



AREZZO & CO

4Q2019 EARNINGS
CONFERENCE CALL

AREZZO SCHUTZ ANACAPRI ALEXANDER BIRMAN

FIEVER ALME **VANS**
"OFF THE WALL"

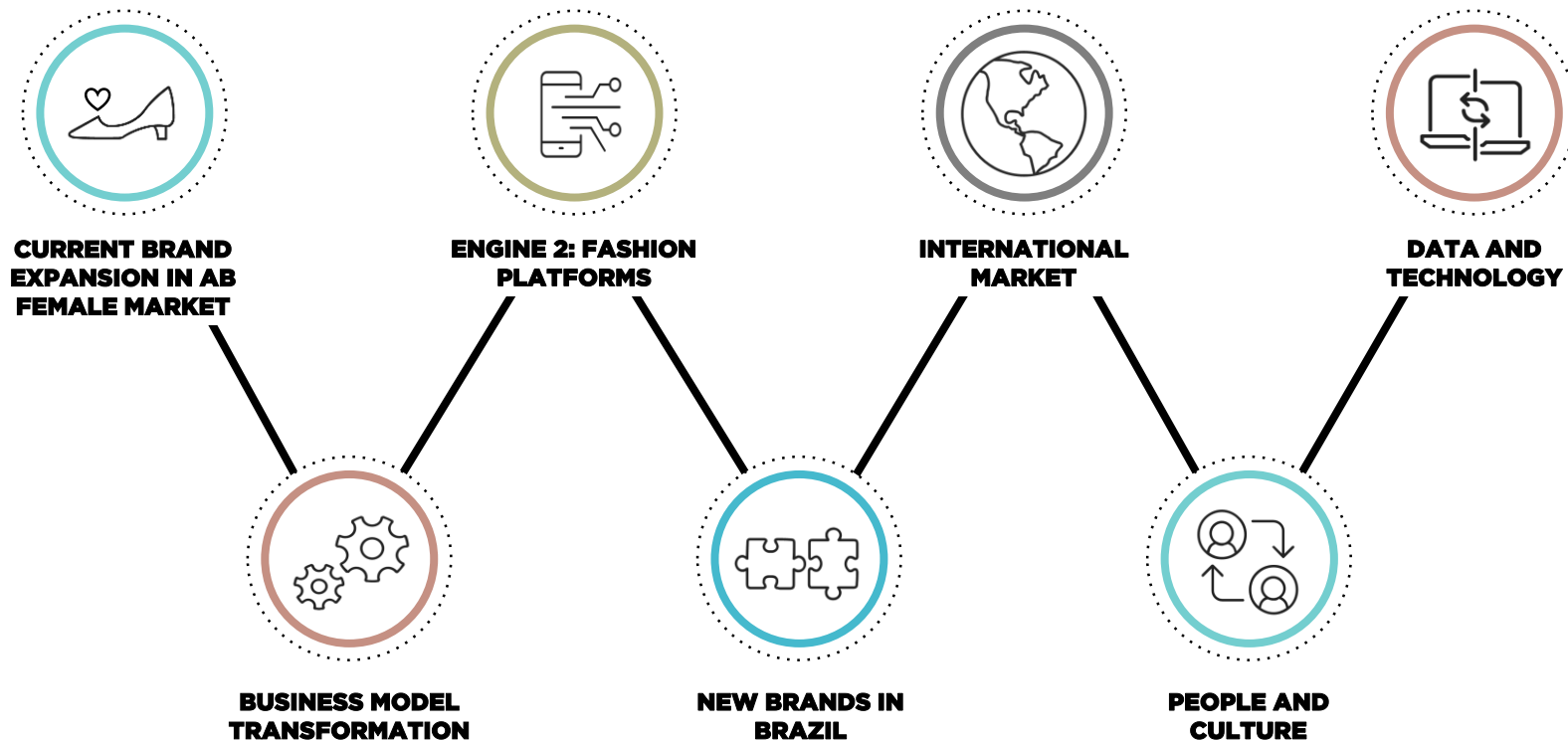
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2019 HIGHLIGHTS

