

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

**Conference Call**  
**3Q16**

# 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 posted a 5.6% growth** in gross revenues in 3Q16, with the Anacapri brand and the web commerce channel being highlights

## Gross profit

**In 3Q16, the Company's gross profit totaled R\$152.2 million**, with gross margin up by 43.9%, and growth of 14.4% against 3Q15.

## EBITDA

**EBITDA for 3Q16 totaled R\$55.9 million**, with a margin of 16.1% and a 12.5% increase against 3Q15.

## Net income

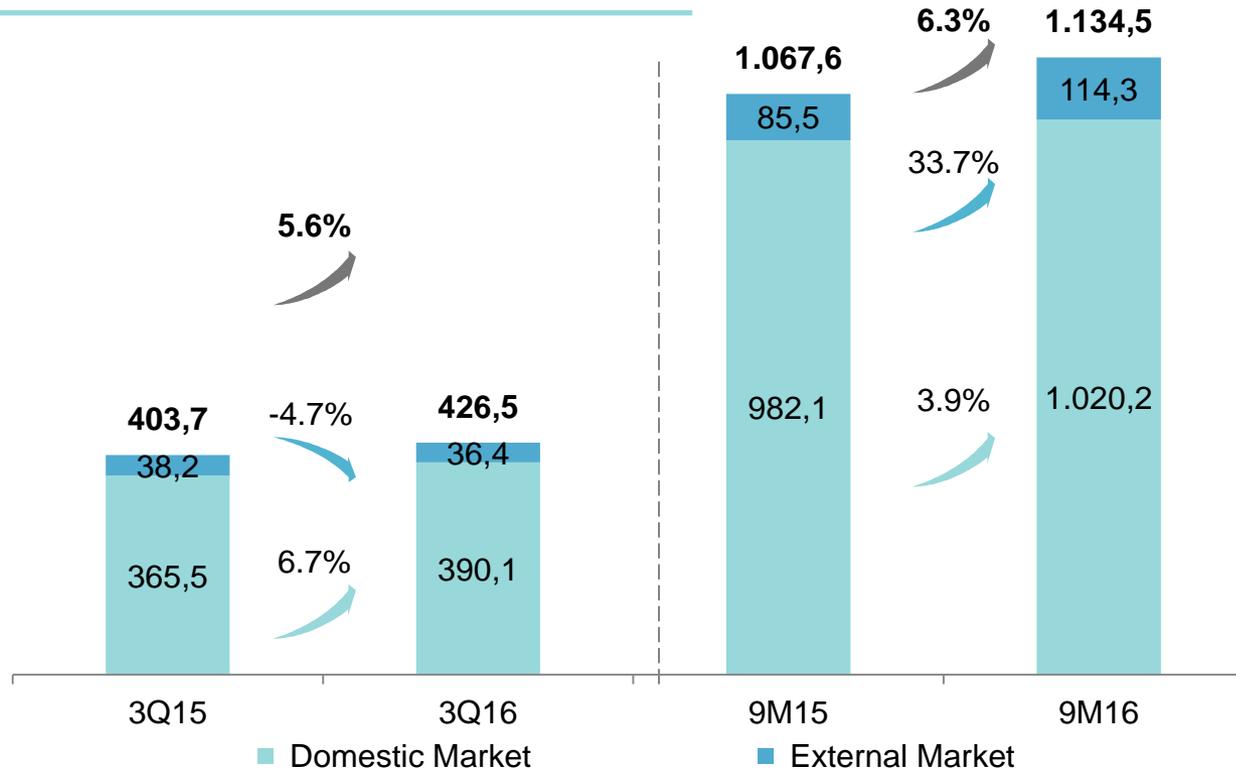
**In the quarter, net income was R\$35.4 million** with a margin of 10.2%.

## Sell-out performance

**Arezzo&Co ended 3Q16 with a growth of 6.4% in same-stores sales**, including owned stores, franchises and web-commerce channels.

