

# **AREZZO** **&CO**

**Conference Call**  
**1Q13**

# Disclaimer

Information contained in this document may include forward-looking statements and reflect Management's current view and estimates of the evolution of the macroeconomic environment, industry conditions, Company's performance and financial results. Any statements, expectations, capabilities, plans and assumptions contained in this document, which do not describe historical facts, such as information about declaration of dividend payment, future direction of operations, implementation of relevant operating and financial strategies, investment program and factors or trends affecting the financial condition, liquidity or results of operations, are forward-looking statements, as set forth in the "U.S. Private Securities Litigation Reform Act of 1995", and involve several risks and uncertainties. There is no guarantee that these results will occur. Forward-looking statements are based on several factors and expectations, including economic and market conditions, industry competitiveness and operational factors. Any changes in such expectations and factors may cause actual results to differ from current expectations.

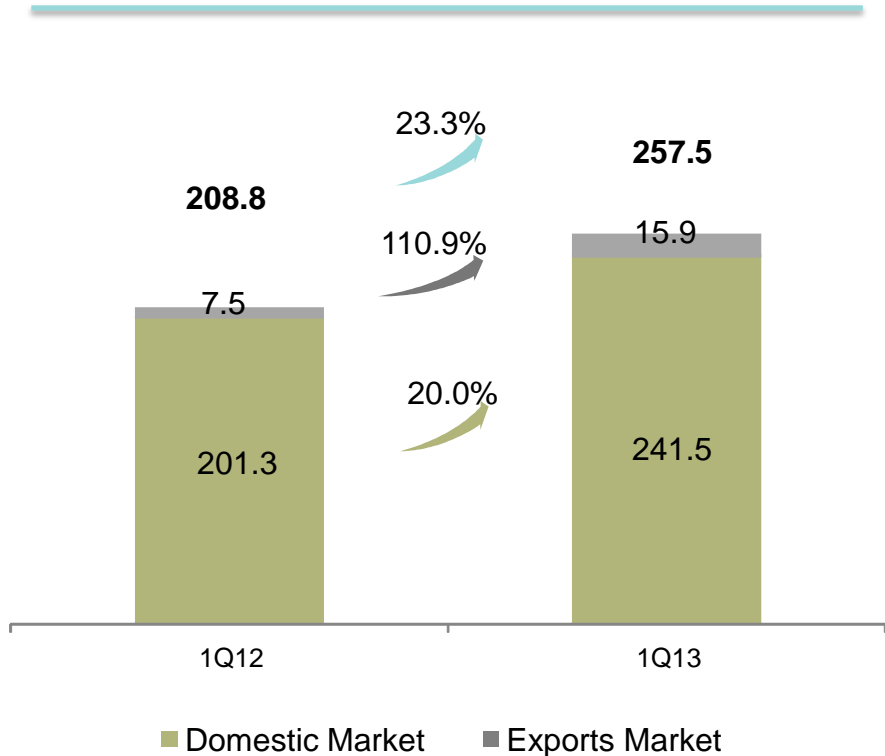
The Company's consolidated financial statements presented herein are in accordance with the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, based on the audited financial statements. Non-financial information and other operating information have not been subject to an audit by independent auditors.

