

## Y 2021 Earnings Call

### Company Participants

- Antonio Joaquim de Oliveira, Chief Executive Officer
- Francisco Semeraro Neto, Controller at Dexco
- Marcelo Izzo, Vice President of Deca and Ceramic Tiles Business Unit
- Natasha Utescher, Investor Relations Manager
- Raul Guimaraes Guaragna, Vice President of Madeira Business Division

### Other Participants

- Caio Greiner Banco, Analyst
- Isabella Vasconcelos, Analyst
- Rafael Barcellos, Analyst
- Unidentified Participant

### Presentation

#### Operator

Ladies and gentlemen, thank you for holding. Welcome to Dexco's conference call, where we will be discussing our earnings for the fourth quarter and for the year of 2021. (Operator Instructions) Before we begin, we would like to clarify that any statements made during this conference call about the company's business perspectives as well as its projections, operational and financial goals are simply beliefs and assumptions that the directors have based on currently available information. Remarks about the future are not a guarantee of performance. They involve risks, uncertainties and assumptions as they refer to future events that, therefore, would then on current circumstances that may or may not come to pass. Investors should understand that the general economy, industry conditions and other operational factors may affect the company's future results and may lead to results that differ materially from those expressed in these forward-looking statements.

Now we'd like to pass the floor to Natasha, Investor Relations Manager at Dexco. Natasha, please continue.

#### Natasha Utescher {BIO 20653217 <GO>}

Hi, everyone, good morning. And this is just a message. Unfortunately (inaudible) will be unable to be in this call, but we invited Francisco Semeraro, who will be representing him. Francisco, over to you.

## Francisco Semeraro Neto {BIO 19952327 <GO>}

Hi, everyone. Welcome and thank you for being in this call. I'm here with Antonio Joaquim, our CEO; Glizia do Prado, Head of People and ESG; Raul Guaragna, our Head of the Wood Division; and Marcelo Izzo, Head of the Deca and Ceramic Tiling Divisions.

We're going to begin talking about our results on Page 3. 2021 was an important year for the company with a change in our brand to Dexco and as we announced a new growth plan. We're very happy to wrap up this cycle with our best results ever overcoming all records and reaching a recurring EBITDA of BRL2.2 billion, 70% above 2020. This was only possible due to the evolution that the company had in the last years, which has allowed Dexco to reach high occupation levels, productivity records, lower production costs even despite a challenging inflation. And, of course, there was strong commercial work, which allowed our products to be at a better position and allowed us to implement price hikes across all divisions as you can see in our 40% net revenue growth. This led to a high increase in our EBITDA margin reaching 27% this year versus 22% last year.

I will tell you a bit about the fourth quarter. We reached BRL588 million in EBITDA, a growth of 14% versus the same period of 2020 even with a reduction in sales due to lower inventory and due to a maintenance stop for some wood clients, which didn't happen last year. So, before we talk about cash, we just like to say that we are 60 -- fewer than 60 days away from our new dissolving pulp unit which has currently reached 95% construction work done and has over 8,000 workers involved.

Moving on to Slide 4. Our record results were also reflected in our strong cash generation a total of BRL882 [ph] million this year. This was due to our strategy of managing working capital as our revenues were pressured, especially managing suppliers, which offset our higher inventory -- higher expense in inventory and accounts receivable, which led our cash conversion cycle to be negative at minus three days, significantly lower than 2020. Our working capital to revenue ratio was low at 10%.

Regarding our expansion projects, we have invested this year BRL483 million out of which BRL113 million were in the panels mix improvement project, the first line started in November last year and BRL29 million in expanding backup. We also invested BRL102 million in acquiring 10% stake at ABC da construcao as we announced during Dexco date. This investment will be an important step in coming closer to our end consumers. We'd also like to highlight that this year finished with BRL41 million in our venture capital fund, DX Ventures, and we've already announced investments in scale-ups Urbem, Noah, and recently, Brasil ao Cubo.

Another important highlight was our acquisition of Castelatto at the end of last year. Although it didn't impact our 2021 cash, it was approved by the authorities in January and we are waiting for that to be approved and for further conditions to conclude this deal. It's important to remind you that Castelatto is a leader in a premium segment of concrete, tiling and flooring. And there are also a benchmark in design which will fit perfectly into our portfolio. Taking a look at the impact of this had on our debt, we will continue on slide 5.

