

AREZZO **&CO**

EARNINGS CONFERENCE CALL
1Q20

05.28.2020

AGENDA FOR THE CALL

1. **OPENING REMARKS**
2. **SUMMARY OF ACTIONS TAKEN**
3. **ORGANIZATION AND CRISIS MANAGEMENT**
4. **ACCELERATION OF DIGITAL CHANNELS AND FOCUS
ON MOTHER'S DAY**
5. **BUSINESS REESTABLISHMENT FOR A "NEW NORMAL"**
6. **1Q20 FINANCIAL HIGHLIGHTS**
7. **Q&A**
8. **FINAL REMARKS**

OPENING REMARKS

**ALEXANDRE
BIRMAN**

A hand is shown from the wrist up, pointing its index finger straight up. The hand is positioned in the center of the frame. In the background, there is a wooden fence made of vertical slats. The entire scene is set against a dark, textured background.

**“WE DIDN'T START PREPARING
FOR THIS CRISIS TWO MONTHS
AGO, WE WERE FORGED IN IT”**

- ALEXANDRE BIRMAN

AREZZO&CO PRINCIPLES

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1. FLEXIBILITY

BE FLEXIBLE ALWAYS. BE READY AND CONTINUOUSLY PREPARED FOR CHANGES

2. TRANSPARENCY

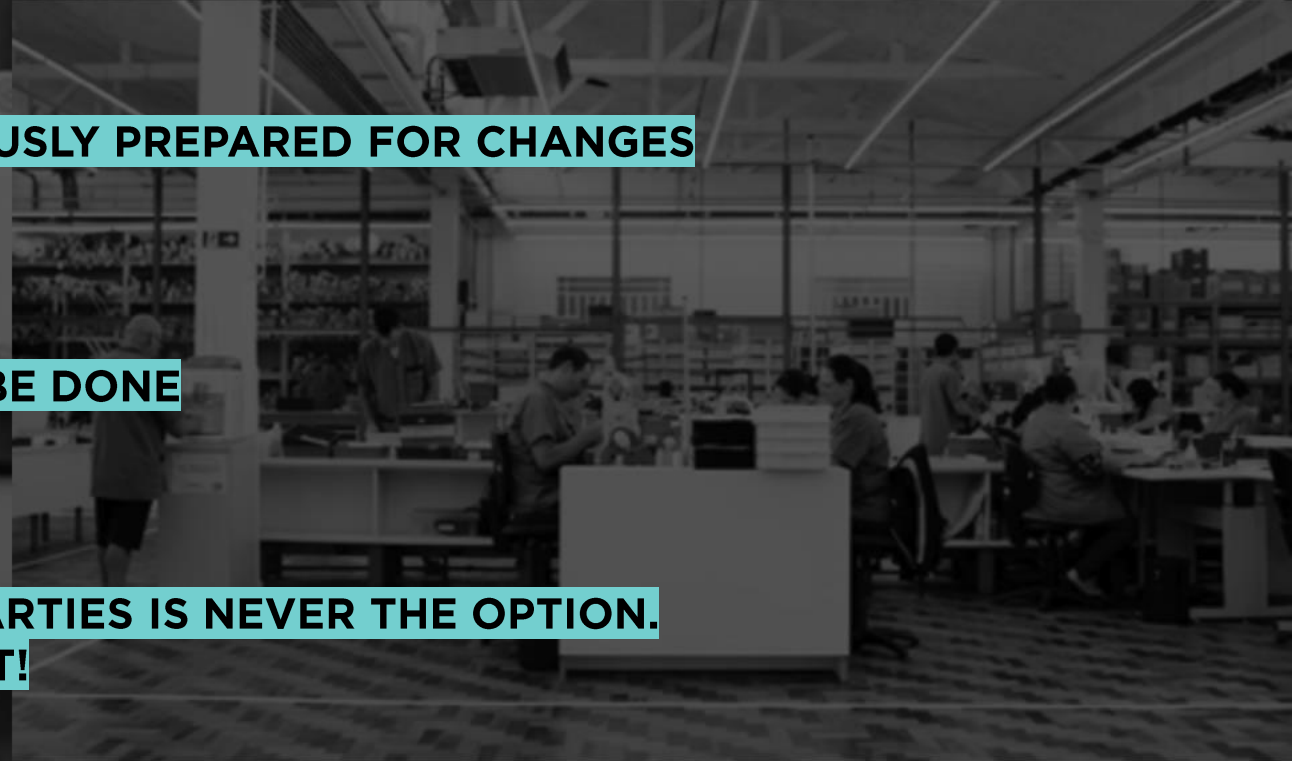
WHAT CAN NOT BE TRANSPARENT SHOULD NOT BE DONE

3. INVOLVEMENT

DON'T FIND PROBLEMS ONLY. BLAMING THIRD-PARTIES IS NEVER THE OPTION.
TAKE RISKS. PROPOSE SOLUTIONS. IN DOUBT, ACT!

