

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

**Conference Call**  
**1Q15**

# Important 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.

## Net Revenue

Net revenue reached R\$236.2 million in 1Q15, an increase of 10.7% against 1Q14.

## Gross Profit

In 1Q15, gross profit was R\$95.9 million, up by 4.2% against 1Q14, with 40.6% gross margin;

## EBITDA

EBITDA for 1Q15 totaled R\$28.1 million, an increase of 3.0% against 1Q14, with a margin of 11.9%;

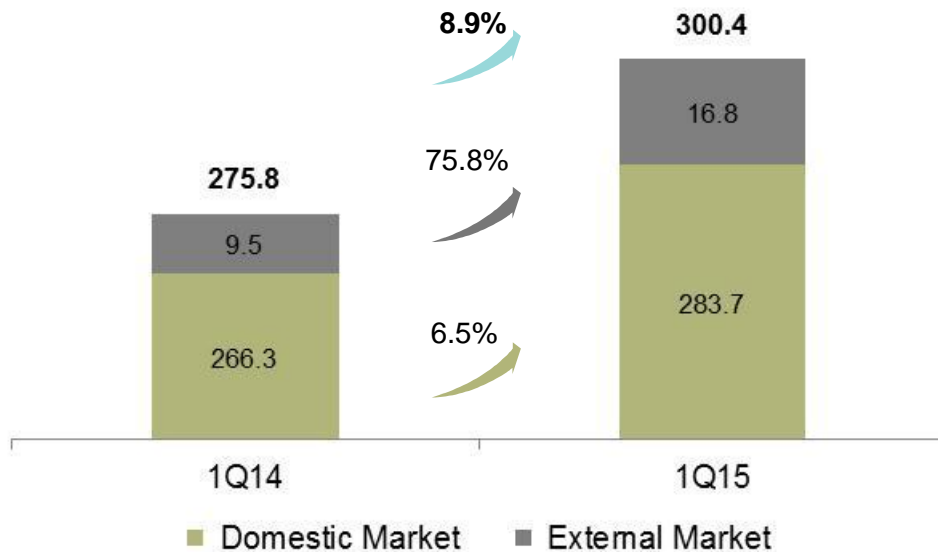
## Net Profit

Net income for 1Q15 was R\$18.1 million, with a net margin of 7.7%;

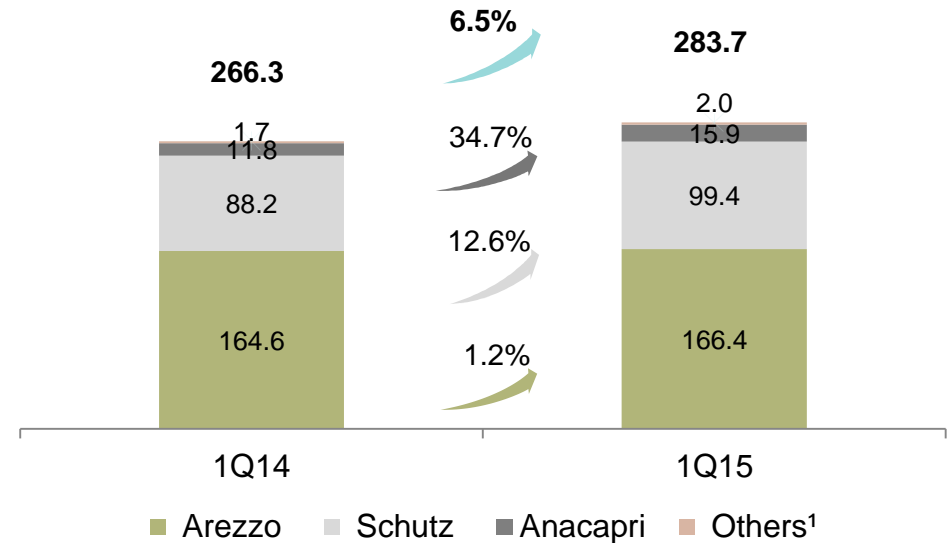
## Sales Area Expansion

During the quarter, Arezzo&Co expanded sales area by 11.2% against 1Q14.

