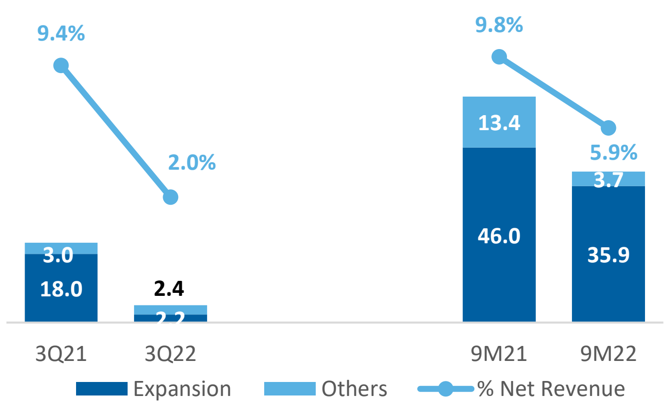
R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Income (Loss) before Income Tax and Social Contribution	**(15,154)**	**(2,862)**	**429%**	**(32,451)**	**184,609**	**n.a.**
(+) Adjustments to Income (Loss) before Income Tax and Social Contribution	**41,859**	**42,342**	**(1.1%)**	**147,051**	**86,580**	**69.8%**
Depreciation and Amortization	21,282	24,391	(12.7%)	66,296	62,032	6.9%
Provision for doubtful debts	8,910	5,791	53.9%	10,626	26,162	(59.4%)
Other	11,667	12,160	(4.1%)	70,129	(1,614)	n.a.
(+) Changes in Working Capital	**(50,418)**	**(54,290)**	**(7.1%)**	**(28,693)**	**(248,729)**	**(88.5%)**
Accounts Receivable	(32,297)	(61,516)	(47.5%)	42,658	(98,329)	n.a.
Deferred Revenues	1,428	22,102	(93.5%)	(48,243)	(103,183)	(53.2%)
Other	(19,549)	(14,876)	31.4%	(23,108)	(47,217)	(51.1%)
Adjusted Net Cash from operating activities	**(23,713)**	**(14,810)**	**60.1%**	**85,907**	**22,460**	**282.5%**
Capex	(4,547)	(20,951)	(78.3%)	(39,659)	(59,378)	(33.2%)
Acquisition of Subsidiaries	(19,107)	(97,713)	(80.4%)	(90,915)	(1,442,123)	(93.7%)
Other	–	(159)	n.a.	–	(1,696)	n.a.
Net Cash from investing activities	**(23,654)**	**(118,823)**	**(80.1%)**	**(130,574)**	**(1,503,197)**	**(91.3%)**
Net Cash from financing activities	**(36,129)**	**246,230**	**n.a.**	**(24,292)**	**1,602,644**	**n.a.**
Net Cash Flow	**(83,496)**	**112,597**	**n.a.**	**(68,959)**	**121,907**	**n.a.**

Investments

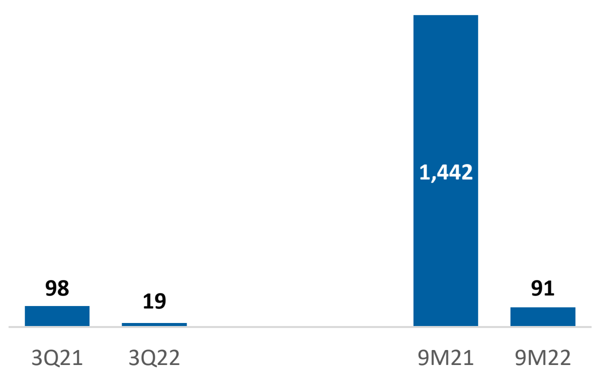
Our Capex in 3Q22 amounted to R$4.5 million, mainly invested in improvements to stores in our existing base. It is important to highlight that, during 3Q22, we opened only one owned store due to restrictions on the Company's liquidity and our focus on expansion via franchises.

For 9M22, our Capex amounted to R$39.7 million, down 33.2% against the same period of 2021, reflecting a slower pace in the opening of owned stores, with the purpose of preserving the Company's cash. Additionally, we paid R$90.9 million regarding the installments of franchises purchased in 2021. We should highlight that we have virtually finished paying the installments of the price for the 2021 acquisitions in 3Q22, with only R$2.5 million left to pay.