# 1Q13 Highlights

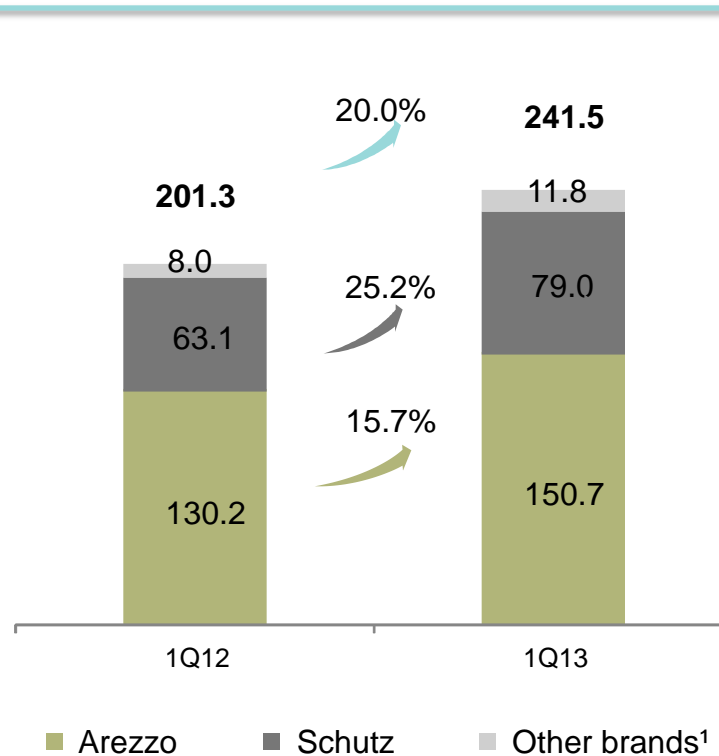
Net Revenue	<b>Net revenue</b> increased <b>24.6% in 1Q13 over 1Q12</b> , reaching R\$ 201.0 million;
Gross Profit	<b>Gross profit</b> reached <b>R\$ 89.4 million</b> , 33.1% growth over 1Q12 and <b>44.5% margin in 1Q13</b> ;
EBITDA	<b>EBITDA</b> totaled <b>R\$ 28.6 million</b> , increasing 95.2% over 1Q12, with 14.2% EBITDA margin. Excluding the non-recurring effect in the 1Q12, EBITDA would have increased 26.3%;
Net Profit	<b>1Q13 net profit</b> reached <b>R\$19.4 million</b> , 78.5% increase compared with 1Q12 and with <b>9.6% margin</b> . Without the non-recurring effect in the 1Q12, net profit would have increased 20.0%;

# Company Growth

Gross Revenues – Domestic and Export Market (R\$ million)



Gross Revenues by brand – Domestic Market (R\$ million)

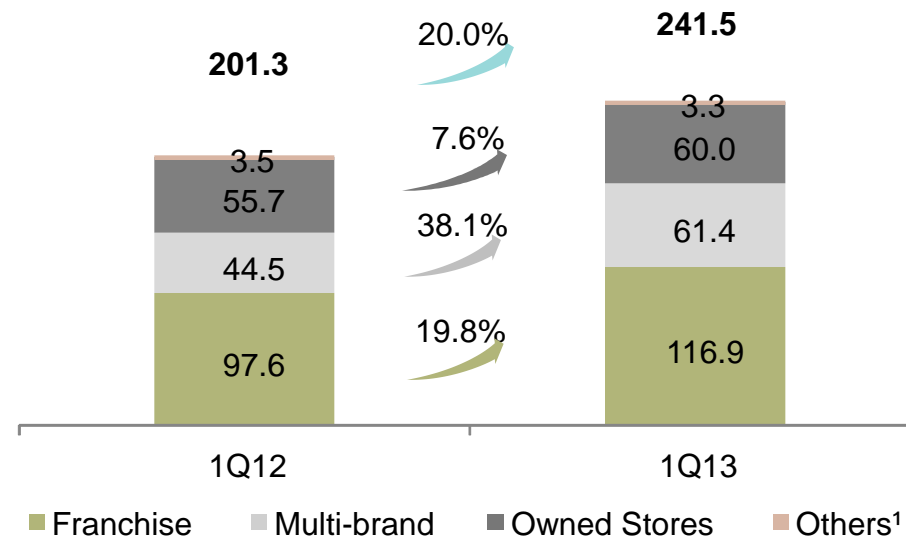


Arezzo&Co's gross revenues increased 23.3% over 1Q12. In special, Schutz brand gross revenue increased 25.2% in 1Q13, in domestic market, leveraged by the roll out process started in 3Q11, with opening and enlargement of 32 stores in the last 12 months.

1) Other: Alexandre Birman's and Anacapri's Gross Revenue: growth of 48.1% in 1Q13.

# Gross Revenue Breakdown by Channel – Domestic Market

Gross Revenue by channel – Domestic Market (R\$ million)



SSS Sell-out (owned stores + franchise )

na

6.7%

SSS Sell-in (franchises)