NEW STRATEGIC PLAN AREZZO&CO

AREZZO
&CO



BRANDS EVOLUTION

A BROAD PORTFOLIO OF MOST-DESIRED BRANDS

AREZZO
&CO

AREZZO

1972

TRENDY
NEW
EASY-TO-USE
ECLECTIC

GROSS REVENUE
GROWTH
+9.2%

% REVENUE
49.5%

SCHUTZ

1995

FASHION
UP TO DATE
BOLD
PROVOCATIVE

GROSS REVENUE
GROWTH
+17.3%

% REVENUE
29.5%

ANACAPRI

2008

POP
FLATS
AFFORDABLE
COLORFUL

GROSS REVENUE
GROWTH
+16.2%

% REVENUE
13.3%

ALEXANDRE
BIRMAN

2009

DESIGN
EXCLUSIVENESS
IDENTITY
SEDUCTION

GROSS REVENUE
GROWTH
+18.5%

% REVENUE
5.2%

PIEVE

2015

CASUAL
YOUNG
URBAN
MODERN

GROSS REVENUE
GROWTH
+35.4%

% REVENUE
1.7%

ALME

2018

COMFORT
WELLNESS
DESIGN
SELF-CARE

GROSS REVENUE
GROWTH
+46.3%

% REVENUE
0.9%



VANS® INTEGRATION

- FIRST INORGANIC MOVEMENT FOR AREZZO&CO
- EXCLUSIVE DISTRIBUTOR OF THE VANS® BRAND IN BRAZIL
- NEW PRODUCT CATEGORIES: MALE, KIDS AND CLOTHING
- + R\$ 200 MILLION OF GROSS REVENUE IN 2019
- POTENTIAL GROWTH OPPORTUNITIES FOR PHYSICAL SHOPS, MULTIBRAND AND ONLINE
- SUCCESSFUL INTEGRATION IN LESS THAN 60 DAYS