# Company Growth

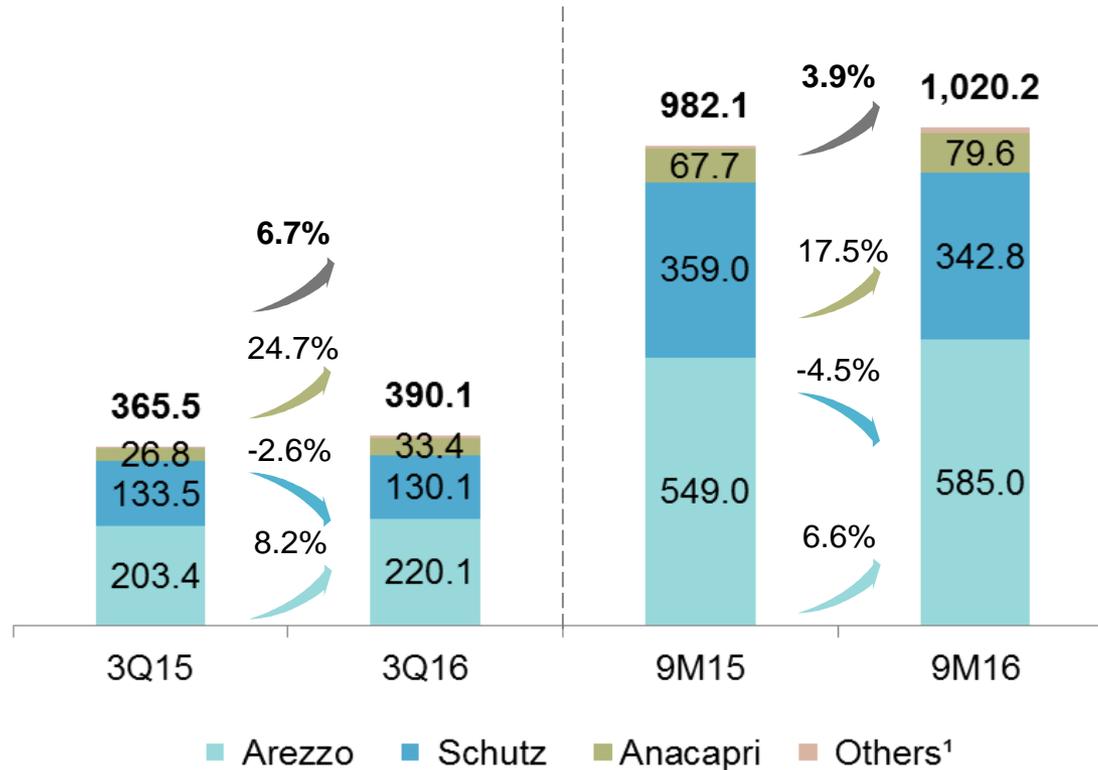
Gross Revenue – Domestic and External Market (R\$ million)



The Company achieved a gross revenue of R\$426.5 million in the third quarter of 2016, a 5.6% growth compared to the 3Q15, with a highlight to the domestic market, which reached growth of 6.7%.

