

# Cia.Hering

✕ HERING ✕ HERINGKIDS PUC 9 D Z A R M

EARNINGS RESULTS 1Q20





# INDEX

✧ **Protect people and business**

✧ **Financial Performance**

✧ **Draw the “New Normal”**

✧ **Q&A**



We would like to express our solidarity with the ones affected by the COVID-19 pandemic and reinforce that our people, as well as their health and safety, are absolute priorities. For this, we thank this dedicated team, which in such challenging and unprecedented times, inspires us to continue reinventing ourselves. In addition to reaffirming our belief in the perpetuity of the business that, in 2020, celebrates 140 years of history.



# Disclaimer

This presentation contains forward-looking statements regarding the prospects of the business, estimates for operating and financial results, and those regarding Cia. Hering's growth prospects. These are merely projections and, as such, are based exclusively on the expectations of Cia. Hering management concerning the future of the business and its continued access to capital to fund the Company's business Plan. Such forward-looking statements depend, substantially, on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in Cia. Hering's filed disclosure documents and are, therefore, subject to change without prior notice.



# TAKING CARE OF PEOPLE



# Speed and Adaptability



*Build together*<sup>1</sup>



# Social initiatives



*Passion for the cause <sup>1</sup>*



Manufacture of **clothes for hospital** use in the states of Santa Catarina, Goiás e Rio Grande do Norte

## R\$ 1.4 million in donations

Manufacture and donation of **masks** to communities, hospitals and institutes



Launch of the "Com Amor" collection, with 100% of the profit reverted to the **purchase of respirators**



# PROTECT CASH POSITION AND BUSINESS



# Strengthen financial health



Generate value <sup>1</sup>

\*The measures mentioned below will have impacts primarily in the second quarter

Implementation of a **timely liquidity management, strict control of expenses** and **suspension/prioritization of investments**

**Renegotiation of contracts and terms**, besides the suspension of new contracts of non-essential activities

Review of **collection calendar** and **reduction in the purchase volume** of raw materials and finished products

**Raising of R\$ 200 million**

Reinforcement of cash position:  
Raise of R\$ 120M in March and R\$ 80M in April.  
At the end of April - **R\$ 519M in cash position**

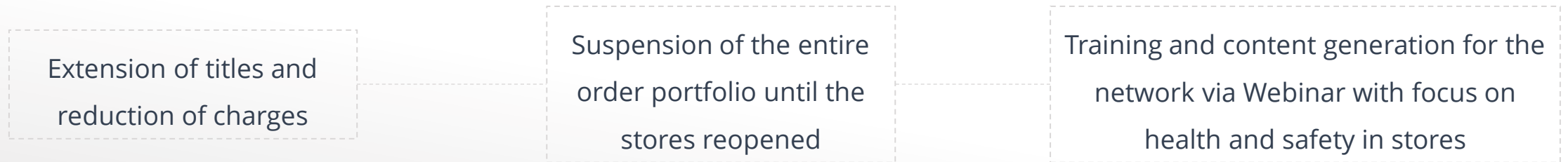
**Payroll reduction in April and May**

Reduction of Management salaries, of all leadership, and adherence to the emergency employment and income maintenance program -  
**Provisional Measure 936**

