

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

**Conference Call**  
**4Q16 and 2016**

# 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.

# 4Q16 and 2016 Highlights

## Net revenue

**Net revenue in 4Q16 reached R\$338.9 million**, a 19.4% increase against 4Q15;

## Gross profit

**In 4Q16, the Company's gross profit totaled R\$153.2 million**, with a gross margin of 45.2%, and a 21.2% increase against 4Q15;

## EBITDA

**EBITDA for 4Q16 totaled R\$53.9 million**, with a margin of 15.9% and a 20.6% increase against 4Q15;

## Net income

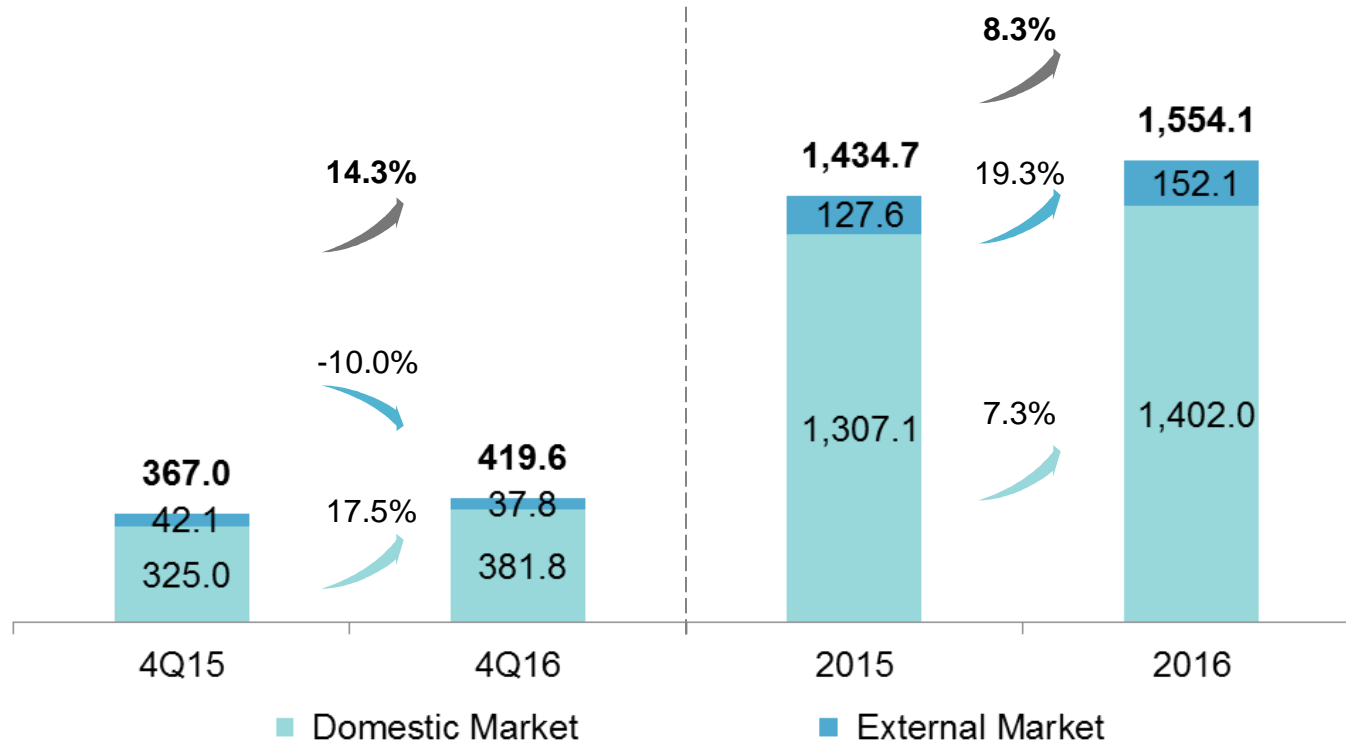
**In 4Q16, net income was R\$35.8 million**, with a 10.6% margin;

## Sales area

2016 recorded a total of **22 net stores openings**, which represents a 3.7% growth in terms of sales area, in line with the guidance disclosed by the Company.

