Report
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The Techné of Time

In the previous Report, we highlighted some insights into the substance of so-called more relational businesses: structures that are dynamically refined rather than statically crystallized over time, and that emerge, counterintuitively, as organic, discreet and resilient wisdom. We saw that the hidden dynamism of this singular and less examined system of organization sometimes takes on an apparent backwardness when compared with the so-called modern management techniques, which ends up recruiting interventionist instincts under the pretext of "updating" it. Unaware of the merit of these subtle gears, such initiatives may prove misguided and their effects counterproductive.

These arguments have prepared the ground and light the way for this text, which tells the story of a past Dynamo investment whose merit for us at this point lies in the rich lessons we were able to draw from it. It reflects our dissatisfaction with what we could have done better and our permanent self-criticism, aimed at distilling lessons and continuously improving our analytical process. This Report, therefore, although it concerns a single company, is not a public prescription of an investment thesis, but an introspective diagnosis of our conduct as an investor and shareholder.

In 2024, the Technos Group turned one hundred, an unusual milestone among Brazilian companies. As investors, we took part in that journey for more than two decades, although for some years now we have no longer been part of the company's shareholder base. The proximity, intensity and longevity of our interactions placed us in a privileged position to organize these reflections. We hope the exercise will be useful to everyone who sets out to read this Report.

The allure of the modern - today we would say the contemporary - is a powerful force in humanity's imagination. Many have spoken out against it. Drummond summed it up with his aesthetic genius: "*How tiresome it has become to be modern; I will be eternal*." C. S. Lewis rejected the belief that everything that came before is inferior and coined the expression "*chronological snobbery*" for it. And speaking of Chronos, we propose now, as an introduction to the subject of the company, to go and meet him. Readers with little interest in the fable-like digression that follows may skip to the next dividing line in the text.

# #

One of the most enigmatic and controversial subjects for humanity is the phenomenon of Time. Philosophers, scientists, artists, thinkers and writers have always debated the different views on the nature, the existence and the experience of Time. Is Time real or merely an illusion? An intuition or an abstraction? Is it something subjective or an objective element, an entity in itself? Is Time linear or circular? Should it be treated in a phenomenological key or an ontological-metaphysical one?

The various lines of thought express themselves in distinct arguments: Time can be seen as the numerical measure of motion (Aristotle); the continuous flow of becoming (Heraclitus); a deceptive, changing appearance (Parmenides); an experience of the human mind (Saint Augustine); an a priori form of sensibility (Kant); something lived inwardly, through intuitive duration (Bergson); the very structure of human existence (Heidegger); the internal consciousness of experience (Husserl). Scientists and physicists join the philosophers in the discussion: in this dimension, Time would be absolute and uniform (Newton); merely a relation between events (Leibniz); physical as well, but relative, tied to space (Einstein); from the standpoint of quantum gravity, Time is local, relative and not fundamental (Rovelli); and through the prism of thermodynamics, since entropy increases, the "arrow of Time" seems to point in one direction.

Artists and writers also deepen these experiences and illustrate, through their works, creative expressions of approaches to Time. Bach alternates melodies in which the firm, mathematically precise pulse of ordered Time meets varied rhythms, syncopations and polyphonic counterpoint. Dalí illustrates relativized Time, dripping from malleable, melting clocks. Tarkovsky "sculpted" Time in his films with long takes, slow pacing and few cuts.

Proust, in *In Search of Lost Time*, emphasizes the perception of Time as an internal and essential dimension of the transitory. Covering the arc of an entire life, in rummaging through the past he ends up discovering the meaning of the present: his vocation as a writer. Joyce condenses narrative Time, and the monumental *Ulysses*, full of simultaneous

memories, takes place in a single day. In Mann's *The Magic Mountain*, subjective Time is chronological but asymmetric: the narrative expands at the beginning and accelerates toward the end. Érico Veríssimo, Machado de Assis, Virginia Woolf, García Márquez. The list of authors who explored distinct aspects of temporal narrative as a central theme is long. "*Time is a river that sweeps me along, but I am the river*," or yet again, "*Time is the substance I am made of*," said Borges, who was obsessed with the identity-time binomial, so present in his tales and poems. Borges is not one, but many. And so in *The Aleph*, through the mystical sphere, it is possible to see the entire universe and all moments, past, present and future. Limited human experience, space, and by extension Time, collapse, concentrating an impossible and absolute simultaneity. In *The Garden of Forking Paths*, in turn, Time diverges and branches out like a labyrinth, offering countless possibilities of coexisting futures. We suggest keeping these two Borgesian images in mind, as they will be useful further on.

While philosophical speculation and aesthetic syntheses about Time unfolded throughout history, humanity's desire to quantify and conquer it ran in parallel, perhaps an expression of the aspiration to exercise greater mastery over the forces of nature and to organize the cosmos, or simply a reflection of a permanent restlessness to lend meaning and explanation to the passage of life. In this dogged pursuit, science and industry join forces. Thus, already in Antiquity, the first sundials appeared in Egypt, when errors were on the order of hours, not to mention the long periods in which measurement was impossible. Next came water clocks (clepsydras), sand clocks (hourglasses) and, so to speak, fire clocks, through the measured burning of various materials such as olive oil, cords and candles. Around the 14th century came a powerful advance: the medieval mechanical clock driven by weights, which reduced the margin of oscillation to fifteen minutes a day. By the mid-17th century the pendulum clock appeared, with a deviation of only one minute a day. The migration from fixed wall clocks to portable ones - first in the pocket and then on the wrist - was made possible by progress in gearing, such as balances, toothed wheels and spiral springs, capable of storing potential energy. Besides demonstrating the tangible success of human ingenuity in taming unruly Time, portable clocks also inaugurated other dimensions, adding personal empowerment and conferring social status on the basic function of telling the exact moment of the day.