\*The amounts related to April and May have not yet been audited



# Ensure the network continuity



## Network support plan





# FINANCIAL PERFORMANCE

## 1Q20

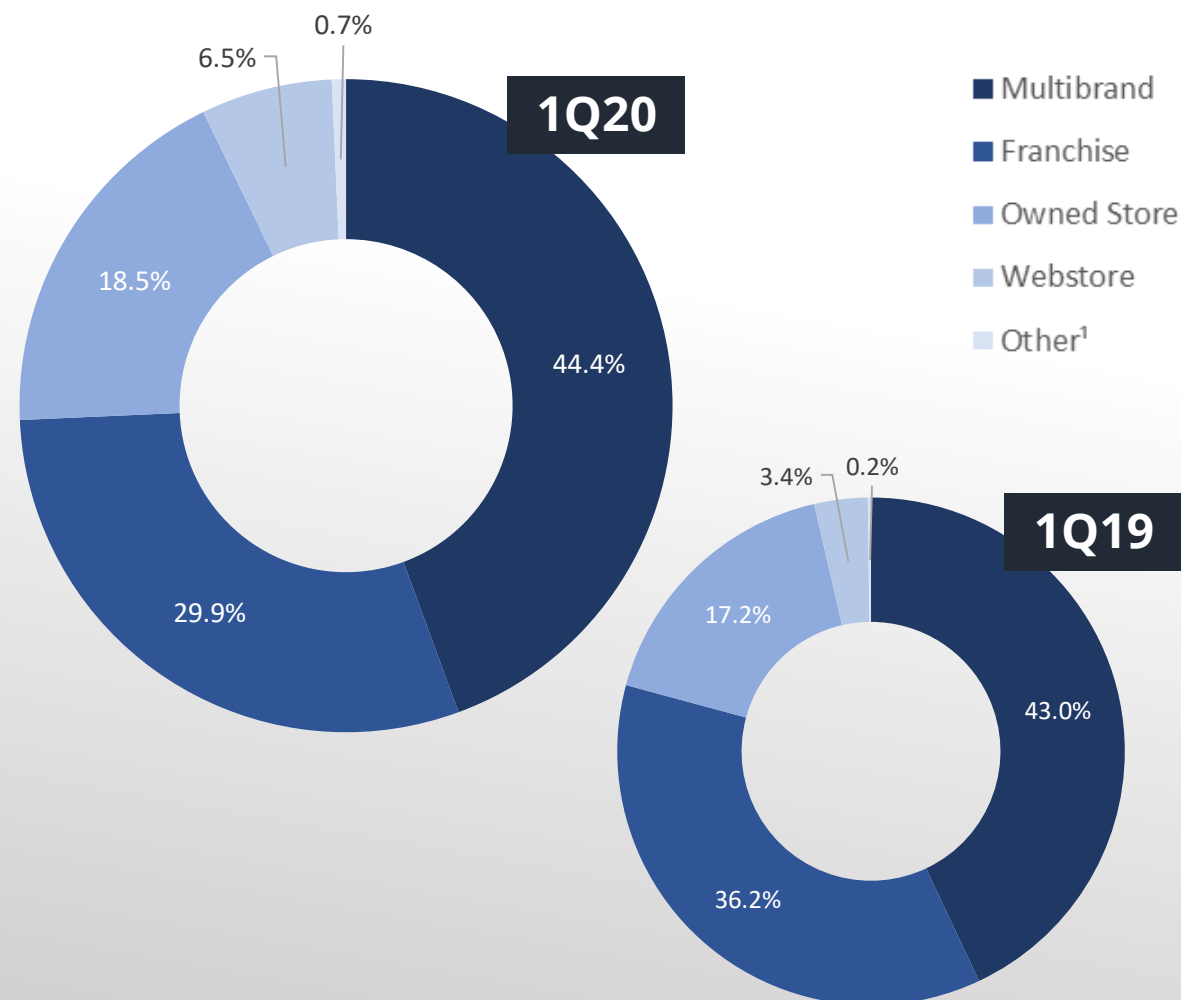
# Gross Revenue



## Per Brand (R\$ Million)

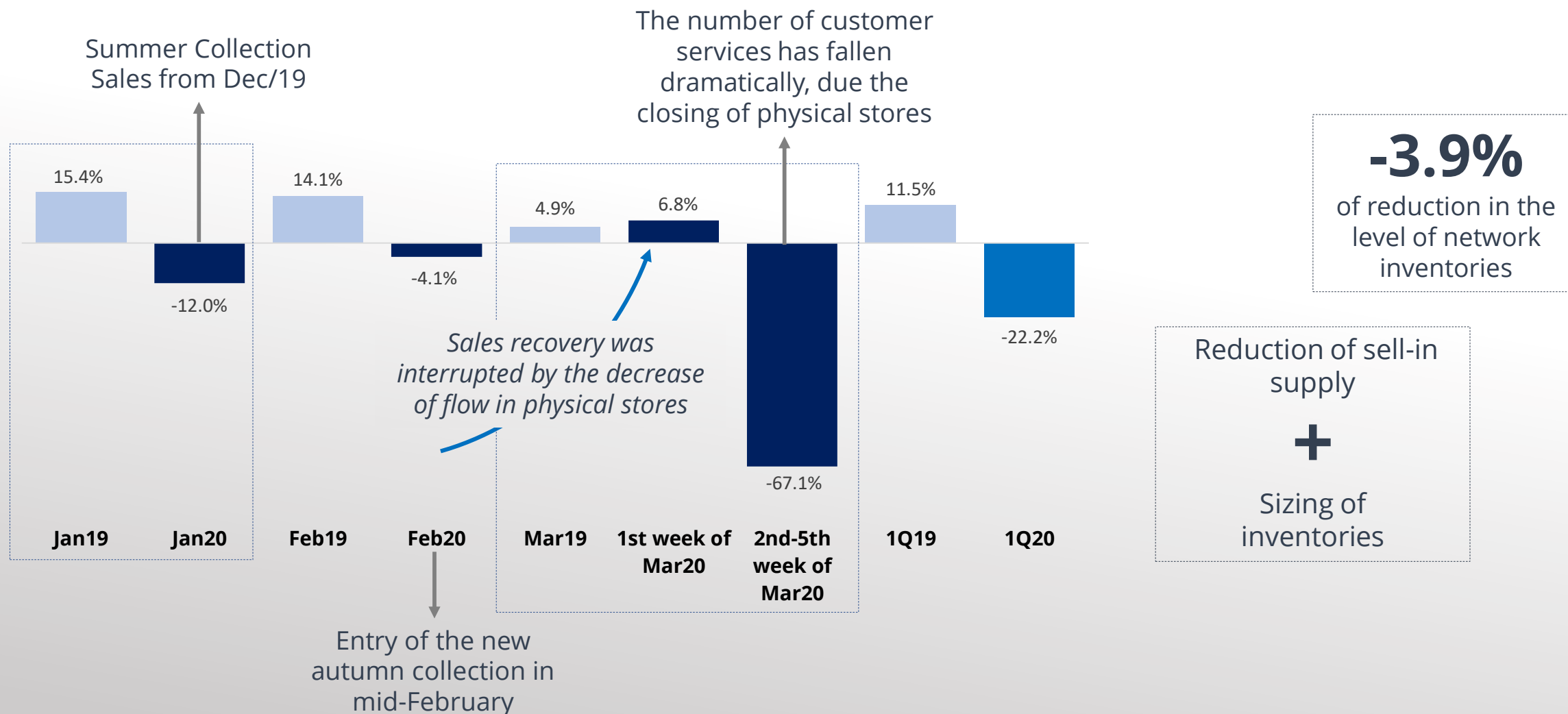
	1Q20	1Q19	Var.
<b>Cia.Hering</b>	323.6	437.9	-26.1%
<b>HERING</b> <b>HERINGKIDS</b>	276.8	380.8	-27.3%
<b>PUC</b>	14.9	22.5	-33.8%
<b>D Z A R M</b>	20.0	18.2	9.8%
<b>Other<sup>1</sup></b>	4.9	6.4	-24.2%
<b>Foreign Market</b>	7.1	9.9	-28.7%

