

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

**Conference Call**

**2Q12**

# Important Disclaimer



Statements regarding the Company's future business prospects and operating income projections are mere estimates and projections and, as such, are subject to several risks and uncertainties, including, but not limited to, market conditions, domestic and international economic performance in general and in the Company's operating sector. Such risks and uncertainties cannot be controlled or sufficiently forecast by the Company's management and may significantly affect its perspectives, estimates and projections. Statements regarding future perspectives, projections and estimates do not represent and may not be construed as a performance guarantee. Operating information contained herein, as well as information not directly derived from financial statements, has not been subject to audit or special review by the Company's independent auditors, may involve assumptions and estimates adopted by the management and be subject to changes.

# 2Q12 Highlights

Net Revenue

**Net Revenue** increased by **31.0% in 2Q12**, reaching R\$199.5 million

Gross Profit

**Gross Profit** reached **R\$ 89.9 million**, 36.9 % growth and **45.1% margin**

EBITDA

**EBITDA** totaled **R\$ 34.6 million**, increase of 22.4% and 17.4% margin

Net Profit

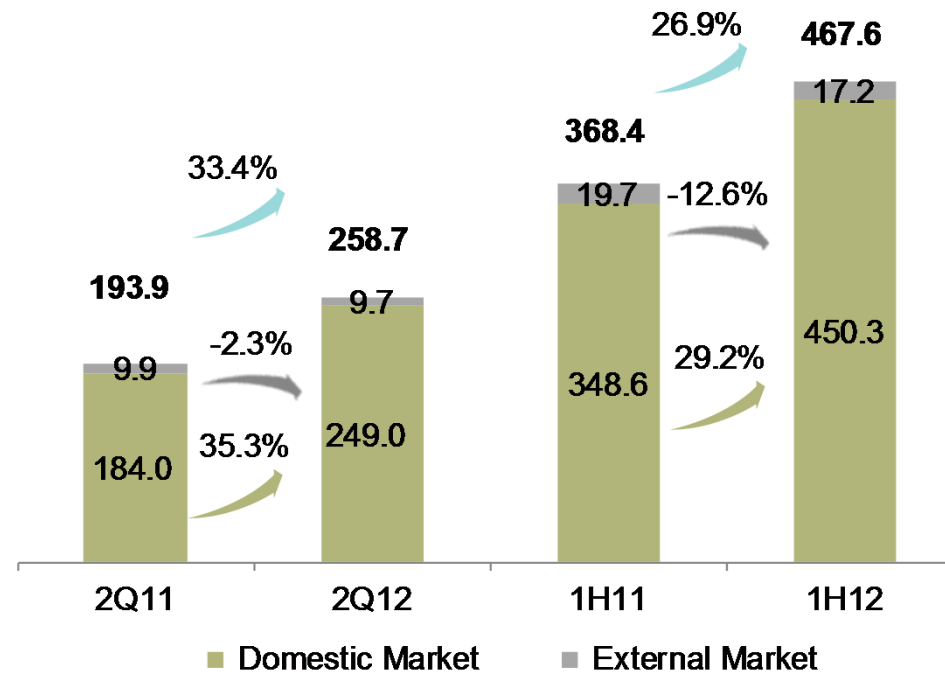
**R\$25.8 million net profit**, with 12.9% margin and growth of 7.2%

Expansion

Opening of 13 stores in Brazil: 4 owned stores – 1 Arezzo and 3 Schutz; 9 franchises: 5 Arezzo and 4 Schutz. Expansion of 4 existing stores: 2 owned and 2 franchises, adding 212 sq m.