Education research now tells us that learning to read the time on analog clocks is a milestone in a child's cognitive and behavioral development, associated with several benefits, among them: (i) exercising curiosity, reasoning and visual-spatial coordination; (ii) stimulating the capacity for organization, responsibility and planning; (iii) encouraging independence, autonomy and discipline. Children come to understand the stages of the day and are generally delighted by the discovery that they can control the sequence of their routine. The years go by, and childlike discoveries give way, in the adult, to the desire for social and cultural inclusion and recognition. In the pocket, and more recently on the wrist, in many settings the watch becomes an external symbol of personal identity, of social standing and even of financial condition, associated at times with lifestyle, at other times hinting at prestige and professional success. The watch acquires a meaning that goes beyond mere technical precision, expressing both an attitude toward living in the present and a projection of aspirational value.

Time duly metrified by these "fabulous" devices gave rise to unusual progress. It enabled important advances during the period of the scientific revolution and also promoted a complete redesign of the systems of social organization, through greater coordination of labor and the synchronization of factory processes, communication networks, public transport schedules and collective activities in general, with significant gains in productivity and efficiency. The examples are countless. The pendulum clock made it possible to calculate the motion of celestial bodies adequately, lending mathematical rigor to astronomy. The appearance, in the 18th century, of the chronometer with tenth-of-a-second precision (H4) solved the historic challenge of determining longitude (East-West position) and thereby gave a sensible boost to ocean navigation, making voyages safer, reducing shipwrecks and enabling even faster growth of overseas trade. Granting that an important ingredient of science is the human capacity to measure, the clock may have been not only a product of modernity but, possibly, one of its architects (cf. Pereira, 2025)[1].

In the early 20th century, electro-electronic technology developed, based on a battery and a quartz crystal that replaced the mechanical balance as the oscillator, with extremely high precision. The error now falls to only a few tenths of a second per day, which enabled a new wave of industrial applications, in transport and telecommunications, that require a high degree of synchrony and precision. (This innovation will have relevant consequences for the story we are about to tell, so we ask our patient reader, who has not yet

1 *Mumford (1934) goes as far as to claim that "the clock, not the steam engine, is the key machine of the modern industrial age." As usual, the full bibliographic references can be found on our website, https://www.dynamo.com.br/*

given up on this text, to keep this passage in mind as well.) In the middle of the century came the first atomic clock, and the convention of the second as a fraction of the tropical year of 1900 came to be measured by the duration of the radiation periods corresponding to the hyperfine transition of the cesium-133 atom. The unit of time measurement shifted from the discipline of astronomy to atomic physics, ensuring greater stability and universality. Depending on the model, an error of one second now occurs once every 63 thousand to one hundred million years, making highly sophisticated technologies such as GPS viable. Finally, although they have not officially replaced "classical" atomic technology, in recent years optical lattice clocks have appeared, using neutral or ionized atoms excited by optical radiation, with frequencies far higher than the microwaves used in cesium-133. We are talking about a deviation of one second in thirty billion years.

In contrast to all this technical progress in watchmaking, marked by successive cycles of innovation and growing engineering sophistication, the distribution system changed little over time. The watchmaking tradition of the Middle Ages and the Renaissance depended essentially on the relationship between master watchmakers and the nobility. In the 18th and 19th centuries, it became common for watches to be made to order especially for kings and emperors. In the 20th century, the popularization of the watch trade came through the establishment of a network of reseller agents who spread around the world cultivating close relationships with local retailers. This was the case in the world's main producing center, Switzerland, where the movements were conventionally sold in jewelry stores. This tradition of fragmented distribution through specialized stores, based on personal relationships, was brought to Brazil, personified in the figure of the "sales representative."

# #

Without any pretension of condensing into a few paragraphs the epic of Time and the history of its measurement, this preamble serves only as an introduction to the central theme of this Report: Technos S/A. Technos was born in 1924 in Switzerland, under the third generation of watchmakers of the Gunzinger family. The name is inspired by the Greek word "techné," meaning art or skill, and combines the vocation of creative manual craft with the tradition of Swiss mechanical precision. The brand soon went international, reaching the European, Asian and, finally, American markets in the 1950s. In Brazil, the brand arrived in 1958 through a representation contract signed with Centauro Importadora, a company recently created by the young lawyer Mário Hilário Goettems. The young man's uncle, owner of an optician's and watch shop in Santa Cruz do Sul (RS), charmed by the catalogs of European manufacturers, encouraged his nephew to import watches and thereby pay for his studies (cf. Grupo Technos, 2024). The young man began sending handwritten letters to numerous manufacturers: "*Do you want to expand your watch sales in Brazil? I am the right person. I am a lawyer. I am interested in doing good work in Brazil. Please send me samples and catalogs*."

Two years after the mailing initiative, the Gunzingers replied and, after some interaction, the representation partnership was established. Technos products soon stood out in Centauro's portfolio, which motivated the founder to deepen his relationship with the manufacturer. In Switzerland, Mr. Mário proposed an exclusivity contract that included a clause providing that, if for any reason Technos stopped making watches, the brand rights in Brazil would pass to Centauro. The suggestion sent a signal of seriousness and commitment, and the family accepted it.

In the following decades, Centauro expanded beyond the southern market, taking space in other regions of the country, propelled by the success of the brand it represented. In the early 1970s, already under the name Technos Relógios S/A, the company became the national leader with more than one million units sold. In this period, tectonic plates shifted in the sector. The quartz innovation brought new functionalities and allowed the Asians to flood the market with electronic watches at affordable prices, dealing a harsh blow to Swiss manufacturers[2]. The oil crisis added further challenges. With the loss of competitiveness of the franc against the dollar, the share of Swiss watches in the United States, their main international market, fell drastically. In 1982, Swiss Technos decided to sell the company to the brand's importer and distributor in Japan, Heiwado, which rivaled Brazil as the main import franchise.