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



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

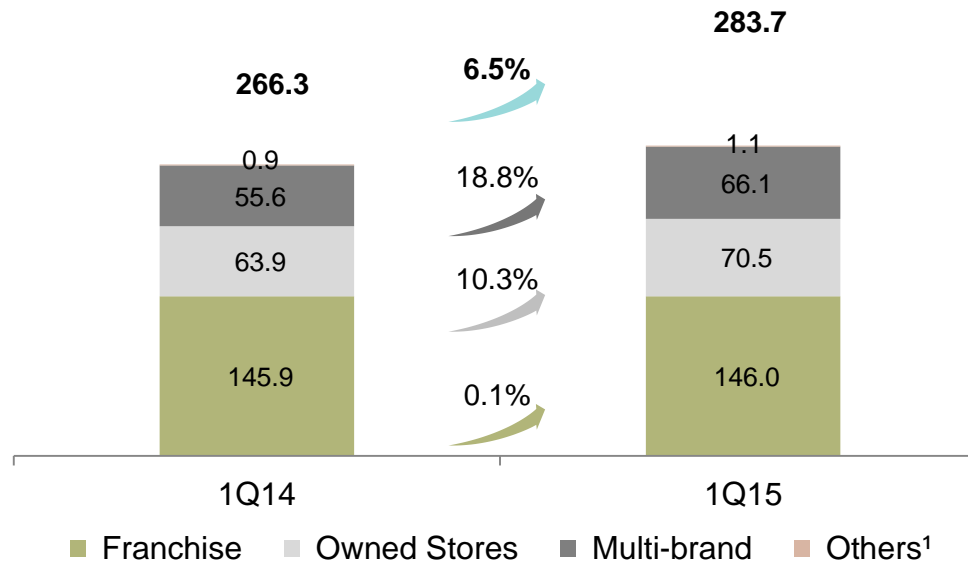


Gross revenue increased 8.9%, with special mention to 12.6% growth in the domestic market in the Schutz brand.

1) Others: Increase of 14.7% in 1Q15.

# Gross Revenue Breakdown by Channel – Domestic Market

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



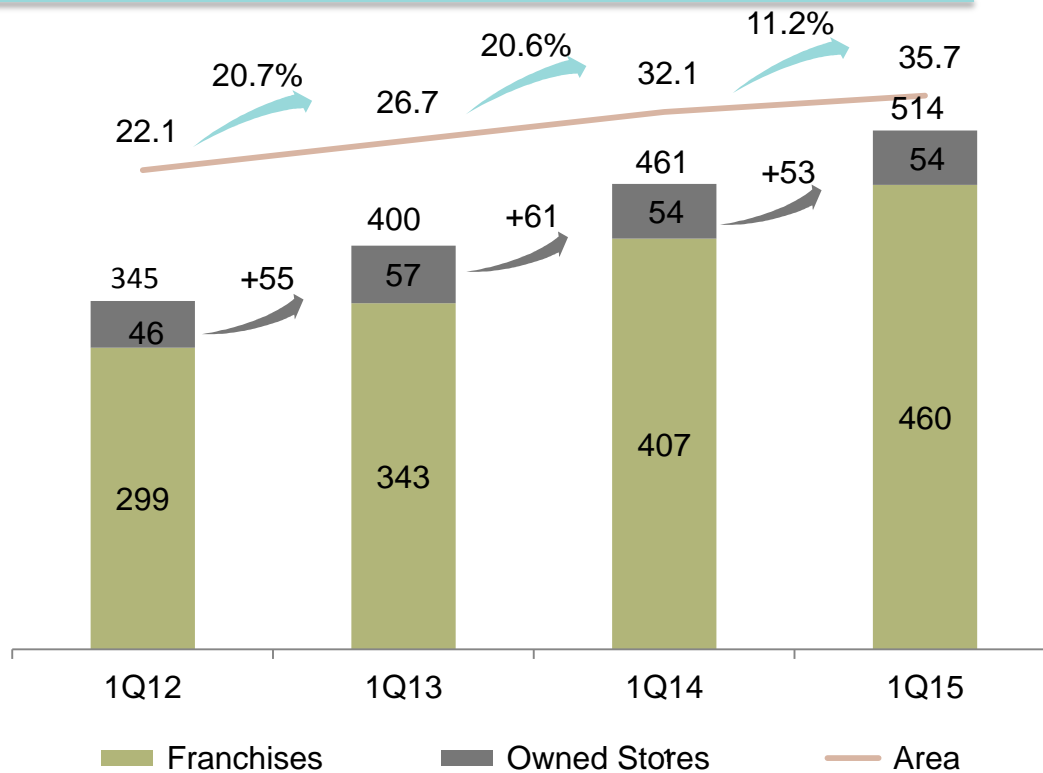
SSS <i>Sell-out</i> (owned stores + web + franchises)	3.8%	2.2%
SSS <i>Sell-out</i> (owned stores + franchises)	3.3%	0.6%
SSS <i>Sell-in</i> (franchises)	8.7%	-4.0%