6.5%

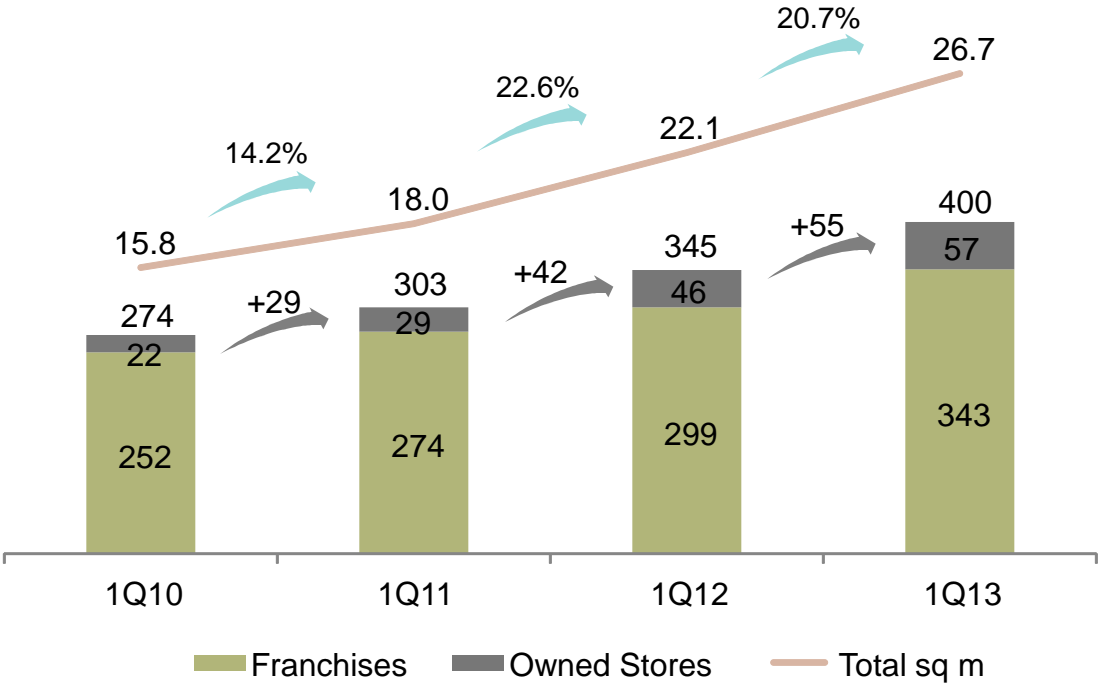
8.3%

Sales increased in all channels, particularly Owned Stores, with 38.1% in 1Q13. Franchises also presented good performance: 43 stores and SSS sell in of 8.3% in 1Q13. Multi-brands sales growth mainly due to focus on branding and increase in share of wallet.

1) Other: decreasing of 7.9% in 1Q13.

## Distribution Channel Expansion

### Owned Stores and Franchises Expansion



### AREZZO

Franchises	320
Owned Stores <sup>1</sup>	19
Multi Brands <sup>2</sup>	963

### SCHUTZ

Franchises	23
Owned Stores <sup>1</sup>	28
Multi Brands <sup>2</sup>	1,546

### Alexandre Birman

Owned Stores	2
Multi Brands <sup>2</sup>	7

### ANACAPRI

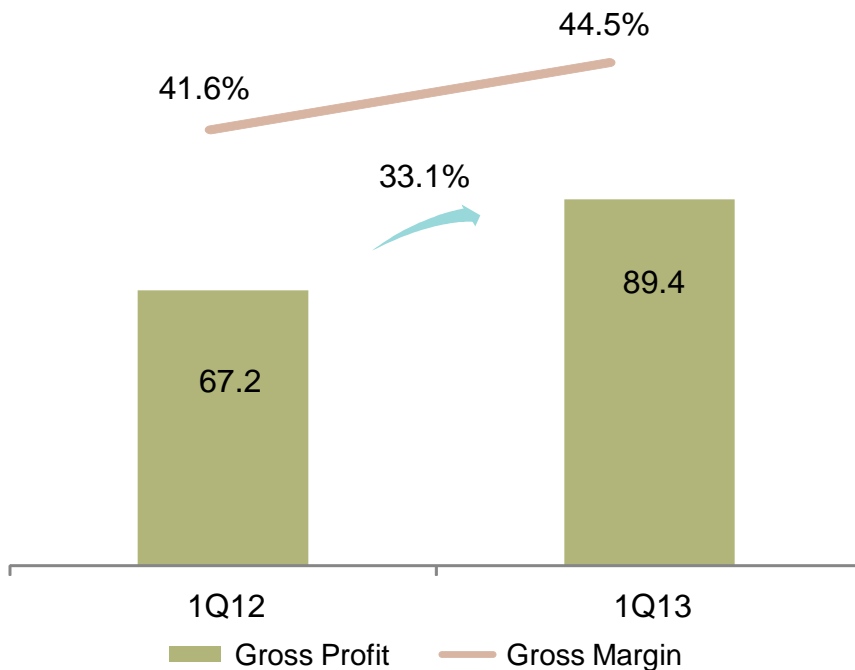
Owned Stores	8
Multi Brands <sup>2</sup>	865

Company enlarged the Arezzo brand store at Iguatemi Mall in São Paulo, presenting a new store design project, with the name of Contemporary.