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In December, we announced we will pay BRL878 million in JCP and dividends, which did not impact our debt. Our debt was at 1.1 times net debt to EBITDA below what we posted at the end of 2020 which was 1.2 times due to a strong cash generation in our operations. Concerning that, we have disbursed a significant part of our program with the national development bank at a cost of 97% below a CGI with an average term of 1.1 years and a reduction in the average cost of debt and a new credit line -- revolving credit line of BRL500 million and that created a new contingency device for any market volatility.

Continuing on Slide 7, the wood panels market closed the year at 15% of the volume sold in Brazil out of which 16% was MDF and 14% MDP. This quarter the industry had a drop of 3% in the fourth quarter, minus 1 in MDF and minus 4 in MDP according to IBA data. This was mainly due to advancing maintenance stops and adjusting inventories in the furniture chain. This had a negative impact of 2.4% in the domestic market and 10.3% in the foreign market.

We continue with Dexco on page 8. The wood division overcame all of the estimates regarding its productivity and in the fourth quarter reached a 100% utilization across all lines showing the productivity gains that we got from the debottlenecking process. This allowing to increased prices and improved mix boosted our unit revenue to by 38% this quarter and 33% this year versus 2020. Our adjusted and recurring EBITDA was BRL383.5 million in the fourth quarter, the best quarter in our history a total of BRL1.4 billion a year even despite a reduction in volume and adjusted inventories. This division also had an EBITDA margin of 31%, 6% above what was posted in 2020.

This is even more significant when we look at the current inflation and it reinforces how we were efficient in managing costs and how focused we were at efficiency. On Slide 10, we will discuss the Deca division. The macroeconomic scenario is still favorable for the civil construction materials industry. According to ABRAMAT, there was an increase of 8% this year versus 2020, although the speed slowed down at the end of the year. When we look at Deca on slide 18, this division just as wood had an absolute record results reaching an adjusted and recurring EBITDA of BRL411 million a year, out of which BRL118 were in the last quarter.

We saw that margins increased. We were able to implement price hikes and improve our mix which led to grow to 21% this year and 36% in the fourth quarter in this division, the third year in a row with margin gains. Regrading the fourth quarter of 2021, we saw there was a reduction in electric showers that was higher than typical seasonal pattern this year, but it impacted us less in 2020. However, for that reason, we decided to reduce our production of the hydro unit and improve our inventory and that impacted our sales, cost dilution, and our EBITDA margin, but we believe we'll overcome that impact in 2022.

On slide 13, we talk about our ceramic tiles. The market had an increase of 12% versus 2020 and a 4% drop versus the fourth quarter of 2020 due to lower inventories across the industry. Installed capacity, utilization was 90% according to ANFACER. And ceramic tiles, on slide 14, operated at 100% utilization rate, a 4% increase in volumes sold and a 19% drop during the quarter versus the fourth quarter of 2020. The biggest highlight in the division was positioning the Portinari and Ceusa brands, which allowed us to increase the product mix and led to a unit revenue increase of 37% this quarter and 22% this year.

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These increases were enough to offset cost pressures, especially from natural gas and we closed the quarter and the year with structural gains and EBITDA margin, 26.4% in the fourth quarter and 25.9% this year. This was enough to sustain our EBITDA record of EUR84 million this quarter and BRL300 million this year.

Continuing with the dissolving pulp project on slide 17. We have less than 60 days to go to begin operations. We concluded another quarter with the project within budget and within schedule, although we faced many challenges. With nearly 8,000 employees on the front lines, we've already finished 95% of the project. We're very happy about the execution and it faced significant challenges on last two years.

Page 18 shows how we concluded the year with many achievements regarding ESG. We integrated the ECN-ICO2 indexes from the B3 and we also advanced our goals at over 140% of water being reused, 60% of our energy coming from renewable sources and 80% of our waste reused. We also are continuing to attenuate the impact of the pandemic. We donated equipment to different cities in Paraiba, Pernambuco and Sergipe, which allowed them to store vaccines and also donated Dexco products and hospital inputs.