Technos Brazil, realizing the reach of the quartz-movement revolution, with the manufacturing industry shifting to

2 *Studies attributed the Swiss watchmaking industry's difficulty in responding precisely to an excess of embedded relationships (cf. Glasmeier, 1991). The industry, ingrained in the Jura Mountains and turned exclusively toward its internal network of relationships, ended up losing its capacity to react to the external shock of quartz technology. A danger we mentioned in the previous Report when we dealt with businesses organized in a more relational way.*

Japan and the opening of more accessible, less selective markets, began early to test the product's acceptance. In 1982, Technos opened its factory in the Manaus Free Trade Zone with the goal of gaining competitiveness and began assembling its watches in Brazil. With business vision and a capacity to adapt, the company kept growing until, in 1994, Mr. Mário's dream finally came true. Technos Brazil acquired the worldwide rights to the brand from its Japanese representative.

# #

Although it had gone public in 1971, we learned of the company only by accident in 1996, still under the name Technos Relógios S/A, when we saw its financial statements published in the newspaper. The numbers caught the attention of our then young analyst team. Over the three fiscal years 94/96, Technos had reached R$ 204 million in revenue, generating R$ 61 million in net income on an invested capital base of only R$ 65 million. Our impulse to make contact and understand in greater depth the secrets of an apparently so interesting business ran into the company's complete indifference to the capital markets. Technos was, at that moment, one more typical case of a Brazilian company that had gone public to benefit from tax incentives and not out of a genuine vocation for admitting partners. Unable to deepen the analysis, we could not buy shares and, with a touch of frustration, left those good expectations in suspense.

Luck would turn two years later, when a fund of ours dedicated to managing equity stakes on behalf of some of Brazil's main institutional investors was "awarded" the mission of managing a 7% investment in Technos. We returned to the company, now as a relevant shareholder, which finally gave us a channel for dialogue.

What did we see? A company proud of its journey, run with mastery and an owner's mindset by Mr. Mário, leading executives who knew the sector deeply, notably his brother and right-hand man, Renato Goettems, whose dedication and commercial talent proved fundamental at several important moments. The resilience of the business was also impressive. Even though it operated in the consumer space and depended on imports, Technos proved capable of getting through the severe economic cycles of the Brazilian economy without major turbulence. Just when we believed we were gaining Mr. Mário's trust to propose governance improvements, he decided to take the company private. We negotiated a fair price for the tender offer and, in early 2003, Technos once again became a private company.

Delisting is always a genuine right of a public company and, in some cases, especially in that group of Brazilian companies that came to the market opportunistically, we recognized the decision as legitimate. In Technos's case, the period during which we were investors was enough for us to see more promising potential, so the going-private left us with some frustration.

Time passes, until in October 2007 the phone rings. It was a call on behalf of Mr. Mário, with whom we had not spoken since the delisting episode. He was 75 years old, and his two daughters, his heirs, had not become involved in the company. He intended to sell his stake, looking for a partner in tune with him and close to him, who could perpetuate the business to which he had devoted his whole life. We expressed interest and soon realized that Mr. Mário was in fact at no point seeking to maximize his sale price, but rather to ensure that Technos would continue on its path of prosperity in trustworthy hands.

Private investment comes to Dynamo as a breadth of mandate that our foreign investors have given us, a prerogative we exercise very sparingly. Over our history, there have been few. Our focus has always been listed companies. In Technos's case, all the ingredients we deemed necessary to become shareholders of a privately held company were in place: (i) a healthy business with an opportunity for sustainable growth; (ii) an upright partner who chooses us voluntarily - we never take part in competitive processes; and (iii) management *in place* - we do not intend to run companies, nor to promote restructurings.

Just as the Gunzingers, among a vast range of global options, had chosen the Goettems for their trust and their desire to establish a long-term relationship in the exclusive interest of the company, in the same way the Goettems chose Dynamo from a vast ecosystem of investors, based on the memory of our earlier interaction, marked by respect and integrity, recognizing our deep knowledge of Technos and a track record of loyal and correct conduct. And here we cannot fail to note that both encounters were brought about in a completely unusual way, without any prior references: in one case, a handwritten letter of introduction by Mr. Mário that crossed the Atlantic; in the other, a phone call from our dear former partner Cristiano Souza, prompted by something he read in the corner of a page of Gazeta Mercantil. Alluding to Dynamo Report 128, truly serendipitous encounters.

After exhaustive due diligence, we closed the acquisition in May 2008, in partnership with a DLJ/Lanx fund run by experienced investors close to us. We also had the investment of Renato Goettems, forming a block that acquired 90% of Technos, with Mr. Mário keeping the remaining 10%, a requirement he himself imposed, which pleased us very much.

Our diagnosis was that Technos had built a unique competitive position. Not through its manufacturing structure,

which was identical to that of the sector's main companies, importing 95% of the watch components for assembly in the Manaus Free Trade Zone and taking advantage of the tax benefits. Technos's great differentiator lay in its sales architecture. The sector leader had managed to develop a channel of more than seven thousand jewelry and watch retailers, from a long history of direct relationships built customer by customer. Often this umbilical bond was expressed in a credit operation backed by merchandise. The other manufacturers, by contrast, were in the hands of intermediary distributors. This gave Technos a more agile reading of the consumer end, an ability to place more assertive orders in a long production chain, and the ability to offer more advantageous commercial terms to its customers, with lower default risk for the company. Add to this the strength of the portfolio's brands and more careful after-sales technical service, and we have the combination of elements that explained the company's prerogative to price its products at a significant premium, at times of up to 50%, on items reasonably similar to the competition's. Which, in turn, explained Technos's consistent performance differential against the paler returns of its competitors. And so, at the time, we perceived the merits of the channel as revealed by the evidence of the financial results that stemmed from it. However, from the reflections described in the previous Report, we now recognize that we had not fully understood its essence.

