Investor Letter

1st Quarter 2025

"You can't always get what you want.
But if you try sometimes
You might find you get what you need."

Excerpt from the song "You Can't Always Get What You Want" by The Rolling Stones.

The Fund **Porto SFA FIF CIC Equities** closed the first quarter of 2025 with a cumulative return of 2.58%, against a gain of 8.29% in the Ibovespa.

Period	Porto SFA	Ibovespa	CDI
1Q25	2,58%	8,29%	2,98%
Last 3 years	9,87%	9,39%	41,87%
Last 5 years	95,05%	104,91%	54,19%
Since inception	314,59%	143,45%	190,05%

Introduction

The year began with a meaningful recovery in Brazilian risk assets, following the sharp correction in December 2024 triggered by disappointment with the fiscal outlook and an acceleration of redemptions in the fund industry. Once the excess of that moment passed, we saw companies of the highest quality trading at excessively discounted prices — which ended up attracting opportunistic flows, particularly from foreign investors, and contributing to a swift recovery in local markets.

We continue to see a highly attractive return asymmetry in the Brazilian market. In our fund specifically, we see one of the highest expected internal rates of return in our recent history. This reflects a deliberate reallocation: we reduced positions in companies that had appreciated significantly — and in doing so had lost part of their margin of safety — and deployed capital into companies we have studied deeply over the past years and in which we have long-term conviction.

Many of these new positions, however, have not yet tracked the index's performance this year. This is partly due to the market's greater aversion to companies facing temporary challenges — circumstances that, in our view, do not undermine their long-term value creation potential. Another factor affecting this dynamic is redemptions from local asset managers, which generate technical selling pressure, pushing stock prices away from their intrinsic value.

Naturally, because our portfolio is highly uncorrelated with the benchmark index (Ibovespa), we are subject to periods in which our performance diverges from the *benchmark*. This is a defining characteristic of SFA: we are comfortable holding positions outside the consensus and enduring short-term periods when prices do not reflect value. This is only possible because we have a very deep research and diligence process, which gives us the confidence to sustain our investment theses even in adverse environments.

We have seen this movie before. Cases like Sinqia and Porto show us that, with patience and conviction, value is recognized. In this quarter, we present a company that we believe is going through a similar moment: results pressured by cyclical factors, but with significant value creation potential ahead.

Wealth creation through investments does not happen in a straight line — it requires time, resilience, and process. We remain confident in our companies and excited about what we are building for the future.

Consumer, Retail, and Professional & Consumer Services

Continuing our trilogy of letters about the sectors that have contributed most to SFA over the past 12 years, we will speak not about one sector specifically, but about three sectors that represent a significant share of Brazil's GDP and have many publicly listed companies. At SFA, we group these three sectors into a single area of expertise because they are closely tied to the domestic economy, with *drivers* that are similar and subject to the same adversities of the Brazilian macroeconomic environment.

At SFA, we have historically generated returns from companies in these three sectors, such as Alpargatas, Ambev, Amazon, LVMH, Mercado Livre, and Track and Field. These sectors tend to present few barriers to entry. The companies that generate value in these sectors are those that typically possess the following competitive advantages:

- Brand: Brand as an intangible asset matters greatly in the consumer sector, as it is the first choice of consumers, and companies with strong brands can command higher prices than their competitors. Note that for a brand to be a competitive advantage, it is not enough to be well-known — the brand must have *pricing power* and/or the *top of mind* choice of its customers.
- Cost advantages: Value-generating retail companies benefit from economies of scale, which translates into greater bargaining power and allows for cost reductions relative to competitors. A differentiated process with cost-focused management is also a common trait of value-generating companies.
- Network effect: Common among successful online retailers, those with a broad market depth and product variety at low prices attract both customers and sellers — and the larger the network of customers and sellers, the stronger the network effect becomes.

In this letter, we will focus specifically on a services company. GPS has cost differentiation as its key competitive advantage, achieved through a differentiated process and scale. GPS has the characteristics we look for: sector leader with a wide market share gap over the second-largest competitor, the most profitable company in the sector, better pricing, sound management, and a fragmented market with consolidation opportunities — all of which translate into growth potential for the next 10 years. Despite identifying evidence of competitive advantages at GPS, there are risks inherent to the outsourced services sector, particularly regarding labor and tax matters. Before investing in GPS, we conducted extensive research to understand, mitigate, and price in the risks of this thesis.

Grupo GPS

Among the many topics we address in our management letters, we often speak about what we look for when investing in companies. Companies with clear competitive advantages, outstanding management teams, operating in businesses that generate economic profit and have growth/reinvestment opportunities at returns above the cost of capital — creating a *compounding* effect — and that are still trading at attractive prices due to some cyclical or short-term challenging situation — are the ones we like to analyze and invest in. We saw these characteristics in GPS, a provider of outsourced services, the largest in Brazil, with more than 180,000 employees, offering the market services such as *Facilities*, Security, *Catering*, Maintenance, Utilities Engineering, Indoor Logistics *Indoor* among others.

The sector in which GPS operates is enormous, with estimates in the range of R$300 billion. It is also complex by nature — a sector of intense competition, thin margins, and inherent labor risks. In fact, many of these service segments can be seen as *commodities* and, for this reason, we believe the differentiating factor lies in the company's ability to manage contracts efficiently while keeping indirect expenses as low as possible. We see GPS as one of the few needles in a haystack — a company that, through exceptional management, was able to build a *Moat* and scale a *business* of strictly local/regional execution with profitability.

It is worth mentioning that, given the sector's complexity — particularly in terms of competition — our research involved numerous interactions with participants across the value chain, from former employees to tax specialists, competitors, and clients. We also benefited from work developed jointly with a journalist and a consulting firm that provided depth on the key topics we identified and needed to address to gain further comfort in the investment thesis. The work does not stop, but so far, the conversations and reports have mitigated potential risks and support our investment in the company.

Brief History of GPS

The founding company of the group was established in 1962 in Bahia, initially providing cleaning and green area maintenance services. The company began taking its current shape in 1992, when it was acquired by Carlos Nascimento Pedreira. From that point on, it also began offering private security services and, under Pedreira's leadership, a process of geographic expansion began, opening regional offices in São Paulo, Rio de Janeiro, and Rio Grande do Sul.

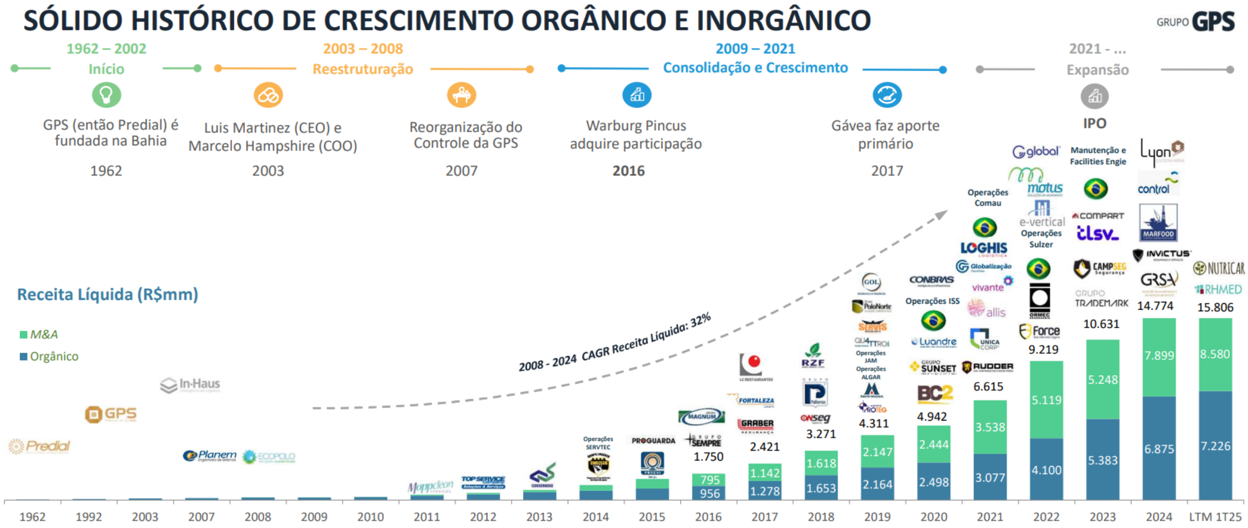
The difficulty of scaling the business — common in the provision of these services — emerged precisely during this geographic expansion process, and in the early 2000s the company underwent a restructuring that also brought management professionalization. Valora Participações joined the shareholder base. José Caetano Lacerda, who now chairs the company's board of directors, was invited by Carlos Pedreira and became a partner of the group. To lead the executive team, Luis Martinez joined the company and, at the same time, Marcelo Hampshire joined the team through the merger of the GPS group's businesses with the company now known as Ecopolo Gestão de Águas e Resíduos, today a subsidiary of the group.

In 2008, short-term debt necessitated a primary capital injection. The partner group then sold ~29% of the company to the *private equity* da Neo Investimentos. This minority stake was acquired for just over R$40 million — resources that were primarily intended to support the group through its difficult moment, and that also enabled the implementation of the ERP system, continuously improved since then and still in use today. It also marked the beginning of a new phase of organic growth for the company. From 2011, the inorganic route began to gain prominence in the group's strategy.

Subsequently, in 2016, after the company had completed 9 acquisitions, Neo sold its stake to the American manager Warburg Pincus — press reports at the time mentioned the company was valued at around R$1 billion. The following year, Gávea, through its *private equity* fund, also joined the company's shareholder base with a primary capital injection to finance the acquisition of Graber, at the time one of the leading private security companies in the country. The Graber acquisition was the largest in the group's history up to that point and represented approximately 30% of GPS at the time.

In 2021, Grupo GPS completed its IPO on B3, with an offering that raised approximately R$2.5 billion, with a significant portion of the primary proceeds earmarked for the company's inorganic expansion from that point forward.

Over this trajectory, particularly from 2010 onward, Grupo GPS adopted an acquisition strategy, having acquired more than 50 companies through March 2025, significantly expanding its geographic footprint and reaching virtually every Brazilian state. These acquisitions enabled the company to scale, diversify its services and geography, and consolidate its position as the leader in Brazil's multi-service market. Through this strategy, the company delivered a Net Revenue CAGR of 32% p.a. from 2008 to 2024.



Source: GPS 1Q25 Institutional Presentation.

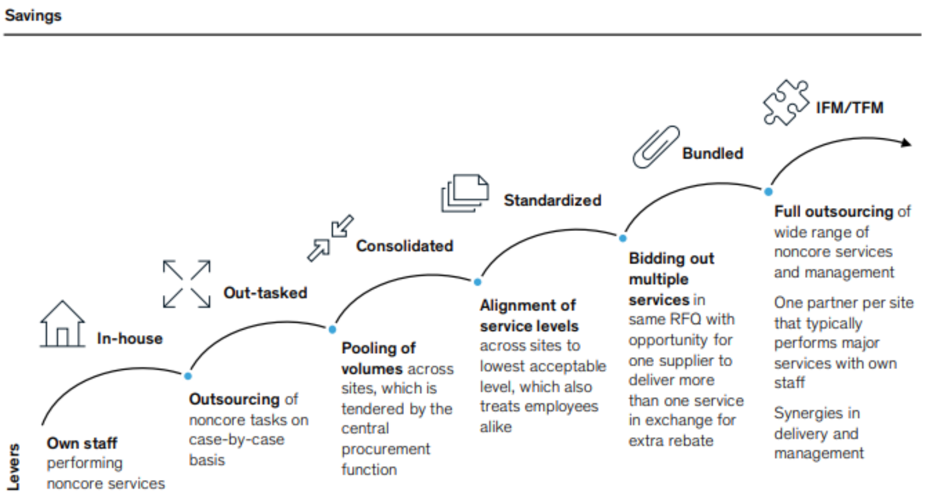
The Outsourced Services Sector After Law 13,429/17

The Brazilian outsourced services market is one of the largest in the world. It is a highly fragmented sector, with tens of thousands of companies operating in it and approximately 4 million employees. Clients of outsourced services are companies of all sizes and sectors, which seek advantages in hiring a third party rather than keeping certain services in-house:

- Focus on *core business*: greater freedom to focus efforts on the core activity, spending less time and resources/investments on administrative and/or non-essential or non-strategic routines;
- Efficiency: outsourcing non-essential activities allows for better utilization of physical space, time, and employees, gaining flexibility in sizing these components. In addition, efficiency is also generated by the specialization of these providers in their respective activities, such as security and cleaning.