In this quarter, monobrand stores (Franchises and Owned Stores) increased 3.2%, and the Multibrand channel presented a 18.8% growth. SSS Sell-out reached 2.2% growth in the quarter.

1) Others: Growth of 21.9% in 1Q15.

# Distribution Channel Expansion

## Owned Stores and Franchises Expansion



## Number of Stores – Domestic Market

### AREZZO

Franchises	356
Owned Stores	19
Multi Brands	1,132

### SCHUTZ

Franchises	46
Owned Stores	28
Multi Brands	1,379

### ALEXANDRE BIRMAN

Owned Stores	2
Multi Brands	8

### ANACAPRI

Franchises	53
Owned Stores	4
Multi Brands	997

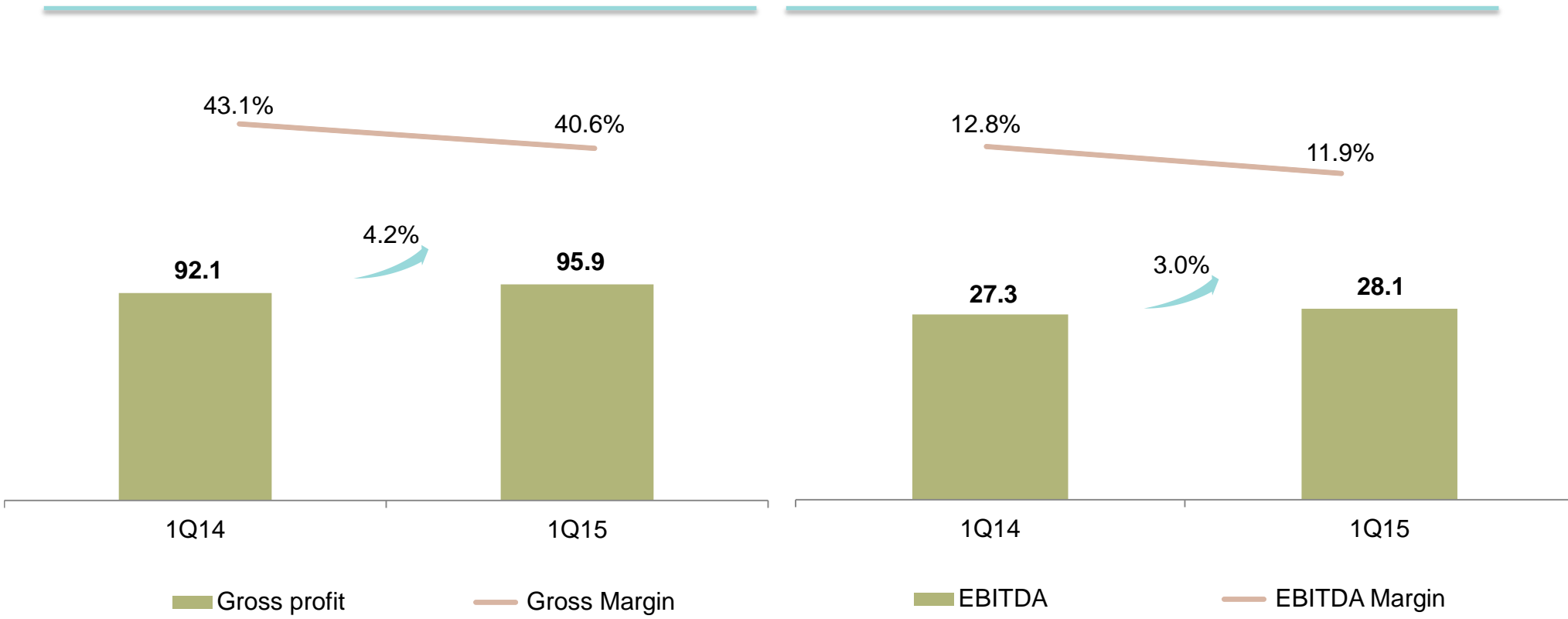
An expansion of 11.2% in sales area against 1Q14.