Faced with competitive advantages that seemed so firmly settled, we began to envision bolder business ambitions for the company, which ended up becoming the main motivation for our investment. From the established base, we believed Technos had the vocation to become a broader platform of accessory products, including, for example, eyewear and jewelry, a reasonably large market. The combination of shareholders with greater financial heft, able to provide and access capital at a competitive cost, aligned with a talented, motivated and more "up-to-date" management team, should widen the distance from competitors even further, who would hardly be in a position to follow the company's path on this journey of updates. And here we see explicit signs of the script we described in the previous Report: financial investors imbued with an urge to "modernize" an interesting business that deserved a larger dose of "sophistication."

With Mr. Mário's retirement, as a first step, we needed to find a CEO who fit the challenges and aspirations of the new business project. Someone with maturity and energy, who combined management and passion, an authentic leader with the humility to admire what had been done until then and the ability to inspire what was to come. It was in this context that the young Joaquim Ribeiro, then 33, with stints at Time Warner and Shop Time under his belt, was won over by the project[3].

Hands to work. The first initiatives aimed to improve processes and increase efficiency. Quality control was moved to China, close to the suppliers, avoiding rework and the back-and-forth of defective products, which relieved after-sales. Next, it was decided to reduce the number of SKUs demanded by customers, which brought greater precision to purchasing and reduced component inventories and unsold stock, relevant achievements in a long supply chain. Finally, the marketing strategy would cease to be episodic and intuitive and become more recurrent and "scientific," based on data and market intelligence.

In parallel, the understanding gained ground that Technos needed to complete its portfolio, occupying more space in the product grid and offering options across the various categories and different price levels. The efficiency measures improved the competitive *fit*, preparing the company for the great leap of consistent market share gains in watches. Dominance in the watch segment would lead the company to the second stage of the business plan: the much-desired diversification, in which the idea was to advance into complementary segments, adding other accessory products and expanding into new distribution channels, projecting a more ambitious future for the company. Thus, as early as 2009, two new brands, Mariner and Euro, joined the portfolio formed by the Technos, Mormaii and Seiko brands. The following year, the company ran its first direct-sales experiment with Euro franchise kiosks. In 2011, it launched Allora to compete in the entry-level range. Soon after, it bought the rights to Timex and acquired Touch, a company that developed and sold watches and sunglasses under its own brand with exclusive distribution.

The flight plan for Technos seemed so crystal clear to us that we may have fallen into the same trap of collapsing time and space, just like the vision of Borges's Aleph. This magic portal, where everything is anticipated, recalls the everyday device of the financial investor, compressing the

3 *Someone might point out here that, apparently, our enthusiasm for Technos's new business project went so far that we ourselves would have granted an implicit waiver on the third criterion for private investment that we mentioned above (management in place). In practice, Joaquim worked side by side with Mr. Mário daily for two years, which we understand ensured a careful and consistent succession process.*

future, with all its potentialities and uncertainties, into an enigmatic expression called "present value."

In retaliation, *time* began to show us the force of reality of its ingenious, unsuspected machinery. In the second half of the 1980s, Champion, a Technos competitor, had launched with great success the "interchangeable straps" system, a colorful plastic *kit* that offered quick-fit straps and dials, creating countless different combinations. With appeal to young people, the "chameleon watch" proved a great success. When the brand relaunched the package in 2010, Technos believed the market reality, with a more sophisticated consumer, was different. It dismissed the initiative and turned a deaf ear to the first positive signs from the channel, which proved a mistake. The interchangeable-strap kit repeated its success, and that year Champion would jump from fifth place to second in market share. Technos was late to enter and failed to anticipate the end of the wave. It lost market *share* and ended up with a high residual inventory, burdening working capital.

A recent study (Zajdela et al., 2026) by researchers at Northwestern University analyzed 37 thousand images of women's dresses since 1869 and concluded that fashion trends tend to repeat in a cycle of approximately 20 years. The study uses mathematical models and rests on a concept borrowed from psychology known as "optimal distinctiveness theory," which concerns individuals' desire to belong to a group while at the same time trying to assert their individuality. In fashion, the evidence shows that the search for styles that reconcile familiarity with exclusivity makes people gravitate toward nostalgic *designs*, especially among young people who seek inspiration in the past, in trends they did not have the chance to experience and which are therefore perceived as new. The interchangeable-strap *kit* seems to fit this understanding perfectly. The "fever" that spread quickly gave the youngsters a sense of social belonging, of being part of the "wave," while the large number of possible combinations allowed each one to find an "original" variant, different from their peers'. Had we had these *insights* at hand back then, perhaps the company's response might have been different. Or not.

When the watch ceases to be merely a functional object and comes to represent those more meaningful aspirations we discussed earlier, commercial possibilities expand, but so do uncertainties. We enter the ambiguous environment of consumers' hierarchy of preferences and the enormous difficulty of anticipating their choices. Who would have imagined that little colorful plastic models would be a hit in an era when smartphones were already on department-store shelves? As a positive *spin*, from the lesson learned with the interchangeable straps, Technos managed to make the transition to selling individual *fashion* items, accelerating its entry into a category that would become relevant.