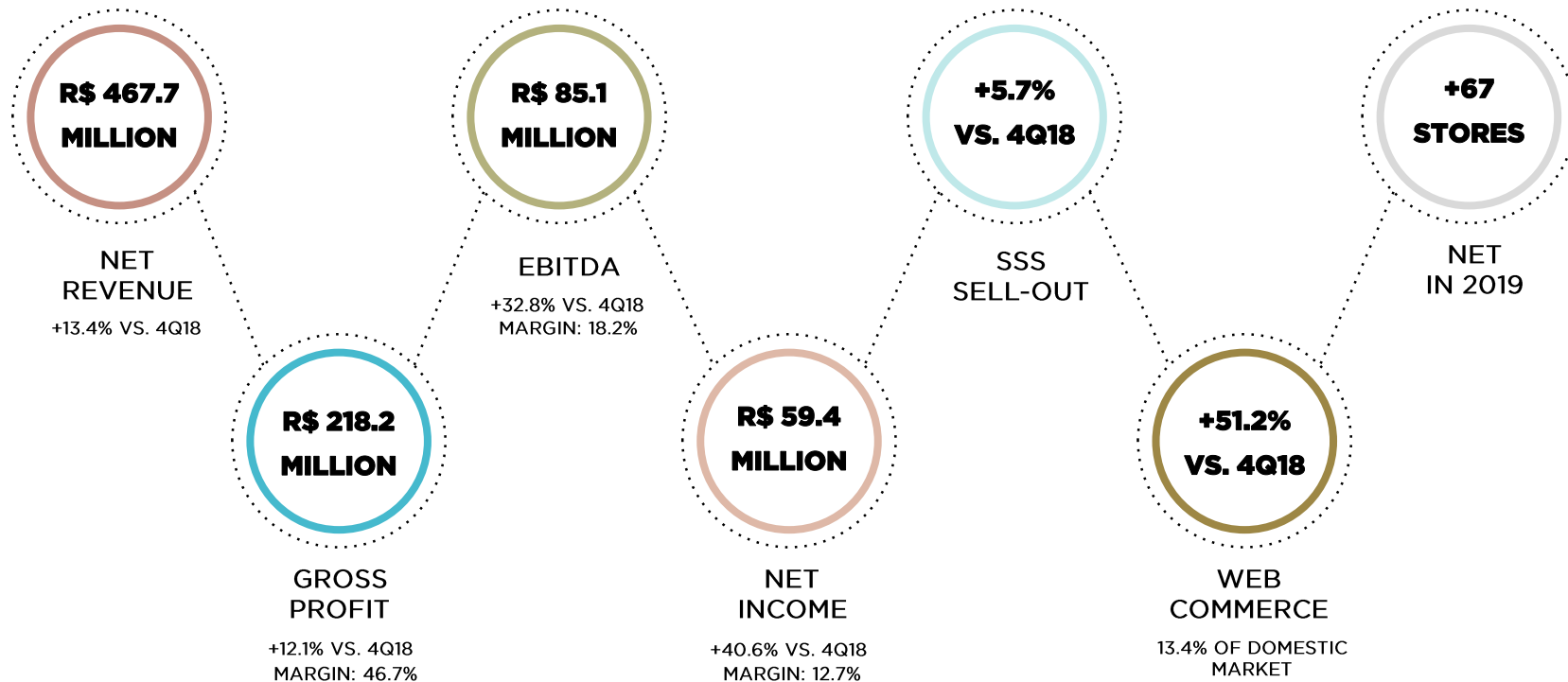
NEW PATH OF POSSIBILITIES

- NEW PATH OF POSSIBILITIES THROUGH A NEW MINDSET
- OPEN MIND TO NEW PARTNERSHIPS AND/OR MARKET CONSOLIDATION
- CREATION A FASHION PLATFORM
- CHANGE THE FASHION INDUSTRY FOR A/B CLASSES IN BRAZIL