# Gross Revenue Breakdown by Brand – Domestic Market

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

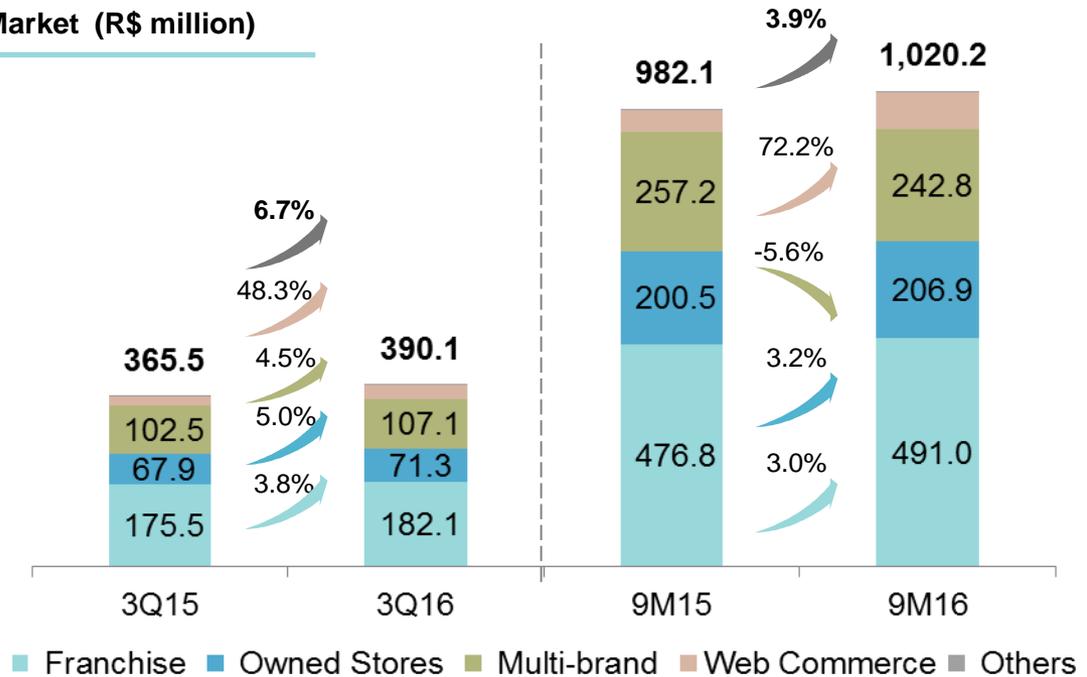


In the domestic market, highlights to the Arezzo brand and Anacapri, with growth of 8.2% and 24.7% respectively, and for the handbags category, which increased in volume by 15.1%.

1) Others: Increased 271.4% in the 3T16 and 98.7% in 9M16.

# Gross Revenue Breakdown by Channel – Domestic Market

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

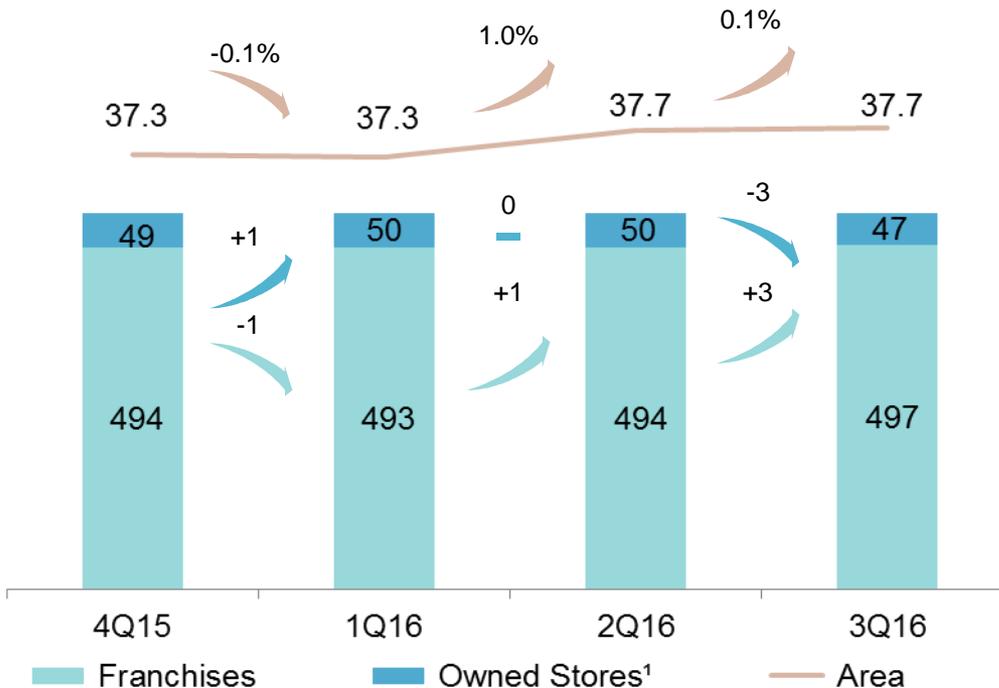


SSS Sell-in (franchises)	-8.1%	2.1%	-6.2%	1.0%
SSS Sell-out (Owned Stores + franchises)	-7.2%	5.6%	-2.2%	1.4%
SSS Sell-out (Owned Stores + web + franchises)	-6.8%	6.4%	-1.3%	1.9%

In 3T16 all channels experienced significant growth, highlighting a strong increase of 48.3% in the Web Commerce channel, healthy growth in franchises and company stores channel, and the multibrand channel resuming its growth, with a high of 4.5%. Sales in the same sell-out stores grew 6.4% in the period