The outsourced services market is divided into several segments. In the market where GPS operates, we have *facility management*, which covers services related to physical facilities such as cleaning, building maintenance, reception, landscaping, among others. We have Security, which encompasses well-defined scope activities such as property and personal security, monitoring and armed escort operations, or integrated security solutions. We have Maintenance, covering multidisciplinary maintenance services with a greater presence in industries, but also including the implementation and maintenance of treatment systems, refrigeration systems, or fire suppression systems, among others. Considering these segments (*facilities*, security and maintenance), the 3 leaders — GPS, Verzani & Sandrini, and Manserv — are estimated to hold ~7% of *market share*. A significant portion of companies in this market are poorly professionalized, typically formed by one person or a group of people with a relationship with a potential client, who hire a few workers and begin managing payroll while providing services to residential and commercial condominiums or companies. In the security sector, for example, it is common to see companies founded by former military personnel who leverage their knowledge base and *network* acquired during their previous careers. The *Catering*, another segment in which the empresa company established its positioning after the acquisition of GRSA in 2023 — a separate case, as it shows some consolidation, with GRSA, Sapore, and Sodexo concentrating ~34% of the market. *catering*services are those that provide food and beverages for corporate restaurants, corporate events, and social gatherings. There appears to be a barrier to entry in the food service business. The reasons include both the management difficulty — given the impact of food inflation on menus and the need for more skilled labor — and the essential nature of the service for certain industries that require an on-site restaurant, bringing greater capex intensity (for kitchen setup) and food safety requirements (*in loco*, trazendo maior intensidade de capex (para montagem dessa cozinha) e qualidade no trato de alimentos (*food security*), responsibilities typically borne by the service provider.

In global terms, considering only *facility management*, the market reaches US$1.15 trillion. A global trend toward contracting multiple services from a single provider (*Integrated Facility Management* or IFM) will drive greater consolidation in this sector. In more mature markets, such as the United States, where *outsourcing* is already dominated by large *players* global players such as Compass in Catering, Securitas in Security, and ISS in Facilities.



Source: McKinsey: "Six emerging trends in facilities management sourcing." https://www.mckinsey.com/capabilities/operations/our-insights/six-emerging-trends-in-facilities-management-sourcing

IFM brings advantages to clients, as they gain bargaining power in negotiations with the service provider, while for the provider, offering a wider range of services provides greater *stickness* and a lasting relationship with larger revenue volumes. As such, companies that already have a multi-service positioning (*full service*) are likely to benefit most acutely from this trend.

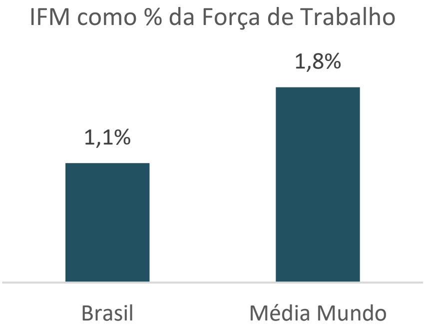
Returning to Brazil, the enactment of Law 13,429/17, subsequently complemented by the Labor Reform, was a milestone for the country's outsourcing sector. This legislation revoked the landmark TST Ruling 331, which had limited outsourcing to support activities (functions that are not part of the company's core activity), allowing for the first time unrestricted outsourcing, including core activities of companies (essential functions that are part of the *core business* of the company). The impacts of this new legislation were significant for the sector:

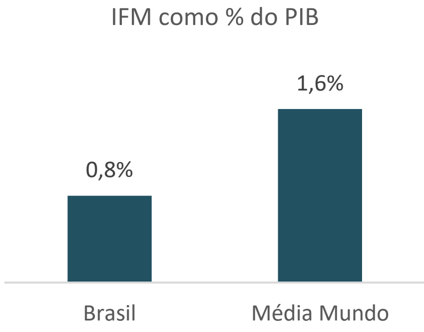
- Expansion of the addressable market: the law provided greater legal predictability, reducing the risk of judicial challenges to the validity of outsourcing core activities. The STF subsequently validated this interpretation, consolidating the understanding of the legality of unrestricted outsourcing. Sectors that had previously hesitated to outsource production processes began to consider this option.
- Legal certainty: the law reinforced the subsidiary liability of the contracting party for all labor entitlements and obligations already provided for under TST Ruling 331.
- Sector professionalization: the new legislation established minimum requirements for service provider companies and allowed for fourth-party outsourcing, creating more complex subcontracting chains.

As for the joint liability of the contracting party, the new law reinforced it. With this confirmed guidance, larger companies that hire third parties to provide services continue to have an incentive to place greater importance on the financial health of the hired company, knowing that if financial difficulties lead the contractor to bankruptcy proceedings, the contracting party will assume the contractor's labor liabilities.

Despite Law 13,429 and the Labor Reform, labor legislation remains quite complex and demanding. Companies in the segment constantly face *turnover* and must manage the labor liabilities that typically arise in the main outsourcing activities.

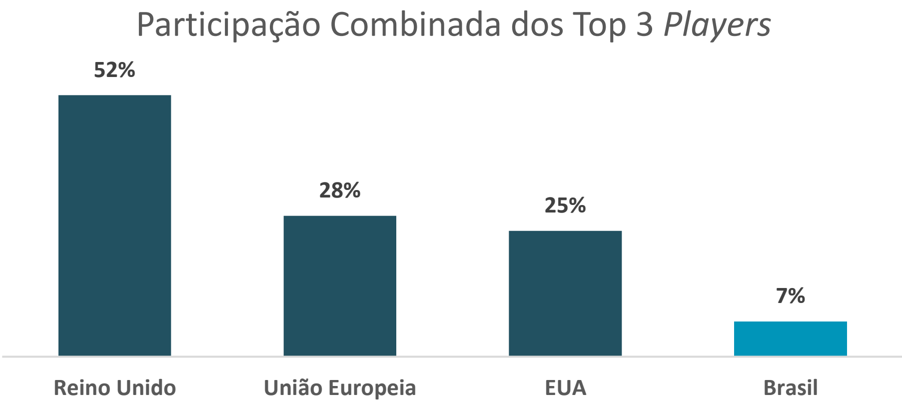
The *outsourcing* in Brazil shows signs of low penetration when we look at workforce volume metrics and the sector's economic share of GDP compared to the global average (image below). Despite this, and despite the new law opening greater possibilities for these service providers, estimates indicate that the penetration of outsourced over in-house services has not accelerated, remaining stable at around 20% of services. We therefore do not see the *outsourcing* trend seen in other countries accelerating in Brazil. We believe that labor risk in Brazil, associated with less professional companies with fragile balance sheets, is a reason why clients do not outsource more of their workforce.





Source: AT Kearney in company documents

Nevertheless, there is clear room for consolidation. Comparing Brazil's current stage with the concentration observed in more mature markets, it is reasonable to assume that the three largest *players* in the sector could converge toward a market share of approximately 20%.



Source: AT Kearney and data from company documents, considering only *Facilities*

GPS and Its Differentials

In a sector with few barriers to entry and intense regional competition, Grupo GPS stands out not only for its revenue size, but for its profitability gap relative to its main competitors in *full service* or against more niche companies in specific segments such as Security or *Catering*. In terms of revenue, a GPS is approximately 3-5x larger than Verzani & Sandrini and Manserv, the other two major players in the sector.

As mentioned, many of these services are seen as *commodities*. Contracting companies — particularly the larger ones, whether industries, large shopping center chains, or companies from other sectors — have well-defined procurement policies and treat outsourced services (for the most part) as indirect and non-strategic costs. Given this, generally speaking, they tend to run *bids* processes frequently via RFQ (*Request for*

Quotation — typically with a defined scope) or RFP (*Request for Proposal* — typically with an open scope). The price offered in the bidding process is a composition of the costs to perform the proposed or pre-defined scope, with 70-80% of the price attributed to the required workforce, including the so-called technical reserve — the portion of labor allocated to cover absences and *turnover*. From there, within the competitive process, there is a narrowing toward the *players* most important or best in the market, or toward the best proposals. Based on the winning bid, the contracting parties then negotiate discounts with the provider. Of course, there are case-by-case situations with more open scopes that require a closer relationship between contracting party and provider, but for the most part, the *procurement* (or purchasing departments) of clients are often incentivized toward this goal: cost reduction.

The next step falls to the contractor, which must prospect, mobilize, and train its team to fulfill the contract and, in some cases, make investments, such as building a kitchen for *catering* services, or developing a wastewater management and water recovery project, which in some projects requires investment in machinery and equipment. This preparation naturally takes time — depending on the scope and type of service — ranging from weeks to several months for implementation. Once the team or engineering project is deployed, SLA compliance is monitored and audited both by the service provider's managers and by the client's operations team, which is often not the same team that submitted the *bid* during the contracting phase. It is clear, then, that there can be a disconnect within the contracting party between the team that procures and the one that monitors the operation on the ground, leading to potential dissatisfaction with the service actually delivered, or pricing errors by the contractor who incorrectly sized the area or scope of services to be provided.

With negotiations often driven by price, the outsourced services sector is clearly not an “easy” one and appears to be a weaker link in the chain when negotiating with clients. Perhaps this weakened bargaining position and the relationship with large clients have led the sector to always seek the “cheapest” employee, which has contributed to a decline in service quality over the sector’s history.