4Q19 RESULTS

THE COMPANY MAINTAINED CONSISTENCY IN RESULTS

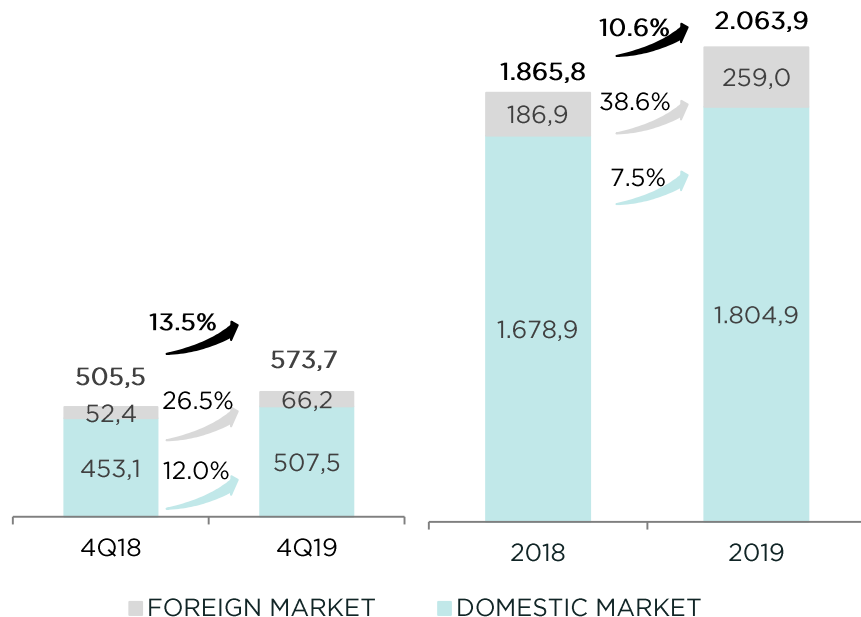
**AREZZO
&CO**



4Q19 RESULTS

GROSS REVENUE GROWTH

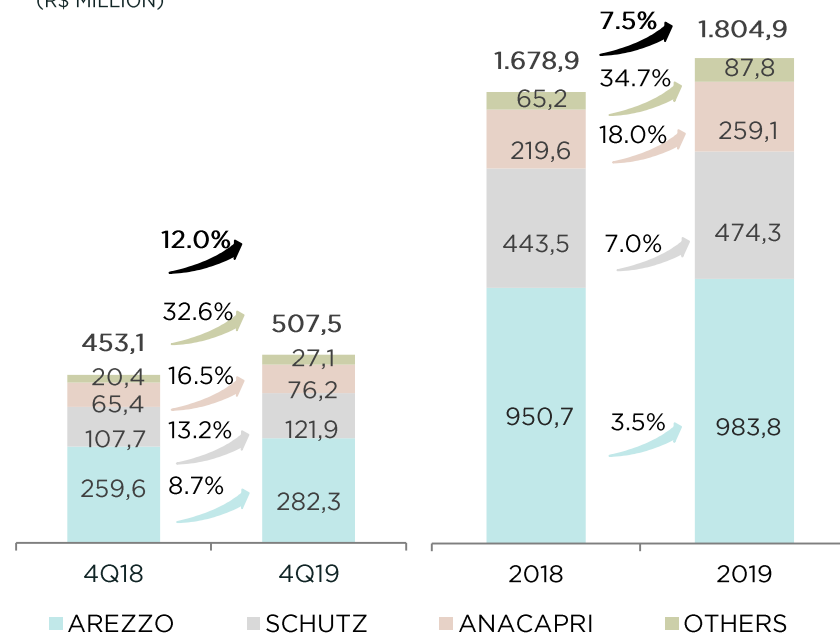
DOMESTIC AND FOREIGN MARKET (R\$ MILLION)



US OPERATION:

- +52.8% REPRESENTING 10.1% OF REVENUE

BREAKDOWN BY BRAND - DOMESTIC MARKET (R\$ MILLION)



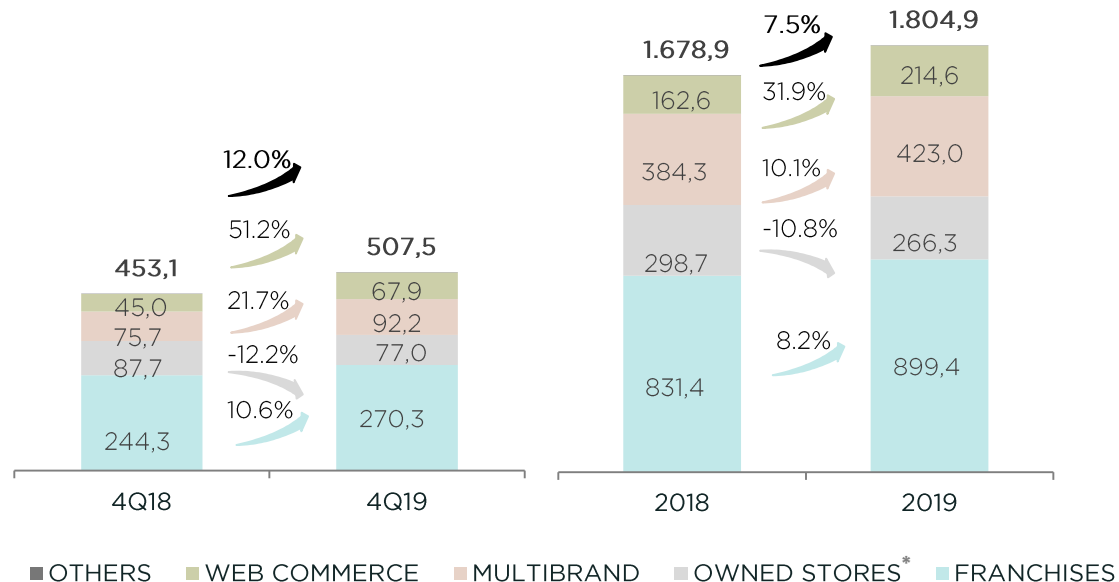
BRANDS HIGHLIGHTS:

- ANACAPRI +16.5%
- SCHUTZ +13.2%

4Q19 RESULTS

GROSS REVENUE GROWTH

BY CHANNEL - DOMESTIC AND FOREIGN MARKET
(R\$ MILLION)



SAME-STORE-SALES
(%)

	SSS SELL-IN (FRANCHISES)	SSS SELL-OUT (OWNED STORES + WEB + FRANCHISES)
4Q18	9.2%	3.6%
4Q19	2.8%	5.7%
2018	4.7%	4.2%
2019	1.7%	3.9%

* EXCLUDING THE STORES THAT WERE CONVERTED TO FRANCHISES, THE CHANNEL WOULD HAVE GROWN 4.2%.