## Per Channel (%)



<sup>1</sup> Considers the sale of second line items and leftovers

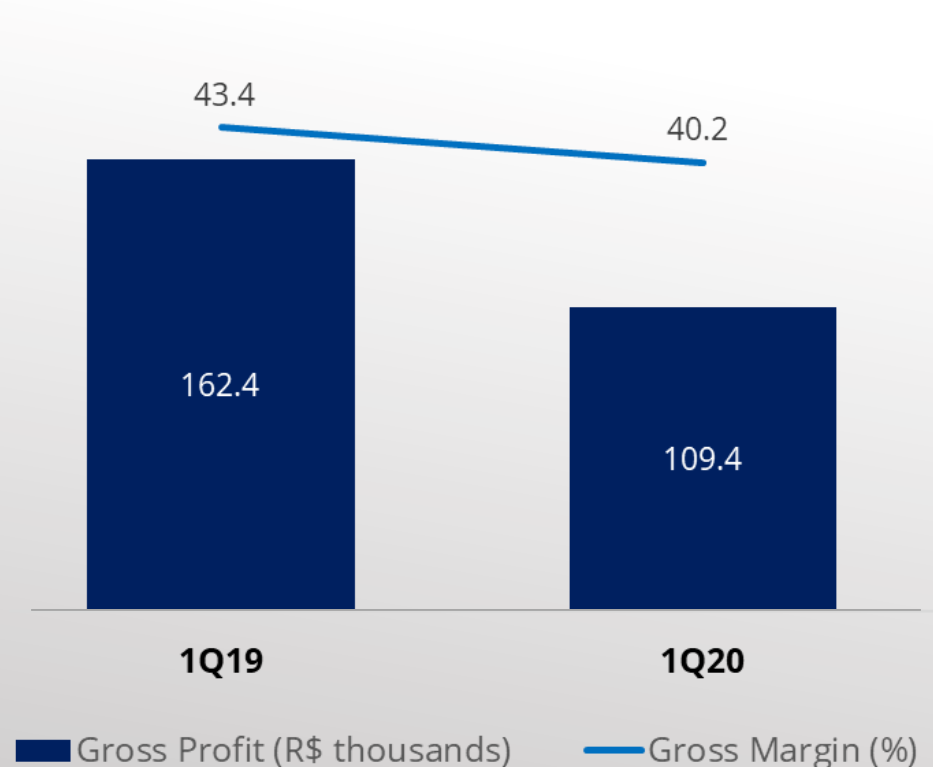
# Same Store Sales – Hering Network







# Gross Profit and Gross Margin



## Gross Profit

Decrease in the Company's sales volume;



## Gross Margin

Low dilution of fixed costs;

Decrease in factories operating leverage;

Reduction and cancellation of regular collections sales;

Greater mix of sale in the total revenue.