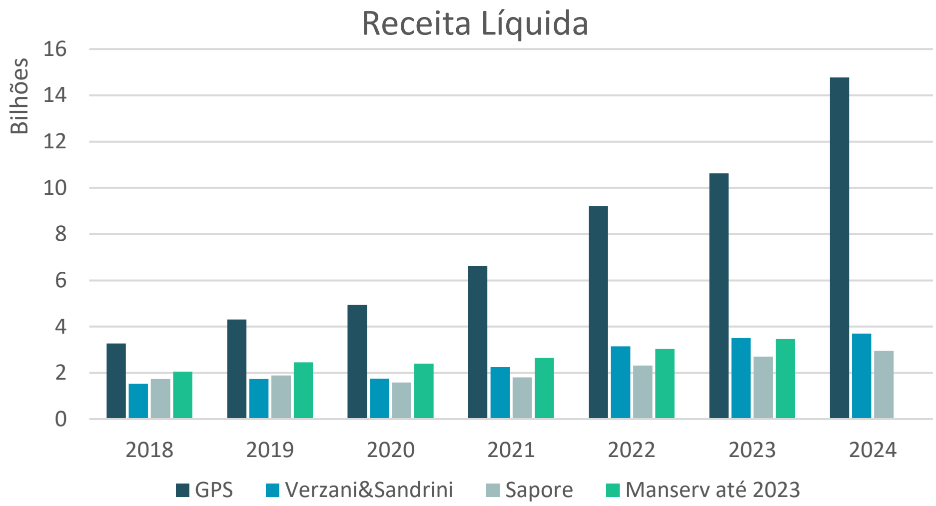
In any case, in our view, profitability differentiation and the company’s long-term prosperity must stem primarily from a cost advantage, while a switching cost competitive advantage could only arise in more specific and niche services — those that require greater quality, reputation, and somehow affect the client’s operations and, obviously, carry relevance. When we speak of cost advantage, we propose looking at it in the broadest sense of the word, not only at costs strictly defined in the service contract — which, broadly speaking, are wages, benefits, and payroll taxes. In this sense, setting aside a few specific factors we will discuss later, the “COGS” line of the operation tends not to show great differentiation among *players* active players, as they invariably comply with minimum wage floors and, subsequently, with the salary adjustments and benefits dictated by each union in the region where they operate. However, this direct cost line can be well-managed and more efficient in each contract, provided there is correct sizing of the team that will work on the contract and remain *in loco* at the *site* client's site. Efficiency comes, among other levers, from reducing overtime usage and mitigating absenteeism. For this to be possible, the service provider needs daily — and ideally real-time — control tools for each contract, faithfully monitoring where cost overruns occur.

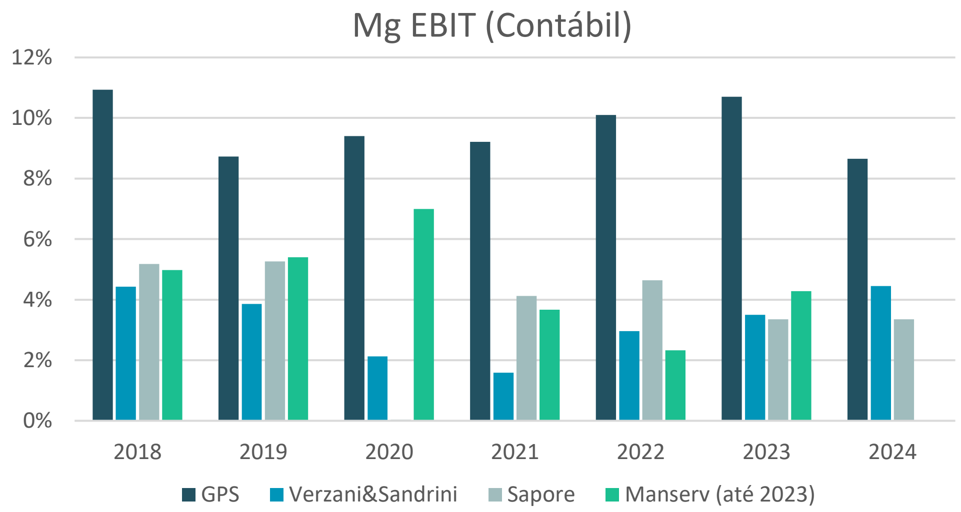
Differentiation in the management of indirect expenses and costs — often linked to the *backoffice* of the operation — can also generate considerable differences in profitability. Larger companies or groups in the sector that have already surpassed a certain scale threshold can adopt a shared services center (SSC) structure for tasks related to legal, financial, and human resources. Finally, still on the topic of costs, other extremely important variables relate to the correct sizing of provisions:

- do ‘*business as usual*’ and contract management — such as the correct sizing of the 13th salary and vacation provisions that each contract will require. It is worth noting that throughout the year, these companies need to provision 1/12 of these additional costs on top of revenue that already incorporates such costs — meaning a manager who looks only at cash and distributes it to shareholders will inevitably be caught off guard when the time comes to pay vacation pay and the 13th salary at year-end. The sector's lack of professionalization tends to generate this type of error, even though it may seem simple;

- from labor claims and lawsuits that occur frequently given the *turnover* high operational turnover — approximately 6% per month.

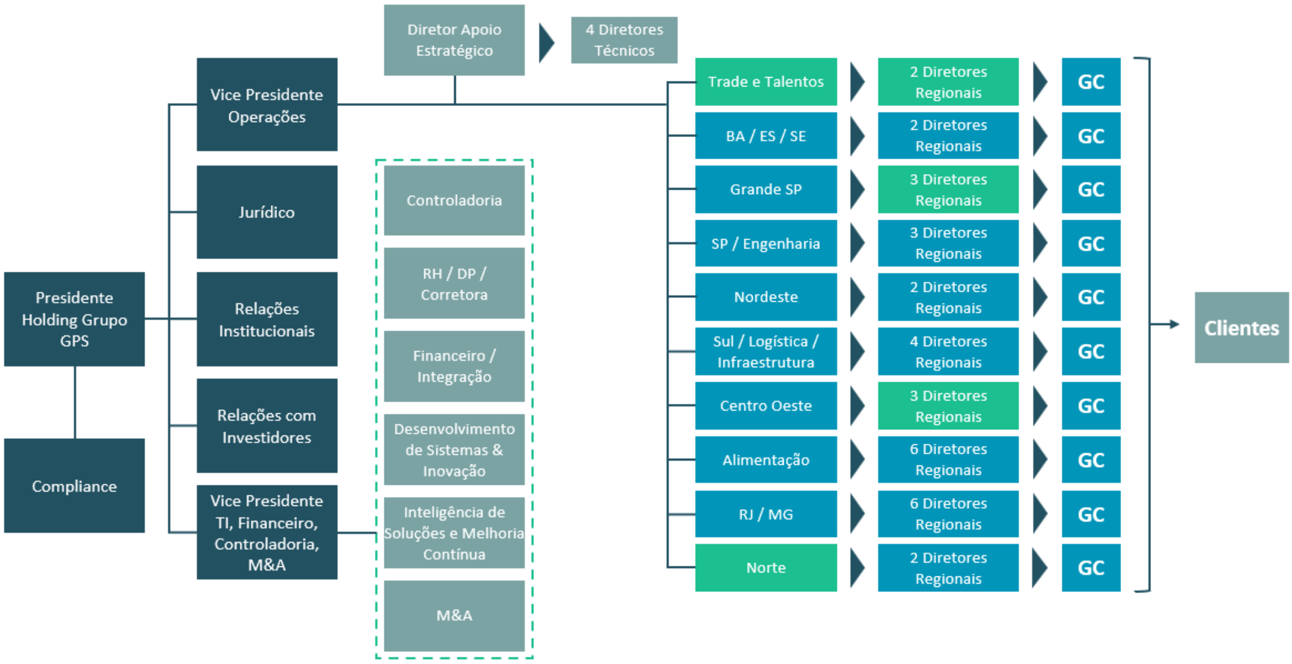
We therefore understand that building a clear competitive advantage in this sector requires a business model grounded in cost discipline and service quality. Granting autonomy at the operational front line stimulates entrepreneurship with the right incentives and through a cost-driven culture, without losing sight of service quality. This entire business vision is supported by a management tool that incorporates the managers' perspective, which is essential to sustaining this business.





Source: Own elaboration, company data. Manserv had not published 2024 figures as of the writing of this letter.

The organizational structure of GPS — where the highlights in green relate to the inclusion of new responsibilities within the group publicly announced during the 1Q25 earnings conference — can be seen below:



Source: GPS 1Q25 Earnings Presentation. GC stands for Contract Manager.

GPS is able to grant autonomy at the operational front line, embodied in the contract manager. That is, the autonomous regional structure means each region operates as an independent profit center, with contract managers responsible for P&L and acting as decision-makers at the front line in the client relationship. The entrepreneurial behavior is further influenced by a *cost-driven* culture in pursuit of operational efficiency, with compensation incentives aligned to the Adjusted EBITDA of each contract and the respective NPS received from the client. This encourages the front-line operation to always keep an eye on business growth and operational costs of each contract, while also attending to service quality. Furthermore, the model brings agility, stimulates entrepreneurship and employee leadership, and “frees up” more focus from *top management* for the execution of the broader strategy. On the other hand, it is worth noting that this decentralized model also carries risks that must be constantly monitored, such as inconsistency in service delivery standards — particularly when dealing with a client with national coverage — and perhaps most critically for GPS, a dilution of corporate culture caused by the company's rapid growth. Regarding contract EBITDA adjustments, it is worth highlighting the use of managerial interest charges on working capital and the use of contract depreciation costs as performance measurement components. In other words, the company is using something close to what we call a Capital Charge per contract to deduct from the EBITDA generated within the contract itself. We view the adoption of these components to anchor compensation favorably, as it resembles a form of economic profit (EVA) *pre-tax* per contract and, therefore, stronger alignment from a value creation perspective.

SLA management is carried out through a *software* developed internally and integrated with the *software* ERP management system of the company (which we will discuss further ahead). Called GPS Vista, this task execution monitoring tool integrates resources, people, and processes. That is, it:

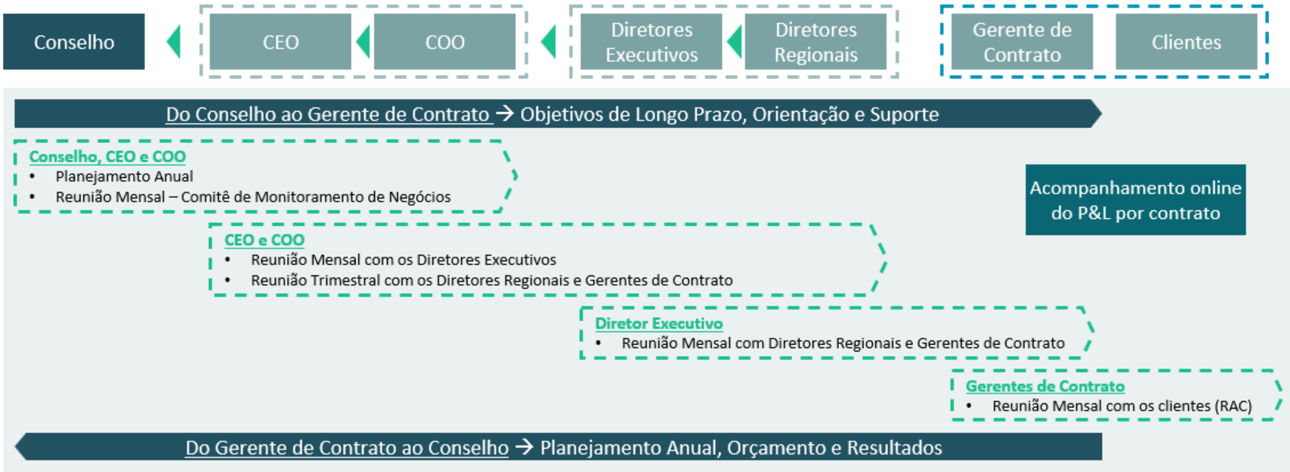
- has a structure dedicated to the client, providing transparency and monitoring to the contracting party's operations team and to the task executor, who is responsible for entering information and recording images of service execution;
- allows tasks to be escalated with supervisor notification if any task is not completed;
- manages assets, inventories, and integrates with *IoT* sensors allocated at the client's site.