4Q19 RESULTS

DISTRIBUTION CHANNEL EXPANSION



+37 STORES
ON 4Q19

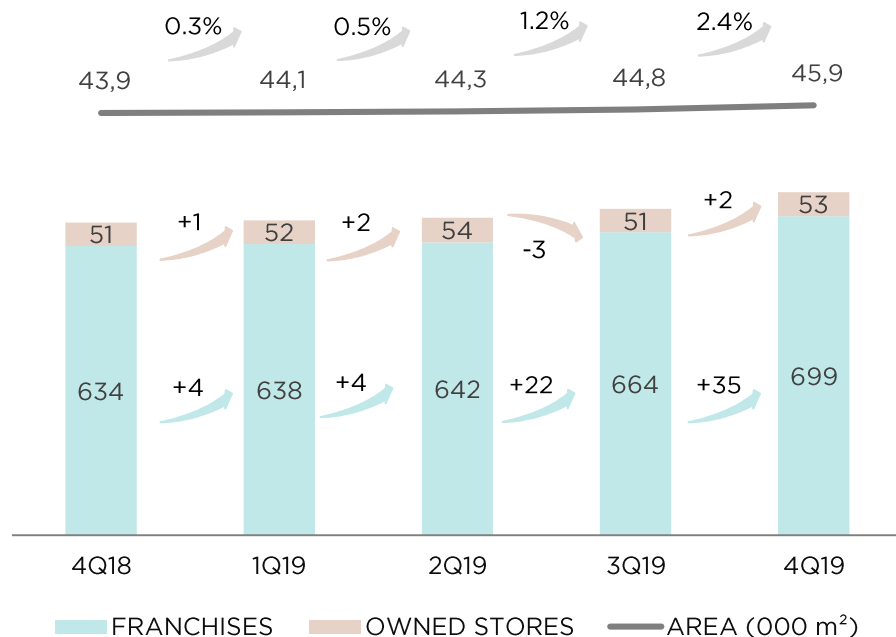
737 STORES
IN BRAZIL

15 FOREIGN
STORES

TOTAL OF
752 STORES

+4.5% AREA
(LTM)

OWNED STORES AND FRANCHISES EXPANSION¹



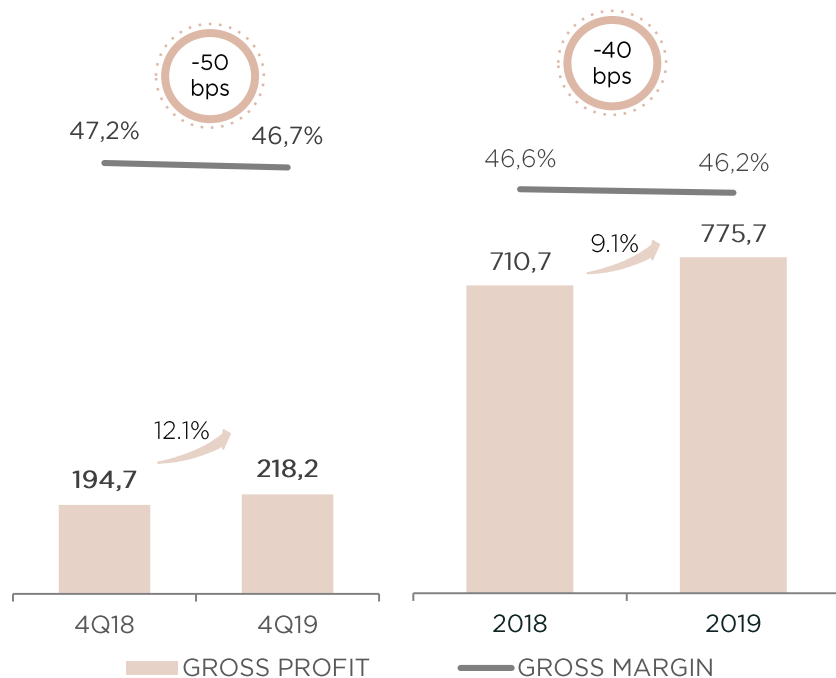
NUMBER OF STORES - DOMESTIC MARKET 4Q19

	FRANCHISES	OWNED STORE	MULTIBRANDS
AREZZO	432	10	1,185
SCHUTZ	72	17	1,062
ANACAPRI	185	3	1,643
ALEXANDRE BIRMAN	-	6	25
FIEVER	1	5	442
ALME	1	3	283