We now continue on page 19. We started 2022 pressured from the foreign market and due to speculations and due to with the elections and with the new COVID-19 variant. On one hand we had an impact on interest rates, although they were acceptable for the civil construction industry, but we also noticed there was a deacceleration in inflation expected for the year, which is good news. This was combined with our launches in the last two years and allowed us to maintain a positive outlook for the year, but we're still cautious with what may happen in politics due to the elections. We're focused in executing our strategic plans and delivering results for the year.

Looking at 2022 across all divisions, starting with wood. In the fourth quarter, we started producing our panel line and further step in our mix -- excuse me, our product mix improvement strategy, which with our high levels of plant utilizations shows that our results will be sustainable for the next quarters. We may see some pressure and inflation and that may lead to volatility in the division's margins. At Deca, we're still positive about our mix and in divisions capacity increase, but in ceramic tiles after our retrofitting processed in the Santa Catarina lines, we will resume operations at 30 million square meters starting in May. We also have as our highlight the new Botucatu plant in upstate Sao Paulo, which is already ongoing. We're excited about beginning our new dissolving pulp unit in fewer than 60 days and we hope to bring you good news about our operation.

We'll now open for questions. Thank you.

## Questions And Answers

### Operator

We will now begin the questions and answer session. (Operator Instructions) Our first question was asked by Caio Greiner from BTG Pactual. Go ahead, Mr. Caio.

**Q - Caio Greiner Banco {BIO 20031116 <GO>}**

Hi, good morning, everyone. Thank you. I have a couple of questions about your expected results for 2022. The first is about the wood division, if you could tell us a bit about that. Your comments on the release about revisiting the division's strategy drew my attention. And you also listed exports as a viable alternative with more competitive margins due to the exchange rate. I just like to talk a bit about that.

When you talk about competitive margins, what is the difference between those margins and the domestic market. I'd also like to know a bit more about what products you wanted to use with the foreign market and what geographies do you foresee any problems contracting credit? So, if you could tell us a bit about that and also what are the limits you see for that strategy. We're trying to understand with the slowdown of the Brazilian market, to what extent can you be more aggressive in exploring that would provide is with a great level of understanding.

And also if you can tell us a bit more about ceramic tiling, that was another year in which your margins went up. So from 21% to 26% this year, Decker from 14% in 2018 to the levels we're at this year. I just like to hear from you if you can help us quantify how much is due to increased prices, how much of it is due to better mix? Is it due to mergers? And do you still see some space for expansion in 2022? And where would these margins come from? Do you still see room to grow or increased prices or do you think only improving the mix would be enough? Thank you.

**A - Raul Guimaraes Guaragna {BIO 22327370 <GO>}**

Thank you, Caio. So, let me start by answering your first question. Exports are a big part of our strategy at Dexco, especially for wooden panels. And it needs to be. The international markets are demanding consistency in services and good value proposition. You can't start an exportation strategy overnight and this is not a market that you can just join and leave at will. So we do have a consistent history of exporting and there are other opportunities that we hadn't explored yet. There are many reasons why. Shipping sometimes makes us less competitive and you need to have a good demand for wooden panels. That's something that we can develop.

I don't think there is a limit to exportations. So, if we were to triple -- if we wanted to triple what we did last year, we could, but of course, we are committed to our Brazilian (Technical Difficulty) client, so we can expand to different geographies. Latin America is the obvious choice. We work along with them. We have business in Colombia and it's a market leader there. And from there, we can reach other Latin American countries. So we need to build consistent strategies in (Technical Difficulty) maintain good volume levels, because it's (Technical Difficulty).

And we could also look at China (Technical Difficulty) situation. They provide us with good competitiveness and they are very consistent in their imports. So margins are very similar

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to what we see in our domestic market, but as you accelerate, as you start shipping big volume there, margins go down, but it's still healthy for our business. So that's our market. So exports have always been important and they are starting to become more significant in the wood panels division, papers or so, especially with the international demand we're receiving and also with the foreign exchange, but of course we have to be careful and maintain good service levels, that's essential for our domestic clients.