For the company's overall management, GPS uses a *software* that originated from TOTVS's Protheus — a traditional ERP in the market — but which has been further developed over the years with the specificities of the sectors where the company operates and the group's own business model and management approach. For management's view, everything is integrated: from HR management, healthcare benefits, and the candidate and employee database, to the group's financials, labor liability management, and each employee's timekeeping records. However, anticipating our view, we believe the tool is important but not sufficient, and as such, we see this system much more as a representation of GPS's corporate culture and the way *top management* looks at the business, rather than the actual source of its *Moat*. But, in any case, it is through this *software* that the Contract Manager at the front line of operations has a granular view of each contract's P&L.

Taking a step back, let us understand the foundations of this corporate culture and the company’s values forged with Carlos Pedreira in the 1990s. But it was Luis Martinez and Marcelo Hampshire who led the company’s restructuring in the early 2000s and implemented the current management model. Martinez and Hampshire have been running the company for more than 20 years, and at the time, the group had revenues in the tens of millions. These executives were responsible for leveraging the model and “pounding the pavement” to scale it and educate the team culturally. In addition to running the business, they are shareholders and part of the Shareholders’ Agreement that governs and holds ~41% of the company. The Agreement also includes the Pedreira family — with Carlos Pedreira’s stake already transferred to his heirs during his lifetime — José Caetano, chairman of GPS e a Valora, the company that helped rebuild the business in the early 2000s when the company faced challenges in scaling geographically. Names that were alongside Martinez and Hampshire at the start of this management era — such as Gustavo Otto, Guilherme Robortella, and Claudio Petruz — remain with the company today as statutory directors and are bastions of the values forged in those early days. Nevertheless, as the company grew, it was essential that new talent and business executors emerge. Accordingly, it was crucial to invest in developing these individuals based on the company's entrepreneurial culture, which, in our view, sustains and preserves the model. Over these 25 years, leaders have been developed at *layers* lower levels, and today some Regional Directors and Business Vertical Directors started at the operational front line — working forklift operations or in roles such as drivers, among others. There are also directors and managers like Karla Maranho, Director of M&A, who came from outside, while others came from acquired companies but have been with the group for many years and already embody its cultural DNA. GPS is a case where its successful, profitable growth has stimulated and elevated many employees — including to the shareholder base — through an aligned and aggressive compensation model. As of March 2025, there are 49 partners enrolled in the *Partnership* program, encompassing 90% of the company’s Leadership Team, who have been with the group for an average of 14 years.

In other words, as the company grew, this decentralized and regionalized management model, championed by Martinez and Hampshire, was fed by these new individuals, transforming followers into leaders. Today, below the administrative directors, the company has 10 executive directors and 35 regional directors who view their zones of operation as “micro-entrepreneurs.” Below them there are 550 contract managers interfacing with 4,600 clients. As a comparison, at the time of the IPO 4 years ago, the configuration was 7 executive directors, 24 regional directors, and 320 contract managers overseeing approximately 2,800 clients.

It is clear that the management and administration of the company gains complexity as the company grows. A great deal of planning and process discipline is required for the “orchestra” to work well, along with an ownership culture present at each link of the organizational structure and monitoring and control tools — all fundamental for executing the model. The planning cycle is built *bottom-up*, meaning it starts from the Contract Manager, moves up to the Regional Director, and so on, until the Administrative Directors of the group build and consolidate the budget as a whole. Monitoring involves frequent meetings and guides front-line execution. This discipline enables each link in this horizontal chain — through to senior management — to provide guidance and support to the operational team.

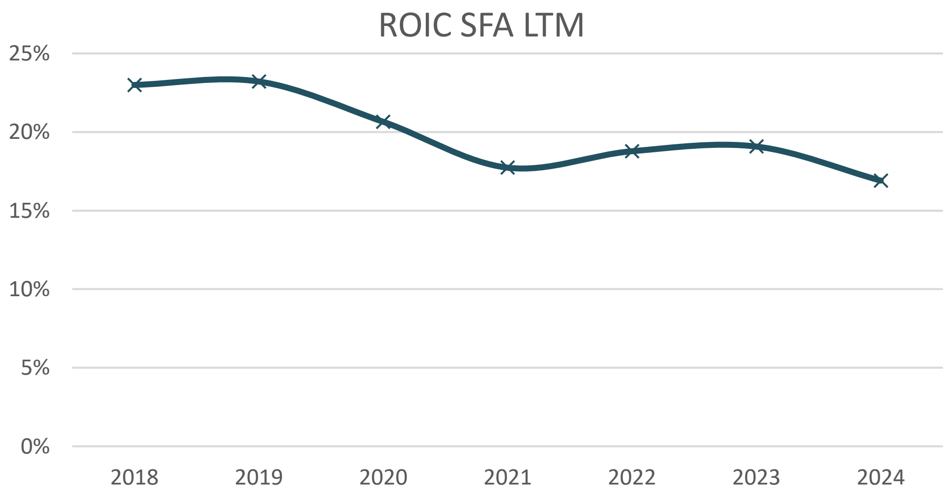


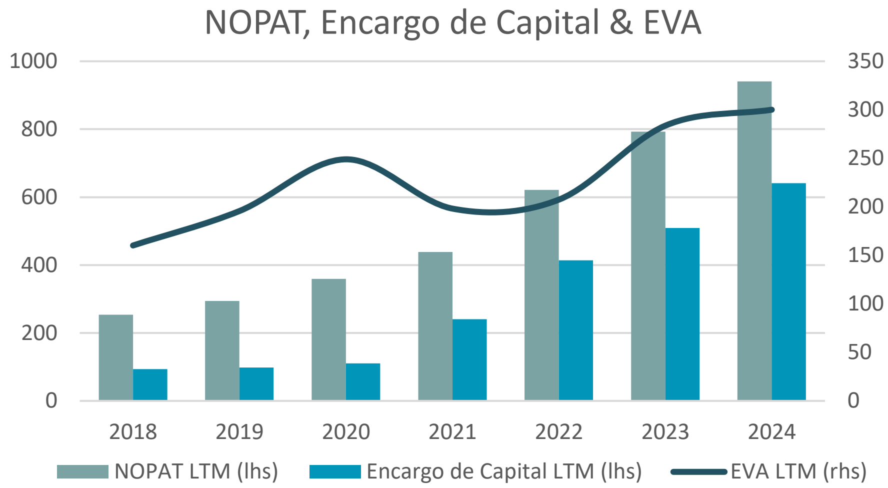
Source: 2021 Reference Form

Assigning the responsibilities of each role:

- Contract Manager: the operation is essentially under this agent's responsibility. They are responsible for staying close to the client, building and maintaining relationships, and preserving the group's reputation and service quality. We have reports that, on average, each contract manager oversees approximately 15 contracts, and each contract may still contain 5 *sites* (industrial plants or shopping centers, for example) where employees are deployed to perform the service.
- Regional Board and Executive Directors: responsible for regional strategic direction. They play a more institutional representation role for the group with clients.
- Administrative Board (*top management*): responsible for disseminating corporate culture throughout the company. In charge of capital allocation and investment strategy and the financial management of the business.

The result of this model, supported by the management tool and the group's corporate culture, can be seen below. For us, this is the quantitative evidence of the *Moat* of the company and of the sound capital allocation by its managers.



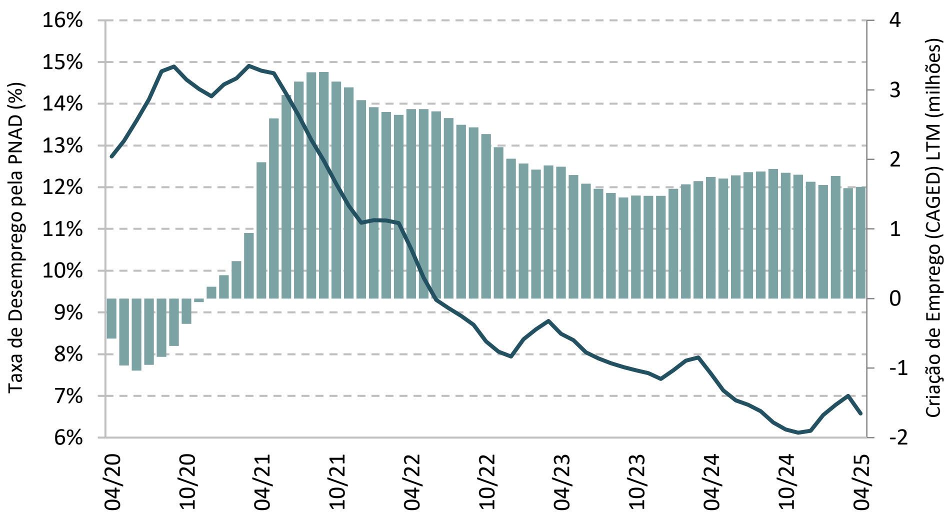


Source: Own elaboration, company data

Growth Strategy and Positioning *One Stop Shop*

As we touched on at a certain point in this letter, the company's growth story has involved both organic and inorganic avenues. That said, we attribute greater importance to the acquisition route. Looking back in retrospect, this path also appears to be the most natural one, given the significant difficulty in overcoming certain size barriers and reaching new regions from scratch. The difficulty of scaling organically involves several factors:

- The operation itself is regional and, initially, starts with few clients, increasing the risk of that specific operation in cases of *churn.*
- O *business* has thin margins, and small management errors can already lead the operation to depend on short-term debt or additional capital from the entrepreneur.
- Labor claims and lawsuits are inherent to the sector worldwide, but in Brazil they create a complex management condition and must therefore be managed in a highly professionalized manner.
- *Turnover*, absenteeism, relations with each union, and today the social assistance programs that reduce the available workforce for these services — another barrier to organic scaling — below, data on the country's unemployment rate (very low even with extremely high interest rates).



Source: Own elaboration, data from Bacen, CAGED, MTE

The geographic growth strategy via *M&A* has therefore guided the company's growth since 2011. Initially, the acquired companies provided similar services, and perhaps the most important acquisition at the outset of this journey was Top Service — which we will discuss further in this letter — given the unique tax status that subsidiary possesses. The incorporation of new services the company had not previously offered is not something new. We heard accounts in our conversations with *stakeholders* that the multi-service positioning (or *Full Service* or *One Stop Shop*, as one may call it) had already been an aspiration for some time. In adopting this *One Stop Shop*strategy, GPS seeks to address two important growth drivers:

1) By having a broad "menu" of service offerings, the company seeks to embrace an integrated service model, leveraging *cross-sell* on top of the same client base.
2) By diversifying, the company opens new growth avenues and brings greater business longevity, including mitigating the impact of business risks.

Between 2011 and 2025 the company made more than 50 acquisitions, 25 of which occurred from the IPO in 2021 through 1Q25 (shown in the image below). The acquisition process follows a traditional funnel model: starting with prospecting; moving to a preliminary analysis and signing of an *NDA*; commencement of negotiations with a non-binding offer, so that if they advance on the discussion of the multiple and the Adjusted EBITDA of the target, they proceed to the final phase of Due Diligence and Binding Offer. The pipeline assets that were previously identified and prospected by the group's own internal team — or identified and suggested by contract managers in bidding disputes — *bids*now tend to come from external sources, with the company taking a somewhat more passive role in prospecting these targets, given its position as one of the few groups with the capacity to acquire assets in the sector and integrate them effectively.