The company kept growing, in step with its business plan. In July 2011, Technos became a publicly traded company again through a public offering to reopen its capital, raising R$ 172 million in primary proceeds to finance its growth strategy. In 2013, the company managed to complete a significant inorganic acquisition: it acquired the Saab Dumont Group, the third-largest *player* in the market, owner of two proprietary brands, Dumont, in the classic segment, and Condor, operating in the more accessible range of casual fashion and themed collections, in addition to licensing contracts with eight third-party brands: Fossil, Michael Kors, Marc Jacobs, Emporio Armani, Armani Exchange, Diesel, DKNY and Adidas. The much-desired strategy of filling out the portfolio and occupying the various layers of products had finally materialized. Technos now operated a matrix of 18 brands.

And here again peculiarities of the market once more posed challenges the company did not think it would face. When Technos took over Dumont, specialized-store retail, the main channel responsible for almost 70% of the company's sales, began to reject the older collections of the acquired brand, which prevented Technos from smoothly moving the inventory that came with the transaction. In addition, finding the fine-tuning of the commercial strategy, positioning and appropriate pricing of each brand proved far more complex than imagined. And the operational difficulties came just when the other competitors were becoming more aggressive. The long-awaited results of broad market dominance, significant economies of scale from operating leverage, a pacification of competition and greater command of the main sales channel did not materialize as expected, while the costs of this growth proved high: a more leveraged balance sheet and more stressed working capital. In the Borgesian imagination, instead of coming upon a synthetic portal that simplifies and anticipates everything, the company now finds itself in a *garden of forking paths*, a labyrinth of options that deepened complexity rather than confirming the arrow of time in the direction intended by the business plan. Or, in light of the earlier reflections, perhaps an endogenous response of a relational chain, historically built on trust and reciprocity, perceiving itself threatened by more "*arm's-length*" or transactional behaviors and initiatives.

With the natural wear of frustrated expectations and a more interventionist stance from the board, in October 2014 Joaquim concluded that he should give up his executive role in order to become a board member, giving the opportunity to his right-hand man, the then also young Thiago Picolo. Unfortunately, among other factors, the *timing* of his rise as CEO would prove perverse. The following two years marked one of the most severe recessions in Brazil's republican history, with a cumulative GDP decline of almost 7%. The combination of economic and political crisis pressured the

exchange rate, imposing a 48% devaluation in 2015 and forcing the Central Bank to keep the benchmark interest rate high, at around 14.25%, for a long period. Consumption collapsed abruptly and the country was once again flirting with the specter of the "middle-income trap." In this period, between 2013 and 2015, Samsung, LG and Apple successively launched their first *smartwatches*. The move brought to the interior of the global watchmaking industry a perception of technological threat and, with it, a cloud of uncertainties and existential concerns that to this day have not fully dissipated. The company put its expansionist ambitions *on hold*, and Thiago's management would be marked by financial restraint, working-capital optimization and an attempt to preserve margins in a very hostile market environment.

Reacting to this context, Technos decided to cut its sales force by almost 50%, taking a far more transactional than relational stance toward the sales network, and also made changes in the leadership team, bringing in executives with experience in global consumer companies, in stark contrast to the earlier culture, cultivated since Mr. Mário's time, which was to nurture internal talent.

After a period of hard work, the financial discipline goals were achieved: the company managed to bring working capital and net debt back to healthy levels. By then it was late 2018, and the macro environment would finally start to help: GDP up, exchange rate stabilized and the Selic in free fall. At the moment when Management begins to leave survival mode and look further ahead, a conviction takes hold: the watch as an accessory item is interesting, but lives under threat from *smartwatches* and relies on an unsophisticated channel. It would be advisable for the company to investigate adjacent segments, in particular the jewelry business. From a purely transactional standpoint, the management team's diagnosis appears quite understandable. The period of financial clean-up was one of exhausting work and extreme tension, when the company even lived with the possibility of not being able to honor its commitments. The years seemed to have a *Bergsonian* intensity of duration, and the condemnation of the product and channel as structurally fragile emerged as a natural corollary.

Looking back, and in light of the lessons of the previous Report, both the "modernization" business project and the financial "tidying-up" period, both well-intentioned and reasonable, generated convictions and initiatives that ended up proving offensive to the channel. (One more chapter for our collection of examples of unintended consequences or second-order effects? Apparently so.) Here we gather some of these actions mentioned throughout the text: reduction of the SKUs demanded by customers; direct sales through kiosks competing with traditional stores; multiplication of the brand portfolio and concentration of supply (the Dumont acquisition), narrowing the breadth of customer choice; "scientific" marketing replacing intuitive reading of the front line; indifference to the network's *feedback* in the interchangeable-strap episode; hiring of outside executives, underestimating relational talent; drastic contraction of the sales force, seeing the commercial team as a cost and not as the building of relationships. Instead of prioritizing, preserving and nurturing the customer network as the company's main asset, we treated it as a secondary substrate, a vehicle in service of other objectives that were, at the time, more urgent.

From the beginning, we intuited the value of the channel as the company's main asset, but we did not fully understand its nature. Enchanted by a modernizing business project and by the fascination of growth, we saw the network of retailers as a distribution platform to be exploited, an avenue able to receive more brands, more categories and new channels. We did not realize we were facing a system of embedded exchanges, whose strength derived precisely from tacit routines, from trust and reciprocity, and whose robust but calibrated balance could not be strained indefinitely without its logic being altered.