4. PASSION

ENJOY IT. LIKE IT. GET INVOLVED. AND ALWAYS BE HAPPY

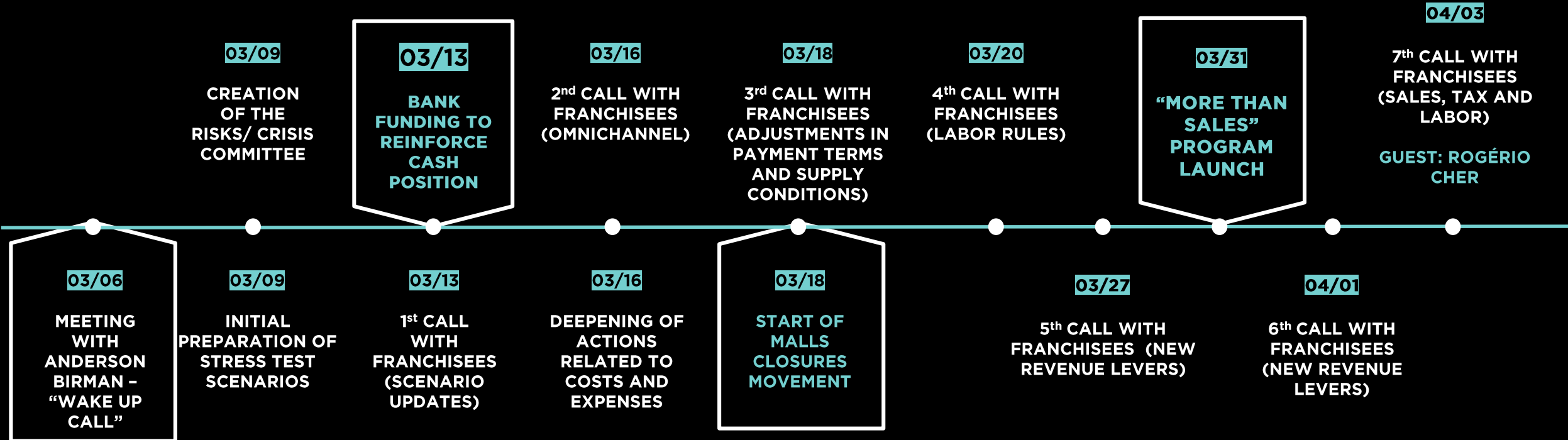


SUMMARY OF ACTIONS TAKEN BY

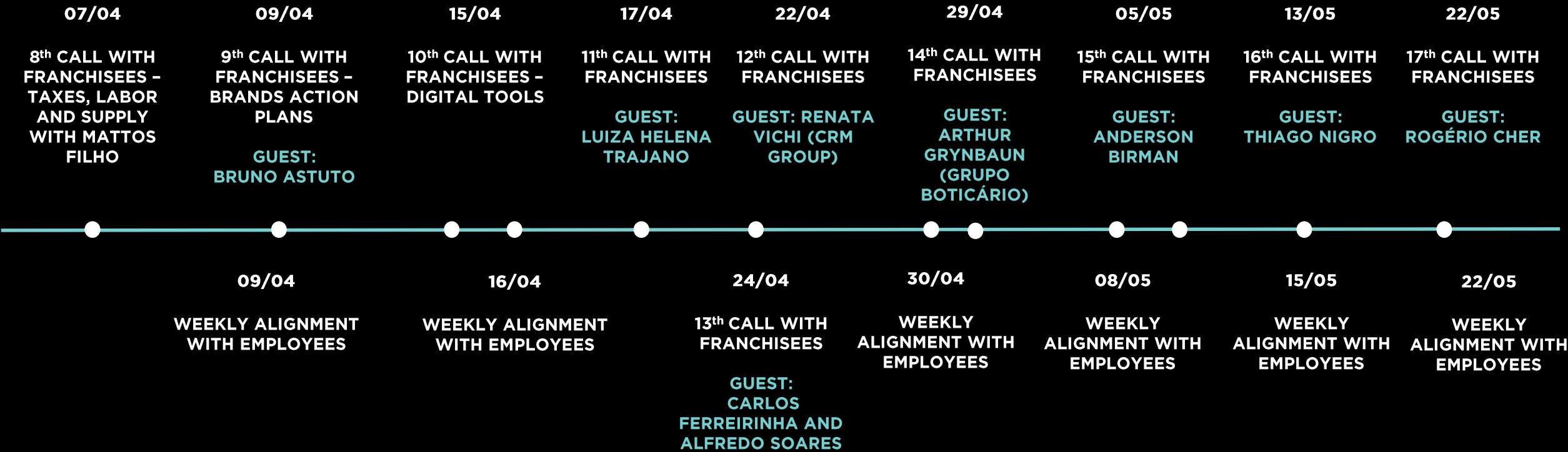
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TIMELINE - ACTIONS TAKEN BY AREZZO&CO SO FAR

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TIMELINE - ACTIONS TAKEN BY AREZZO&CO SO FAR



4 ACTING PHASES

**MARCH 09th TO
APRIL 14th**

ORGANIZATION AND
CRISIS MANAGEMENT

**APRIL 15th TO
MAY 10th**

ACCELERATION OF
DIGITAL CHANNELS
AND FOCUS ON
MOTHER'S DAY

**MAY 11th TO
MAY 31st**

BUSINESS
REESTABLISHMENT FOR
A "NEW NORMAL"

**JUNE 1st
ONWARDS**

RESUME OF
STRATEGIC PLANNING

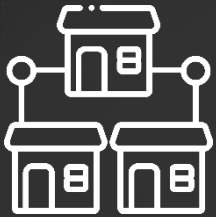
ORGANIZATION AND CRISIS MANAGEMENT

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ORGANIZATION AND CRISIS MANAGEMENT

