

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

**Conference Call**  
**1Q16**

# 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.

## Gross Revenue

**Arezzo&Co registered growth of 9.9%** in gross revenue for 1Q16, with highlights to exports and web commerce.

## Gross Profit

**In 1Q16, gross profit was R\$111.7 million**, up by 16.5% with a gross margin expansion of 280 bps versus 1Q15.

## EBITDA

**1Q16 EBITDA amounted R\$26.3 million**, with a 10.2% margin, falling 6.3% versus 1Q15.

## Net Profit

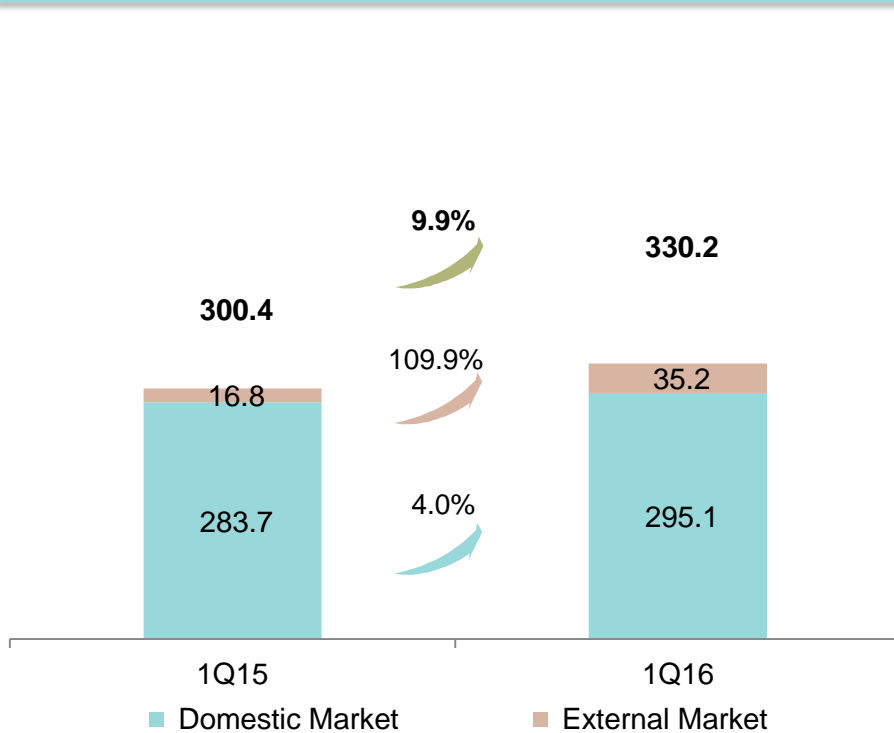
**This quarter, net profit reached R\$14.7 million**, with a net margin of 5.7%.

## Sales Area Expansion

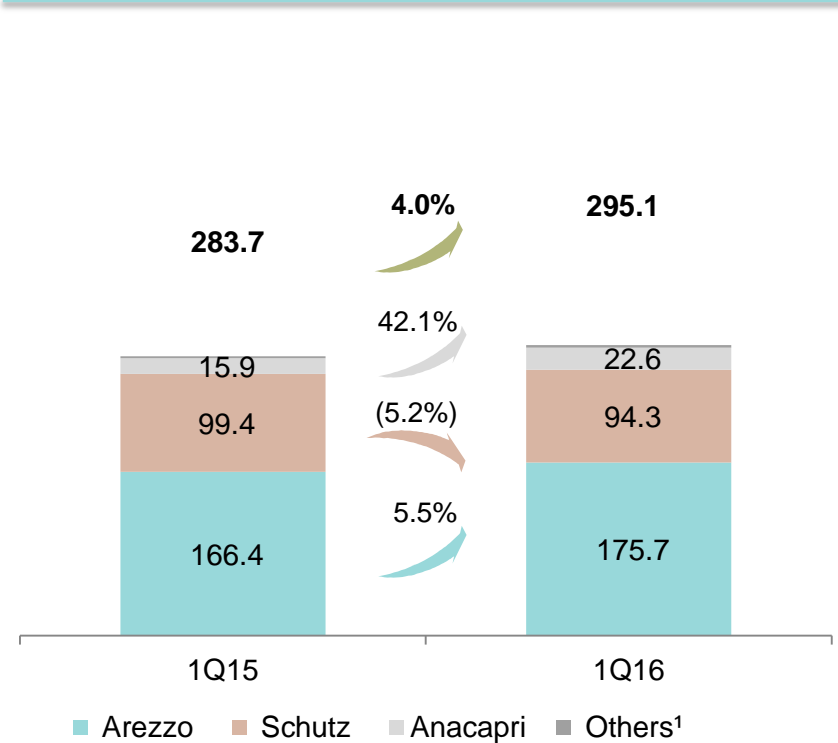
**Arezzo&Co ended 1Q16 with a 6.6% growth in sales area**, excluding outlets, in the last twelve months.