INVESTMENTS (R$ MM)



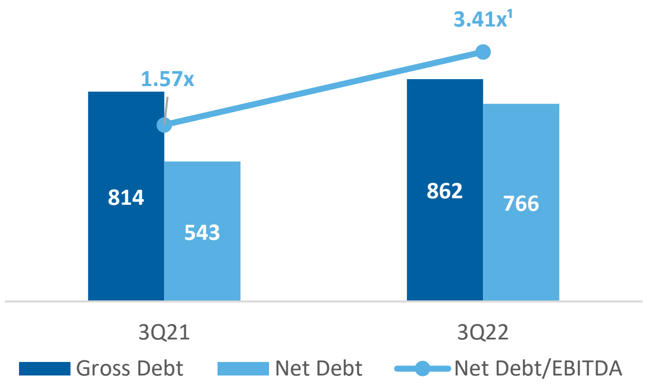
ACQUISITION OF SUBSIDIARIES (R$ MM)



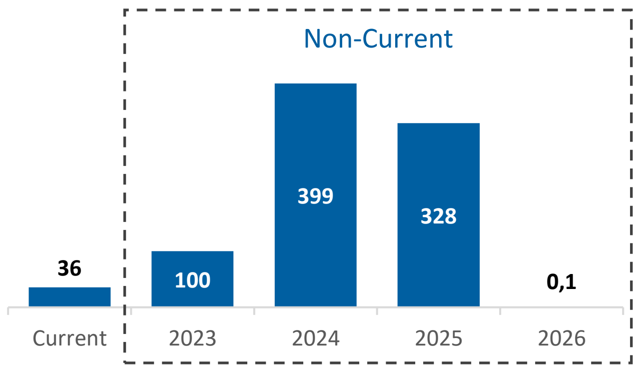
Indebtedness

At the end of 3Q22, our net debt amounted to R$766.2 million, representing a R$58.2 million increase compared to the previous quarter, which reflects the amount of cash used as mentioned above. Our leverage level, measured as the net debt-to-EBITDA ratio, excluding the accounting effects of merged companies and non-recurring costs and expenses, was 3.41x[1], below the 2nd Issue covenants and not yet reflecting the proceeds of the capital increase concluded on October 26, which is going to benefit 4Q22. Through the 2nd issue, we obtained a material lengthening of our amortization times, with 96% of all maturities allocated as long-term.

INDEBTEDNESS (R$ MM)



REPAYMENT PROFILE (R$ MM)



[1]Includes non-recurring costs and expenses related to 1Q22 (R$ 0.9 million) and 2Q22 (R$ 1.8 million) related to store closures and consulting expenses

APPENDICES

IFRS-16 Reconciliation

R$ thousands Except as indicated otherwise	3Q22			9M22		
	IAS17	IFRS16	Chg.	IAS17	IFRS16	Chg.
Net Revenues	**209,996**	**209,996**	**-**	**650,218**	**650,218**	**-**
Costs	- 129,351	- 120,626	- 8,725	- 396,365	- 366,077	-30,288
Gross Profit	**80,645**	**89,370**	**- 8,725**	**253,853**	**284,141**	**-30,288**
General and Administrative Expenses	- 45,612	- 45,612	-	- 140,916	- 140,916	-
Adjusted EBITDA	**35,033**	**43,758**	**-8,725**	**112,937**	**143,225**	**-30,288**
Depreciation and Amortization	- 8,987	- 16,300	7,313	- 34,855	- 59,170	24,315
Financial Result	- 40,976	- 42,613	1,637	- 111,136	- 116,506	5,370
Income Tax and Social Contribution	- 3,850	- 3,850	-	- 2,855	- 2,855	-
Net Income	**- 18,780**	**- 19,005**	**225**	**- 35,909**	**- 35,306**	**-603**

Management Income Statement (excluding IFRS-16 and other impacts set out in the document)