# Company Growth

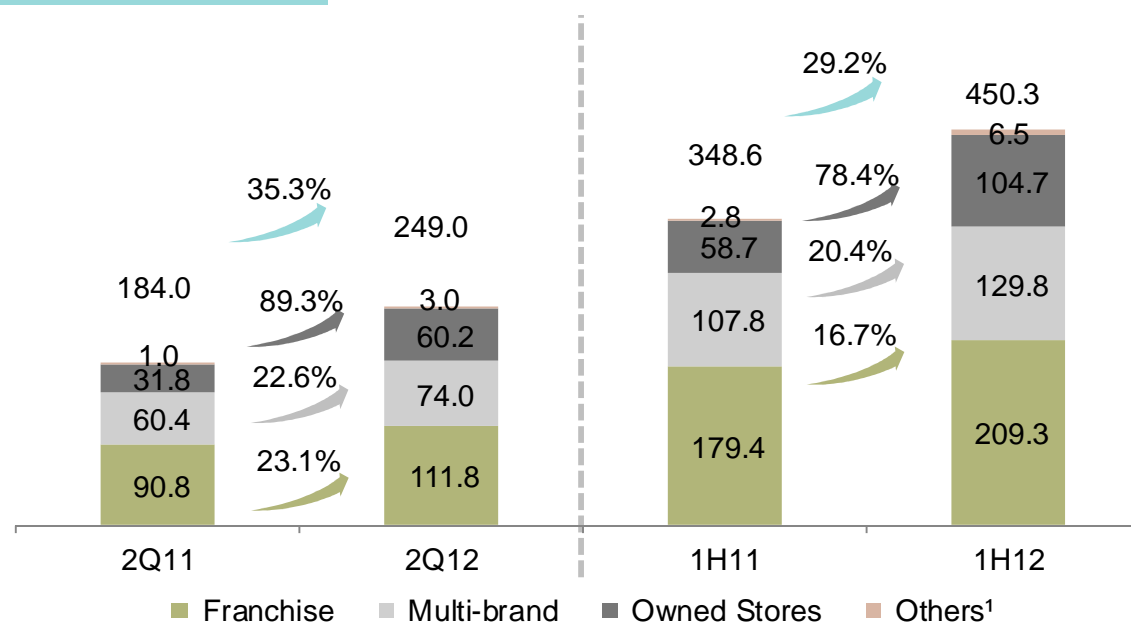
Gross Revenues – (R\$ million)



The Company's Gross Revenues amounted to R\$258.7 million in the second quarter of 2012, a 33.4% growth when comparing with 2Q11

# Gross Revenue Breakdown by Channel – Domestic Market

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



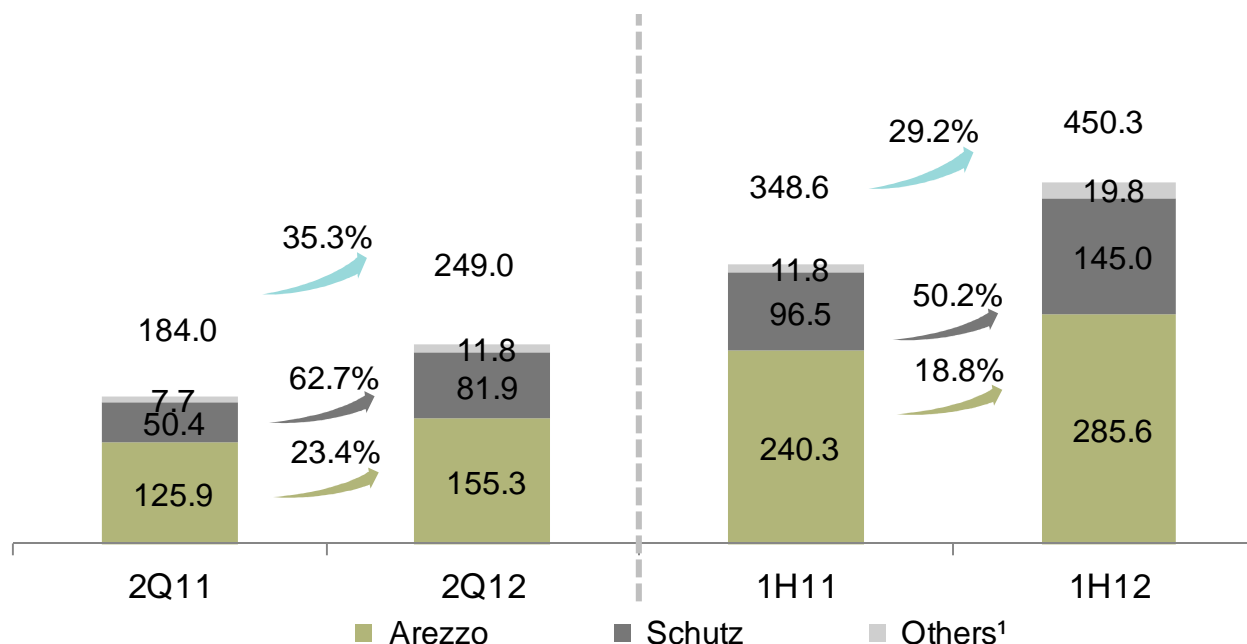
SSS Sell-out (owned stores)	19.2%	11.2%	15.6%	11.6%
SSS Sell-in (franchises)	24.2%	14.5%	19.1%	10.4%

Strong growth, especially for Owned Stores that increased by 89.3% in 2Q12. The good SSS of Owned Stores and Franchises is driven by good product mix results and solid winter collection sell-through.