1) Includes 7 outlet-type stores with a total area of 2.882 m<sup>2</sup>

# Gross Profit and EBITDA

Gross Profit (R\$ million)

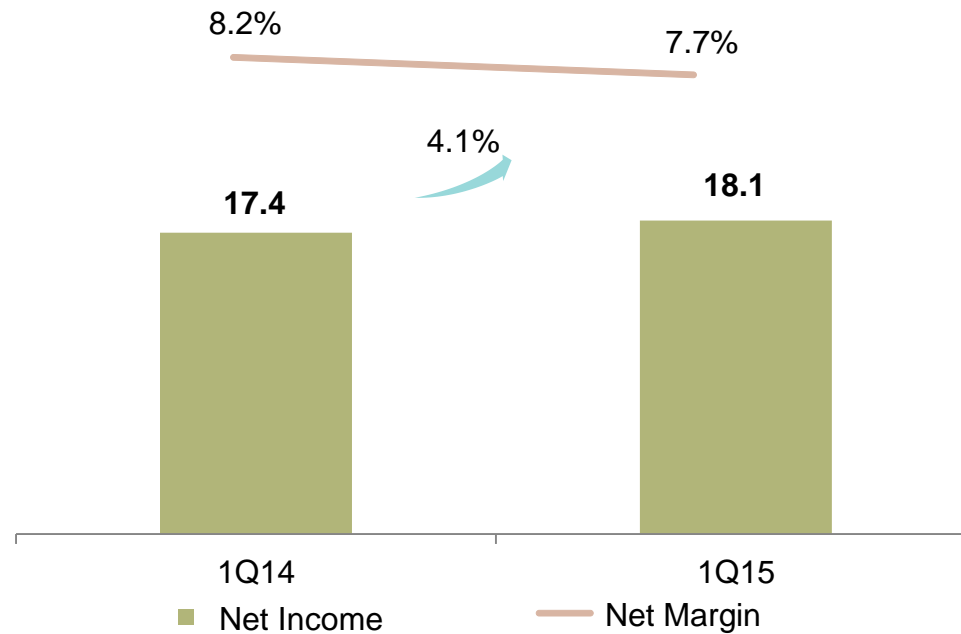
EBITDA (R\$ million)



Gross profit reached R\$95.9 million in 1Q15, with 40.6% gross margin. EBITDA amounted R\$28.1 million, with a 11.9% margin.

# Net Income and Net Margin

Net Income (R\$ million)



In this quarter, Company net income presented a growth of 4.1%, reaching R\$18.1 million, with a net margin of 7.7%.