R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Net Revenues	**227,765**	**224,040**	**1.7%**	**676,306**	**604,200**	**11.9%**
Costs	**(134,388)**	**(118,663)**	**13.3%**	**(409,653)**	**(300,338)**	**36.4%**
Personnel	(87,819)	(75,590)	16.2%	(267,069)	(196,705)	35.8%
Rent	(23,802)	(22,403)	6.2%	(75,763)	(57,676)	31.4%
Direct Costs	(20,138)	(17,559)	14.7%	(57,548)	(38,003)	51.4%
Credit Card Commissions	(2,630)	(3,111)	-15.5%	(9,273)	(7,955)	16.6%
Gross Profit	**93,377**	**105,377**	**(11.4%)**	**266,653**	**303,862**	**(12.2%)**
% Gross Margin	41.0%	47.0%	(6.0 p.p.)	39.4%	50.3%	(10.9 p.p.)
General and Administrative Expenses	**(50,113)**	**(38,604)**	**29.8%**	**(142,597)**	**(99,869)**	**42.8%**
Personnel	(18,702)	(14,951)	25.1%	(59,112)	(38,448)	53.7%
General and Administrative	(18,312)	(15,644)	17.1%	(52,420)	(34,485)	52.0%
Marketing Expenses	(9,523)	(6,264)	52.0%	(25,483)	(16,517)	54.3%
Provision for doubtful debts	(3,576)	(1,744)	n.a.	(5,582)	(10,419)	-46.4%
Equity Income	**(1,823)**	**644**	**n.a.**	**(6,035)**	**636**	**n.a.**
EBITDA	**41,440**	**67,418**	**(38.5%)**	**118,021**	**204,629**	**(42.3%)**
% EBITDA Margin	18.2%	30.1%	(11.9 p.p.)	17.5%	33.9%	(16.4 p.p.)
Depreciation and Amortization	(11,490)	(18,084)	-36.5%	(38,032)	(35,029)	8.6%
Financial Result	(42,333)	(20,451)	107.0%	(109,194)	(38,058)	186.9%
Income Tax and Social Contribution	(4,551)	(9,799)	(53.6%)	(4,855)	(31,028)	(84.4%)
Net Income	**(16,934)**	**19,083**	**n.a.**	**(34,061)**	**100,514**	**n.a.**
% Net Margin	*(7.4%)*	*8.5%*	(16.0 p.p.)	*(5.0%)*	*16.6%*	(21.7 p.p.)

Statement of Corporate Income (including IFRS-16)

R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Gross Revenues	**264,036**	**116,560**	**126.5%**	**826,494**	**618,042**	**33.7%**
Taxes on sales	(35,429)	(16,653)	112.7%	(108,171)	(68,958)	56.9%
Cancellations	(18,611)	4,360	-526.9%	(68,105)	(2,039)	3240.1%
Net Revenues	**209,996**	**104,268**	**101.4%**	**650,218**	**547,045**	**18.9%**
Costs	**(120,626)**	**(95,070)**	**26.9%**	**(366,077)**	**(253,791)**	**44.2%**
Personnel	(88,148)	(69,417)	27.0%	(267,373)	(190,532)	40.3%
Rent	(12,924)	(12,955)	-0.2%	(42,043)	(30,117)	39.6%
Direct Costs	(19,554)	(12,698)	54.0%	(56,661)	(33,142)	71.0%
Gross Profit	**89,370**	**9,198**	**871.6%**	**284,141**	**293,254**	**(3.1%)**
% Gross Margin	42.6%	8.8%	(33.7 p.p.)	43.7%	53.6%	(9.9 p.p.)
General and Administrative Expenses	**(50,464)**	**(33,636)**	**50.0%**	**(149,332)**	**(114,469)**	**30.5%**
Selling Expenses	(10,927)	(3,777)	189.3%	(34,265)	(14,030)	144.2%
General and Administrative	(39,537)	(29,859)	32.4%	(115,067)	(100,439)	14.6%
Equity Income	**4,852**	**68,100**	**-92.9%**	**8,415**	**68,092**	**n.a.**
EBITDA	**43,758**	**43,662**	**0.2%**	**143,224**	**246,877**	**(42.0%)**
% EBITDA Margin	20.8%	41.9%	(21.0 p.p.)	22.0%	45.1%	(23.1 p.p.)
Depreciation and Amortization	(16,299)	(15,077)	8.1%	(59,171)	(48,143)	22.9%
Financial Result	(42,613)	(31,445)	35.5%	(116,506)	(14,125)	n.a.
Call and Put Options on non-controlling stakes	–	(15,713)	n.a.	–	21,495	n.a.
Income Tax and Social Contribution	(3,851)	11,375	n.a.	(2,856)	(27,326)	n.a.
Net Income	**(19,005)**	**8,515**	**n.a.**	**(35,309)**	**157,283**	**n.a.**
% Net Margin	*(9.1%)*	*8.2%*	(17.2 p.p.)	*(5.4%)*	*28.8%*	(34.2 p.p.)