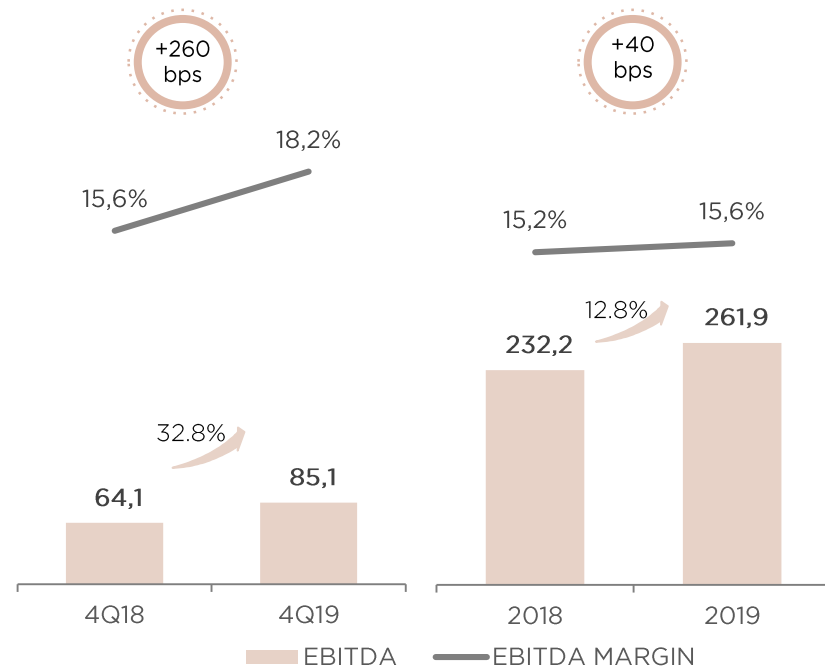
¹INCLUDES SEVEN OUTLET TYPE STORES WITH A TOTAL AREA OF 2,217 M² AND STORES OVERSEAS.

4Q19 RESULTS

GROSS PROFIT AND EBITDA PRO FORMA



THE NEGATIVE HIGHLIGHT WAS THE LOWER SHARE OF THE OWNED STORES IN THE MIX AFTER THE CONVERSION OF STORES INTO FRANCHISES



- MG EBITDA BRASIL (EX NON-RECURRING¹): -30bps
- CONSOLIDATED MARGIN EXCLUDING US OPERATION WOULD HAVE INCREASED 331 BPS

¹INCLUDES REVENUE RELATED TO EXTEMPORANEOUS TAX CREDITS
RESULTS EXCLUDING THE ADOPTION OF IFRS 16 / CPC 06 (R2)