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## **A - Antonio Joaquim de Oliveira** {BIO 17247875 <GO>}

Raul, if you'll allow me, I can add some information to that. Analysts that have been watching us for some time, all know that there is a difference. It's the first time in which foreign margins and here we're talking about MDP because in the past we supported a lot of MDF and very little MDP. Now we're basically exporting at MDP. And when you're sending product to the domestic market, our margins are very similar to what you have in the foreign market. So that doesn't bring major advantages in exporting, but there is a lot of demand in the foreign market. So this is different from what we had in the past.

I mentioned how last year as an alternative and this is a very simple example that's very representative. In the last days of December, which is normally a time in which the industry slows down and which people don't receive products, because of the holidays. We exported nearly 50% more in January than we had foreseen and we had a very good result with that. So, this was a little bit different from what we saw in the past. In MDP specifically exports are a great alternative. And when we send it to Columbia, you have even better margins than what you have here. So, Izzo can answer the question about Deca.

## **A - Marcelo Izzo**

Okay. Caio, I'm glad that you remember our history with margins at Deca. This journey was a part of our strategy as I mentioned. What I can say is that if I view our strategy across its five topicals, revenue and EBITDA, just as with ceramic tiling that have much of its operation in Cecrisa, what we were trying to do when we integrated this business unit was that, which means that in 2022 we're finishing a cycle for ceramic tiles and starting a new one. And the new cycle, as you know, will include some investments that we communicated during the Duratex day last year. So all of the investments are concentrated in our reutilization so that we can pursue a better mix, a better unit price and better EBITDA margins. So what we expect is to have consistent EBITDA margin growth. And, of course, our strategy has always going to seek EBITDA margin growth that's a trend for this year. We hope to continue to have gains on both divisions. And that's why this was mentioned last year. And it will happen this year and in the next years improving our mix and providing better results.

Our structural initiatives in the commercial area with sales have allowed us to accelerate our mix improvement process and also raise prices, synergies. And in the first fourth months innovation, we saw that margins were above what we expected. As we had communicated as well during Duratex day, we expected to have BRL150 million in additional EBITDA due to the synergies captured by those units and we expect that this will happen in the next months. So again just to make a long story short, to answer your question, yes, we are seeing unit revenue is going up. This is due to how we're able to

price better. It's also due to improved mix and we will have better EBITDA margins given the process that we're going to through to improve our mix and provide better revenues.

## Operator

So for the next question, we have Mr. Gabrielle Simmons [ph] from Goldman Sachs. Go ahead, sir.

## Q - Unidentified Participant

Thank you for taking my question. First is about the challenging scenario that you're facing, what do you expect from the prices in 2022? You believe it will continue to go up or will you be more pressured this year? And since you had good movements in the wood division, I just like to know if you still have some space to raise your prices as you did recently? My second question is about your new project -- you are coming to the end of the construction, so can you tell us a bit more about the project and when do you expect it to start running and at what levels initially? Thank you.

## A - Antonio Joaquim de Oliveira {BIO 17247875 <GO>}

Thank you for your questions. About the costs, as you know, we finished the fourth quarter with a significant level of inflation in our input prices. 2021 was exceptional. We've got exceptional results because of a strong demand and, of course, the capacity we had to work with new prices passing on inflation even though it was so stronger. We decided to finish last year with the necessary price raises so that this year we could begin on a good foot. We analyze what cost we are still growing at the fourth quarter and we wanted to offset it to a certain extent. So we advanced some of our adjustments as you must have seen, but what we have been seeing in January, well, in January, we had results in line with what we expected, even higher than expected actually. But at the end of the year, we had a very good results, so it's important to break out and see what was due to what.

The last week of December and especially the first two weeks of January, we saw many effects in our production. We saw a high-level of COVID infections and, as you know, we've had record cases across Brazil, but none of our employees were hospitalized. So the vaccines which are mandatory here at Dexco are working well. But, of course, we had high level of absentees, especially in some areas that require more labor such as ceramics. So, in 2022, we began the year with challenges in production and that also affected us a lot. That was a slower period from December 20th to January 15th. Usually markets are slower at this time, so it was all according to our forecast, but it's important to underscore that because it really is a time in which people go to the store less, people have holidays and the pandemic also got in the way due to shortage of labor and lost more days. But we managed to work around them well especially during the second half of January and in February we already have normal levels.