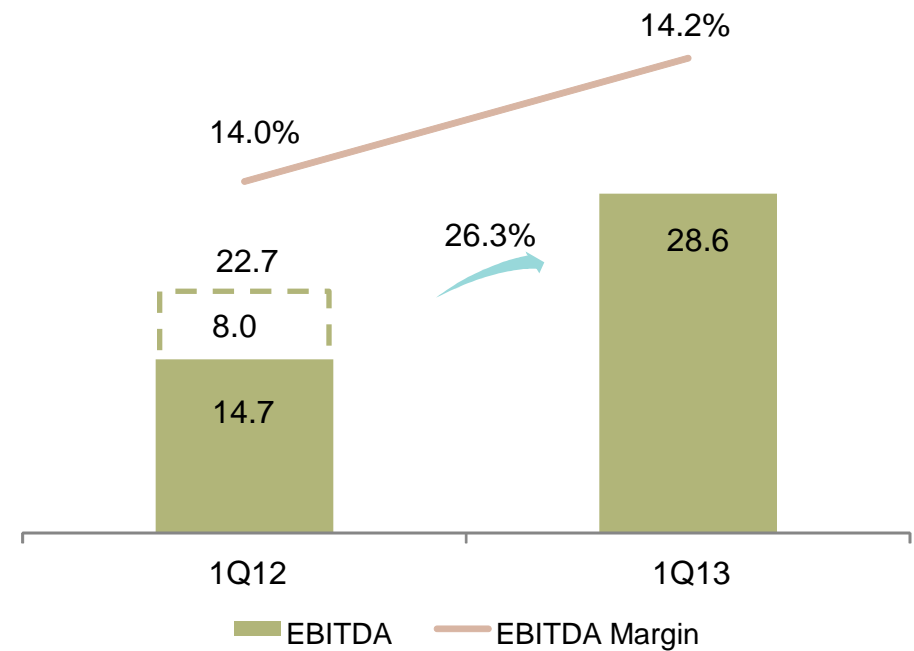
Note: area given in thousand square meter  
 1) Includes 5 outlets with total area of 1,227 sq m  
 2) Domestic Market

# Gross Profit and EBITDA

Gross Profit (R\$ million)

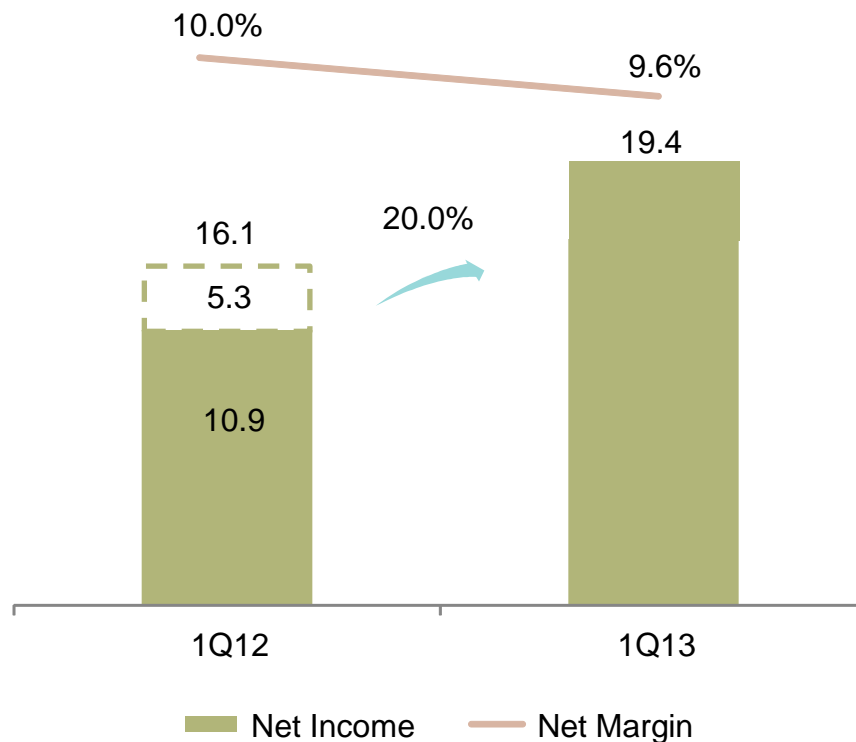


EBITDA (R\$ million)