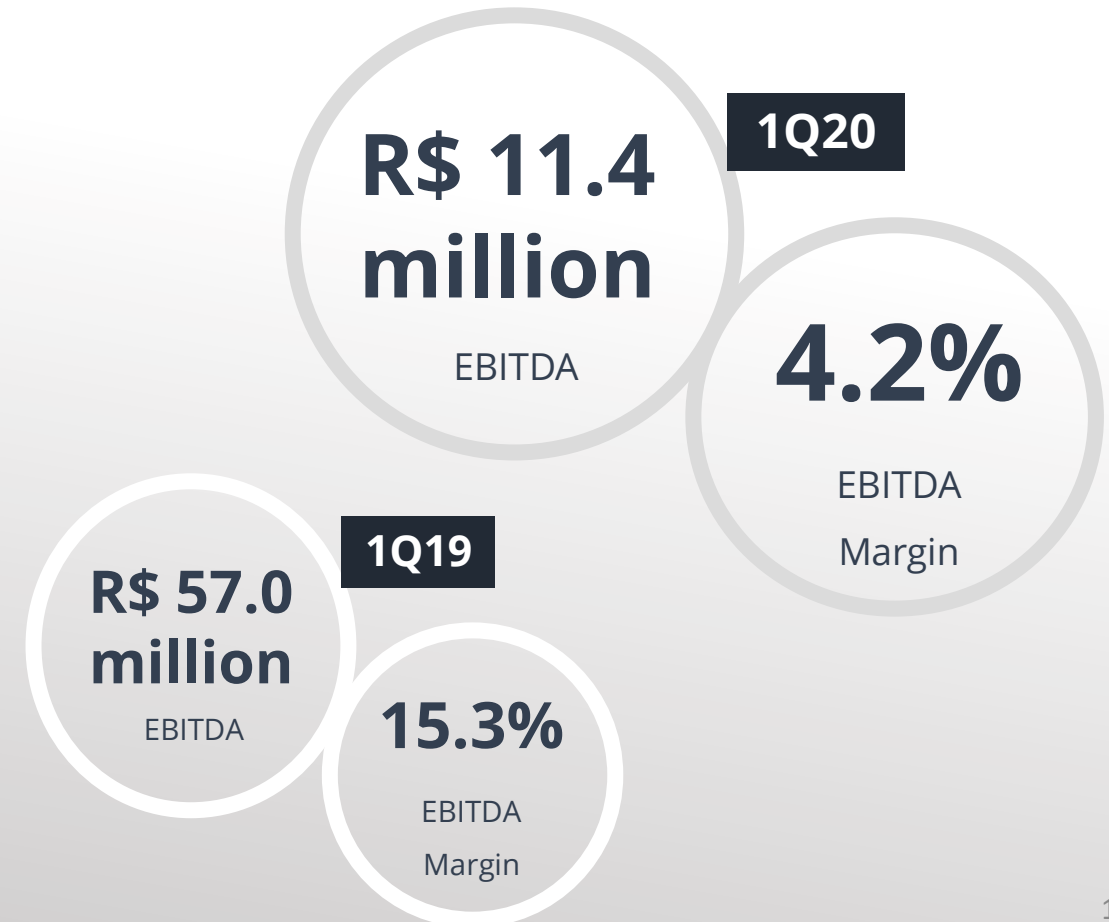


## Operation expenses

- ↓ Lower bonus payment and commissions related to low sales performance;
- ↓ Reduction in property rental expenses;
- ↓ Decrease in personnel expenses due to the vacancy rate;
- ↓ There was no provision for profit sharing;
- ↑ Increase of indemnities from commercial representatives of the multi-brand channel;
- ↑ Increase of allowance for doubtful accounts due to the deterioration of the portfolio of overdue securities.