Balance Sheet

R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.
Total Assets	**2,082,390**	**2,190,518**	**-4.9%**
Current Assets	**738,543**	**914,471**	**-19.2%**
Cash and Cash Equivalents	74,486	270,858	-72.5%
Trade Accounts Receivable	601,038	566,813	6.0%
Advance to Suppliers	14,584	25,250	-42.2%
Other Assets	48,435	51,550	-6.0%
Non-Current Assets	**1,343,847**	**1,276,047**	**5.3%**
Trade accounts receivable	52,192	21,847	138.9%
Accounts receivable - related parties	20,765	–	n.a.
Derivative financial instruments	1,331	25,540	n.a.
Other assets	5,608	6,569	-14.6%
Securities	20,121	20,119	0.0%
Deferred income tax and social contribution	42,383	–	n.a.
Investments	784	2,278	-65.6%
Property and equipment	314,717	260,075	21.0%
Intangible assets	825,005	872,713	-5.5%
Right-of-use assets	60,941	66,906	-8.9%
Liabilities and Shareholders' Equity	**2,082,390**	**2,190,518**	**-4.9%**
Current Liabilities	**448,299**	**742,770**	**-39.6%**
Loans and financing	35,763	233,056	-84.7%
Debentures	–	546	n.a.
Lease liabilities	22,088	24,157	-8.6%
Trade accounts payable	22,384	21,900	2.2%
Onerous contract	8,243	8,243	0.0%
Deferred revenues	243,845	234,922	3.8%
Salaries and payroll charges	58,112	46,103	26.0%
Taxes and contributions payable	44,657	47,029	-5.0%
Tax installments	3,464	3,412	1.5%
Accounts payable	2,464	116,625	-97.9%
Other accounts payable	7,279	6,777	7.4%
Non-Current Liabilities	**942,895**	**753,950**	**25.1%**
Onerous contract	59,074	67,317	-12.2%
Loans and financing	219,746	332,524	-33.9%
Debentures	606,659	247,941	n.a.
Lease liabilities	35,608	51,765	-31.2%
Taxes and contributions payable	4,865	5,380	-9.6%
Deferred income tax and social contribution	–	1,453	n.a.
Accounts payable	32	22,092	-99.9%
Tax installments	5,514	4,714	17.0%
Provisions for dismantling assets	3,758	–	n.a.
Provisions for lawsuits	6,838	16,560	-58.7%
Accounts payable - related parties	–	4,204	n.a.
Other accounts payable	801	–	n.a.
Shareholders' Equity	**691,196**	**693,798**	**-0.4%**