In 1Q13, gross margin expanded 2.9 p.p. EBITDA in 1Q13 totaled R\$28.6 million, growth of 95.2% over 1Q12. Excluding the non-recurring effect of 1Q12, EBITDA in 1Q13 would have been up 26.3% over 1Q12.

Net Income (R\$ million)



Net income in 1Q13 was R\$19.4 million and presented an increase of 78.5% over 1Q12. Without the non-recurring impact of 1Q12, net income for the quarter would have increased 20.0%.



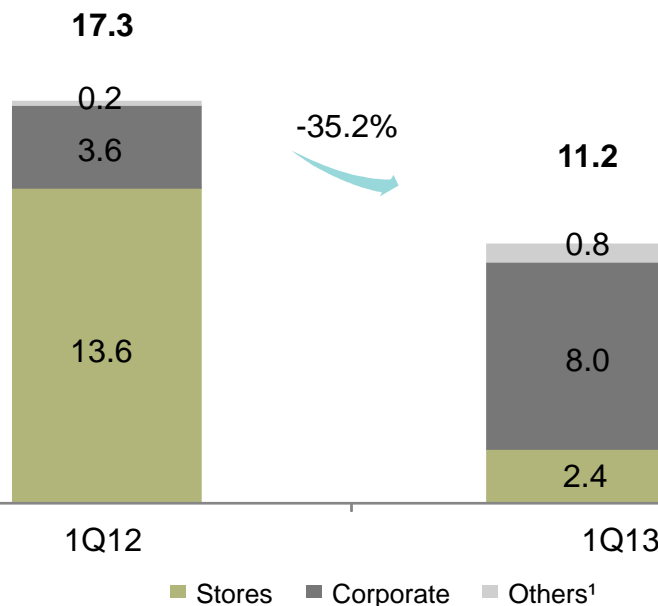
## Operating Cash Generation (R\$ thousand)

Operating Cash Flow	1Q12	1Q13	Var. (%)
<b>Income before income tax and social contribution</b>	<b>15,636</b>	<b>28,091</b>	<b>79.7%</b>
<b>Depreciation and amortization</b>	<b>1,417</b>	<b>2,585</b>	<b>82.4%</b>
<b>Other</b>	<b>(4,129)</b>	<b>(818)</b>	<b>-80.2%</b>
<b>Decrease (increase) in current assets / liabilities</b>	<b>9,975</b>	<b>7,899</b>	<b>-20.8%</b>
Trade accounts receivables	5,994	(2,374)	n/a
Inventories	(8,579)	(11,474)	33.7%
Suppliers	18,840	33,513	77.9%
Change in other current assets and liabilities	(6,280)	(11,766)	87.4%
<b>Change in other noncurrent assets and liabilities</b>	<b>(700)</b>	<b>338</b>	<b>n/a</b>
<b>Payment of income tax and social contribution</b>	<b>-</b>	<b>(3,663)</b>	<b>n/a</b>
<b>Net cash flow generated by operational activities</b>	<b>22,199</b>	<b>34,432</b>	<b>55.1%</b>

Arezzo&Co generated R\$34.4 million of operating cash in 1Q13, due to a higher operational profit in the quarter.