# EBITDA

- ✂ Reduction in sales growth
- ✂ Operational deleveraging



# Cash Flow

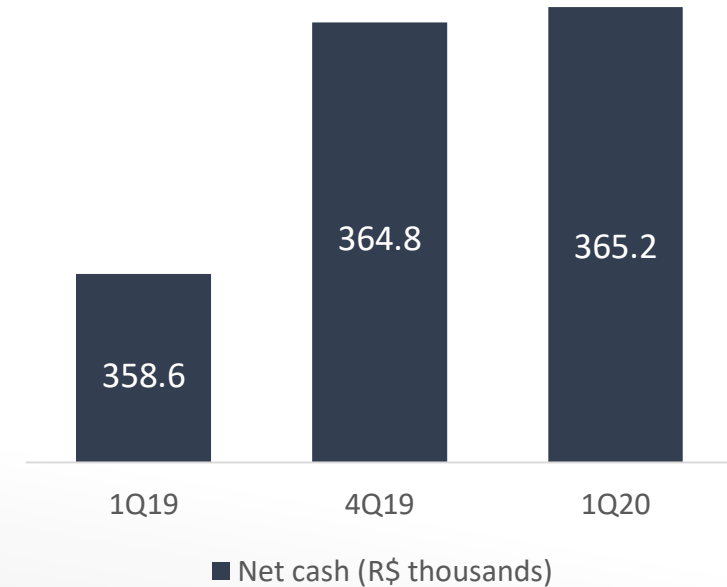


Cash Flow - Consolidated (R\$ thousand)	1Q20	1Q19	VAR. 1Q20   1Q19
<b>EBITDA</b>	<b>11,383</b>	<b>57,034</b>	<b>(45,651)</b>
No cash items	12,238	5,933	6,305
Lease Effect	(8,140)	(6,860)	(1,280)
AVP (Adjustment to Present Value) - Clients and Suppliers	4,770	5,016	(246)
Current Income tax and Social Contribution	-	228	(228)
<b>Working Capital Capex</b>	<b>10,659</b>	<b>19,957</b>	<b>(9,298)</b>
Accounts receivable from clients	94,829	42,297	52,532
Inventories	(71,346)	(37,306)	(34,040)
Accounts payable to suppliers	35,984	22,318	13,666
Taxes payable	(19,546)	(10,961)	(8,585)
Franchisee Financing - Refurbishment plan	(1,761)	(664)	(1,097)
Others	(27,501)	4,273	(31,774)
<b>CapEx</b>	<b>(4,948)</b>	<b>(9,274)</b>	<b>4,326</b>
<b>Free Cash Flow</b>	<b>25,962</b>	<b>72,034</b>	<b>(46,072)</b>

# Net Cash



In order to preserve the financial health for the sustainability, acceleration of the business and strengthen its net cash position the Company raised a financial loan in March and April.



**R\$ 485.3M**

Cash and Cash  
Equivalents

-

**R\$ 120.1M**

Loans and  
Financing

=

**R\$ 365.2**

Net Cash in  
March/2020

\*Additional capture of R\$ 80 million during apr/20 was not considered in the above data



# Subsequent events



## Gradual reopening of stores \*



*203 stores open – 30% of total chain*

## Subsequent events



Portfolio and strategy reevaluation for positioning in the **children's market**

### TAX CREDIT

Successful lawsuit regarding to the **exclusion of the state sales tax (ICMS)** from the calculation base of the PIS and COFINS federal taxes , in the total amount not yet audited of **R\$ 279.4 million**