4Q19 RESULTS

EBITDA AND NON-RECURRING EFFECTS

	4Q19	4Q18
CONSOLIDATED REPORTED EBITDA	85.145	64.117

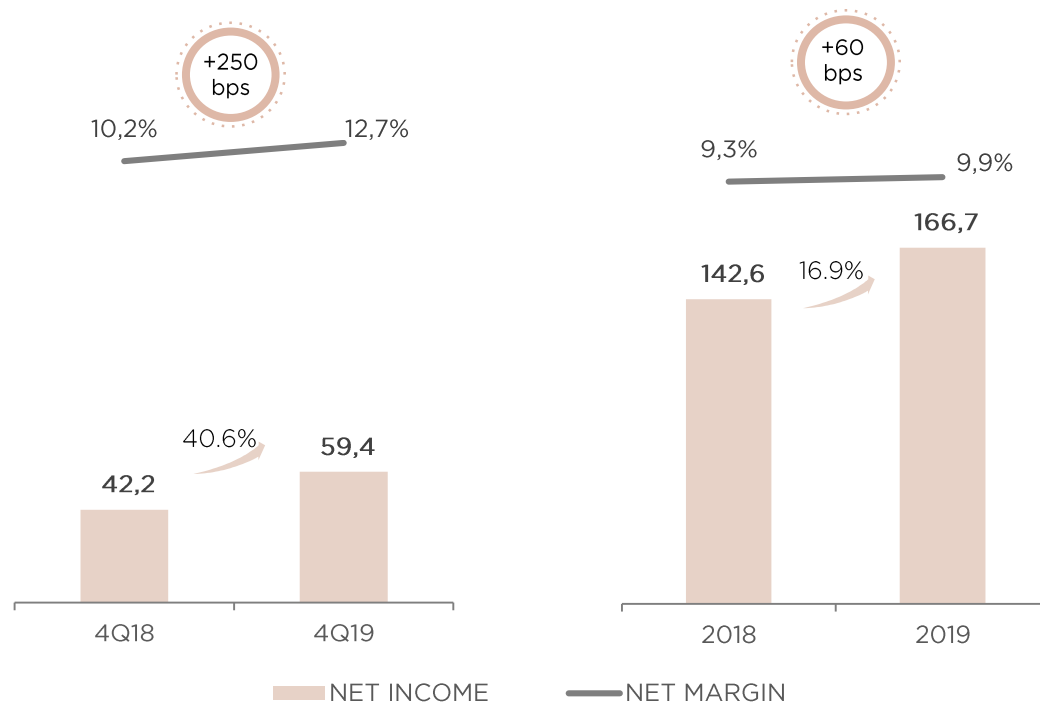
NON-RECURRING ITEMS		
NET EFFECT OF FRANCHISE TRANSFERS	-	2.200
EXTEMPORANEOUS TAX CREDITS	33.200	1.151
ADDITIONAL PPR	(12.469)	-
LEGAL EXPENSES	(2.774)	-
NET EFFECT OF NON-RECURRING EFFECTS	17.957	3.351

CONSOLIDATED NET REVENUE	467.652	412.211	13,4%
CONSOLIDATED ADJUSTED EBITDA	67.188	60.766	10,6%
CONSOLIDATED ADJUSTED EBITDA MG.	14,4%	14,7%	-37 bps

BRAZIL NET REVENUE	419.108	380.024	10,3%
ADJUSTED EBITDA BRAZIL	72.234	66.751	8,2%
ADJUSTED EBITDA MG. BRAZIL	17,2%	17,6%	-33 bps

4Q19 RESULTS

NET INCOME PRO FORMA



- NET INCOME 40.6% HIGHER VS. 4Q18
- POSITIVE IMPACT OF THE TAX CREDITS RECOVERY

4Q19 RESULTS

OPERATING CASH FLOW

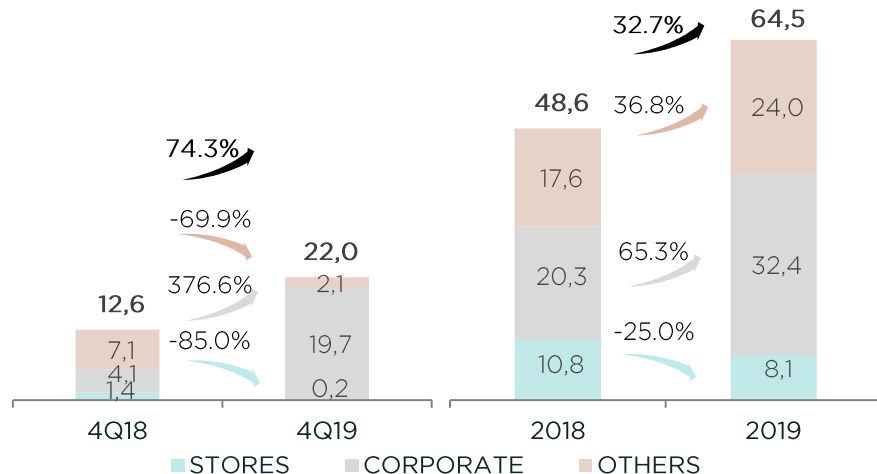
OPERATING CASH FLOW (R\$ THOUSAND)	4Q19	4Q18	2019	2018
PROFITS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	58,655	42,243	162,139	142,644
INCOME TAX AND SOCIAL CONTRIBUTION	12,738	5,549	42,785	27,354
DEPRECIATION AND AMORTIZATION	20,271	13,002	80,322	40,882
OTHERS	(9,806)	(8,916)	5,348	1,872
DECREASE (INCREASE) IN ASSETS / LIABILITIES	(14,165)	(2,104)	(50,887)	(66,170)
TRADE ACCOUNTS RECEIVABLES	3,938	2,248	(27,753)	(47,759)
INVENTORIES	(585)	(4,921)	(33,208)	(39,845)
SUPPLIERS	(13,216)	(17,424)	29,496	5,705
CHANGE IN OTHER NONCURRENT AND CURRENT ASSETS AND LIABILITIES	(4,302)	17,993	(19,422)	15,729
PAYMENT OF INCOME TAX AND SOCIAL CONTRIBUTION	(6,241)	(14,750)	(34,825)	(28,746)
NET CASH FLOW GENERATED BY OPERATIONAL ACTIVITIES	61,452	35,024	204,882	117,836