2021	ROB LTM
Loghis	108
Global	281
Vivante	337
Allis	240
Comau	339
Única	180
Rudder	255
Total	**1.740**

2022	ROB LTM
Force	142
Ormec	210
Sulzer	135
Motus	107
E-vertical	87
Global	412
Total	**1.093**

2023	ROB LTM
ENGIE Serv	113
Compart	145
TLSV	107
Campseg V	329
Trademark	371
Total	**1.065**

2024	ROB LTM
Lyon	241
Control	461
Invictus	43
Marfood	176
GRSA	3.300
Total	**4.221**

2025	ROB LTM
RHMed	138
Nutricar	152
Total	**290**

Source: Own elaboration, company data

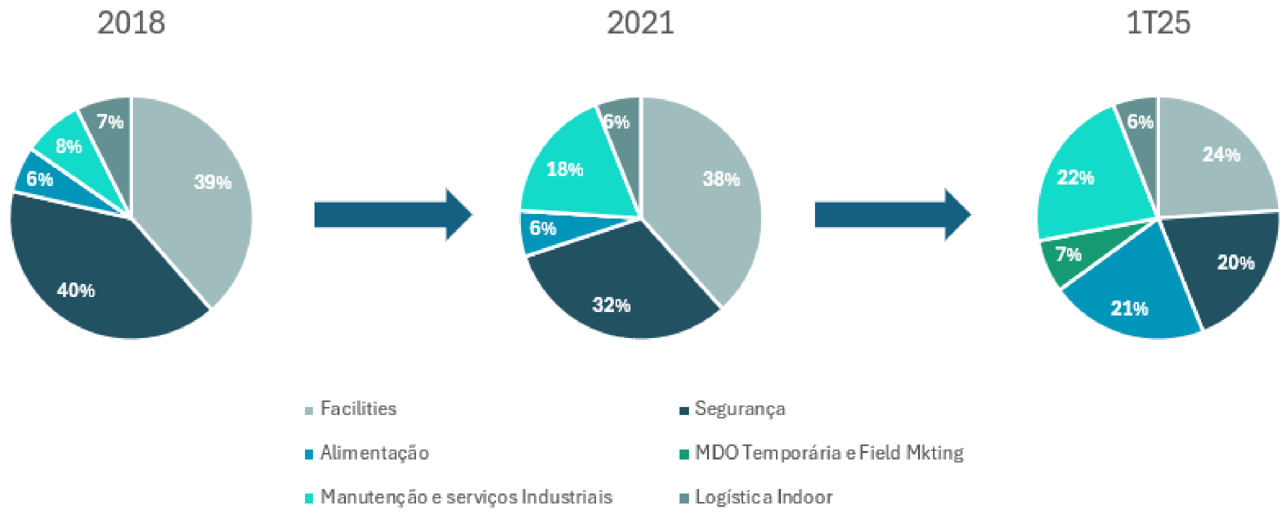
In this final stretch, following the IPO in 2021, the company entered or accelerated entry into new services. Of the 25 acquisitions, 15 transactions led the company to gain relevance in: i) maintenance, mainly in utilities engineering (electricity grid maintenance, for example); ii) temporary labor; and iii) *catering*. Below is the list of these acquisitions by business segment.

Source: 1Q25 Institutional Presentation.

Naturally, this expansion of the range of acquired services led to a change in the *mix* de receita. Adotando estimativas da LC Restaurants[1] for 2018 and 2021 — the only company tied to *Catering* of the company up to that point — one can observe that *Facilities* and Security saw their relevance reduced within

[1] Valor Econômico: https://valor.globo.com/empresas/noticia/2018/04/02/com-fundos-gps-acelera-aquisicoes.ghtml

the *business*. Atualmente, *Catering* and Maintenance hold practically the same importance, at around 20% each. On the other hand, the company becomes more complex — especially when this shift is sudden, as was the case with GRSA's entry in 2024. With increased complexity, the next M&A moves are expected to be more closely related to "*core*" core activities originating from the company, and we view this positively.



Source: Own elaboration, company data. Food service figures for 2018 and 2021 estimated by SFA.

As we mentioned, the sector has a vast number of companies of different sizes and segments. To simplify, we can divide these companies into 3 groups:

I. A group of large, national-scale companies that are professionalized and compete in the market profitably and somewhat more rationally.
II. Another group of companies of relevant or mid-size scale that are still well-managed by their founders, but whose heirs are not interested in continuing the *business,* given that it is a difficult and unattractive sector for entrepreneurs.
III. And a group of companies managed in a disorganized manner, without controls, and often operating at a loss.

Dito isso, o pipeline de *M&A* GPS's pipeline is always full. It typically contains around 80 companies, representing approximately R$20 billion in annual gross revenue, at different stages of the acquisition funnel. Even so, we can identify a *sweet spot* de empresas alvo:

- companies with a similar operational profile and a recurring revenue model;
- that face the same contract management challenges and fit the business model;
- with low client concentration and low exposure to public sector clients;
- que tenham margens apertadas e um custo indireto alto;
- with annual revenue in the range of R$100–500 million.

The EBITDA multiples paid for these assets — which have thin margins — tend to also be lower. When synergies are successfully captured, the value creation is enormous. It is common to hear from executives who manage this capital allocation agenda: "acquisitions are opportunistic." In other words, buying cheaply is essential so that the *paybacks* payback periods are measured in months rather than years. The typical EBITDA multiples are 5–6x at acquisition, converging quickly to 2–3x after synergies are captured, on average. In the acquisitions made since the IPO, the company integrates the system in an average of 132 days, and it is from this point that they seek to adjust the acquired company's operations.

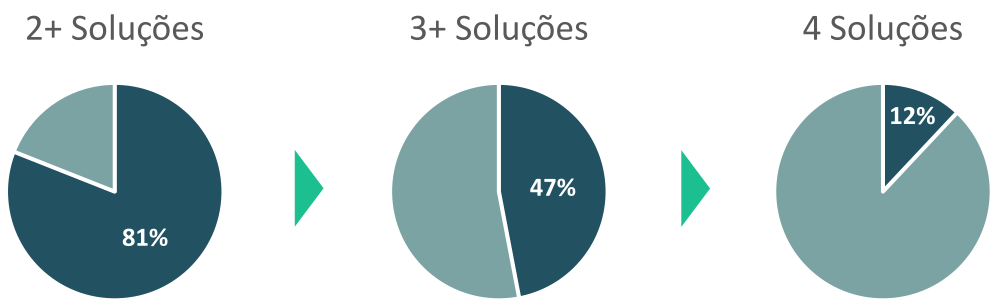
The recurring inefficiencies most commonly found in acquired businesses are the synergy capture opportunities post-integration, and typically include:

- Cutting indirect business costs that become redundant once the acquired company's operations are integrated into the group.
- Poorly priced contracts with tight margins — meaning a lack of granular contract-by-contract visibility for appropriate repricing within the renegotiation window.
- Unprofessional management of liabilities and labor claims.

"We look for companies by reputation and quality that enable us to grow in an important region. We always evaluate companies with suppressed margins where management can be improved. The strategy is to achieve synergies by cutting costs". This is an excerpt from one of the few interviews given by Luis Martinez, conducted in 2018. The message today is practically the same, demonstrating consistency in executing the growth strategy — but also showing that the type of companies they seek continues to be available for negotiation.

The company continues to follow the same strategy that brought it to where it is today — regarding the limited size of acquired companies — and we appreciate this. We understand that more impactful one-off acquisitions such as Graber in 2017 and GRSA in 2024 may occur, but we are aware of the difficulty of integrating systems and cultures, as well as the use of capital beyond what the company itself generates. This is why we prefer growth that is less risky on these dimensions. We see a virtuous process in the acquisition of smaller businesses. Beyond the greater ease of capturing synergies and rapidly creating value by replicating the *playbook* integration playbook, acquisitions of this size offer greater opportunities for *cross-sell,* cross-selling, given the company's multi-service positioning and geographic footprint.

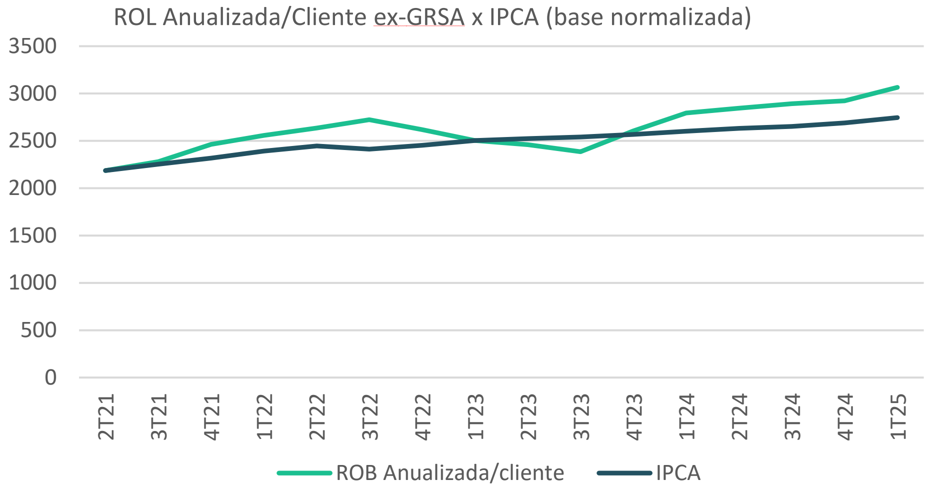
In summary, we see that GPS's consolidation has made it more competitive, accessing a new client base in different and new regions, offering new service solutions such as maintenance, water treatment, *catering*. Isso viabilizou o *cross-sell* and organic growth — in addition to increased business volume — and provided a positive environment for the development of new leadership within the group. We do not have updated or official data on the number of solutions per GPS client. The last data published by the company was in the definitive prospectus and FRE for the 2021 IPO, which showed:



Fonte: Prospecto Definitivo IPO GPS.

However, an analysis of the average ticket can provide evidence that the *cross-sell* strategy may be working to some extent. To do so, we excluded GRSA's effects, as its average ticket is considerably higher than GPS's pre-acquisition operations, and given GRSA's significance to the whole, it is important to mitigate this bias. Assuming the upper-end estimate of 450 clients at GRSA[2] and the Net Revenue of GRSA for each quarter reported by the company, we can track the evolution of the average ticket excluding the effects of the new subsidiary and compare on a normalized IPCA-adjusted basis over the period:

[2] Apresentação de Resultados 3T24 – em nota de rodapé da página 2



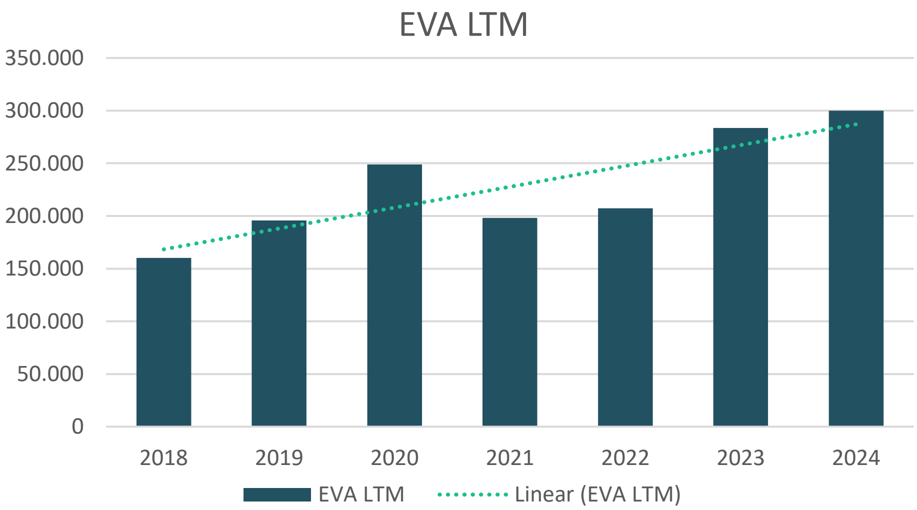
Source: Own elaboration, company data, SFA adjustments

In addition, the company reports the data below in its institutional presentations. Based on two publications, we observe that the average same-client growth rate exceeded the annual IPCA for the period in question, and when triangulated with data on *churn* declining and with the evidence of an *ticket* average ticket presented above, the evidence points to *cross-sell* taking place or, at the very least, the company is retaining clients with a higher number of solutions — which also provides a positive angle.