# Company Growth

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



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

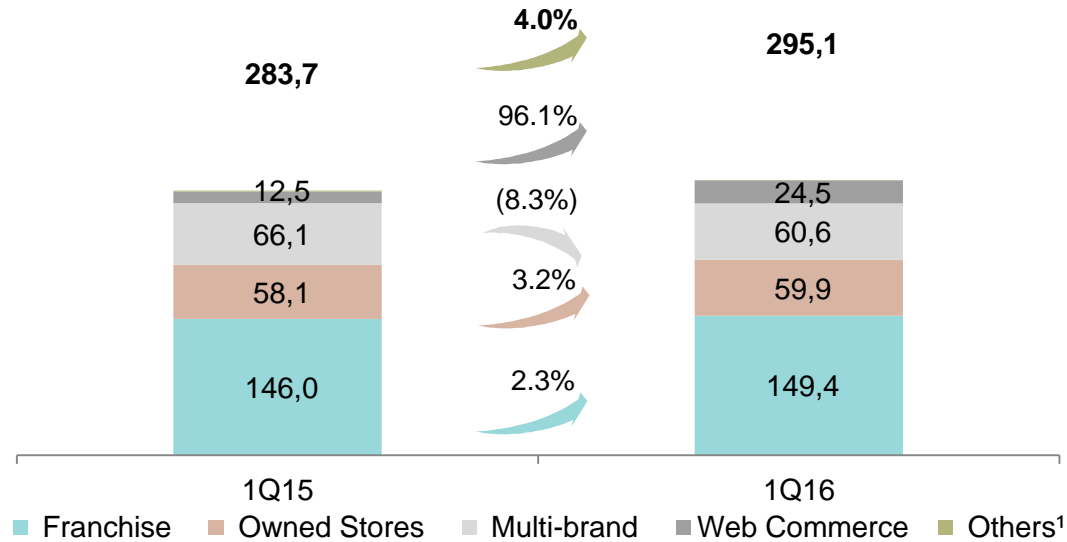


Gross revenue increased 9.9%, with special mention to 109.9% growth in the external market and a 42.1% growth for Anacapri and 5.5% growth for Arezzo in the domestic market.

1) Others: Increase of 31.5% in 1Q16.