MARCH 9th TO APRIL 14th – MAIN PILLARS

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FRANCHISEES AND SUPPLIERS

- ✓ STRONG COMMUNICATION (E-CALLS TWICE A WEEK)
- ✓ LIVE TRAINING WITH SPECIAL GUESTS
- ✓ LABOR GUIDANCE TO FRANCHISEES
- ✓ POSTPONEMENT OF ROYALTY PAYMENTS
- ✓ TOTAL OR PARCIAL CANCELLATION OF SOME COLLETIONS - AVOIDING EXCESSIVE STOCK
- ✓ LEADESHIP ROLE WITH ABICALÇADOS (BRAZILIAN FOOTWEAR INDUSTRY ASSOCIATION)



BUSINESS AND CASH

- ✓ DEEP SCENARIO UNDERSTANDING
- ✓ CRISIS COMMITTEE CREATION AND MAIN BATTLES DEFINITION
- ✓ PREVENTIVE DEBT RAISING
- ✓ START OF EXPENSES RESTRUCTURING PLAN
- ✓ TURNAROUND IN THE UNITED STATES



BRANDING

- ✓ TOTAL SHIFT IN COMMUNICATION
- ✓ 100% DIGITAL BIAS THROUGH SOCIAL MEDIA NETWORK
- ✓ CONTENT THAT TRANSCENDS THE PRODUCT (IG LIVES, FASHION TIPS, CAREER, ENTERTAINMENT)
- ✓ BRANDS AS WOMEN ALLIES IN FASHION AND LIFE

ORGANIZATION AND CRISIS MANAGEMENT

MARCH 9th TO APRIL 14th – MAIN PILLARS

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PEOPLE

- ✓ ADOPTION OF REMOTE WORK (HOME OFFICE)
- ✓ WEEKLY ALIGNMENT VIDEO CALLS WITH EMPLOYEES
- ✓ COLLECTIVE AND SELECTIVE VACATION
- ✓ SUSPENSION OF TRAVELS
- ✓ TEMPORARY SUSPENSION OF ALL ACTIVITIES IN FACTORIES AND STORES



SOCIAL

- ✓ HEROIN'S STEPS – 10.000 PAIRS WERE DONATED TO HEALTH PROFESSIONALS
- ✓ DONATION OF 75 THOUSAND MASKS FOR BELL VALLEY REGION (RS STATE)
- ✓ DONATION OF VENTILATORS TO CAMPO BOM HEALTH DEPARTMENT

ACCELERATION OF DIGITAL CHANNELS AND FOCUS ON MOTHER'S DAY

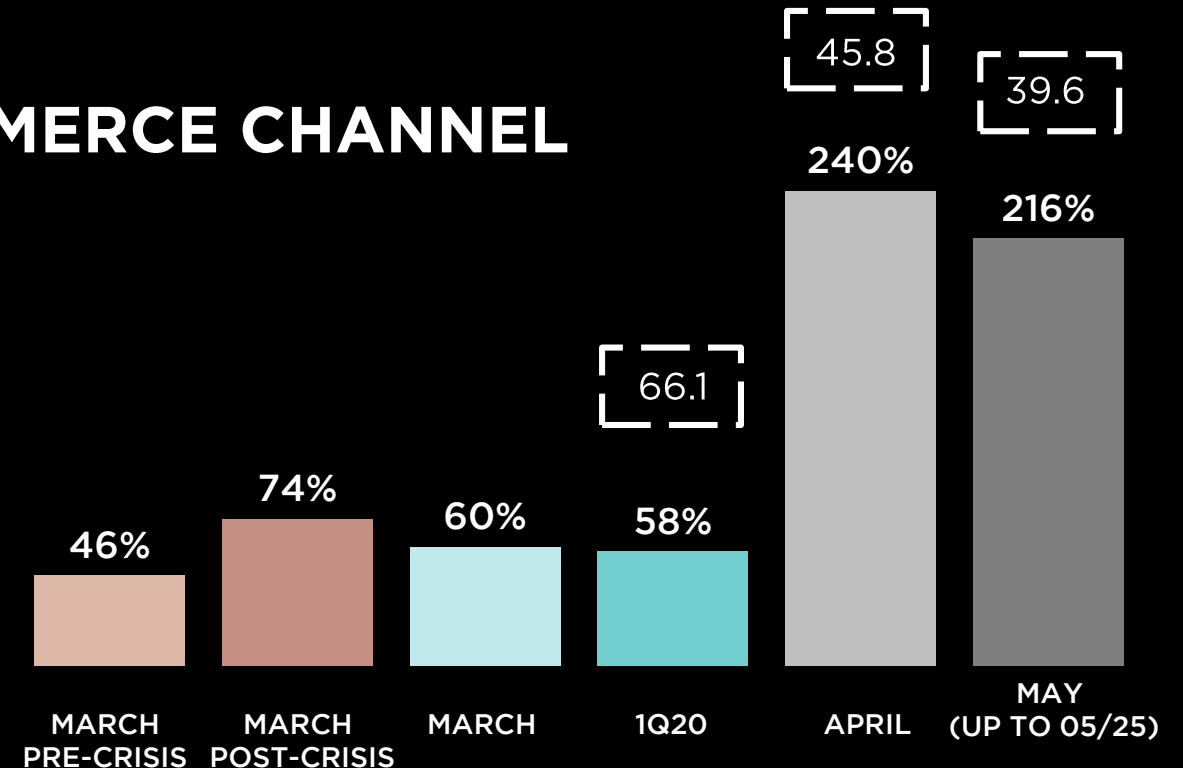
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ACCELERATION OF DIGITAL CHANNELS AND FOCUS ON MOTHER'S DAY

