

CTC reported Net Income of R\$ 21.9 million in 1H20
EBITDA resulted 23.8% greater than the one posted in 1H19

*Piracicaba, November 14, 2019 – CTC Centro de Tecnologia Canavieira (publicly-held company, with shares listed on the "Bovespa Mais" segment (CTCA3), not subject to trading), one of the most world-renowned centers of biotechnology applied to sugarcane, today announced the results for the **2nd Quarter - 2019/20 Crop (2Q20)**. The financial and operating information contained herein, except where otherwise indicated, is presented in Brazilian Reals (R\$), in compliance with the International Financial Reporting Standards (IFRS), the Brazilian Corporate Law and the accounting guideline laid out by the Accounting Standards Committee (CPC).*



MESSAGE FROM MANAGEMENT

The results reported for 2Q20 remained steady, reflecting the continuous growth of CTC. We have carried over our focus on providing high value-added products to our clients, by maintaining our strong pace of investments in research and development projects within the segment of plant biotechnology applied to sugarcane. We remain confident that our efforts and competitive advantages shall contribute to sustain CPC's growth track and expanding market share within our segment of operation, alongside with sustainable earnings generation in the long run.



OUR BUSINESS

CTC is a benchmark in taking pioneering innovations within the sugar-energy sector, whose core business consists in the development and marketing of sugarcane strains that come to meet the producers' needs, taking into account the specific regional and seasonal crop characteristics of the country.

The Company relies on a highly specialized team of professionals, who are skilled on genetic improvement and biotechnology, aimed at developing sugarcane varieties intended to meet the market requirements.

CTC continuously seeks to introduce genetically modified sugarcane varieties, in order to promote a consistent enhancement in economic fundamentals and productivity of the sugar-energy sector.

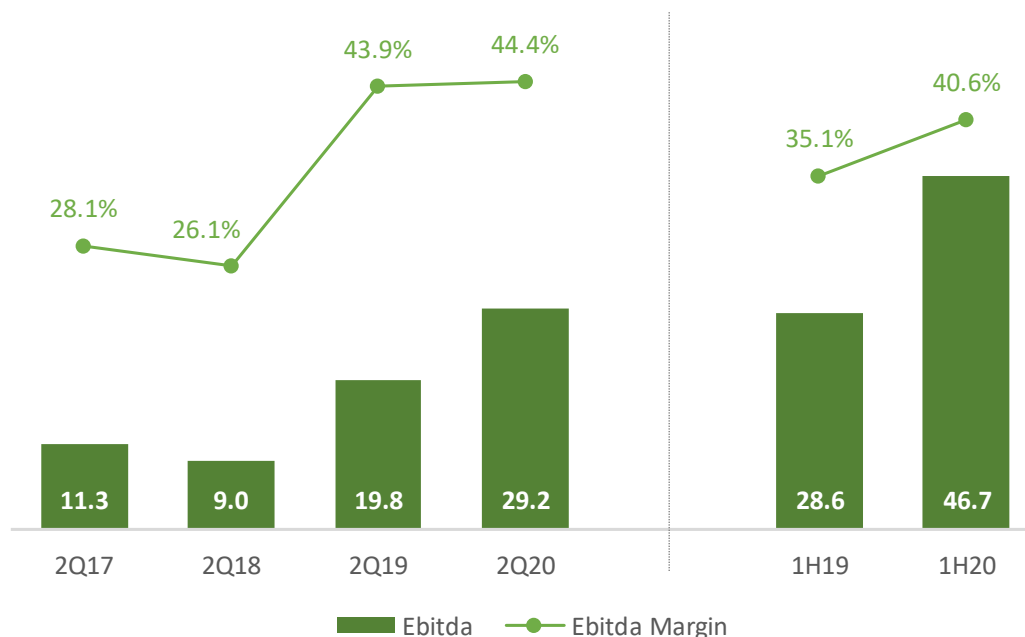
Revenues from royalties, for the use of technology licenses recognized by the Company, refer to the sugarcane varieties provided to the clients, and are accounted for in the fiscal year's result, considering the cultivated area existing at the beginning of the crop year, as well as the royalty amount as set out in the contracts executed with the clients.