Cash Flow

R$ thousands Except as indicated otherwise	3Q22	3Q21	Chg.	9M22	9M21	Chg.
Income (Loss) before Income Tax and Social Contribution	**(15,154)**	**(2,862)**	**429%**	**(32,451)**	**184,609**	**n.a.**
Adjustments to reconcile income or loss with cash from operating activities	**41,859**	**42,342**	**(0.0%)**	**147,051**	**86,580**	**0.7%**
Depreciation and Amortization	21,282	24,391	(12.7%)	66,296	62,032	6.9%
Interest on loans, leases and tax installments	17,474	15,640	11.7%	59,507	36,395	63.5%
Provision for doubtful debts	8,910	5,791	53.9%	10,626	26,162	(59.4%)
Income from financial instruments	(12,334)	(17,749)	(30.5%)	24,228	(809)	(3094.8%)
Other	11,582	14,269	(18.8%)	13,128	(37,200)	n.a.
Exchange Rate Variation	(5,055)	–	n.a.	(26,734)	–	n.a.
Decrease (increase) in assets	**(34,709)**	**(73,797)**	**(53.0%)**	**32,959**	**(95,117)**	**n.a.**
Accounts receivable	(32,297)	(61,516)	(47.5%)	42,658	(98,329)	n.a.
Advance to suppliers	(1,150)	(15,220)	(92.4%)	–	(20,429)	n.a.
Other assets	(1,393)	2,939	n.a.	4,216	21,074	(80.0%)
Accounts receivable - related parties	131	–	n.a.	(13,915)	2,567	n.a.
Increase (decrease) in liabilities	**(57,827)**	**7,666**	**(854.3%)**	**(135,312)**	**(181,281)**	**(25.4%)**
Deferred revenues	1,428	22,102	(93.5%)	(48,243)	(103,183)	(53.2%)
Loans and financing paid – interest	(42,118)	(11,841)	255.7%	(73,660)	(27,669)	166.2%
Interest paid – leases	(1,364)	(1,485)	(8.1%)	(5,369)	(5,279)	1.7%
Trade accounts payable	5,515	(1,830)	(401.4%)	4,427	8,430	(47.5%)
Income tax and social contribution payable	(9,971)	51,315	(119.4%)	(1,478)	–	n.a.
Income tax and social contribution	(6,363)	(59,635)	(89.3%)	(17,825)	(60,090)	(70.3%)
Other	(4,954)	9,040	n.a.	6,836	6,510	5.0%
Net Cash from operating activities	**(65,831)**	**(26,651)**	**147.0%**	**12,247**	**(5,209)**	**(335.1%)**
Capex	(4,547)	(20,951)	(78.3%)	(39,659)	(59,378)	(33.2%)
Acquisition of Subsidiaries	(19,107)	(97,713)	(80.4%)	(90,915)	(1,442,123)	5260.6%
Other	–	(159)	n.a.	–	(1,696)	n.a.
Net Cash from investing activities	**(23,654)**	**(118,823)**	**(80.1%)**	**(130,574)**	**(1,503,197)**	**(91.3%)**
Capital increase - initial public offering (IPO)	–	–	n.a.	–	1,200,000	n.a.
IPO transaction costs	–	–	n.a.	–	(51,144)	n.a.
Financial investments	–	983	(100.0%)	–	(2,489)	(100.0%)
Call and put options	–	49,326	(100.0%)	–	206,317	(100.0%)
Loans and financing contracted	192,850	315,712	(38.9%)	349,988	489,917	(28.6%)
Issue of debentures	615,000	–	n.a.	615,000	–	n.a.
Loans and financing paid - principal	(539,713)	(79,342)	580.2%	(633,124)	(159,227)	297.6%
Capital contribution from shareholders	1,364	–	n.a.	1,364	4,958	(72.5%)
Payment of debentures - principal	(250,000)	–	n.a.	(250,000)	–	n.a.
Lease payments	(13,512)	(8,613)	56.9%	(33,860)	(23,283)	45.4%
Dividends paid	–	(19,995)	(100.0%)	–	(34,736)	(100.0%)
Net Cash from financing activities	**5,989**	**258,071**	**(97.7%)**	**49,368**	**1,630,313**	**(97.0%)**
Net Cash Flow	**(83,496)**	**112,597**	**n.a.**	**(68,959)**	**121,907**	**n.a.**

Legal Notice

Statements in this document concerning Espaçolaser's business prospects, operating and financial projections and growth prospects are merely projections and, as such, are based solely on the expectations of our Executive Board on the future of our business. These expectations largely depend on market conditions and on the performance of the Brazilian economy, our sector and international markets, and are thus subject to change without prior notice. All variations shown herein were calculated based on rounded numbers in thousands of *Reais*.

This performance report includes accounting and non-accounting data such as operating figures, pro-forma financial data, and projections based on Management's expectations. Non-accounting data have not been reviewed by our independent auditors.