<sup>1</sup> Other: Growth of 211.1% in 2Q12 and of 136.9% in 1H12.

# Gross Revenue Breakdown by Brand – Domestic Market

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

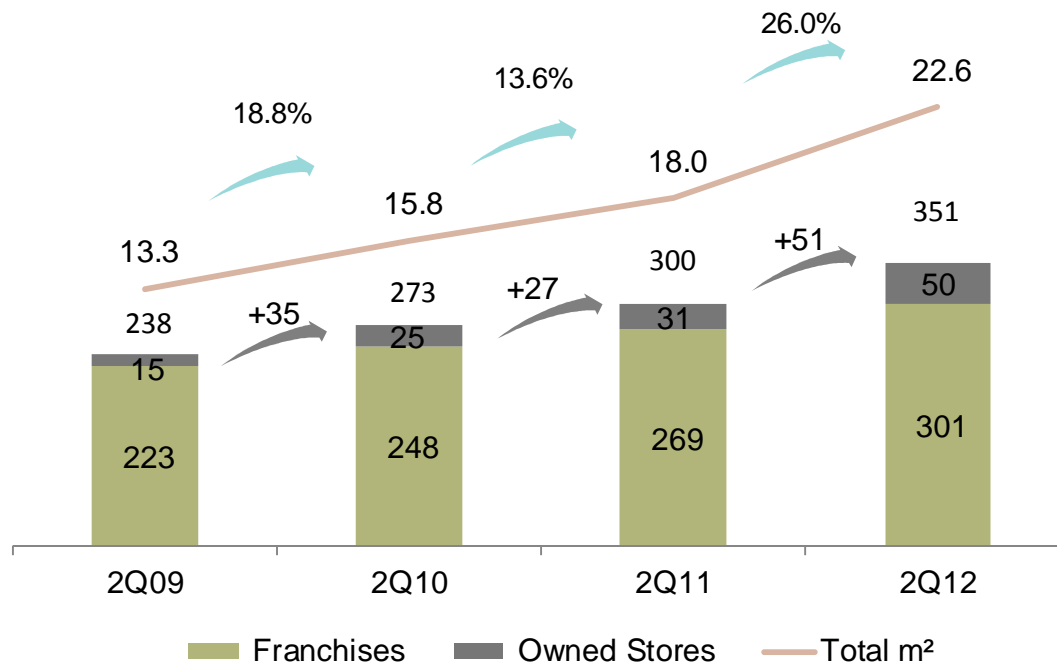


Strong growth of 35.3% in 2Q12, specially for the Schutz brand, whose gross revenue growth stood by 62.7% in 2Q12 and by 50.2% in 1H12.

<sup>1</sup> Other: Alexandre Birman's and Anacapri's Gross Revenue: growth of 52.0% in 2Q12 and of 67.1% in 1H12.

# Distribution Channel Expansion

## Owned Stores and Franchises Expansion



### AREZZO

Franchises	295
Owned Stores <sup>1</sup>	19
Multi Brands <sup>2</sup>	878

### SCHUTZ

Franchises	6
Owned Stores <sup>1</sup>	22
Multi Brands <sup>2</sup>	1,551

### Alexandre Birman

Owned Stores	1
Multi Brands <sup>2</sup>	16

### ANACAPRI

Owned Stores	8
Multi Brands <sup>2</sup>	767

The Company ended 2Q12 with 351 stores and sales area expansion of 26.0% comparing with the same period of the previous year

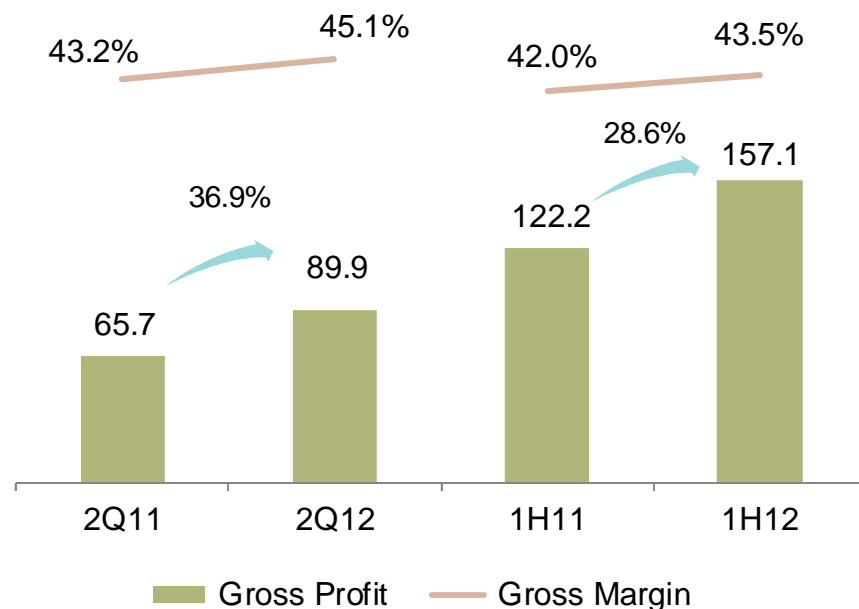
Note: area given in thousand of square meter (sq m)