# Gross Revenue Breakdown by Channel – Domestic Market

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



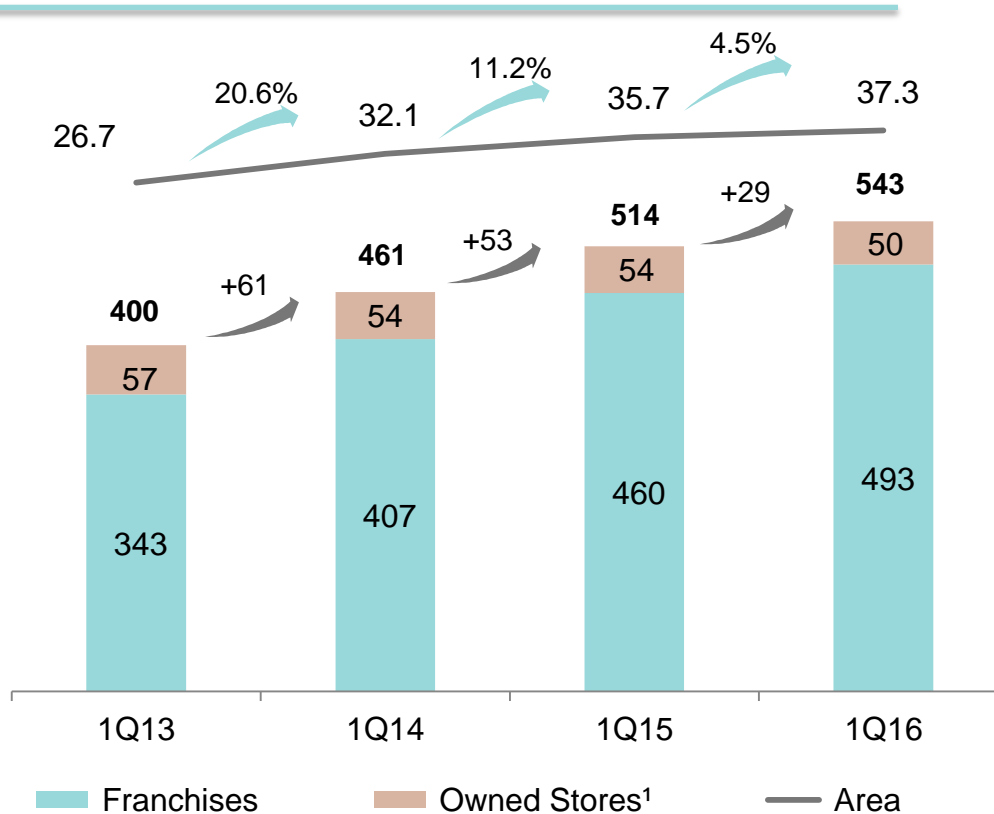
	1Q15	1Q16
SSS <i>Sell-in</i> (franchises)	(4.0%)	(1.4%)
SSS <i>Sell-out</i> (Owned Stores + franchises)	0.6%	(4.3%)
SSS <i>Sell-out</i> (Owned Stores + web + franchises)	2.2%	(3.7%)

In 1Q16, monobrand stores (franchises, owned stores and web commerce) sales increased 8.0%, with *web commerce* being a highlight, which sales grew 96.1% this quarter.

1) Others: Decrease of 39.7% in 1Q16.

# Distribution Channel Expansion

## Owned Stores and Franchises Expansion



## Number of Stores – Domestic Market

### AREZZO

Franchises	366
Owned Stores	15
Multi Brands	1.163

### SCHUTZ

Franchises	52
Owned Stores	26
Multi Brands	1.300

### ALEXANDRE BIRMAN

Owned Stores	2
Multi Brands	12

### ANACAPRI

Franchises	70
Owned Stores	4
Multi Brands	1.050

### FEVER

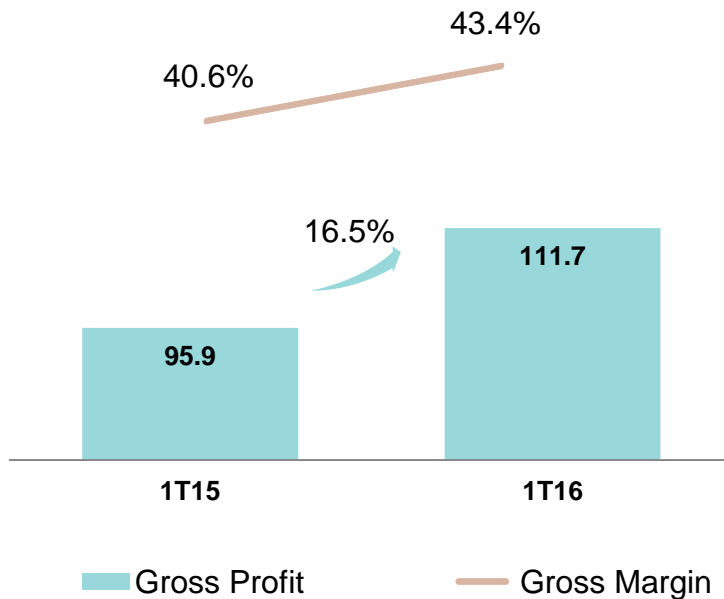
Owned Stores	1
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A expansion of 6.6%, *excluding outlets*, in the last 12 months, with the net openings of 29 stores and the refurbishment of 8 others.