# Company Growth

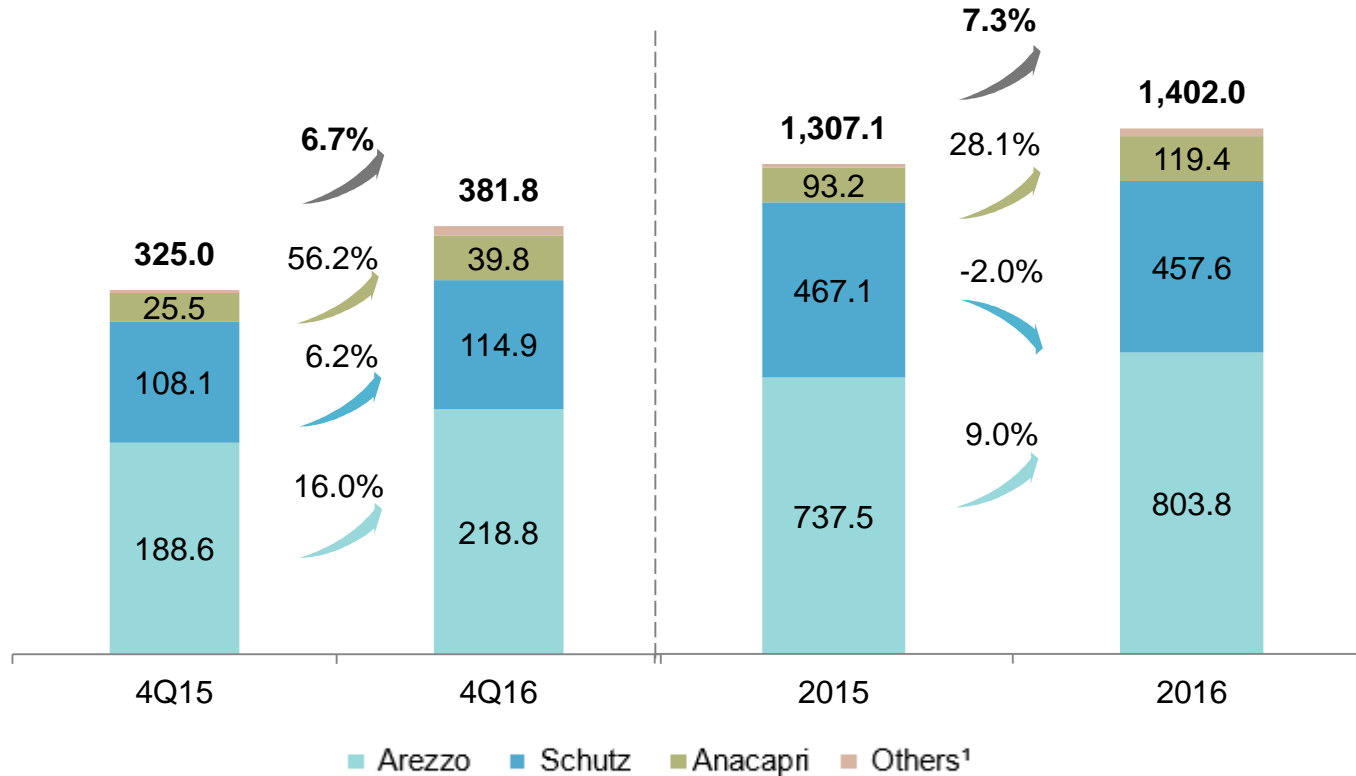
Gross Revenue – Domestic and External Market (R\$ million)



The Company achieved a gross revenue of R\$419.6 million in the fourth quarter of 2016, a 14.3% growth compared to the 4Q15, with a highlight to the domestic market, which reached growth of 17.5%.