<sup>1</sup> Includes 5 *outlets* with total area of 1,334 sq m

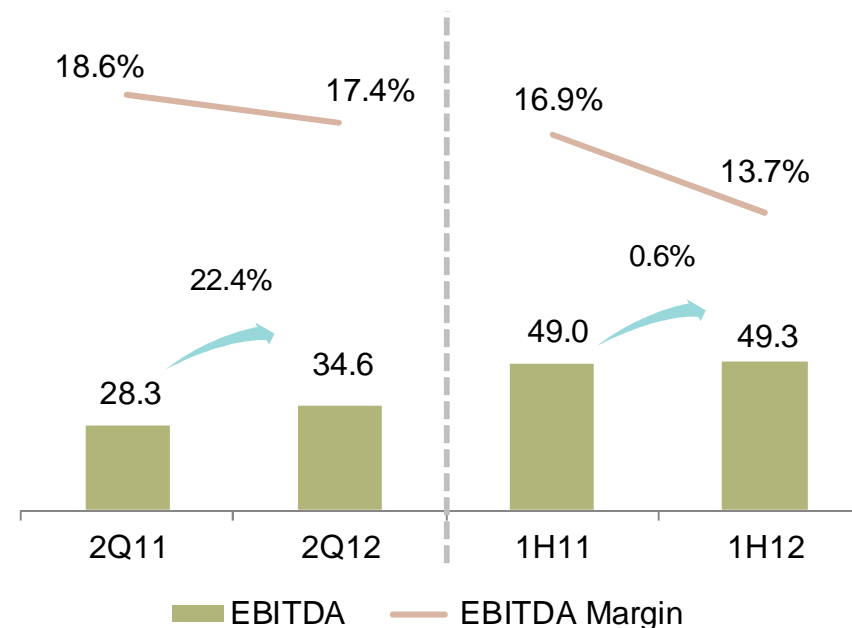
<sup>2</sup> Domestic Market

# Gross Profit and EBITDA

Gross Profit (R\$ million)



EBITDA (R\$ million)

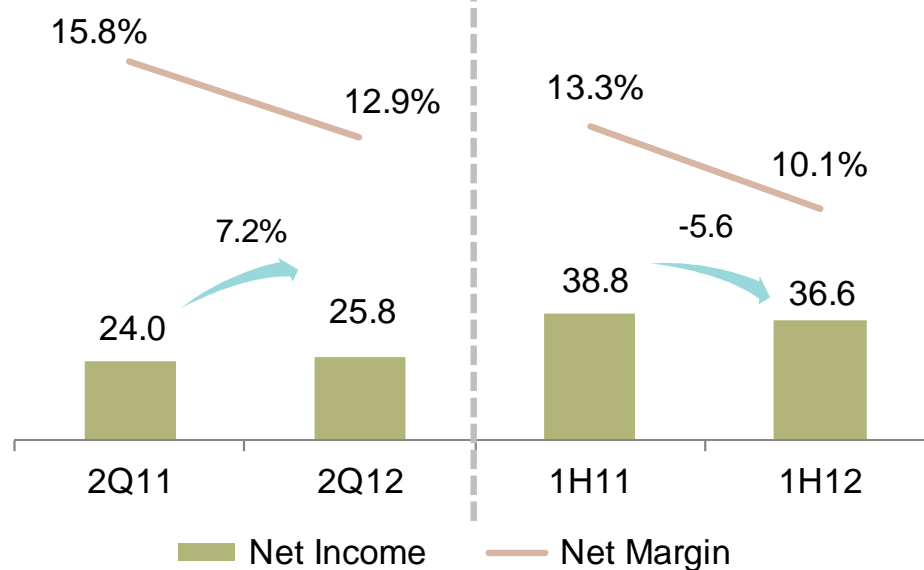


Gross margin expansion of 1.9 p.p., due to the increased presence of Owned Stores in the channel mix. Excluding the 1Q12 non-recurring effect EBITDA would be R\$ 57.3 with 15.9% margin