# Distribution Channel Expansion

## Owned Stores and Franchises Expansion<sup>1</sup>



## Number of Stores – Domestic Market

### AREZZO

Franchises	365
Owned Stores	15
Multibrand	1.136

### SCHUTZ

Franchises	55
Owned Stores	23
Multibrand	1.182

### ALEXANDRE BIRMAN

Owned Stores	2
Multibrand	18

### ANACAPRI

Franchises	72
Owned Stores	4
Multibrand	1.025

### FEVER

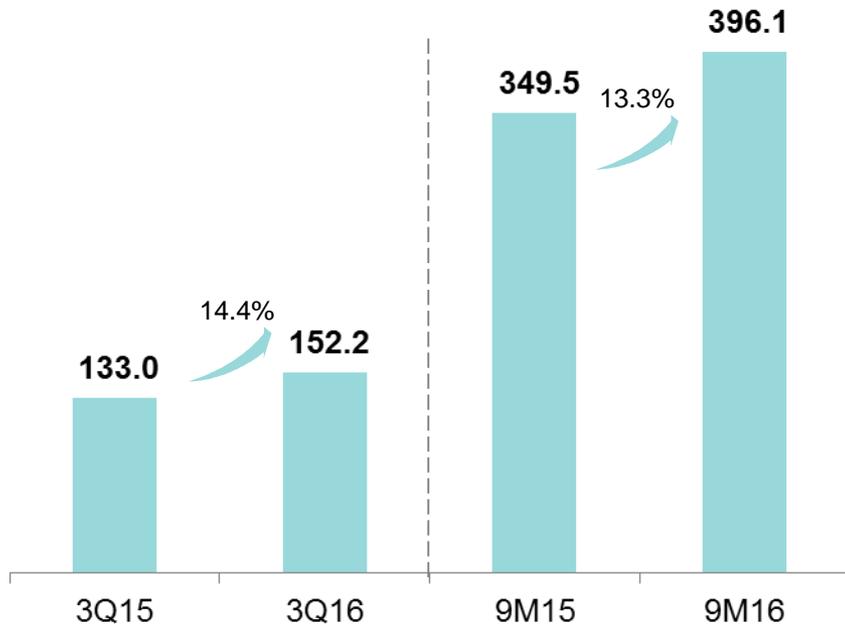
Owned Store	1
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Increased sales area of 4.5% due to the net opening of 19 stores and expansion of 14 stores in the last 12 months.

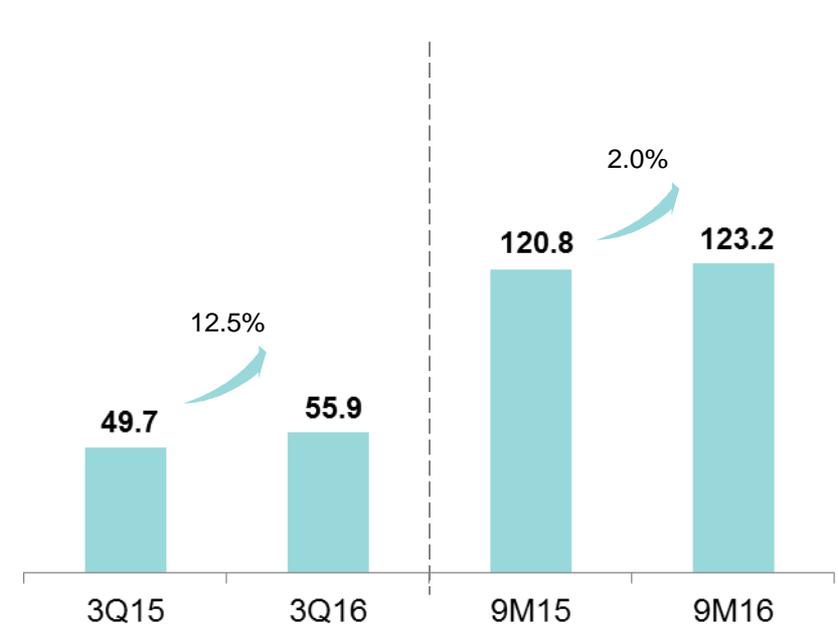
1) Includes 7 *Outlets*, with a total area of 1.952m<sup>2</sup>. Includes stores overseas

# Gross Profit and EBITDA

Gross Profit (R\$ million)