HIGHLIGHTS IN 2Q20

Net Revenues	↑ 45.7%	Increase in the plantation <i>market share</i> from 26% to 34% (1Q19 to 2Q20), and in the mix of varieties (larger plantation of <i>premium</i> varieties).
Gross Profit	↑ 77.2%	Increase in gross profit, deriving directly from the growth in revenues.
EBITDA	↑ 47.5%	Growth in EBITDA, as a result of greater revenues.
Investment in Projects	↑ 10.5%	Increase in investment in projects, mainly in artificial seeds.


ECONOMIC AND FINANCIAL PERFORMANCE
Financial Summary

	2Q20	2Q19	Chg.	1Q20	Chg.	1H20	1H19	Chg.
Net Revenues from Sales	65.8	45.1	45.7%	49.4	33.0%	115.1	81.5	41.2%
Operating Expenses (Selling, General and Administrative)	15.6	12.2	27.0%	15.8	-1.9%	31.3	26.0	20.4%
Project costs	28.4	20.6	37.9%	25.1	13.1%	53.5	41.8	28.0%
Gross Profit from Operations	21.8	12.3	77.2%	8.4	159.5%	30.2	13.7	120.4%
Gross Margin from Operations	33.1%	27.3%	5.8 pp	17.1%	16.1 pp	26.3%	16.8%	9.5 pp
Depreciation and amortizations	7.4	7.5	-1.3%	9.1	-18.7%	16.5	14.9	10.7%
EBITDA from Operations	29.2	19.8	47.5%	17.5	66.9%	46.7	28.6	63.3%
EBITDA Margin from Operations	44.4%	43.9%	0.5 pp	35.5%	8.9 pp	40.6%	35.1%	5.5 pp
Net Income	14.4	15.9	-9.4%	7.5	92.0%	21.9	16.8	30.4%
Net Margin	21.9%	35.2%	-13.3 pp	15.2%	6.7 pp	19.1%	20.6%	-1.5 pp
Project costs	28.4	20.6	37.9%	21.2	34.0%	53.5	41.8	28.0%
Intangible Assets	8.6	12.6	-31.7%	14.2	-39.4%	17.6	26.8	-34.3%
Total Project Costs	37.0	33.2	11.4%	35.4	4.5%	71.1	68.6	3.7%

EBITDA and EBITDA Margin


Due to the improved operating result, there have been gains in both gross profitability and in cash flow measured by the EBITDA (CVM 527/12), which came to R\$ 29.2 million in 2Q20, up 47.5% from the amount of R\$ 19.8 million in 2Q19.

EBITDA margin stood at 44.4%, representing a 0.5 p.p. (percentage point) increase versus the same period in the previous year. As for 1H20, the Company recorded an EBITDA margin of 40.6%, representing a 5.5 p.p. rise over the same period of the previous year, which can be mainly explained by:

(i) improved variety mix, price adjustments and expansion in cultivated areas with the TC technology, which had a positive impact on revenues by 41.2% when compared with the same period in the previous year; and

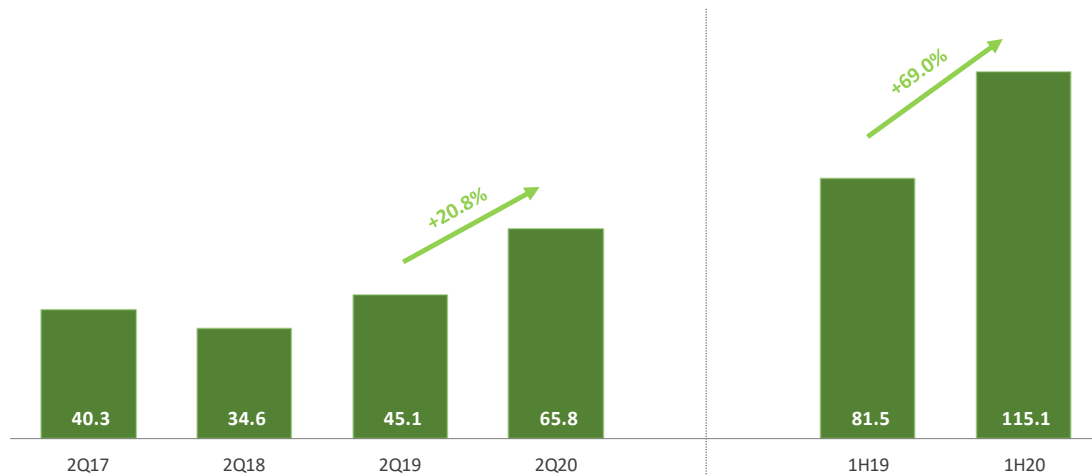
(ii) operational efficiency and a 3.2% growth in the R&D's transformation potential growth, year-over-year.