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2nd PHASE: APRIL 15th TO MAY 10th – EXPRESSIVE GROWTH OF E-COMMERCE CHANNEL

- ✓ **R\$46 MILLION** REVENUES IN APRIL
- ✓ **R\$ 40 MILLION** REVENUES IN MAY (UP TO 05/25)
- ✓ WE REACHED **10X AVERAGE DAILY REVENUES** (VS) PRE-COVID PERIOD
- ✓ WE HAD DAYS WITH REVENUES THAT WERE **2X GREATER THAN 2019 BLACK FRIDAY**



WEB COMMERCE SSS EVOLUTION INCLUDING VANS BRAND

**IN APRIL AND MAY OUR BRANDS
AMOUNTED TO R\$95 MILLION IN
REVENUES ON WEB COMMERCE**

VS. R\$214MM 2019 FY

ACCELERATION OF DIGITAL CHANNELS AND FOCUS ON MOTHER'S DAY

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2nd PHASE: APRIL 15th TO MAY 10th – OMNI

- ✓ ACCELERATION OF DIGITAL CHANNELS
- ✓ (LINK AND WHATSAPP SALES, SCHEDULED WITHDRAWAL, STORE SHIPPING AND INFINITE SHELF)
- ✓ COMPLETE TRAINING FOR FRANCHISES AND SALES TEAM
- ✓ "MORE THAN SALES" PROGRAM - SALE BY CORPORATE EMPLOYEES ACHIEVED GREAT ENGAGEMENT

937%

"SALES LINK" GROWTH
IN APRIL
(REMOTE SALES)

22%

OF SALES WERE DELIVERED
THROUGH PHYSICAL STORES
IN THE CITY OF SAO PAULO
(STORE SHIPPING)

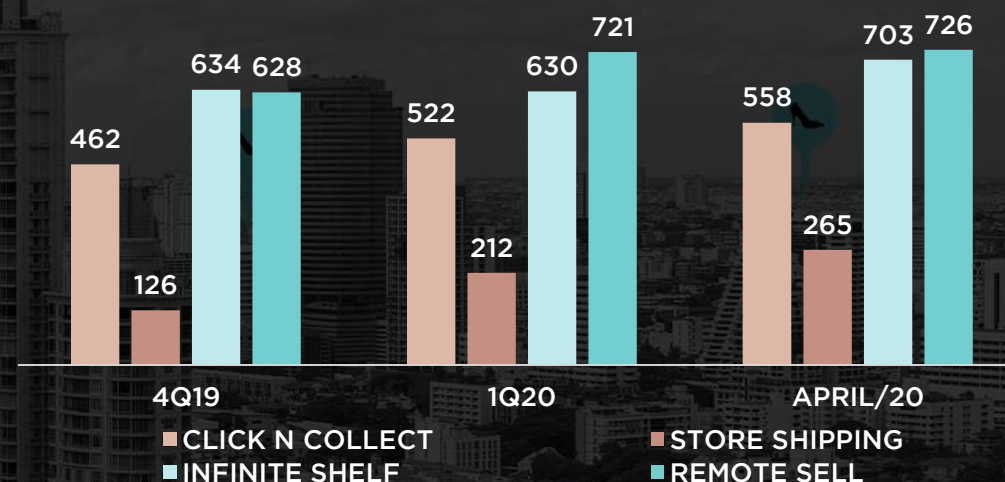
20%

NEW CUSTOMERS
IN THE
WEB CHANNEL

14%

CUSTOMERS WITH
NO SPENDING
DURING THE LTM

EVOLUTION OF OMNI INITIATIVES (# STORES)



MOTHER'S DAY- EXCEPTIONAL FOCUS ON REMOTE SALES AND OMNICHANNEL HIGHLIGHTS IN THE FRANCHISE CHANNEL

STORES CLOSED

- ✓ AREZZO RIBEIRÃO PRETO – SP 40%
- ✓ AREZZO ARIQUEMES – RO 73%
- ✓ AREZZO SOUZA – PB 102%
- ✓ SCHUTZ VILA LOBOS – SP 59%
- ✓ SCHUTZ SHOP. MUELLER – CURITIBA 50%
- ✓ SCHUTZ SHOP. MIDWAY – NATAL 50%

OPEN STORES

- ✓ AREZZO APUCARANA – PR 224%
- ✓ AREZZO VALPARAISO – GO 144%
- ✓ AREZZO JANAUBA – MG 122%
- ✓ SCHUTZ DOURADOS – MS 86%
- ✓ SCHUTZ CAXIAS DO SUL 73%

MOTHER'S DAY- FROM APRIL 23 TO MAY 10

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360° ACTION PLAN

- ✓ CRATIVE CAMPAIGNS FOCUSED ON **PRODUCTS**
- ✓ CLOSE AND TOUCHING **COMMUNICATION**
- ✓ CAMPAIGN ADJUSTMENT TO REFLECT NEW REALITY AND HABITS
- ✓ **CHALLENGING GOALS** WITH DAILY FOLLOW-UPS
- ✓ ABUNDANCE OF **DIGITAL TOOLS** AND REMOTE SALES
- ✓ SIMPLE AND **CONSTANT TRAINING** FOR SALES TEAMS