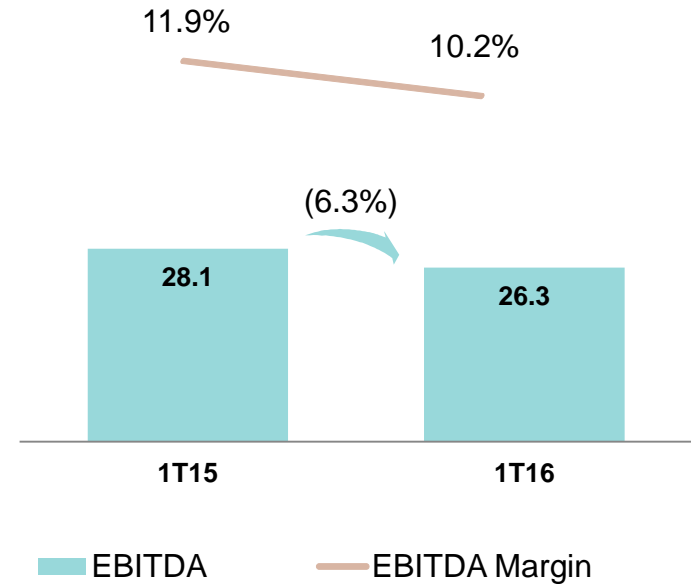
1) Includes 7 outlet stores with a total area of 2.090 m<sup>2</sup>

# Gross Profit and EBITDA

Gross Profit (R\$ million)



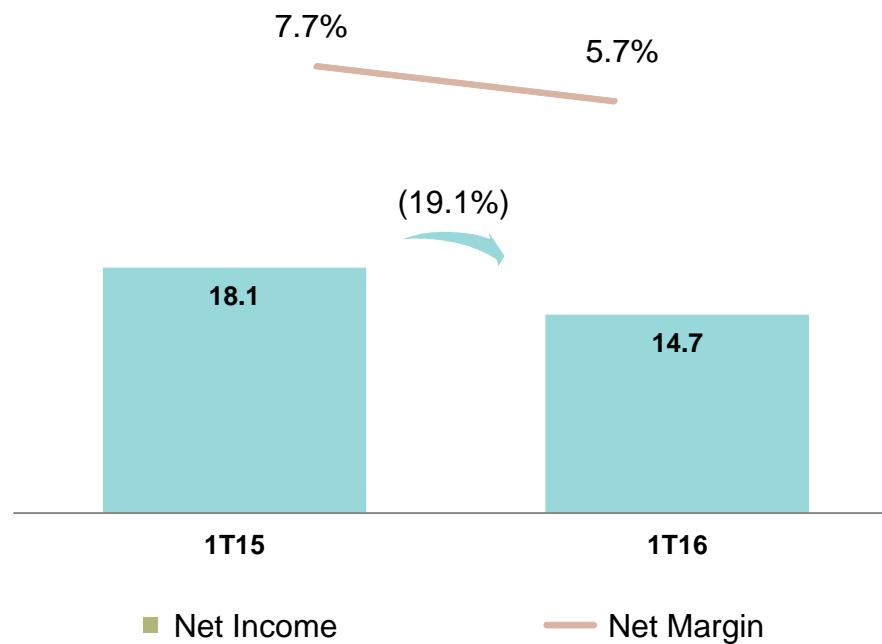
EBITDA (R\$ million)



Gross profit reached R\$111.7 million in 1Q16, with a 16.5% growth and a gross margin expansion of 280bps. EBITDA amounted to R\$26.3 million in 1Q16, with a 10.2% margin.

# Net Income and Net Margin

Net Income (R\$ million)



In this quarter, the Company's net income amounted R\$14.7 million, with a net margin of 5.7%.