	2015 - 2021	2018 – 2024
Churn Médio	1,80%	1,30%
Crescimento Médio de Vendas nos Mesmos Clientes	8,60%	7,00%
IPCA a.a.	5,30%	5,70%

Source: Own elaboration, company data from GPS Day and 1Q25 Institutional Presentation

That said, the clearest evidence of sound capital allocation is to look at the company's value creation. In this respect, EVA has shown a growing trend over the company's recent history. It is true that this did not occur in a linear fashion, but it happened even amid a rising cost of capital, demonstrating that the company's investments — over a longer horizon — have delivered strong returns, including on acquired assets — since we consider the total investment when purchasing assets, including goodwill, as part of the invested capital in our ROIC and EVA metrics.



Source: Own elaboration, company data, SFA adjustments

Top Service and Its Tax Status

Top Service holds (to this day) a tax status very different from the rest of the market. It is the only company in *Facilities* que se encontra no Lucro Real e que pode se aproveitar do regime **cumulativo** of PIS and Cofins and collects 3.65% of these contributions on Gross Revenue. Companies under the Lucro Real (Real Profit) regime, except for very specific activities such as the security activity itself, must operate under the **non-cumulative** PIS and Cofins regime, paying 9.25%, but being able to take advantage of credits generated along the production chain. Top Service obtained a final court ruling on this status in 2008 (image below), meaning it was settled before the GPS acquisition.

STJ INSTITUCIONAL PROCESSOS JURISPRUDÊNCIA PRECEDENTES COMUNICAÇÃO LEIS E NORMAS SOB MEDIDA CONTATO E AJUDA

REsp nº 1066317 / RS (2008/0129642-1) autuado em 18/06/2008

Detalhes | Fases | Decisões | Petições | Pautas

PROCESSO:	**RECURSO ESPECIAL**
RECORRENTE:	**FAZENDA NACIONAL**
PROCURADOR:	**CLAUDIO XAVIER SEEFELDER FILHO E OUTRO(S) - SP162442**
PROCURADOR:	**JOSE CARLOS COSTA LOCH E OUTRO(S)**
RECORRIDO:	**TOP SERVICE SERVICOS E SISTEMAS LTDA**
ADVOGADO:	**CELSO LUIZ BERNARDON E OUTRO(S) - RS018157**
LOCALIZAÇÃO:	**Saída para SEÇÃO DE EXPEDIÇÃO em 27/11/2008**
TIPO:	**Processo físico.**
AUTUAÇÃO:	**18/06/2008**
RELATOR(A):	**Min. HERMAN BENJAMIN - SEGUNDA TURMA**
RAMO DO DIREITO:	**DIREITO TRIBUTÁRIO**
ASSUNTO(S):	**DIREITO TRIBUTÁRIO, Contribuições, Contribuições Sociais.**
TRIBUNAL DE ORIGEM:	**TRIBUNAL REGIONAL FEDERAL DA 4ª REGIÃO**
NÚMEROS DE ORIGEM:	**200471080106338.**
	2 volumes, nenhum apenso.
ÚLTIMA FASE:	**01/12/2008 (09:33) PROCESSO BAIXADO A(AO) TRIBUNAL REGIONAL FEDERAL DA 4A. REGIAO - GUIA N° 24469**

Fonte: Consulta site do STJ em 16/06/2025

At first glance, the reasoning is that it would benefit from the **cumulativo** parece contraproducente, uma vez que o outro regime (**o non-cumulative**) regime, which exists precisely to avoid accumulating contributions collected along the production chain. However, in the case of a labor services company — where labor itself is the primary input — the **non-cumulative** regime becomes less attractive, as the tax credits already collected along the chain are minimal.

Thus, Top Service is yet another component that works in favor of the GPS group's competitiveness and contributes to the company's profitability and growth. However, this status has an expiration date, as the Tax Reform will unify federal revenue taxes under the CBS.

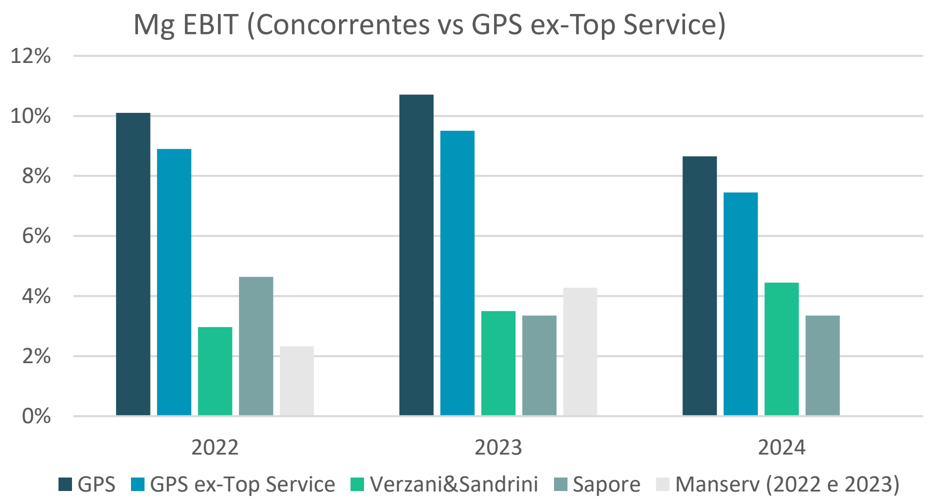
The practical effect on the income statement of Top Service's tax status flows between Gross Revenue and Net Revenue, reflected in a lower Gross Revenue deduction tax rate compared to competitors. A careless analysis might conclude that the rate difference is entirely attributable to Top Service, justifying the full difference between companies and yielding only a margin advantage for GPS. But that is not the case. In fact, Top Service does contribute to a lower tax rate, lower taxes collected, and higher margins, but the dynamics of the Gross Revenue tax rate reflect a combination of factors that do not necessarily improve the business's operating margins, such as:

- *mix* mix (greater exposure to the Security segment, for example, which carries a cumulative PIS/Cofins regime component but does not necessarily have significantly higher margins); and
- divergent accounting policies regarding where tax credits collected along the chain are recognized.

Alguns *players* adopt this credit as a cost and expense reducer, while others include it within the Gross Revenue deduction taxes. This difference has implications for comparative margin analysis. The way GPS recognizes it reduces the *print* of reported margin, and on a comparable accounting basis, GPS's reported margins would be even higher. To illustrate this reasoning, imagine the same company choosing between two accounting approaches for recognizing tax credits on gross revenue. GPS adopts the Accounting 1 interpretation shown in the illustration below. Note that under Accounting 1, we have the same EBIT as Accounting 2, but lower margins.

	Empresa A: Contabilidade 1	Empresa B: Contabilidade 2	Observações
Receita Bruta	100,00	100,00	
Impostos redutores de ROB	-10,00	-10,00	
Crédito de impostos na cadeia	2,00	0,00	
Alíquota Líquida redutora de ROB	-8,00%	-10,00%	Contabilidade 2 se traduz em alíquota redutora de ROB maior
ROL	92,00	90,00	
Custos e Despesas	-80,00	-78,00	Contabilidade 2 reconhece crédito de impostos sobre receita em Custos e Despesas
EBIT	12,00	12,00	
Mg EBIT	13,00%	13,30%	Contabilidade 2 apresenta margens maiores

The conclusion we reach — and wish to emphasize — is that GPS's business model is not dependent on Top Service's tax status. The company creates value even when disregarding the advantage its subsidiary enjoys. We estimate a maximum impact of 1.2% on Net Revenue and approximately 0.8% on the net margin. While relevant in the context of a thin-margin business, we estimate this without any form of tax credit. In the limiting scenario we estimate, the total P&L impact would not be sufficient for GPS to lose competitiveness against its largest competitors — the company would still report superior operating margins.



Source: Own elaboration, company data — Manserv had no published figures for 2024.

Tributos sub Judice, Sistema S e Perse

In addition to the labor liabilities we will discuss further ahead, GPS's balance sheet has several important provision lines associated with the *business* and the growth model it has adopted. Provision reversals and earnings smoothing effects are typically a point of attention in any financial analysis. They are often viewed as *shenanigans*[3], particularly if the company does not provide adequate *disclosure*. We wish to highlight the provisions related to the *sub judice*tax, the Sistema S, and the Perse, while trying to explain in simple terms how this occurs, how it impacts the company's results, and how we analyze and interpret such movements.

Tributo *sub judice*: No caso da GPS, o tributo *sub judice* is always generated by acquired companies. It is recognized at the time of consolidation, with no impact on GPS's equity or income statement, and refers to obligations established to cover risks of any nature up to the acquisition date that were not provisioned by the prior management of the acquired company. Since it is a provision made in prior years, it should be analyzed with great caution, particularly regarding reversals. That said, GPS "draws the line" every 4th quarter and reassesses the provisions adopted. Most commonly, provisions that were made and have since expired are reversed through the income statement, impacting accounting operating income and net income — and therefore equity — but with no cash impact. A financial expense associated with the monetary restatement of this liability is also recognized. Despite being recurring — as it happens every year in the 4th quarter — we do not view this reversal as economic or as incremental value generation. It is something that emerged on the balance sheet from some level of diligence or conservatism, but can flow through results, smoothing numbers. As for the financial expense, we also understand that for economic analysis purposes it should be excluded when analyzing *bottom line* the company. We therefore adjust these effects for our analysis of the numbers and view the *disclosure* da companhia como adequado.

Sistema S: the Sistema S provision (related to contributions to SENAI, SENAC, SESC, and others) was made conservatively by the company. For years, the law and its amendments governing contributions to the System carried ambiguity regarding how much each company was required to contribute. Naturally, this was litigated, and in some cases lower courts ruled in favor of the taxpayer. Ultimately, the matter reached the STJ which, in 2024, in a repetitive appeal, ruled in favor of the Tax Authority (PGFN), but with modulation[4] the effects for companies that had filed lawsuits up to the date of the repetitive ruling (a particular case for some GPS subsidiaries). The GPS group was already provisioning in line with the STJ's understanding and, given the modulation effects, should have reversed the balance sheet amount without cash impact. However, the PGFN filed a divergence injunction against the modulation, preventing the reversal of the amount as of the writing of this letter. The principal amount of this provision is "locked," as from the ruling date the income statement impact already carries a corresponding cash counterpart. However, monetary restatement continues, impacting the company's accounting profit. This specific impact has no cash or economic effect. Furthermore, if the STJ's ruling is confirmed, the amount should also be reversed through the income statement. In summary, our view is that the provision has a real chance of reversal, and therefore, the monetarily restated amount of this liability — flowing through the company's financial expense — should not be viewed as economic or even recurring in the analysis of *earnings* the company. Complementing this, maintaining the provision on the balance sheet with due monetary restatement demonstrates conservatism in accounting practice at this specific point.