In this context, in which the board was discussing ways to free the company from its dependence on a structurally anemic market, Joaquim inverted the logic and proposed an alternative diagnosis. Based on his confidence in the quality of the channel, and on his belief in the complementarity between traditional watches and *smartwatches*, the years of emphasis on the financial issue had left gaps in operational management that needed to be addressed urgently. With the lessons of the past and a recalibration of focus on processes, brand management and product positioning, it would be possible to recover *top line* and margins, restoring Technos's leadership as the market leader. With a *turnaround* management proposal and, above all, "*back to basics*," Joaquim took the CEO chair again, counting on the unconditional support of shareholder and board member Renato Goettems who, with renewed enthusiasm and his very own style, returned to engage in the company's commercial activities. Renato personifies the tacit intelligence of the density of embedded relationships we explored in the previous Report, which define and sustain the fragmented channel of small retail.

The restructuring plan rested on four pillars: competitiveness, efficiency, culture and innovation. In 2014-2018, Technos had shrunk volumes and ceded market share while barely managing to raise prices. The brand was losing relevance and the company, preoccupied with the financial issue, ceased to play a leading role. The "*back to basics*" strategy consisted of a series of surgical measures in the management of channels, products, pricing, culture, processes and people. The program of initiatives was comprehensive and relied on the collective work of an active board, of a new executive

team made up of executives with a history in the company, and on the relevant support of the consulting firm Visagio. Among the lines of action, we can highlight: strengthening the commercial intelligence core, rearranging the *go-to-market* model, revising the pricing strategy, reformulating sales and operations planning (*S&OP*), repositioning the brand portfolio, reinvesting in the planning and management core, optimizing expenses and various costs, developing leaders, reformulating the incentive plan, focusing on digital innovation and online growth, and investing in new *smartwatch* collections, among others.

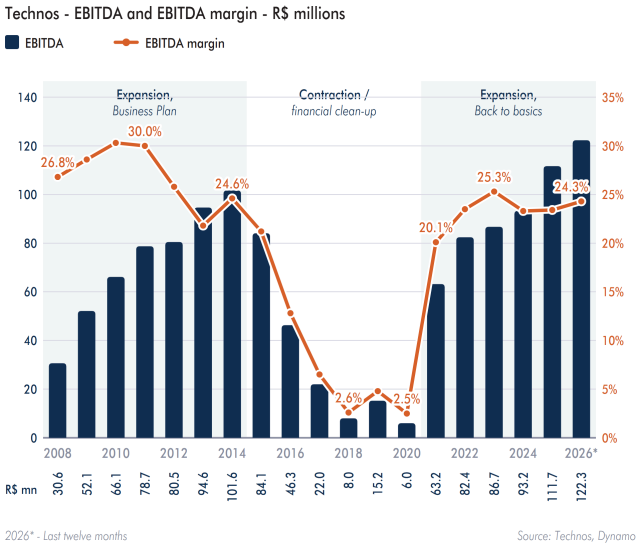
In addition, executives with a long record of service to the company were reinstated. Work began to restore the organizational climate, with investment in team training plans and the development of internal talent, recovering a tradition and cultural trait of Technos: growing leaders in-house.

Now it was the "mature" Joaquim's turn to face a setback right at the start of his second term as CEO: the pandemic. Faced with fragile sales and rising defaults, the company set up a crisis committee and found itself obliged to take a series of actions to protect cash and accelerate the restructuring plan, aiming to improve long-term financial performance. These measures included a 33% reduction in fixed *headcount*, expense containment, a push for e-commerce, a rationalization of the international brand portfolio, selective price increases, among others. For all its challenges, the pandemic provided an opportunity for Technos to accelerate its restructuring plan. Not only from the operational standpoint, through the generation of efficiencies, but also from the financial one, since it made possible a renegotiation of bank debt, whose longer maturity brought more breathing room to cash management. Without the health crisis, the operational and financial recoveries would probably have been much slower.

Management's vote of confidence in the specialized channel was rewarded by a fortuitous accidental element - that thing called *serendipity* showing up here again... With the channel made up largely of family-owned stores that sell watches and jewelry, the owners realized they had in hand a very liquid asset, which allowed them to survive during the pandemic: precious metals, gold and silver, duly melted down and monetized. And so the "fragile" channel survived financially healthy through the difficult pandemic period, while other segments of consumer-goods retail were not so lucky.

The results of the restructuring began to appear in the third quarter of 2020 and were confirmed in 2021, with a substantial recovery in margins and EBITDA. Since then, Technos has been delivering growing results. The latest earnings release (3Q26) marked the 25th consecutive quarter of EBITDA growth, an impressive streak considering this was a period in which the main companies in the consumer segment faced great difficulties, reflected in inconsistent results. Not by chance, since then we have seen several other companies and business groups adopting the same discourse of portfolio simplification, return to historical lines of business and abandonment of grandiose constructions in adjacent markets, among them Alpargatas, Natura, Grupo SBF (Centauro), Lojas Renner, Dasa, Motiva, and others. In our experience as long-term investors, we have observed that "*back to basics*" resurfaces periodically as a business narrative, generally following phases of expansion in which a more optimistic view of the business environment ends up prompting capital-allocation decisions that prove miscalibrated. In Technos's case, it meant recovering the leading role of its founding period, regaining confidence in the quality of the business and focusing on the core, abandoning distractions.

The chart below summarizes the numbers of this long journey, in which we see three very distinct periods of operating performance. The first, until 2014, with the expansion of the business plan; the second, of contraction/financial clean-up; and the third, of recovery/"*back to basics*."



2026 - Last twelve months* *Source: Technos, Dynamo*

What stands out is that the 2025 result practically returns to the nominal level of 2014. Was it a "lost decade"? After so many initiatives, changes, adjustments and advances, Technos delivers identical results, as if the arrow of *time* bent back, subverted, into a circle.