Adjusted

	2Q20	2Q19	Chg.	1Q20	Chg.	1H20	1H19	Chg.
Ebitda from Operations	29.2	19.8	47.5%	17.5	66.9%	46.7	28.6	63,3%
Ebitda Margin from Operations	44.4%	43.9%	0.5 pp	35.5%	8.9 pp	40.6%	35.1%	5,5 pp
Allowance for Doubtful Accounts (ADA)	-7.7	2.4	NA	-0.1	NA	-7.8	2.7	NA
Total Adjusted Ebitda	21.5	22.2	-3.2%	17.4	23.6%	38.9	31.3	24,3%
Total Adjusted Ebitda Margin	32.7%	49.2%	-16.5p.p.	35.3%	-2.6pp	33.8%	38.5%	-4,7 pp

For purposes of disclosure, the Company has been reporting the adjusted EBITDA, as shown above, since the beginning of its operations.

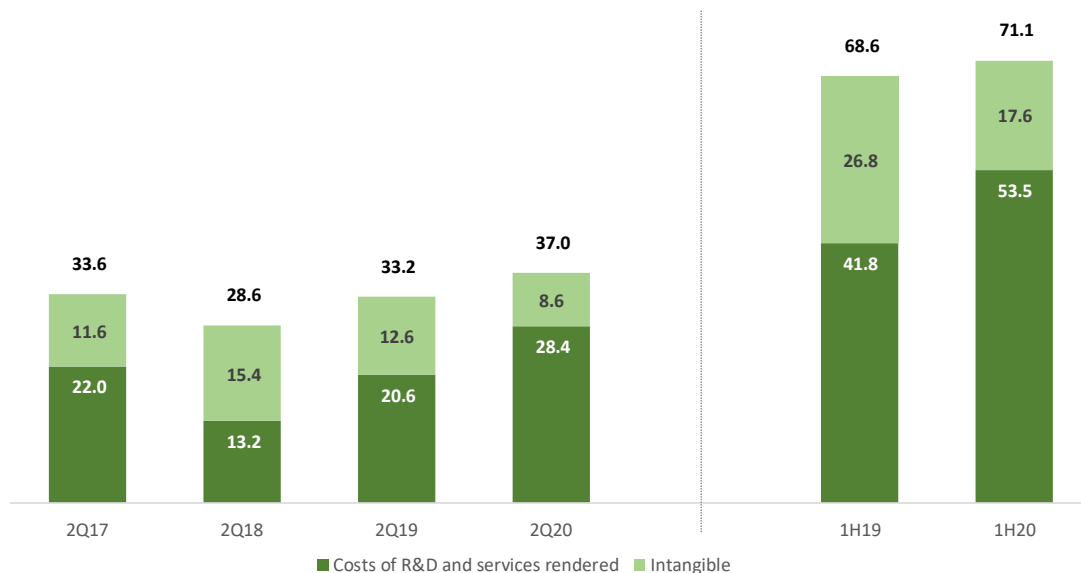
Net Revenues



In 2Q20, Net Revenues amounted to R\$ 65.8 million, up 20.8% from 2Q19.

The revenue growth in the period was boosted by the expansion in the plantation market share (from 26% in 2Q19 to 34% in 2Q20 – *data provided by the Company*), alongside with a greater share of *premium* varieties, which promote a higher productivity to clients. During the quarter, nearly 165,000 hectares of CTC varieties were planted. The billable plantation area totaled approximately 1.4 million hectares. CTC estimates a 20% growth for the next year.

Investment in Research and Development – R&D Costs and Intangible Assets



The amount invested in research and services rendered that was allocated in the quarterly result totaled R\$ 28.4 million, representing a 37.9% growth when compared to the R\$ 20.7 million during the same period in the previous year. This performance reflects the increase in disbursements concerning the Artificial Seeds Project, which has been gradually reaching a more advanced stage.