HIGHLIGHTS

+340%

WEB COMMERCE
GROWTH

76%

OF TOTAL REVENUES
FOR SCHUTZ BRAND
(VS) 2019

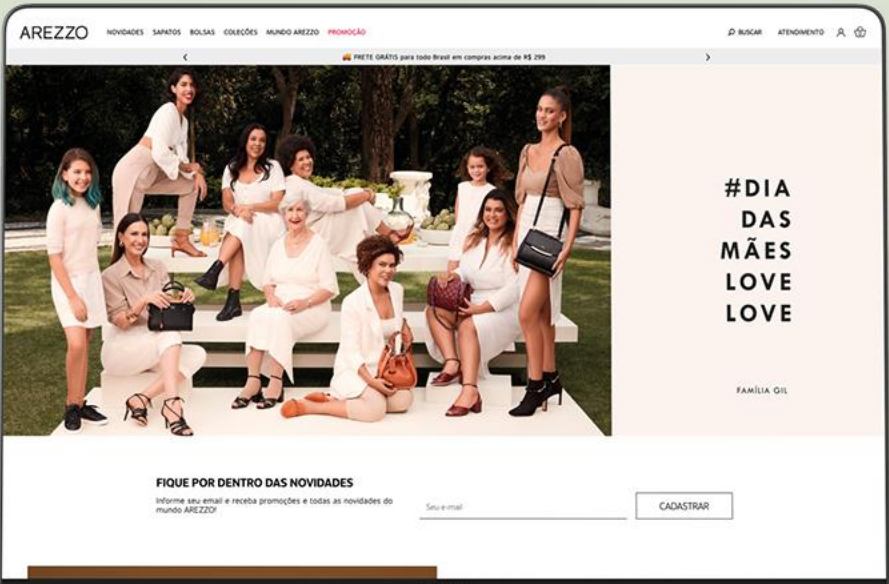
54%

OF TOTAL REVENUES
(VS) 2019

MOTHER'S DAY: CAMPAIGN PRE-COVID19

#MOTHERS
DAY

LOVE
LOVE



MOTHER'S DAY: ADJUSTED CAMPAIGN (POST COVID-19)

arezzo
mães,
sempre
presente

campanha
digital

EMOCIONAL
COERENTE AO
MOMENTO

maes,
sempre
presente

Presentes para
cuidar de quem sempre
cuidou de você.

AREZZO
MÃES 2020



materias
digitais

MINI POCKETS
PEÇAS DE WHATS APP
CARTÃO VIRTUAL
PARA AS MÃES

live
jota quest

ATIVAÇÃO

valorizza

FOCO EM
PRESENTEADORAS
E PÚBLICO MASCULINO
DISPARO DE EMAIL MKT
SMS
WHATS APP



mães
heroínas

Vamos apoiar seus passos com o que sabemos fazer de melhor:
CALÇADOS CONFORTÁVEIS E DE QUALIDADE.

Essa é a nossa maneira de retribuir e agradecer a coragem
e a dedicação de vocês.

PARA A COMUNIDADE DE PROFISSIONAIS DA SAÚDE DO SUS:
médicas, enfermeiras, dentistas, recepcionistas, fisioterapeutas,
profissionais da limpeza, eletricitas de hospitais, agentes de saúde,
médicos de clínicas, radiologistas e seguranças de hospitais,
entre outras profissões que estão na linha de frente ao combate
da Covid-19.

SERÃO 10MIL PARES DOADOS.

Nosso muito obrigado

arezzo
mães,
sempre
presente

ações
sociais

COMPRE DE UMA MÃE
MÃES HEROÍNAS



conteúdo
digital

#MATERNIDADE NA REAL
#DICAS AREZZO
#MOVIMENTOJUNTAS
#DESAFIO TIK TOK MÃES
E FILHAS + CONTEÚDO
HARD SELFOCO EM
PRODUTO E PRESENTE

BUSINESS REESTABLISHMENT FOR A “NEW NORMAL”

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**“FROM SHOEMAKERS HANDS TO
WOMEN’S FEET”**

REBALANCE OF THE BUSINESS TO THE “NEW NORMAL”

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3rd PHASE: MAY 11TH TO MAY 31ST – STRENGTHENING OF OUR DIGITAL CHANNELS

- ✓ WE ARE “MORE THAN OMNI” - WE HAVE AN
AMPLIFIED OMNI CAPACITY, THAT GOES FROM THE
BRAND CONCEPTION, PRODUCT DEVELOPMENT
AND CREATING DESIRE, WITH COMPLETE DOMAIN
ON OUR INDUSTRY AND DISTRIBUTION CHANNELS
- ✓ STABILIZATION OF A NEW OMNI SALES PATTERN
THROUGH THE CONTINUOUS IMPROVEMENT OF PICK-
UP AT STORE, STORE SHIPPING, DIGITAL SALES
ASSOCIATE AND ENDLESS AISLE EXPERIENCE

**43%
OF 2019**

CONSOLIDATED
REVENUES
AS OF MAY
(WITH 80% OF
STORES CLOSED)

**30% -
35%**

AVERAGE REVENUES FROM
FRANCHISEES WITH DOORS
FULLY CLOSED
IN QUARANTINE CITIES

REBALANCE OF THE BUSINESS TO THE “NEW NORMAL”

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3rd PHASE:

MAY 11th TO MAY 31st – EXPONENTIALIZATION OF VERTICAL CHAIN MANAGEMENT

- ✓ NEW CALENDAR: BI-WEEKLY COLLECTION CYCLES
- ✓ MAINTENANCE OF THE CREATION AND LAUNCH OF NEW COLLECTIONS AS ONE OF OUR BIG DIFFERENTIALS
- ✓ LEAD TIME REDUCTION FROM FACTORY TO STORE TO 30 DAYS – A COMPETITIVE ADVANTAGE ON THE CURRENT UNCERTAIN CONTEXT
- ✓ ACTIVATION SAMPLES FOR PHYSICAL STORES REDUCING FRANCHISEE'S WORKING CAPITAL NEEDS AND OPTIMIZING STOCK LEVELS IN THE NETWORK
- ✓ 100% VIRTUAL SHOWROOMS
- ✓ BUILD-UP OF A STRATEGIC RAW MATERIAL INVENTORY WITH STANDARDIZATION OF PRODUCTIVE PROCESSES
- ✓ PRODUCT RE-ENGINEERING AIMING TO IMPROVE PRICE COMPETITIVENESS
- ✓ NO CHANGE IN MARK-UP OR QUALITY

BUSINESS REESTABLISHMENT FOR A“NEW NORMAL”

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3rd PHASE:

MAY 11th TO MAY 31st - BUSINESS RESTRUCTURING

- ✓ CENTRALIZATION OF BRANDS, R&D AND DIGITAL TRANSFORMATION IN CAMPO BOM (RS) HEADQUARTERS
- ✓ CHANGES IN ORGANIZATIONAL STRUCTURE TO REFLECT A LIGHTER AND AGILE OPERATING MODEL
- ✓ LAYERS REDUCTION FOR A FASTER DECISION-MAKING PROCESS
- ✓ CLOSER CONNECTION BETWEEN BRANDS AND WEB COMMERCE
- ✓ NEW BRANDS (ALME AND FIEVER) MANAGED BY OUR MATURE BRANDS IN SEARCH OF GREATER OPERATIONAL LEVERAGE AND SYNERGIES
- ✓ ADJUSTMENTS TO OBTAIN A NEW REVENUE BASELINE AND ACTIONS FOR QUICK RECOVERY OF PROFITABILITY LEVELS

THE “NEW NORMAL”

4th PHASE: JUNE 1st ONWARD – RESUME OF OUR STRATEGIC PLANNING PROCESS

- ✓ **NEW OMNI REALITY: RETAIL OF THE FUTURE**
- ✓ **E-COMMERCE ACCELERATION**
- ✓ **PHYSICAL STORES AS A POINT OF SALES, EXPERIENCE, ENCHANTMENT AND DISTRIBUTION HUBS**
- ✓ **STEPPING UP OF THE 1P AND 3P FASHION PLATFORM**
- ✓ **EXPANDING THE DIGITAL SALESPERSON CONCEPT**
- ✓ **CIRCULAR ECONOMY**
- ✓ **CONTINUOUS INVESTMENTS IN SUPPLY CHAIN, LOGISTICS, DATA AND TECHNOLOGY**

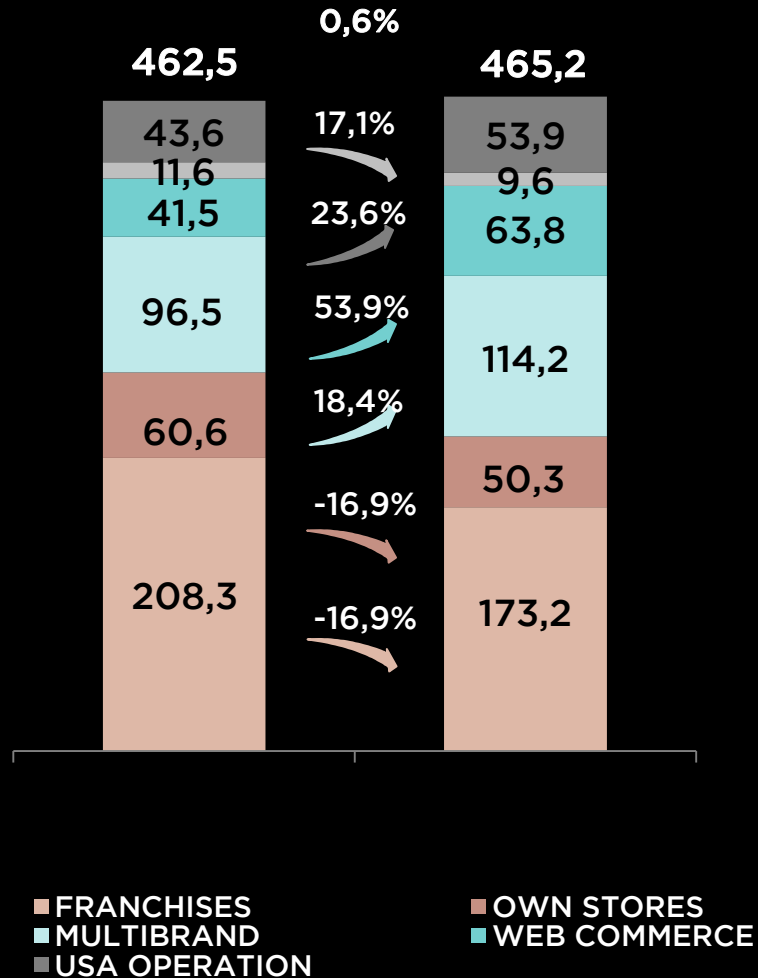
FINANCIAL HIGHLIGHTS: 1Q20

**RAFAEL
SACHETE**

REVENUES AND SAME-STORE-SALES

BY CHANNEL - INTERNAL AND EXTERNAL MARKET

(R\$ MILLION)