# Operating Cash Flow

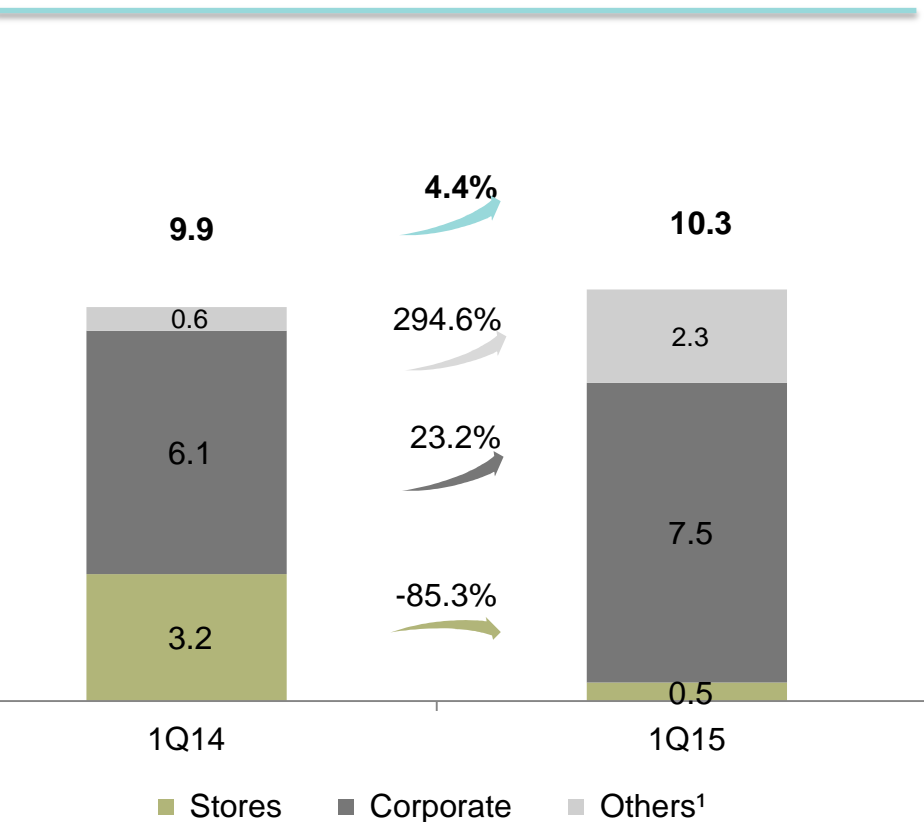
## Operating Cash Flow (R\$ thousand)

Operating Cash Flow	1Q14	1Q15	Change in R\$	Change in %
<b>Income before income tax and social contribution</b>	<b>26,997</b>	<b>30,350</b>	<b>3,353</b>	<b>12.4%</b>
<b>Depreciation and amortization</b>	<b>3,209</b>	<b>5,784</b>	<b>2,575</b>	<b>80.2%</b>
<b>Other</b>	<b>(3,184)</b>	<b>4,149</b>	<b>7,333</b>	<b>n/a</b>
<b>Decrease (increase) in current assets / liabilities</b>	<b>9,202</b>	<b>(13,077)</b>	<b>(22,279)</b>	<b>n/a</b>
receivables	2,503	(18,925)	(21,428)	n/a
Inventories	(17,774)	(23,186)	(5,412)	30.4%
Suppliers	39,400	34,130	(5,270)	-13.4%
Change in other noncurrent and current assets and liabilities	(14,927)	(5,096)	9,831	-65.9%
<b>Payment of income tax and social contribution</b>	<b>(2,342)</b>	<b>(3,019)</b>	<b>(677)</b>	<b>28.9%</b>
<b>Net cash flow generated by operational activities</b>	<b>33,882</b>	<b>24,187</b>	<b>(9,695)</b>	<b>-28.6%</b>

Arezzo&Co generated R\$24.2 million in operating cash in 1Q15, due mainly to the higher operating profit during the quarter and a greater need for working capital due to business seasonality.

# Capital Expenditure (CAPEX) and Indebtedness

## CAPEX (R\$ million)



## Indebtedness (R\$ million)

Cash position and Indebtedness	1T14	4T14	1T15
<b>Cash</b>	<b>207,553</b>	<b>200,385</b>	<b>210,149</b>
<b>Total debt</b>	<b>96,652</b>	<b>99,410</b>	<b>98,138</b>
Short term	59,680	65,081	65,718
% total debt	61.7%	65.5%	67.0%
Long-term	36,972	34,329	32,420
% total debt	38.3%	34.5%	33.0%
<b>Net debt</b>	<b>(110,901)</b>	<b>(100,975)</b>	<b>(112,011)</b>
<b>EBITDA LTM</b>	<b>158,113</b>	<b>161,299</b>	<b>162,122</b>
<b>Net debt/EBITDA LTM</b>	<b>-0.7x</b>	<b>-0.6x</b>	<b>-0.7x</b>

In 1Q15, the Company invested R\$10.3 million, an increase of 4.4% over the same period of last year. Indebtedness policy remained conservative.

# Contacts

**CFO and IR Officer**

*Thiago Borges*

**IR Manager**

*Leonardo Pontes dos Reis, CFA*

**IR Analyst**

*Leandro Vieira*

**AREZZO**  
**&CO**

Telephone: +55 11 2132-4300

[ri@arezzoco.com.br](mailto:ri@arezzoco.com.br)

[www.arezzoco.com.br](http://www.arezzoco.com.br)