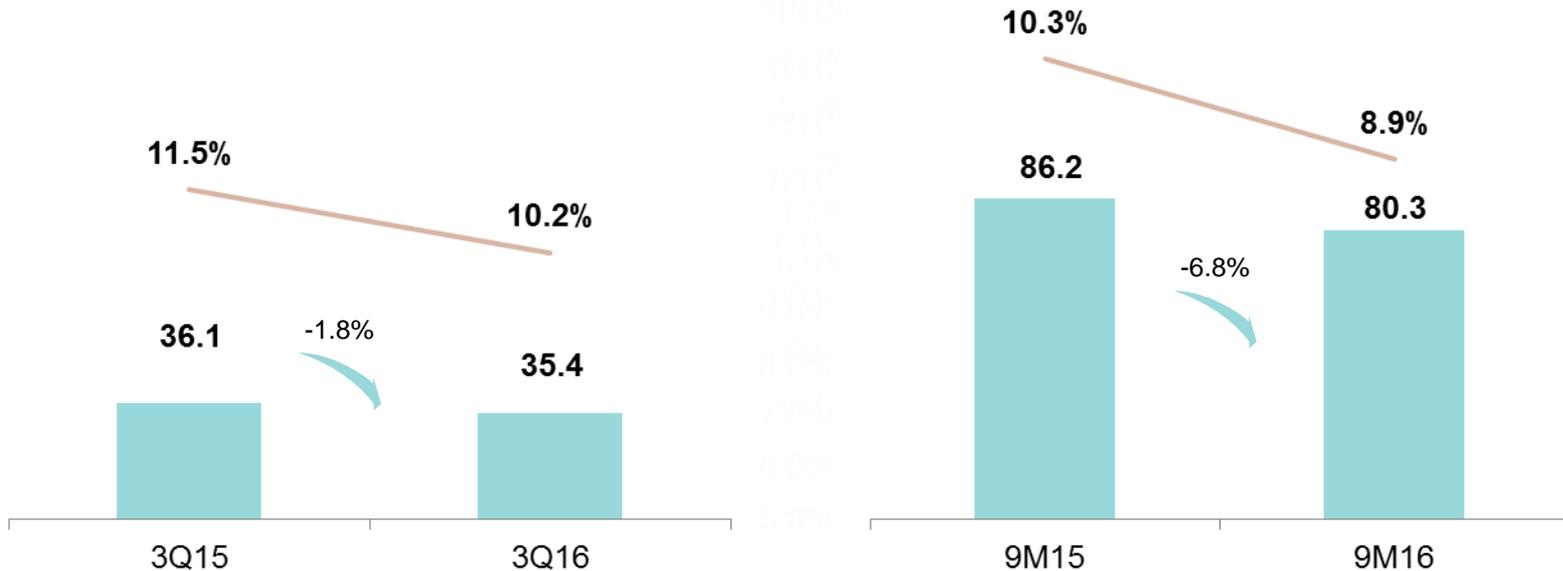
EBITDA (R\$ million)



Gross profit reached R\$152.2 million in 3Q16, an increase of 14.4% and growth of 170bps in gross margin versus 3T15. EBITDA grew by 12.5% in 3Q16 to R\$55.9 million, with a margin of 16.1%.

# Net Income and Net Margin

## Net Income (R\$ million)



In the quarter, net income totaled R\$35.4 million, with a net margin of 10.2%. Excluding the impact of exchange rate changes in financial results, net income would've grown by 14.5%.

# Operating Cash Flow

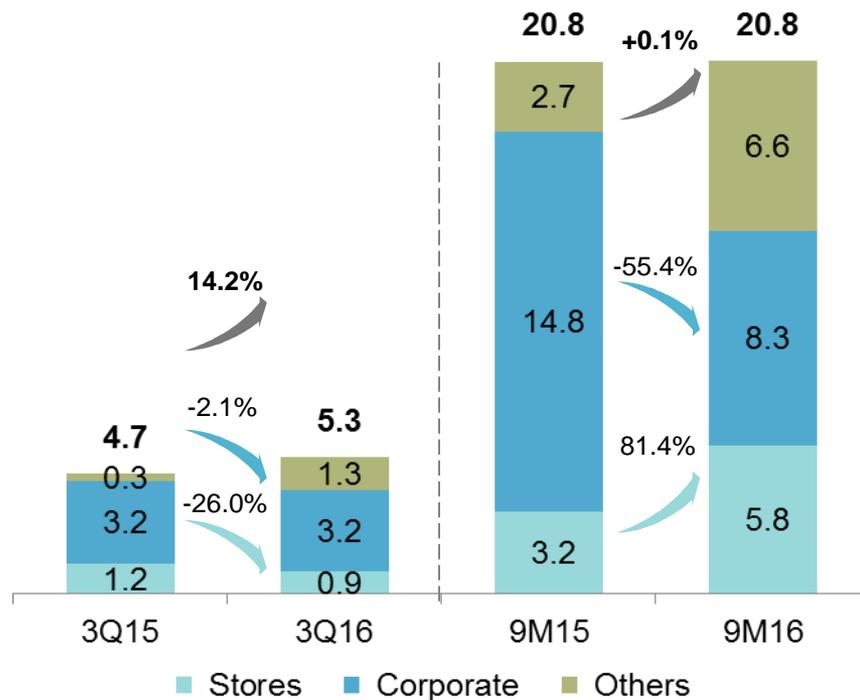
## Operating Cash Flow (R\$ thousand)