Perse: the Perse within GPS arose from the acquisition of GRSA in mid-2024. Perse stands for "Emergency Program for the Recovery of the Events Sector" and was a benefit granted during the pandemic. Although legitimate at the time, the original law was quite broad in defining which CNAEs (National Classification of Economic Activities) could benefit from this status. In fact, there are companies in *facilities* that hold Perse-eligible CNAEs, implying a zero rate of PIS and Cofins (and also CSLL and IRPJ in the case of companies under Lucro Presumido), effectively gaining competitiveness and market share. Moreover, the

[3] *Financial shenanigans* são manobras ou truques contábeis usados por empresas para que seus resultados financeiros passem uma impressão melhor do que realmente é.

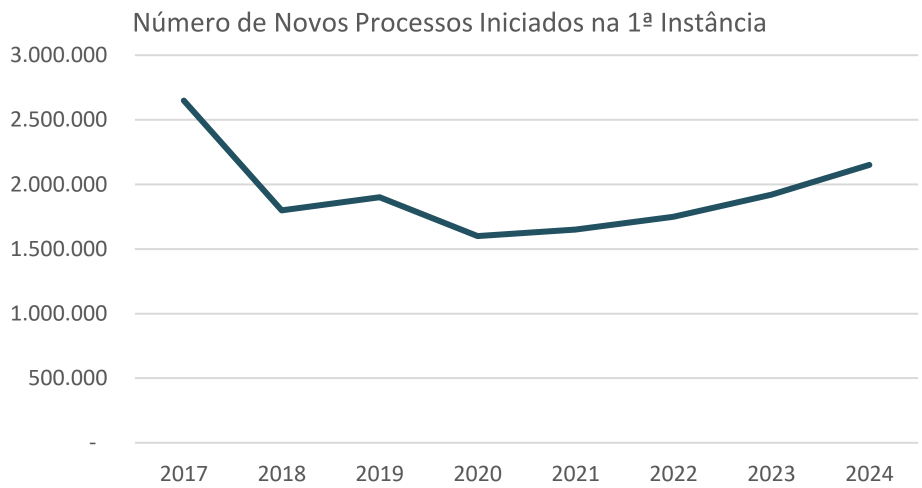
[4] A Modulação separa temporalmente os efeitos práticos da decisão judicial

benefit lasted much longer than the pandemic, until the government redefined the eligible activities through 2027 and reduced the number of benefited companies. GRSA benefits from injunctions allowing it to take advantage of this benefit through 2027; however, the company has been adopting a conservative stance by provisioning such effects. Therefore, the only practical benefit the company receives is in cash. Since the group's practice already translates the economic effect through the income statement, we make no adjustments to our *earnings* and value generation. That said, it is not what we have seen in the courts[5], but in the limiting scenario, should an adverse ruling be issued against GRSA and the company be required to pay such liability, GPS should be able to take advantage of a mitigating effect recognized within the "Indemnification Asset" line, which would offset a large portion of the leverage impact. Based on 2024 figures, the increase in leverage would be immaterial.

Conjuntura Atual

The company is below what we consider to be its *mid cycle*. Some cyclical factors appear to be affecting the company more than usual, and GPS has been addressing these points.

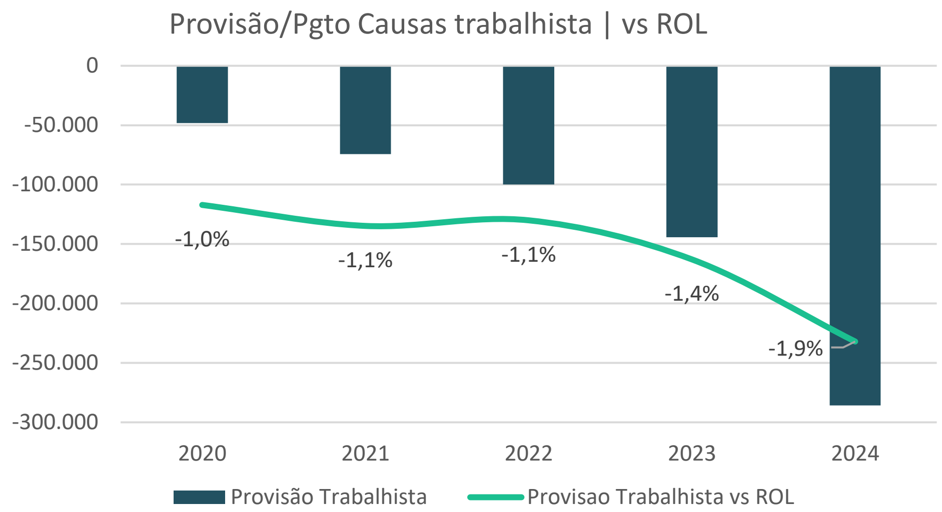
- The number of labor claims has accelerated across Brazil, and this has naturally impacted GPS as one of the country's largest employers



Fonte: https://www1.folha.uol.com.br/mercado/2025/02/justica-do-trabalho-recebe-2-milhoes-de-novas-acoes-em-2024-recorde-apos-reforma-trabalhista.shtml com dados do TST

- Additionally, some labor liabilities were already in the enforcement phase, and the company's controls were not effective in containing these issues in a timely manner without affecting *earnings* de curto prazo.

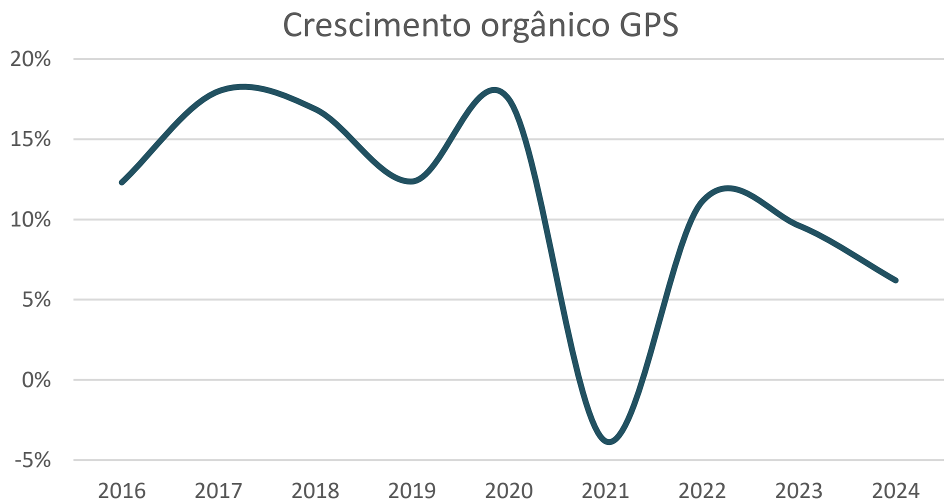
[5] https://valor.globo.com/legislacao/noticia/2025/04/04/contribuintes-conseguem-no-judiciario-adiar-o-fim-do-beneficio-fiscal-do-perse.ghtml



Source: Own elaboration, company data

- The company addressed this: it individually mapped these issues and centralized decisions on whether to appeal labor claims, removing the regional offices' autonomy in deciding to escalate to a subsequent legal instance.

- Absenteeism and *turnover* in Brazil are above average, and we can point to several reasons — one of them being the government's own welfare programs — making it harder to hire labor and organically scale the business.
- Slower organic growth in an environment of tougher client negotiations, with clients becoming more demanding in terms of costs and budgets.



Source: Own elaboration, company data

- The company addressed this: it expanded the number of executive and regional directorates, getting closer to clients in certain regions and service lines.
- We also see the company focused on maintaining and preserving contract margins, which naturally leads to *churn* maior nesse *business*. We believe this is the right decision when thinking about value sustainability, and that the company has the right levers to re-accelerate organic growth as the business cycle improves.

- The acquisition of GRSA — a company representing 30% of GPS's revenue prior to the transaction — implied operating margin pressure for *mix* and greater attention on integration. There are also implications from it being a *business* different business with food costs in the cost structure and a larger debt component, which pressures the *bottom line*.

- The company has been integrating GRSA gradually. On average, the full integration of systems and the transfer of timekeeping records among other functions to GPS's system takes 90 days — for GRSA it took more than 200 days.
- As it affected leverage, the company held back on new acquisitions, which impacted its growth. We also view this as the right decision, given that interest rates in Brazil are elevated and the size of GRSA demands attention — both in terms of systems integration and operational execution.
- We observe that over recent years, as GPS has acquired other businesses, it has also added complexity through new segments such as Temporary Labor, Utilities Engineering (Electricity Grid or Telecommunications Maintenance), and greater relevance of *Catering*. That said, the resumption of acquisitions in *business* de *Facilities* and Security could be a more viable path in the short term.

We will discuss the thesis further ahead, but that said, in the short term we can envision an improvement in operating margins over 12–24 months. One of the levers for this is the ongoing synergy capture at GRSA. That same synergy capture — along with the evolution of GRSA's integration (which demands the attention of *top management*, particularly Hampshire) — and the reduction of the group's leverage will serve as drivers for the resumption of inorganic growth (even if gradual). We understand that, given the company's size and exposure to certain sectors, organic growth is more decoupled from the cycle, and we therefore see greater graduality in growth through this avenue, with potential re-acceleration further ahead.

Our Investment in GPS: Thesis and Future Value Creation

Our investment in GPS began small in 2023. What initially surprised us were the company's numbers within a difficult sector. The company showed strong growth with ROIC consistently above the cost of capital, in addition to a *business* business model with recurring revenue, low asset intensity, and low capital requirements to run the business organically. In other words, a *economics* that stood out not only when analyzed against its own cost of capital, but also relative to its most relevant competitors. This was, at first glance, the main highlight of the group. The acquisition model the company had been pursuing involved acquiring companies in full, preferably smaller ones with thin profitability, paying reduced multiples. The *track record* of effective execution and synergy capture in acquisitions worked in the company's favor in a growth model we appreciate only for certain businesses. Proportions aside, this inorganic growth model with limited-size targets even drew parallels with the growth history of a major investment we made in the past.

As is typically the case, conviction was built as we spoke with *stakeholders* participants in the industry, given the difficulty of *business* that is inherent to the sector. Dozens of conversations were held, including visits to sector conferences such as ISC and Infra FM. There were more than 25 interactions with different individuals — competitors, clients, former GPS employees, and chain participants including tax specialists — not counting *follow-ups* and the usual interactions with GPS's IR team, directors, and executives, and visits to the company. The purpose of these conversations was, beyond understanding the industry and its participants' dynamics, to assess management quality and whether the decentralized model was sufficient for a company in this sector to differentiate itself — or whether there was something additional preventing replication of such management processes. We must admit that the research did not follow a straight line. Relevant and legitimate questions arose along the way that required additional and parallel research. To go deeper, during the research we developed joint work with a journalist connecting the management model with corporate culture, and another project with a consulting firm to scale more complex topics.

Throughout this journey, it became clear that the decentralized model and the tools supporting it are very important, but not sufficient on their own. What serves as a pillar and provides consistency is the entrepreneurship culture that each regional unit possesses. As mentioned earlier in this letter — and without diminishing the technology embedded in years of developing a management system that allows granular monitoring of each contract — we emphasize that **we see this tool as a representation of the mindset of the business's executives and shareholders, and of how corporate culture is expressed**. This is evident in the series of accounts gathered — not only directly from former employees, but also in the cultural research of the company that our journalist conducted. Some points raised by the journalist led us to deepen our analysis further, such as the compensation model, which is quite aggressive. Aggressiveness can cut both ways, creating incentives that may harm the long-term client relationship. However, we observe that these problems, when they arise, do not sustain themselves over a long period. The model encourages entrepreneurship — there is a stimulus for the person managing the contract to see it as their own business. If they persist on the wrong path, they will face setbacks at some future point, impacting their own compensation. Furthermore, the company adopts NPS and safety indicators as goals influencing compensation, thereby mitigating some incentive failures.