The "Red Queen" hypothesis became well known in evolutionary biology. It describes the phenomenon of highly selective biological environments, where competition among species results in a zero-sum game, because Darwinian forces are such that predators and prey, parasites and hosts, must evolve continuously just to maintain their original chances of survival. The term is taken from the famous passage in Lewis Carroll's *Through the Looking-Glass*, in which the Red Queen and Alice ran side by side in a fantastical world of inverted logic. However fast she ran, Alice had the impression that the landscape around her did not move. Confused and

exhausted, she argues that, in her country, running should take her somewhere different, to which the Red Queen replies: "*Now, here, you see, it takes all the running you can do, to keep in the same place*." Transposed to the business environment, the effect recalls those sectors where each participant must pursue ever-higher levels of efficiency (industry) or *capex* thresholds (technology) just to maintain its relative positioning.

Did the competitive imperatives surrounding the watch segment impose on Technos the curse of having to run ever faster in order to produce, a decade later, merely identical results? On the one hand, we can say yes, given that competition for the consumer's budget has only intensified since then: smartphones, digital subscriptions and omnichannel have widened consumers' portfolio of options, while household leverage in a predominantly high-interest-rate environment has brought a tighter squeeze on income, imposing additional difficulties on the consumption of discretionary goods.

On the other hand, the basic organizational structure of the sector has changed little. Even today, one finds the same industrial production model in the Free Trade Zone, based on the assembly of imported components, in Technos's case from China and Japan. Despite the greater penetration of the digital channel, sales through the distribution network of specialized stores, now with about nine thousand points of sale, still overwhelmingly dominate. Finally, the main local *players* are basically the same, with only marginal shifts in market share in certain niches. In other words, it does not seem reasonable to chalk up the merely stable results over a decade to an acute Darwinism in the environment. On the contrary, despite the company's intense internal scurrying, the external landscape remained reasonably stable, as in the picturesque world of the literary work. That being so, the frustration in long-term results can be attributed more to internal entropies than to external threats.

Looking in the rearview mirror, might we, the group of reference shareholders, have insisted on a simplistic financial-investor recipe, packaged under dysfunctional assumptions given the reality of a traditional sector such as small retail? Or, on the other hand, might we have given up on the business project too early? Might the Dumont brand, had it not been discontinued, occupy a relevant space in the portfolio today, like Condor, which came with the same acquisition? Might the conversations about diversifying into other product lines, had they been implemented, have proved right? Might the period of exclusive focus on financial clean-up have been shortened? These are counterfactual mental exercises we will never be able to answer, but which, as a matter of method, we keep putting to ourselves in order to distill lessons and not repeat the mistakes. The circumstances of this case are atypical for us. It began as a private investment within a block of financial investors with a long-term project and led us to the position of sole reference shareholder, having to deal with changes on the board and in the management team while results were deteriorating rapidly. We experienced the discomfort of an investor trained as a participating minority shareholder having to take on the responsibilities of a relevant reference shareholder of a *corporation* at a delicate moment for the company.

With the benefit of the passage of *time*, the "*back to basics*" strategy has proven right in its diagnosis and precise in its execution. In 2019-2025, the company was able to implement price increases of 7.5% a year on average prices, while regaining market leadership and restoring operating margins.

As the plan advanced, Joaquim kept increasing his equity stake, to the point that he is now Technos's main shareholder. The *Proustian* Joaquim seems to have discovered his vocation as he moved along the journey of rebuilding. At Dynamo, we generally take a critical view of the accumulation of roles in listed companies, when the shareholder is at the same time a board member and an executive, because this arrangement tends to cause more role confusion and governance dysfunction than benefits. In this case, Technos defied our experience, perhaps because during this period the company did not prioritize the capital markets and behaved more like a private company, where this mixing of personalities does not reverberate as sharply.

An initial, not very obvious suspicion, which seems to have turned into conviction over time, permeating the entire restructuring effort, was the understanding of the role of traditional customers. The network of specialized, dispersed stores, once seen as a fragile and unsophisticated channel, has been proving to be an important ally of the company, a valuable intangible asset and a barrier to entry for competitors, mainly foreign brands unfamiliar with this unusual, fragmented and more relational arrangement. This perhaps explains the stability and longevity of local participants.

Technos's recent results fit quite closely the predicates described in the literature on embedded exchanges that we saw in the previous Report and align with the findings of the empirical studies that underpinned them. In turn, "*back to basics*" endorses the most appropriate strategy for preserving the attributes of relational network systems.

If it is true that last year's numbers resemble those of ten years ago, the slopes are opposite. In 2014, the company reached a peak in results that proved unsustainable. The trend today still seems to be one of progress. In addition, in this latest expansionary phase, what stands out is the discipline in capital allocation, with an important reduction in leverage and working capital, as well as the renewal of buyback programs and successive share cancellations. We do not know

how long the long growth streak will last. We do not know whether the solidity of the positive performance may feed the old desire to return to seeking new inorganic expansions in the watch segment, or even to risk diversification into other lines of accessory products. We do not know the size limit of the segment, which may prove elastic depending on the industry's ability to continuously reinvent the watch as a product, defining it not merely as an accessory consumer item but promoting it as a good of aspirational value connected to realities considered more substantive to the individual. And here we also include new functional attributes, such as health monitoring and performance in physical activity, for example. This seems to be the global trend, given the concentration of effort by the large brands on demand-creation strategies.

As for the capital markets, if the company chooses to concentrate on the core, focusing exclusively on organic growth opportunities, it makes less sense to promote initiatives aimed at improving the share price, valuing it as currency for deals. Liquidity should remain restricted, and the most likely outcome is for Technos to be characterized as a "*yield play*," a cash generator and good dividend payer. On the other hand, if the company decides it is time to take more ambitious flights, re-issuing an updated version of the expansionist business project, after all the accumulated experience, it will be necessary to resume the relationship with the financial community with more vigor.