# Operating Cash Flow

## Operating Cash Flow (R\$ thousand)

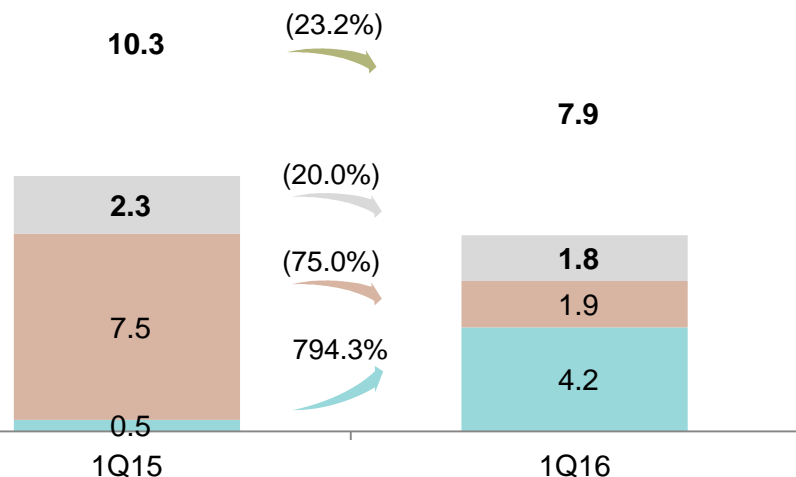
Operating Cash Flow	1Q15	1Q16	Δ 15 x 16 (R\$)	Δ 15 x 16 (%)
<b>Income before income tax and social contribution</b>	<b>30,350</b>	<b>23,474</b>	<b>(6,876)</b>	<b>(22.7%)</b>
<b>Depreciation and amortization</b>	<b>5,784</b>	<b>6,272</b>	<b>488</b>	<b>8.4%</b>
<b>Other</b>	<b>4,149</b>	<b>(13,057)</b>	<b>(17,206)</b>	<b>n/a</b>
<b>Decrease (increase) in assets / liabilities</b>	<b>(13,077)</b>	<b>7,481</b>	<b>20,558</b>	<b>n/a</b>
Trade accounts receivables	(18,925)	(12,244)	6,681	(35.3%)
Inventories	(23,186)	(15,524)	7,662	(33.0%)
Suppliers	34,130	45,767	11,637	34.1%
Change in other noncurrent and current assets and liabilities	(5,096)	(10,518)	(5,422)	106.4%
<b>Payment of income tax and social contribution</b>	<b>(3,019)</b>	<b>-</b>	<b>3,019</b>	<b>n/a</b>
<b>Net cash flow generated by operational activities</b>	<b>24,187</b>	<b>24,170</b>	<b>(17)</b>	<b>(0.1%)</b>

Arezzo&Co generated R\$24.2 million in operating cash in 1Q16, mostly due to improvements in working capital.

# Capital Expenditure (CAPEX) and Indebtedness

## CAPEX (R\$ million)

## Indebtedness (R\$ million)



■ Stores ■ Corporate ■ Others<sup>1</sup> Total

Cash position and Indebtedness	1Q15	4Q15	1Q16
<b>Cash</b>	<b>210,149</b>	<b>225,762</b>	<b>249,158</b>
<b>Total debt</b>	<b>98,138</b>	<b>123,153</b>	<b>114,349</b>
Short term	65,718	85,336	79,799
% total debt	67.0%	69.3%	69.8%
Long-term	32,420	37,817	34,550
% total debt	33.0%	30.7%	30.2%
<b>Net debt</b>	<b>(112,011)</b>	<b>(102,609)</b>	<b>(134,809)</b>
<b>EBITDA LTM</b>	<b>162,122</b>	<b>165,496</b>	<b>163,728</b>
<b>Net debt/EBITDA LTM</b>	<b>-0.7x</b>	<b>-0.6x</b>	<b>-0.8x</b>

In 1Q16, the company reduced its CAPEX to R\$7.9 million due to the end of the implementation of the Company's new ERP system and its online platform. The indebtedness policy remained conservative.

# Contacts

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