Operating Cash Flow	3Q15	3Q16	Δ 15 x 16 (R\$)	Δ 15 x 16 (%)	9M15	9M16	Δ 15 x 16 (R\$)	Δ 15 x 16 (%)
<b>Income before income tax and social contribution</b>	<b>53,545</b>	<b>52,769</b>	<b>(776)</b>	<b>(1.4%)</b>	<b>122,806</b>	<b>110,462</b>	<b>(12,344)</b>	<b>(10.1%)</b>
Depreciation and amortization	6,121	6,500	379	6.2%	18,026	19,282	1,256	7.0%
Others	1,169	(880)	(2,049)	n/a	(17)	(22,555)	(22,538)	n/a
<b>Decrease (increase) in assets / liabilities</b>	<b>(46,494)</b>	<b>(21,674)</b>	<b>24,820</b>	<b>(53.4%)</b>	<b>(74,957)</b>	<b>(31,950)</b>	<b>43,007</b>	<b>(57.4%)</b>
Trade accounts receivables	(50,216)	(50,634)	(418)	0.8%	(63,630)	(53,991)	9,639	(15.1%)
Inventories	(5,839)	3,741	9,580	n/a	(25,442)	(17,917)	7,525	(29.6%)
Suppliers	15,857	21,930	6,073	38.3%	31,428	38,169	6,741	21.4%
Change in other noncurrent and current assets and liabilities	(6,296)	3,289	9,585	n/a	(17,313)	1,789	19,102	n/a
<b>Payment of income tax and social contribution</b>	<b>(9,733)</b>	<b>(10,672)</b>	<b>(939)</b>	<b>9.6%</b>	<b>(23,861)</b>	<b>(19,209)</b>	<b>4,652</b>	<b>(19.5%)</b>
<b>Net cash flow generated by operational activities</b>	<b>4,608</b>	<b>26,043</b>	<b>21,435</b>	<b>465.2%</b>	<b>41,997</b>	<b>56,030</b>	<b>14,033</b>	<b>33.4%</b>

Arezzo&Co generated R\$26.0 million of operating cash in 3Q16, above the cash generation of the same period last year, mainly due to lower consumption of working capital.

# Capital Expenditure (CAPEX) and Indebtedness

## CAPEX (R\$ million)



## Indebtedness (R\$ million)

Cash position and Indebtedness	3T15	2T16	3T16
<b>Cash</b>	<b>193,486</b>	<b>223,764</b>	<b>221,591</b>
<b>Total debt</b>	<b>126,928</b>	<b>97,535</b>	<b>95,785</b>
Short term	98,422	65,642	66,424
% total debt	77.5%	67.3%	69.3%
Long-term	28,506	31,893	29,361
% total debt	22.5%	32.7%	30.7%
<b>Net debt</b>	<b>(66,558)</b>	<b>(126,229)</b>	<b>(125,806)</b>
<b>EBITDA LTM</b>	<b>232,142</b>	<b>232,826</b>	<b>260,611</b>
<b>Net debt/EBITDA LTM</b>	<b>-0.4x</b>	<b>-0.8x</b>	<b>-0.7x</b>

In 3Q16, the Company invested R\$5.3million, mainly due to the purchase and renewal of software licenses and logistics investment. The financial policy remains conservative, with very low cost of debt.

1) Others: Increase of 366,5% in 3Q16 and 142,1% in 9M16.

# Contacts

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