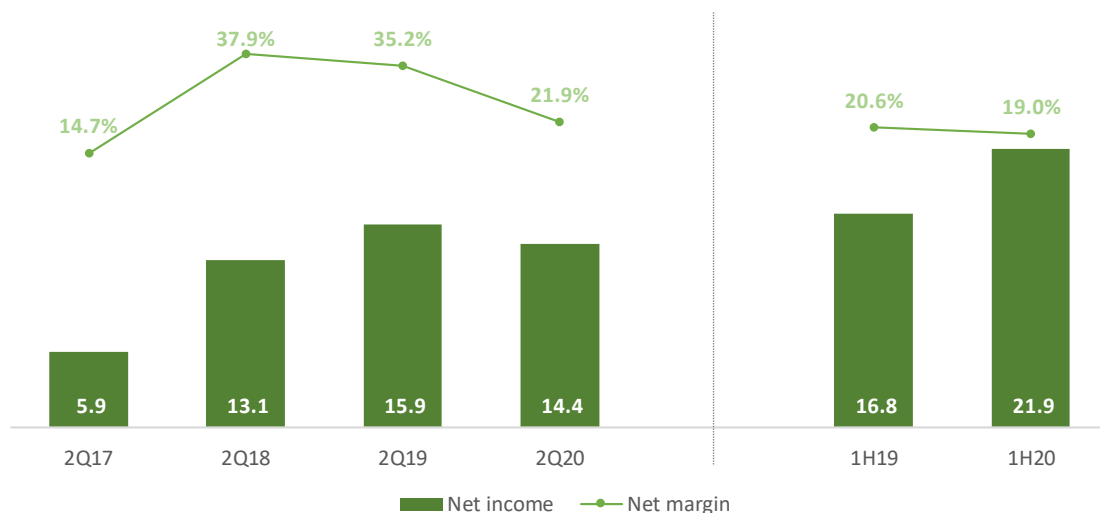
The disbursements related to biotechnology projects have been undergoing a cost stabilization process, due to the maturity reached by the development of genetically modified varieties involving the Bt gene. The increase in revenues also contributed to a greater dilution in R&D costs, which accounted for 43% of net revenues in 2Q20 versus 46% in the previous crop year.

Selling, General and Administrative Expenses

	2Q20	2Q19	Chg.	1Q20	Chg.	1H20	1H19	Chg.
Operating Expenses (SGA)								
Net Revenues	65.8	45.1	45.9%	49.4	33.2%	115.1	81.6	41.1%
Operating Expenses (SGA)	15.6	12.2	27.9%	15.8	-1.3%	31.4	26.2	19.8%
% over Net Revenues from Sales	23.7%	27.1%	-3.4 pp	32.0%	-8.3 pp	27.3%	32.1%	-4.8 pp
Selling Expenses	7.1	5.4	31.5%	5.7	24.6%	12.8	11.7	9.4%
% over Net Revenues from Sales	10.8%	12.0%	-1.2 pp	11.5%	-0.7 pp	11.1%	14.3%	-3.2 pp
General and Administrative Expenses	8.5	6.8	25.0%	10.1	-15.8%	18.6	14.5	28.3%
% over Net Revenues from Sales	12.9%	15.1%	2.2 pp	20.4%	-7.5 pp	16.2%	17.8%	-1.7 pp

Operating Expenses – SG&A: up 27.9% over the same period in the previous year. This performance reflects the organizational adjustments, primarily in the commercial and administrative areas, aimed to meet the Company's growing demand.

Net Income



In 2Q20, Net Income came to R\$ 14.4 million, down 9.4% when compared to the same period in the previous year. This performance was directly impacted by the booking of the ADA (Allowance for Doubtful Accounts) during the period. Taking into account the performance during the semester, Net Income stood at R\$ 21.9 million, representing a 30.6% growth when compared to the same period in the previous year. This performance was directly impacted by the 41.2% growth in Net Revenues.

Application of CPC 06 (R2) / IFRS 16 -Leases- Leasing Operations (“Leasing”)

As from January 1, 2019, the Company has applied the IFRS 16 – Leases (Leasing Operations), which concerns the leasing accounting practices and its interpretations. The main effects from this application have been clarified in the Financial Statements dated September 30, 2019. The adoption of such practices have led to changes in the accounting of the fixed portion of the leases, which required the recognition of future commitments, as a counterpart to the assets that relate to its corresponding right to use. Leasing expenses, which had been booked as the caption "Leasing Expenses", have begun to be recognized in the depreciation caption.

Assets –Right to Use 2Q20	↑	R\$ 29.2 million
Liabilities - Leasing 2Q20	↑	R\$ 28.5 million
EBITDA – 2Q20	↑	R\$ 1.6 million
SG&A – 2Q20	↓	R\$ 2.2 million
Financial Expenses	↑	R\$ 0.6 million

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