So, the good side was that January is showing that cost have been better. So inflation for our inputs is below what we had foreseen, which is positive. We start seeing inflation slowing down, commodities are starting to drop, so we expect that for the first quarter and second quarter this year we'll see a better inflation scenario. That's the expectation

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for -- that all of Brazil has, right, the Central Bank and so on. We still see very positive trends. For example, there is still a strong demand for real estate credit as reported by the banks and I always have to remind you that because I knew we're going to get many questions about a slowdown, but we have to look at middle and long-term. You know that we come in at the end of the construction cycle and there is still a lot of demand for us, so it's very difficult to be negative about 2022 and 2023. There is a huge demand of ongoing construction work, so we should continue. We foresee some operations, as I said last year. We foresee operations in 2022 to be at the same levels as last year. There may even be some gains.

Now, what will happen and this is what we can expect is volatility. It's a very atypical year due to the difficult political landscape in Brazil. And even in our economy, the pandemic itself is causing a problem. So, we can expect volatility, but we believe it will be positive year a good one. So any slowdown we see for any of the months we believe will be we one offs. We don't believe that we'll see a significant contraction this year because markets are still strong. As I said, we're operating well in January. We have solid orders backlog. We have a lot of demand for wood. It's still very significant in our balance and we see significant exponential growth in exportations.

So, I believe that price will be -- were done very well. We don't expect to increase prices now and we will only do so if we believe that the inflation does not follow our expectations. For now, it's still following our expectation, so our strategy has been maintained. Your question on dissolving pulp. The plant should take off in early March. Everything is going according to plan and this is a glorious project if I can say so because it was a three-year project. It was a lot of construction we had, 8,000 people at the site and we managed to organize it well especially when it came to COVID. To give you an idea, I think right now, I think we have about 100 people who were sick. So, that's excellent.

We saw a lot of inflation in cost and inputs, but we expected to finish the project on time and on budget. And again, this project was funded and financed in dollars, so we're very positive the dissolving pulp market is still doing well. The U.S. dollar remained strong, so we should ramp -- have -- see a positive ramp up with very good market conditions for us. So, we're going to see a ramp up margin over the next months and we hope to reach production capacity in the second half of the year.

So the dissolving project -- excuse me, the dissolving wood project is doing well. Our partners are very optimistic about the project and this is an integrated project for them because they were able to expand their production capacity. They also have expansion projects there. So since it basically has two variables which are pulp prices and the foreign exchange. Once we have 100% of our production sold, that makes us very comfortable, that see process that is not simple, it's very complex in fact, but everything is going according to plan and we hope to start the plant in March according to what we had foreseen.

## Q - Unidentified Participant

Great. Thank you.



## Operator

Isabella Vasconcelos from Bradesco BBI will ask the next question. Go ahead.

### Q - Isabella Vasconcelos {BIO 20566061 <GO>}

Thank you. Good morning. I have a couple of questions. If you can tell us about what you expect for your budget or for the CapEx for 2022 specifically? We've seen some CapEx inflation, so I just like to hear how much that affects you, especially with the projects that you're running? And my second question is about the competitive environment you see in Brazil. I'm sure that Dexco has a much more rational structure, but I'd just like to know how you've seen your competition? Cost pressures if players are still passing their prices or offsetting their prices, do you see any changes in your market share? So those are my questions. Thank you.

### A - Antonio Joaquim de Oliveira {BIO 17247875 <GO>}

Hi, Isabella. Thank you. I am not sure if I heard your first question very well, but I think you were asking about our CapEx and if we have any effect on how projects will continue?

### Q - Isabella Vasconcelos {BIO 20566061 <GO>}

Yes, that's right.

### A - Antonio Joaquim de Oliveira {BIO 17247875 <GO>}

Great. So, to answer your first question, our projects have then approved for the middle and long-term. Expansion projects are approved very carefully. And this is very different from what we had in the past. In the past that is 10 years ago or so, especially with wood we had a lot of preventive CapEx. What do I mean by that? If you reach 90% capacity, you would start a new line without analyzing it further, but it's different now. Now our expansion process is much more careful. As you can see, we started a significant investment in the areas where our demand plan or our demand projections and our margins, as we mentioned when we answered Caio's questions, were very consistent. So, we see projects to expand ceramic tiles, metals, and none of them will have any continuity problems regardless of what the scenario is. Because these are projects for the long term.