HIGHER PROFITS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION AS WELL AS A HIGHER DEPRECIATION AND AMORTIZATION (IFRS-16 EFFECTS)

4Q19 RESULTS

INVESTMENTS (CAPEX) AND INDEBTEDNESS

CAPEX (R\$ MILLION)



INDEBTEDNESS (R\$ MILLION)

CASH POSITION AND INDEBTEDNESS	4Q19	3Q19	4Q18
CASH	277,683	275,344	235,801
TOTAL DEBT	180,784	189,092	111,418
SHORT-TERM	158,222	183,678	43,978
% TOTAL DEBT	87.5%	97.1%	39.5%
LONG-TERM	22,562	5,414	67,440
% TOTAL DEBT	12.5%	2.9%	60.5%
NET CASH	96,899	86,252	124,383
NET CASH/EBITDA LTM	0.3x	0.3x	0.5x

IN 4Q19, AREZZO&CO INVESTED R\$ 22.0 MILION IN CAPEX, HIGHLIGHTING:

BRASIL

- DIGITAL TRANSFORMATION
- INVESTMENTS ON THE PILOT PROJECT OF RFID OF SCHUTZ
- NEW DISTRIBUTION CENTER FOR VANS® BRAND

UNITED STATES

- OPENING OF STORES OF ALEXANDRE BIRMAN IN DALLAS
- INVESTMENTS ON SYSTEM INTEGRATION
- REFURBISHMENT OF SCHUTZ MADISON AVENUE STORE (NY)

4Q19 RESULTS

RETURN ON INVESTED CAPITAL

INCOME FROM OPERATIONS	4Q19	4Q19 Pro forma	4Q18	4Q17	Δ 19 x 18 Reported	Δ 19 x 18 Pro Forma
EBIT (LTM)	223,102	222,353	191,280	173,633	16.6%	16.2%
+ IR E CS (LTM)	(42,787)	(42,787)	(27,354)	(28,463)	56.4%	56.4%
NOPAT	180,315	179,566	163,926	145,170	10.0%	9.5%
WORKING CAPITAL ¹	419,220	459,342	412,461	342,283	1.6%	11.4%
PERMANET ASSETS	382,146	177,679	153,693	149,754	148.6%	15.6%
OTHER LONG-TERM ASSETS ²	34,756	34,756	31,847	33,375	9.1%	9.1%
INVESTED CAPITAL	836,122	671,777	598,001	525,412	39.8%	12.3%
AVERAGE INVESTED CAPITAL³	717,062	634,889	561,707		27.7%	13.0%
ROIC⁴	25.1%	28.3%	29.2%			

ROIC WAS IMPACTED BY HIGHER WORKING CAPITAL LEVELS DUE TO:

- HIGHER INVENTORY VOLUMES, REFLECTING THE ORGANIC GROWTH AND THE INVENTORY INTEGRATION OF VANS® BRAND
- A HIGHER VOLUME OF TAXES TO BE RECOVERED

(1) WORKING CAPITAL: CURRENT ASSETS MINUS CASH, CASH EQUIVALENTS AND FINANCIAL INVESTMENTS LESS CURRENT LIABILITIES MINUS LOANS AND FINANCING AND DIVIDENDS PAYABLE.

(2) LESS DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION.

(3) AVERAGE INVESTED CAPITAL IN THE PERIOD AND SAME PERIOD PREVIOUS YEAR.

(4) ROIC: NOPAT FOR THE LAST 12 MONTHS DIVIDED BY AVERAGE INVESTED CAPITAL.



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