Through our interactions with the company's leaders, we were able to perceive the corporate culture of the group and the concern that this management team has with this topic. It is *top-down*, but it is unanimous and consistent when speaking with lower levels of management. The quality of the managers is proven by the company's track record, which shows meaningful growth with margin and return preservation. This perception — already pointing to efficient capital allocation — was corroborated by external views, including from competitors who also recognize the team's competence. Below are some accounts from different individuals on GPS's management model, its differentials, and the attention executives pay to the group's corporate culture.

> *"The key difference (in management models) is the decision-making process.* ***At GPS it is completely decentralized. Those at the front line have the capability and the authority to make decisions. There is a development process for these professionals. The entrepreneurial culture is very strong and pervasive. These decisions are guided by the culture and what the company believes — what is best for it and best for the client****. At Company A (name withheld for confidentiality), the main shareholder does not participate in the day-to-day of the company but meets with the team and decisions are completely centralized. At the next meeting, if he changes his mind, the company changes course."*

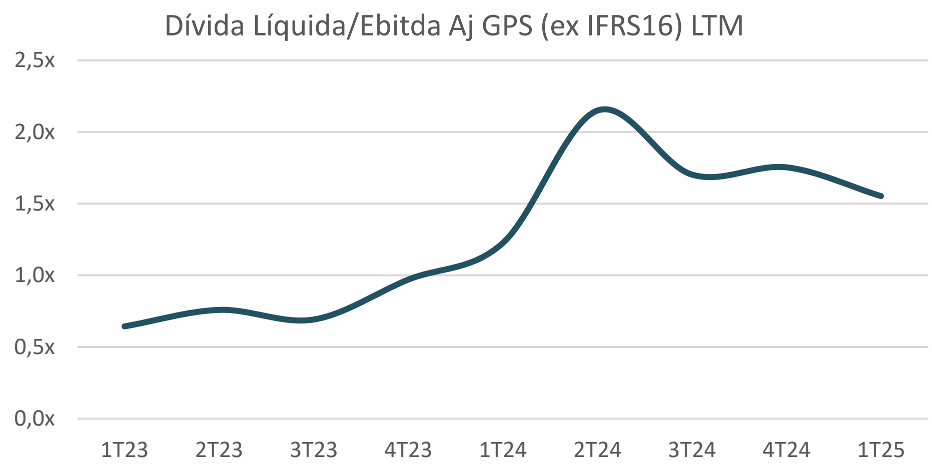
> ***"[They] believe GPS's management model is an advantage because of its planning cycle (...). The 'processes' are built from the ground up at GPS****. The coordinator responsible for just one contract builds their budget; above them a manager builds their budget based on those below; then an operations director, then a regional director, and finally the consolidated GPS. After this, a meeting is held and a monthly monitoring cycle follows.* ***Martinez actively participates in this monitoring process and in the development of these professionals****."*

> *"What do you attribute the GPS result and success vs. competitors?* ***Dois pilares (...): controle e custo****. The facilities and services market is a very thin-margin market. You win through cost control to maximize margin, you need to save on indirect costs to improve profitability. You can only do this with a system that knows exactly how much is received and spent. You can see this in real time. (...).* ***Key asset: market knowledge, cost control benchmarks; years of accumulated intelligence in liability management****."*

> *Stakeholder da empresa: "(...)* ***Capital allocation is intrinsic to them. There is indeed succession risk, but they have been working on it for some time. There is a very strong base below them. Otto is very good, having come up through the ranks****. For 15 years, Luis and Marcelo traveled all over Brazil monitoring each regional operation to understand how things were going, at a frenetic pace. (...).* ***These executives, Luis and Marcelo, like to buy low-margin companies and are very disciplined about the price they pay****."*

As we already mentioned, the most recent major acquisition was GRSA, and the company is very aware of the challenges involved in incorporating *catering* at scale into the group. When acquiring this asset, the company already knew its ROIC would initially decline, and **the value creation strategy would come through**

growth. They are aware that initial margins pressure the business until synergy capture begins. Some synergies should already be reflected by end-2025; GRSA had dozens of systems and *softwares* contracted tools including cloud, ERP, HR platforms, and others. The timely decommissioning of these tools and the company's incorporation into GPS's system should bring meaningful expense savings. The focus now is reducing indirect costs and redundant expenses — a near-term margin driver. The leverage generated by the GRSA acquisition in 2Q24 is on a declining trajectory, and in the near term will free up capital for the resumption of inorganic growth, which we expect — in this first phase — to more closely resemble GPS's '"core"' operations, namely *Facilities*, Security, and Building and Industrial Maintenance.

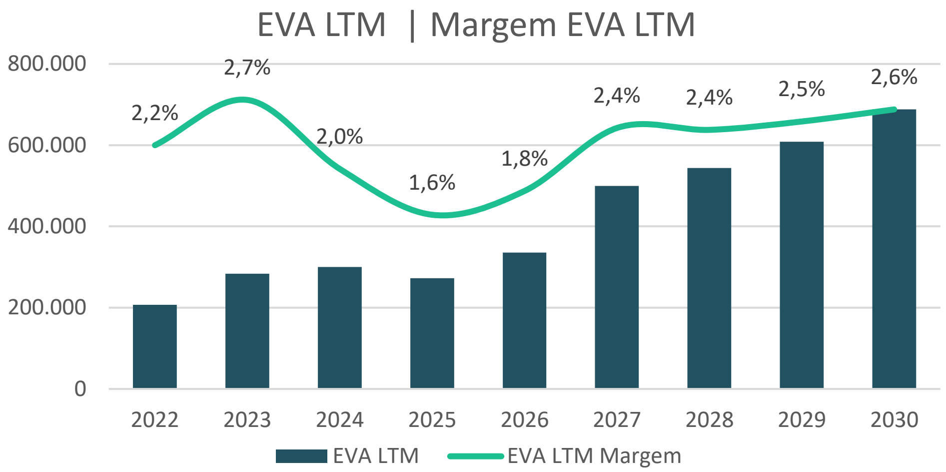


Source: Own elaboration, company data

We also commented throughout this letter on the company's direction regarding labor claims, which increased significantly in 2024. The increase in labor claims in the enforcement phase took 50–100bps of operating margin over 2 years. We are more conservative than management's rhetoric regarding the speed of convergence to normality, but we view the initiatives and measures adopted by the company to correct the trajectory of these provisions/payments as the right ones.

In summary, we see the company at a margin inflection point and resuming growth through acquisitions.

The long-term thesis rests on the group's multi-service positioning and on the *Moat* of the company which, in our view, is the capacity to manage contracts in a differentiated way from its competitors, fundamentally supported by an entrepreneurship culture from the front line to the group as a whole. The culture is what prevents quick replicability. We discussed throughout the letter how unanimous it is in the company's management. That said, the multi-service positioning increments growth and mitigates sectoral risks while its *Moat* provides room for negotiation/pricing and/or gain of *market share*. Additionally, a large number of assets available for acquisition will continue to allow the company to grow through acquisitions. So far the company has grown in this manner with value creation, even with some missteps along the way, such as the temporary labor vertical which has been retreating over recent quarters. Future value creation therefore starts with growth with capital allocation discipline, while the sustainability of value creation depends on preserving GPS's corporate culture within acquired companies.



Source: Own elaboration, company data

Looking at an even longer horizon, the incorporation of technology in the sector tends to accelerate. This may be most latent and tangible in the Security segment, with the use of surveillance cameras and increasing use of *AI* — anyone who attends security technology trade shows like Exposec comes away impressed by the advances in *AI* e *IoT*. Nevertheless, this shift will still require labor, even if at a smaller scale. We see this as an even greater consolidation opportunity, since those who can invest in technology to look inward and adopt it to provide services with different solution designs tend to be the larger-scale and professionalized companies. In the future, we envision the business still being predominantly Opex rather than Capex, with outsourced service providers leasing equipment to use in their contracts rather than outright purchasing it and *bookando* it on their balance sheets. But in any case, we see scale taking on a greater weight in the sector's business model in a more distant future.

Projetamos um crescimento de 11% a.a. de EBITDA SFA[6], with part of this growth coming from an inorganic revenue component, while we project organic revenue growth of approximately 7–8% p.a. The resources to sustain this growth come from operating cash generation and third parties, without significantly impacting leverage, which — at the same EBITDA multiple — would translate into meaningful value creation for the *Equity Holder*. Added to this, we see this company as one that should trade at multiples above current levels in a more normalized cost-of-capital environment, as a company with ROIC of ~17% (or above), growth opportunities, low asset intensity, and a strong capital allocation track record could easily trade at 8x–9x EV/EBITDA in a scenario of *mid cycle*.

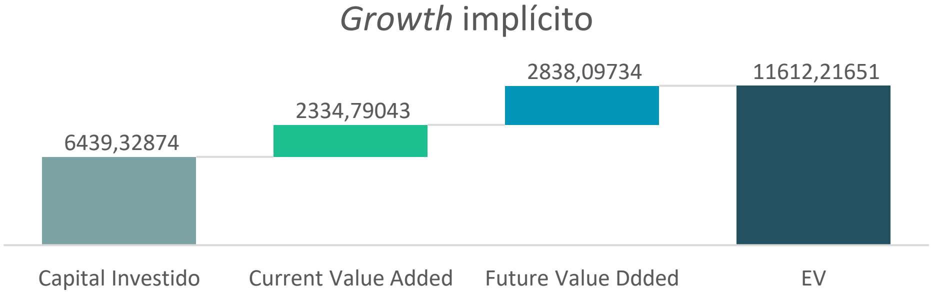
Our investment is also grounded in a good margin of safety. GGPS3 @R$15.00 trades with 25% implied growth (represented by the green square in the chart that follows), even assuming current EVA as recurring and perpetuated. In our view, the qualities the company possesses and the existing growth potential justify paying for this implied growth.

The construction of its capital is essentially composed of working capital and the investments made in acquisitions that we believe the company needs to remunerate, since its growth strategy is built on this avenue. Throughout the acquisitions there was no *impairment* relevant [dilution] that impacted capital, but it is worth noting that goodwill represents a significant portion of the company's equity.

Its current EVA is suffering the *mix* effect from the GRSA acquisition without the due synergy capture and above-normal labor provisions. When perpetuating it to obtain the *Current Value Added* (CVA) we are assuming the company will not recover current margins to previous levels — which we disagree with, as we

[6] Os principais ajustes em relação ao EBITDA reportado são IFRS-16 e a reversão do tributo sub judice que a companhia faz sempre no 4T de cada ano.

see levers for this recovery. In other words, an improvement over the next 12–24 months would imply the company trading at an even lower FGR and therefore a larger margin of safety.



Conclusion

Our investment in GPS is supported by extensive field research and a deep and broad analysis of the company, sector, and *stakeholders*. The investment, in a broader view, is about the consolidation of an extremely fragmented industry by more professionalized companies that are able to manage contracts and labor liabilities very well. GPS is the best positioned to capture this movement, as we believe it has successfully built a *Moat* strong [moat], grounded in a management process that is difficult to replicate, anchored in the business's entrepreneurial culture and a management team with a meaningful share of their personal wealth in the company. Combined with this, we see attractive prices for the investment, with low implied growth for a high-growth story associated with solid capital allocation discipline.

We thank you for your trust,

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