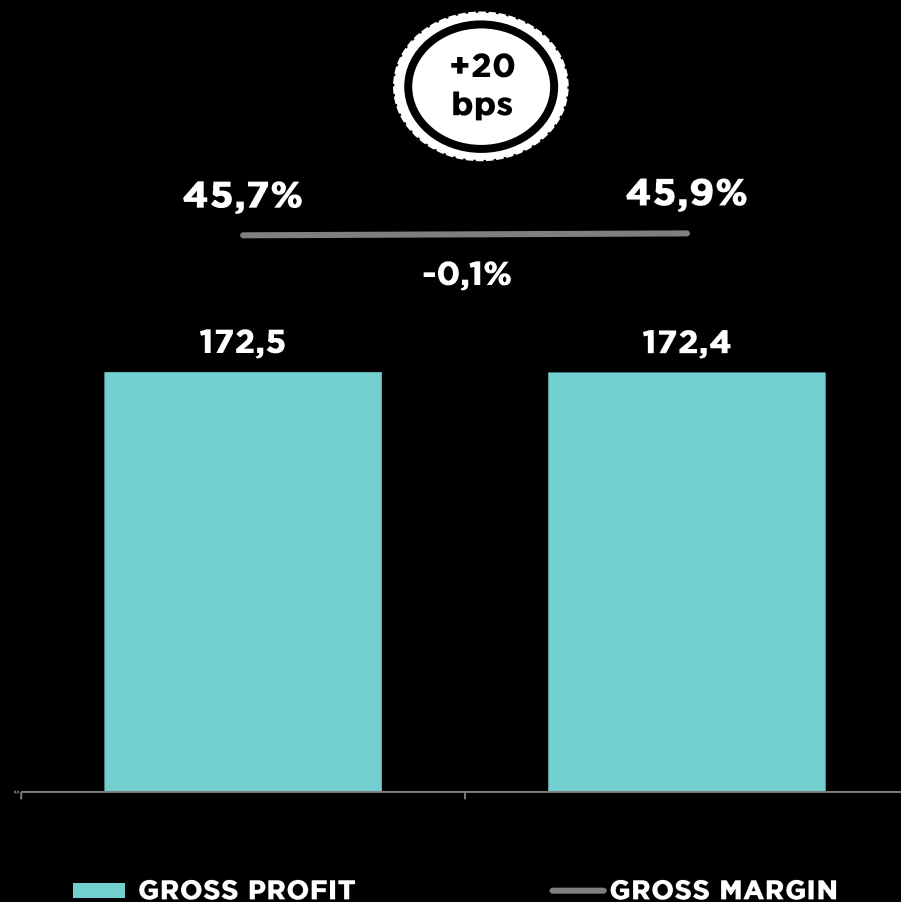


	SSS SELL-IN (FRANCHISES)	SSS SELL-OUT (OWN STORES + WEB + FRANCHISES)
1T19	1,1%	3,8%
1T20	-17,6%	-10,6%

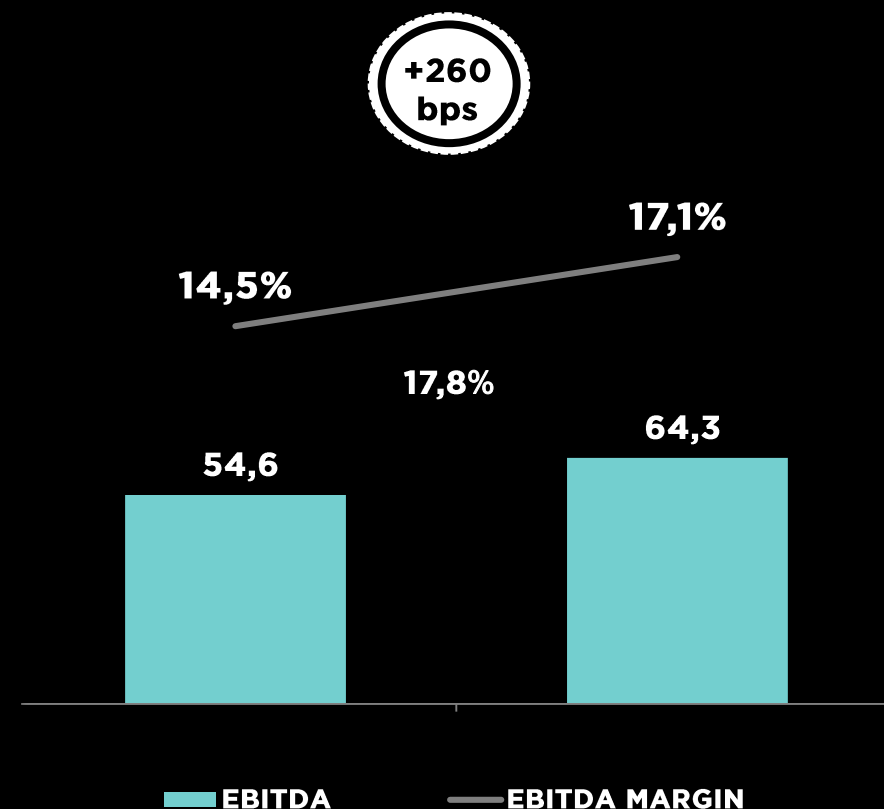
- SSS SELL-OUT WITH IMPACT IN MARCH DUE TO STORES CLOSING
- POSITIVE PERFORMANCE IN JAN AND FEB, IN LINE WITH 4Q19
- TAKING APART THE CONVERSION OF 5 AREZZO BRAND STORES INTO FRANCHISES, THE OWN STORE CHANNEL WOULD PRESENT A 4.8% RETRACTION
- EXCLUDING THE VANS BRAND, GROSS REVENUE FROM THE INTERNAL MARKET WOULD PRESENT A 13.6% DROP
- MOTHERS' DAY SELL IN FOR AREZZO BRAND IMPACTED BY THE SUSPENSION OF ORDERS THAT WOULD BE INVOICED AT THE END OF MARCH
- AT THE MOMENT, WE HAVE **178** OPEN STORES, WHICH ARE OPERATING WITH A **46%** AVERAGE REVENUES LEVEL (VS) 2019.