# #

Following the Borgesian line once more, the longer we are immersed in this river of experiences, the more "Dynamo" we should be. In this case, in a very particular way, we came to understand that the company's channel, developed over decades, branching and relational, apparently fragile and "backward," hides vitality and resilience. We learned that this kind of ordering conceals valences that need to be well understood before being transformed.

The merits of the good recent results, achieved in a hostile environment for discretionary consumption in the country, suggest that, after a season of experiments and difficulties, Technos managed to find a suitable configuration, recovering its leading role and delivering prosperity. As the company projects itself over the next hundred years, the hope is that the paths ahead will no longer present themselves as winding bifurcations, but will be paved with the technical cadence of the precise machinery of its watches and the steady pulse of the trusted relationships of its channel.

Rio de Janeiro, November 11th, 2026.

Dynamo Cougar x Ibovespa
Performance in R$ up to October 2026

Period	Dynamo Cougar	Ibovespa*
120 months	180.0%	161.1%
60 months	28.6%	62.2%
36 months	47.1%	49.2%
24 months	20.3%	28.5%
12 months	8.2%	12.9%
Year (2026)	1.2%	4.2%
Month (October)	-9.0%	-9.9%

(*) Ibovespa closing. Indices are presented as economic reference only, and not as a benchmark.

DYNAMO COUGAR x IBOVESPA
(Performance in US$)*

Period	DYNAMO COUGAR Year	DYNAMO COUGAR Since Sep 1, 1993	IBOVESPA** Year	IBOVESPA** Since Sep 1, 1993
1993	38.8%	38.8%	7.7%	7.7%
1994	245.6%	379.5%	62.6%	75.1%
1995	-3.6%	362.2%	-14.0%	50.5%
1996	53.6%	609.8%	53.2%	130.6%
1997	-6.2%	565.5%	34.7%	210.6%
1998	-19.1%	438.1%	-38.5%	91.0%
1999	104.6%	1,001.2%	70.2%	224.9%
2000	3.0%	1,034.5%	-18.3%	165.4%
2001	-6.4%	962.4%	-25.0%	99.0%
2002	-7.9%	878.9%	-45.5%	8.5%
2003	93.9%	1,798.5%	141.3%	161.8%
2004	64.4%	3,020.2%	28.2%	235.7%
2005	41.2%	4,305.5%	44.8%	386.1%
2006	49.8%	6,498.3%	45.5%	607.5%
2007	59.7%	10,436.6%	73.4%	1,126.8%
2008	-47.1%	5,470.1%	-55.4%	446.5%
2009	143.7%	13,472.6%	145.2%	1,239.9%
2010	28.1%	17,282.0%	5.6%	1,314.8%
2011	-4.4%	16,514.5%	-27.3%	929.1%
2012	14.0%	18,844.6%	-1.4%	914.5%
2013	-7.3%	17,456.8%	-26.3%	647.9%
2014	-6.0%	16,401.5%	-14.4%	540.4%
2015	-23.3%	12,560.8%	-41.0%	277.6%
2016	42.4%	17,926.4%	66.5%	528.6%
2017	25.8%	22,574.0%	25.0%	685.6%
2018	-8.9%	20,567.8%	-1.8%	671.5%
2019	53.2%	31,570.4%	26.5%	875.9%
2020	-2.2%	30,886.1%	-20.2%	679.0%
2021	-23.0%	23,762.3%	-18.0%	538.9%
2022	-7.8%	21,899.9%	12.0%	615.4%
2023	32.1%	28,965.0%	31.8%	842.8%
2024	-30.8%	20,002.8%	-29.9%	560.7%
2025	56.1%	31,284.2%	50.8%	896.0%
2026***	2.7%	32,136.1%	5.8%	953.6%

(*) Considering that this is a Fund that has existed since 1993, the figures were converted into dollars (US$) as a way to eliminate the volatility of the Brazilian currency throughout the period and, in this way, minimize the risk of possible misinterpretations by the reader in the case of an investment decision/divestment. Dynamo Cougar is a fund that invests in NAV of an equity investment fund and is currently closed for new investments. (**) Ibovespa closing price. The index is presented as a mere economic reference and does not constitute a target or benchmark for the Fund. (***) Return up to October 2026.

Additional information:

- **Inception:** 09/01/1993
- **Objective:**
  Deliver NAV appreciation above inflation in a medium/long term horizon by investing at least 95% (ninety-five percent) of the fund´s net worth in the NAV of Dynamo Cougar Master Equity Investment Fund ("Master Fund")
- **Target investor:** Qualified investors
- **Status:** Closed for new investments
- **Redemption grace period:** 12 months grace period or liquidity fee of 3% for redemption within this time period*
- **Redemption NAV:** D+12 (calendar days)*
- **Redemption payment:**
  D+2 (working days) after NAV conversion*
- **Applicable taxation:** Equity
- **Anbima´s classification:** "Equity - Free Portfolio"
- **Management fee:** 1.90% per year for the Fund + 0.10% for the Master Fund
- **Performance fee:** on the top of IPCA + IMAB*
- **Average monthly net worth last 12 months:**
  R$ 5,935.4 million.

(*) Detailed description provided in the bylaws

To find more information about Dynamo and our funds, or if you wish to compare the performance of Dynamo Cougar to other indices in different time periods, please visit our website:

www.dynamo.com.br

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DYNAMO ADMINISTRAÇÃO DE RECURSOS LTDA.

Av. Ataulfo de Paiva, 1235 / 6º andar, Leblon, 22440-034, Rio, RJ, Brazil. Phone: (55 21) 2512-9394. Contact: dynamo@dynamo.com.br