# Net Income

Net Income (R\$ million)



Company's Net Income totaled R\$ 25.8 million, with 12.9% margin in 2Q12. Excluding non-recurring impact in 1Q12, Net Income would have reached R\$ 41.9 million with 8.1% growth

# Cash Generation

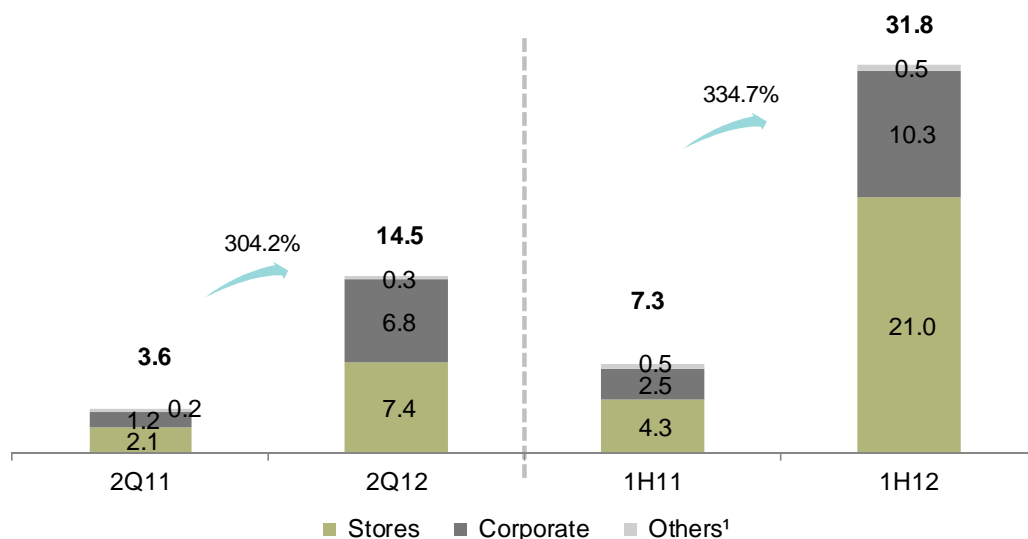
## Operating Cash Generation (R\$ thousand)

Cash flows from operating activities	2Q11	2Q12	Growth or spread	1H11	1H12	Growth or spread
Income before income taxes	30,345	33,695	3,350	51,666	49,331	(2,335)
Depreciation and amortization	961	1,749	788	1,840	3,166	1,326
Others	(4,395)	(1,518)	2,877	(6,263)	(5,647)	616
Decrease (increase) in current assets / liabilities	22,815	16,544	(6,271)	10,747	26,519	15,772
Trade accounts receivable	42,262	22,801	(19,461)	23,896	28,795	4,899
Inventories	(3,114)	(108)	3,006	(18,837)	(8,687)	10,150
Suppliers	(13,629)	(12,798)	831	8,528	6,042	(2,486)
Change in other current assets and liabilities	(2,704)	6,649	9,353	(2,840)	369	3,209
Change in other non current assets and liabilities	(908)	(928)	(21)	(1,171)	(1,628)	(457)
Tax and contributions	(5,974)	(11,652)	(5,678)	(8,340)	(11,652)	(3,312)
Net cash generated by operating activities	42,844	37,890	(4,955)	48,479	60,089	11,610

Net cash generated from operating activities totaled R\$ 37.9 million, with a slightly stretch on the balance of accounts payable due to the greater importance of owned store channel in the sales mix.

# Capital Expenditure (CAPEX) and Indebtedness

CAPEX (R\$ million)



Indebtedness (R\$ million)

Indebtedness	2Q11	1Q12	2Q12
Cash	199,339	166,741	205,819
Total indebtedness	32,276	30,844	51,117
Short term	12,547	14,059	25,548
As % of total debt	38.9%	45.6%	50.0%
Long term	19,729	16,785	25,569
As % of total debt	61.1%	54.4%	50.0%
Net debt	(167,063)	(135,897)	(154,702)
EBITDA LTM	104,201	111,662	118,007
Net debt /EBITDA LTM	-1.6x	-1.2x	-1.3x

Arezzo&Co invested R\$ 14.5 million in 2Q12, of which R\$ 7.4 million in stores, including 4 openings and 2 stores expansions, and 6 other refurbishments not yet inaugurated. Corporate investments are mainly related to the new Company's head office, in Campo Bom - RS

<sup>1</sup> Other: Increase of 17.2% in 2Q12 and of 6.0% in 1H12 compared with the same period of the previous year.

# Contacts

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