GROSS REVENUES AND EBITDA

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- POSITIVE IMPACT: GREATER PARTICIPATION OF THE WEB COMMERCE CHANNEL IN THE MIX
- NEGATIVE IMPACT: LOWER SHARE OF THE OWN STORE CHANNEL, IN THE MIX, DUE TO THE CONVERSION OF 5 STORES INTO FRANCHISES



- POSITIVE IMPACT: RECOVERY OF TAX CREDITS
- NEGATIVE IMPACT: US OPERATION AND EXPENSES RELATED TO THE INCORPORATION OF VANS BRAND IN THE STRUCTURE

FINANCIAL HIGHLIGHTS - 1Q20

Key financial indicators	1Q20	1Q19	Δ (%) 20 x 19
Gross Revenues	465.237	462.530	0,6%
Net Revenues	375.471	377.163	(0,4%)
COGS	(203.099)	(204.687)	(0,8%)
Depreciation and amortization (cost)	(806)	(613)	n/a
Gross Profit	172.372	172.476	(0,1%)
<i>Gross margin</i>	45,9%	45,7%	0,2 p.p
SG&A	(128.354)	(135.789)	(5,5%)
<i>% of net revenues</i>	(34,2%)	(36,0%)	1,8 p.p
Selling expenses	(102.152)	(83.372)	22,5%
Owned stores and web commerce	(28.839)	(29.038)	(0,7%)
Selling, logistics and supply	(73.313)	(54.334)	34,9%
General and administrative expenses	(34.856)	(36.562)	(4,7%)
Other operating revenues (expenses)¹	28.127	1.427	n/a
Depreciation and amortization (expenses)	(19.473)	(17.282)	12,7%
EBITDA	64.297	54.582	17,8%
<i>EBITDA Margin</i>	17,1%	14,5%	2,6 p.p
Net Income	25.888	23.141	11,9%
<i>Net Margin</i>	6,9%	6,1%	0,8 p.p
Working capital⁴ - as % of revenues	28,4%	23,8%	4,6 p.p
Invested capital² - as % of revenues	50,9%	40,9%	10,0 p.p
Net cash/EBITDA LTM	0,0x	0,5x	-
Cash	619.181	299.755	106,6%
Total debt	615.959	174.253	253,5%
Net cash ³	3.222	125.502	(97,4%)

CONTINUOUS EFFORT FOR CASH PRESERVATION

FOR 2Q20: REPRIORIZATION OF INVESTMENTS AND FOCUS ON EXPENSES REDUCTION

- SALARY REDUCTION BETWEEN 25-30% FOR THE WHOLE COMPANY, INCLUDING BOARD AND EXECUTIV DIRECTORS
- ORGANIZATIONAL STRUCTURE ADJUSTMENT, WITH REDUCTION OF SOME POSITIONS AT ALL HIERARCHICAL LEVELS
- RENEGOTIATION OF FIXED EXPENSES AND ALL CURRENT CONTRACTS
- CONTINGENCY PLAN IN THE UNITED STATES

Q&A

FINAL **REMARKS**

OPPORTUNITIES POST CRISIS

1. CREATION OF A DIGITAL PLATFORM

- ✓ WEB-COMMERCE MORE ROBUST AND CLOSER TO BRANDS MANAGEMENT
- ✓ OUR SEVEN BRANDS TOGETHER IN A SINGLE APP WITH THE ADDITION OF CONTENT, SERVICES, AND “3P” BRANDS THROUGH MARKETPLACE
- ✓ EMERGING OF A “DIGITAL SALESPERSON” CONCEPT TO FOSTER SALES IN THIS NEW ECOSYSTEM

2. HIGHER OPERATING EFFICIENCY

- ✓ OPTIMIZATION OF STOCK LEVELS AND LEAD TIME
- ✓ BRANDS BU’S AND R&D EVEN CLOSER AIMING AT SCALE GAINS AND MORE ATTRACTIVE PRICES
- ✓ AS COMPANY BECOMES EVEN MORE DIGITAL, THERE WILL BE SAVINGS IN SOME DEPARTMENTS (TRAVEL, RENT, OFFICES)

3. MARKET CONSOLIDATION

- ✓ THE CRISIS WILL ALLOW CONSOLIDATION AT MORE REASONABLE PRICES AS TARGETS WILL PROBABLY FACE DIFFICULTIES



THANK YOU
#TOWARDS2154

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