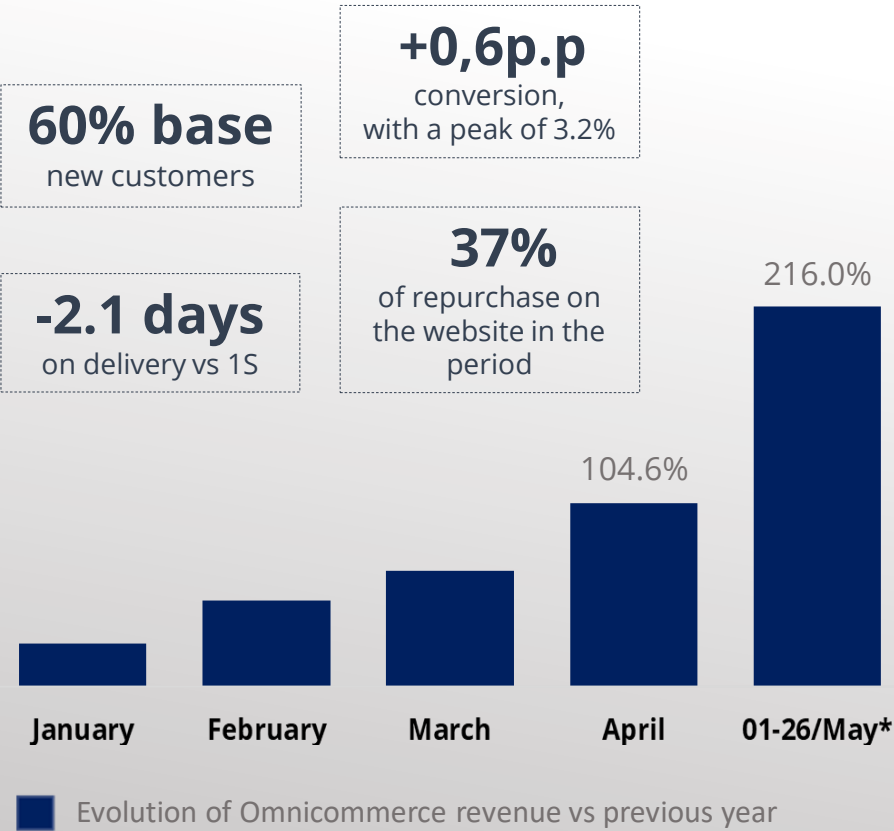


# **DRAW THE "NEW NORMAL"**



# Digital acceleration and new sales channels

## Performance of the e-commerce channel



<b>Power Cash + Virtual Wallet</b> 11 days return - <b>ROI 4</b>	<b>Ship-from</b> 1Q20 <b>+90%</b> vs LY	<b>Hering and You at home!</b> (Journey of comfort) <b>40%</b> of the sales
<b>Voucher from the store of your</b>  <b>R\$ 400k</b> commissions	<b>Super Express Shipping</b>	<b>WhatsApp</b> <b>3.304</b> orders
<b>Personal Shopper</b>	<b>Customization</b>	<b>Marketplace in and out</b>

**PRIORITIES**  
Guarantee availability, improve usability and increase capacity of the Web and DC

\*The amounts related to April and May have not yet been audited

# Digital acceleration and new sales channels

## New modalities and services

### "Social Selling"

Payment of commission to franchised store sellers, multi-brand and Cia employees for sales on the website (2,000 sellers)

### "Dark Kitchen"

Operations in closed stores for delivery and drive-through sales through pick up (~300 stores) and ship from (~250 stores) modalities

### Sales via WhatsApp

Activation of the offer to customers with digital catalog, integrated stock and payment link via WhatsApp

### Marketplace in and out

Strengthening presence in the main marketplaces and expanding the portfolio in e-commerce with partnerships

### Key Accounts

Expansion of leads in the Key Accounts channel and pilot a basic essential shop-in-shop in one of the largest hypermarket chains in Brazil



# Strengthening the value proposition



*Make choices easier,  
make life easier <sup>1</sup>*



## Sustainable Positioning

Build a systemic and supportive response for business, society and the planet, valuing the local product and chain.



## The New Experience

Digital, Live content, easy purchase, core by hand, new services and no "friction".

## COMFORT&BASIC

Lead the journey of comfort becoming an epicenter of conversations and an agent of cultural change.

Put our flag on this ground with the main brand and synergistic concepts.



## The Product is Sovereign

Design, quality, origin, technology and fair price to guarantee a "smart choice".

## Beyond Omni, "Anywhere, Anyone" commerce

All-in digitalization, long tail and new service menu.

Innovation in business formats under the concept of revenue share.

Get ready for a new role!





# Planning the different horizons

## REACT

## RESUME

## REDESIGN

### CULTURE AND PEOPLE

Protect people and create a safe environment

Welcome the “vulnerable” and stimulate the protagonists under a new mindset

Agile methodology, data driven and multidisciplinary

### FINANCIAL

Contingent expenses and suspend investments

Establish Command Center and prioritize investments

Balance between focus on P&L and long-term value generation

### CONSUMER AND ANALYTICS

Research and understand new behaviors and consumption trends

Activate loyal customers and retain customers “in digitalization”

Design new journey, shopping experience and best way to serve

### BRANDS AND PRODUCTS

Address the “Stay Home” context, supportive response and focus on key categories

Focus on the core business, Digital and content generation, reassess brand portfolio and test new categories

New brand portfolio, product matrix expansion and long tail e-commerce

### SUPPLY CHAIN AND LOGISTICS

Review purchases, negotiate contracts and organize the “last mile” of e-commerce

Regionalize products, adapt allocation model, resize industrial park and establish regional HUBs

End-to-end digitalization, new sourcing matrix and push and pull implementation

### SALES AND OPERATIONS

Accelerate online sales, develop Key Accounts and test new channels

New store operation model, expand DTC formats and try out revenue share model

Strong presence in Digital, new sales channels, “Anywhere Commerce” and total sell-out control



# Q&A



# Cia.Hering

## INVESTOR RELATIONS

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