Some of them, for example, metals, part of them have been captured until the end of the year, but they are usually for the next year as well as all of our other projects which will only be ready in 2023. And there is an entire strategy behind us. So if you were to say that we can set a contingency to our CapEx, well, you can always do that, but I wouldn't say it's significant. I don't think it's going to impact any of our projects. What we may see is some restrictions during the process, any internal improvement projects, but I would say that it's not more than 10% of our CapEx because all others already have their equipment purchased. In Botucatu, they are already doing flat earthworks starting with civil construction. So, it's very difficult to expand our capacity in divisions, but rather we are adding value and for us. So our investments are not very susceptible to these changes and the economy if you already looked at different scenarios across all of them.

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To answer the second part of your question about the competitive environment, I think you mentioned wood, you mentioned how we have more competitors, but no, we are facing two different situations right now. Okay, so your analysis is correct when you say, for example, if you have higher level of inflation, you might be pressured on price, but that's not what we feel right now. Our competitors from what we've seen are also exporting a lot because that's an important lever that brings good results right now. So again, it's a very good moment for exports and many people are exporting a lot and I don't think competition for the domestic market is that significant.

Another thing is that everyone is being pressured by costs that went up significant last year. Everyone changed their prices because of cost. Commodities like resins, for example, resin components, urea, melanin have all gone up significantly. And they started taking a share of the profit. So, companies -- and that's not how the key is for Dexco, but companies that require wood are seeing a significant price increase from what they are getting from the market. You recently saw yesterday from Klabin who have mentioned it, that's going to affect our competitors significantly as wood prices go up. So we don't believe that we will see any reductions in price as costs are so much higher. So, I'm very positive about this commercial environment. I see it from a rationale standpoint. I don't think that we're going to see any significant announcements besides the ones we already heard. So, I think that the market will behave rationally driven by these two things, being able to export at a profit and also due to cost being pressured.

**Q - Isabella Vasconcelos** {BIO 20566061 <GO>}

Great. Just a quick follow-up. I'm not sure if you have a number or a range of what you expect for your CapEx in 2022 that you can share?

**A - Antonio Joaquim de Oliveira** {BIO 17247875 <GO>}

We have our CapEx for 2022. I think Francisco and Natasha can check and see which of them can -- which of these numbers can be shared. But if they can share it, then that's not an issue. I have Francisco and Natasha who are basically policing me so that I don't give any information besides our guidance. So, we are just going to check if we can disclose that and we will let you know. Thank you.

**Operator**

The next question would be from Rafael Barcellos from Santander Bank. Go ahead, sir.

**Q - Rafael Barcellos** {BIO 20593721 <GO>}

Good morning. Thank you for taking my question. First about wood panels. You mentioned a lot about the demand, so I just like to hear a bit more about the supply and demand balance, especially supply. There was a big plant that was going to start its operations last year. So does that affect you? And how can that affect the wood panels market? How do you see supply and demand for 2022? And also regarding exports, what is the limit that you have with changes in the market and products that would be great to hear. Also, I'd like to hear more about your capital allocation. I see that you've been looking at M&A opportunities and what is your main focus in doing that right now? Thank you.

## A - Antonio Joaquim de Oliveira {BIO 17247875 <GO>}

Well, Rafael, referring back to wood what we're expecting is the plant from (inaudible) which didn't go online last year. It will probably start in the first quarter, please correct me if I'm wrong. But, it's an MDF production and we saw the retail market where MDF is being sold basically taken that is we have a lot of demand is there. So, we don't believe that this production capacity will affect us. It was already foreseen. It's a project that has been running for two years and I think it will be absorbed. I think this ramp up will not cause any turbulence for us.