# Capital Expenditure (CAPEX) and Indebtedness

CAPEX (R\$ million)



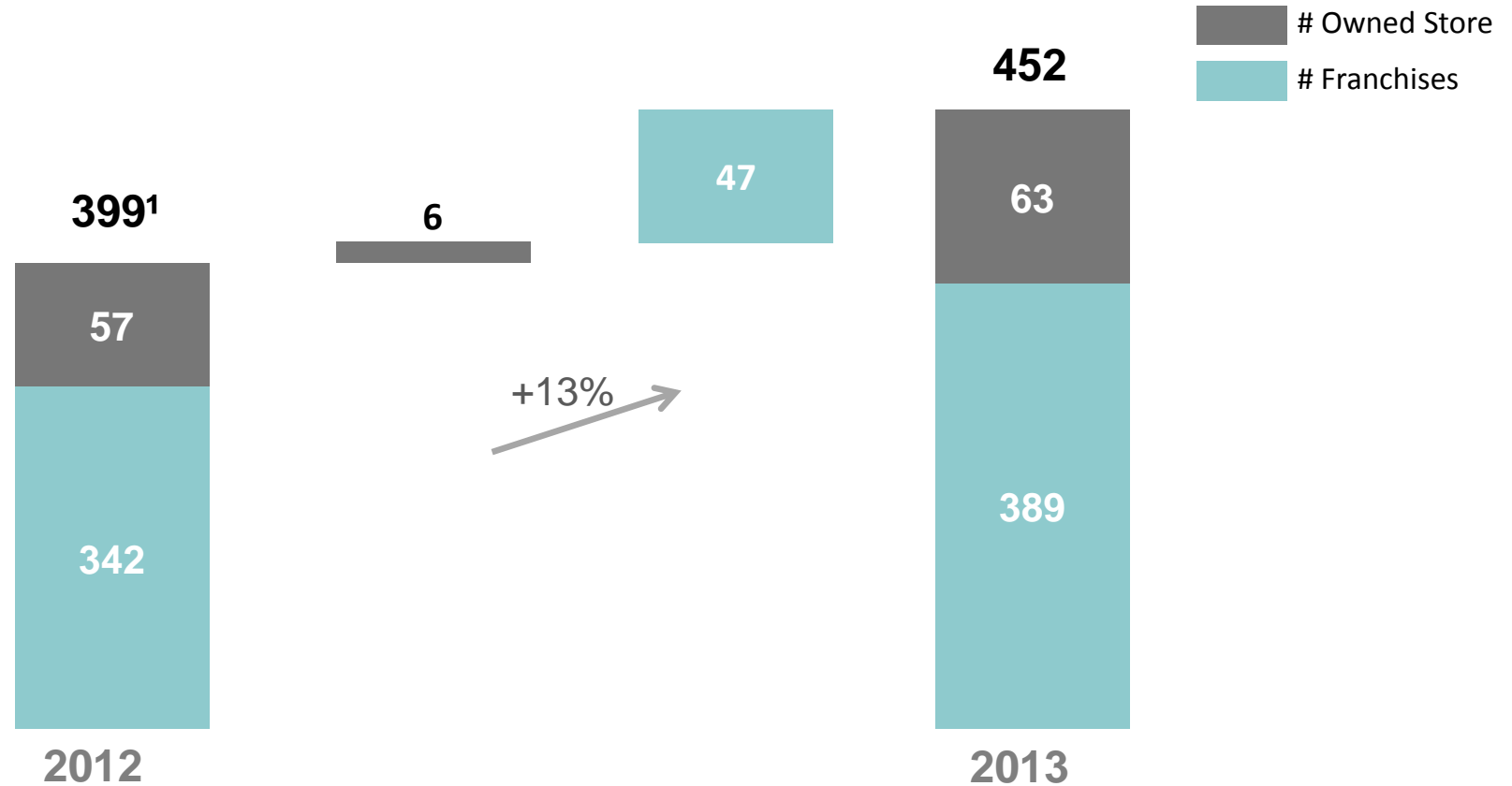
Indebtedness (R\$ million)

Cash position and Indebtedness	1Q12	4Q12	1Q13
Cash, cash equivalents and financial investments	166,741	202,154	213,306
<b>Total debt</b>	30,844	94,084	87,880
Short term	14,059	42,843	41,226
<i>% total debt</i>	45.6%	45.5%	46.9%
Long-term	16,785	51,241	46,654
<i>% total debt</i>	54.4%	54.5%	53.1%
<b>Net debt</b>	<b>(135,897)</b>	<b>(108,070)</b>	<b>(125,426)</b>

In 1Q13, the Company invested R\$ 11.2 million, of which R\$ 8.0 million were mainly related to IT systems.

1) Other: Increase of 291.1% in 1Q13.

## 2013 Opening Guidance



The 2013 expansion pipeline is committed to opening 53 new stores with a 15% growth in total sales area, leveraged by openings and expansion of existing stores.

1) Include 9 international stores.

# Contacts

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