There are some challenges because the MDP market specifically has no new capacities. And as I mentioned, we're exporting MDP. We could export MDF, but there is a strong demand for MDP. We have agreements and supply. So I think this plant will be able to go online without great loss. And there is no additional square meter in MDP supply, which would be inconvenient right now. But as I said, there is also a biased exports towards exports. If we were to supply only the export demand, we could do everything. That's a significant demand. And we have to refer back to the origins of that. And this is a suggestion for analysts and for anyone who wants to look at this market. There is a shortage of wood in the entire world. From forest, there is a shortage in Asia, in Europe. There is wood in the U.S., but the market there still imports a lot, so the market is still a great importer and it's used for other products.

So this unbalance really gets in the way of the entire chain. So, for example, pulp, wood panels and all of that is affected buyers. So, the demand for exports has very -- is very strong and it continues to be very strong gain in furniture in Europe, in Asia, in the U.S. So the demand when we compare absolute numbers, someone said for example that we traditionally used to export 20,000 square meters to 25,000 square meters per month and we're now basically at 50,000 square meters. So, we could say that there is a market for all of that. There is a strong demand and we're managing the market because unfortunately we still see a shipping and transportation crisis, which is starting to be resolved. So we see that container costs are starting to go down. And as Raul said, there is a route to China that has more competitive prices, so there is a lot of space in exports. It's difficult to look at the demand and say, well, I could export 10% more. No. I could double my exports if I had to. There is a possibility.

So it's very elastic right now and I also see it as a long-term movement. There is no solution for this lack of production due to a shortage of wood and increased wood prices. There is no solution for short-term. It can be balanced. And I believe that for a good, while exports will be a good channel especially for -- especially if we look as we expect the shipping market, it is not only affected by inflation. This is due to speculation really. So at some point, it will be adjusted. It will go down and I think that can generate more competitiveness. Most wood analyst company have been exporting significantly.

Thank you. Your second question -- oh sorry, Rafael, your second question was about capital allocation. You had asked if we were going to buy anything, if you have any new business model. What I want to say is that 2021 was extremely strong in the strategic projects and developing places of interest which culminated with an acquisition of shares in three companies, (inaudible). We're very happy about this acquisition.

We also had an acquisition in (inaudible). We're very excited about the projects that we can develop with them. They have a lot of experience in logistics and we believe there is a lot of synergy there and we're going to learn a lot from them. And recently that culminated in the acquisition of Castelatto, a small niche company that had very good results and even better perspectives and that opened up our another portfolio for architectural concrete.

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So, for 2022, we don't have any relevant projects for M&As. 2022 should focus on delivering on these projects. Yesterday, I was looking at our balance for the board and we have 52 projects ongoing at the same time. So, it includes improvements, debottleneck. So, it's a full truck. It should be a year in which we focus on that and we're going to turn our eyes. Of course, as you know, we're building scenarios based on this movement. We're focused on Decca, on ceramic tilings, but we have significant organic projects which should only have significant M&A movements if and we don't -- if we had any opportunities that were very strategic or any situations in which investments would be significant and so on. But this is not our expectation. We expect to have a year dedicated to executing the projects that we announced Castelatto and continue to -- continuing to capture synergies, okay.

**Q - Rafael Barcellos** {BIO 20593721 <GO>}

That's clear. Thank you.

**A - Antonio Joaquim de Oliveira** {BIO 17247875 <GO>}

Thank you.

**Operator**

Ladies and gentlemen, we got a few questions in the chat box, but since we're out of time, we're going to let Antonio Joaquim make his closing remarks. Go ahead, Mr. Antonio.

**A - Antonio Joaquim de Oliveira** {BIO 17247875 <GO>}

Thank you, everyone. I'm sure that everyone who asked the question in writing will get their questions answered and these answers can be sent to everyone who were in this call. So, thank you. I'd like to reiterate that we're still positive about our outlook for the year. There's a lot of homework to do. We have a lot to do with Deca, Ceramic tilings. We have a new plant for ICO and that was recently built. We have very interesting projects and we're very happy about the performance of wood and the possibilities that it brings. So, we're very excited. Of course, we know what's happening in Brazil. It's an election year, but we're still positive and we're sure that over 2022, we will be able to still provide good results for our investors. Thank you, everyone. Thank you for listening and if you need anything, we will be here.

**Operator**

That concludes Dexco's conference call. Thank you for listening and have a great day.

FINAL

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