# Gross Revenue Breakdown by Brand – Domestic Market

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



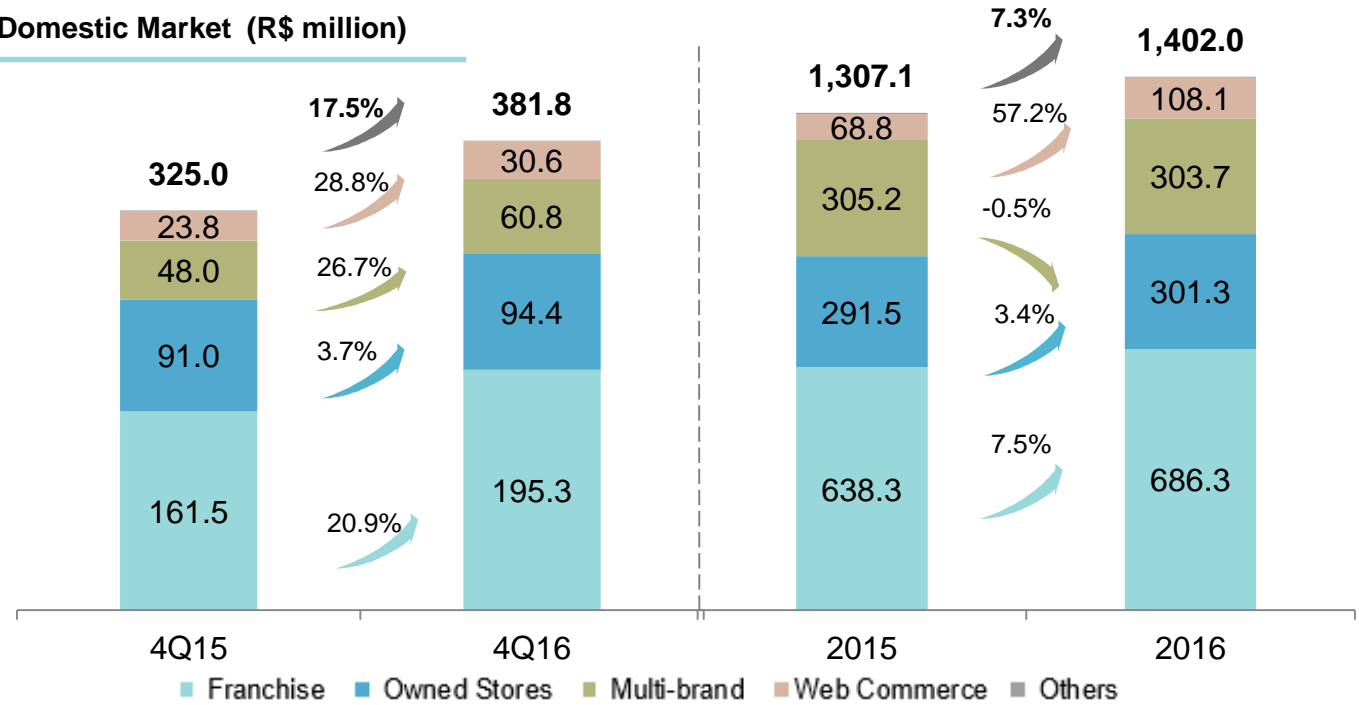
In 4T16 all brands experienced significant growth, highlighting Arezzo brand and Anacapri brand, with increase of 16% and 56.2% respectively.

1) Others: Increased 200.8% in the 4T16 and 129.4% in 2016.

# Gross Revenue Breakdown by Channel – Domestic Market



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

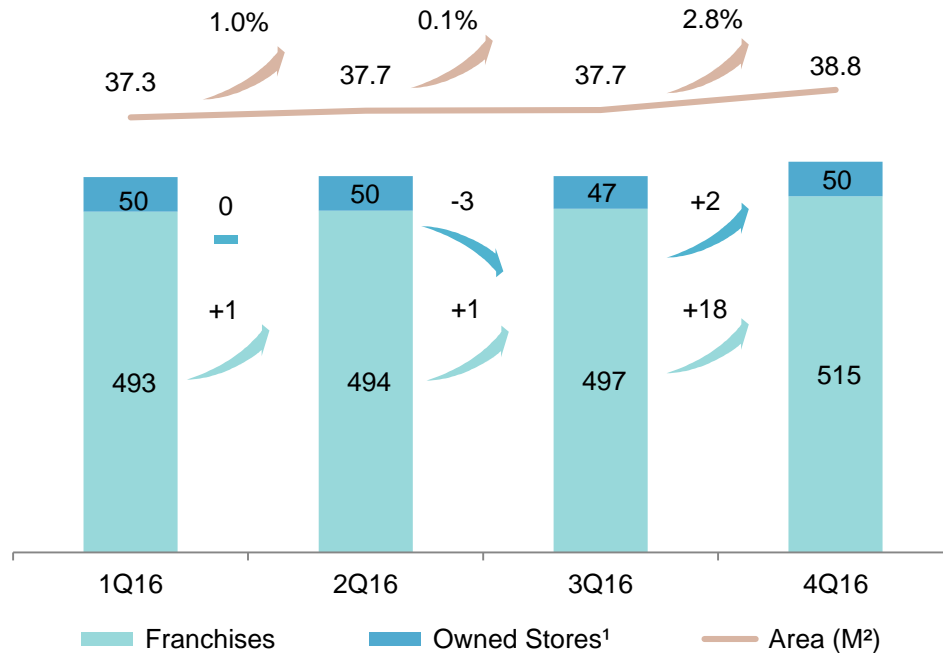


SSS Sell-in (franchises)	-15.7%	18.4%	-8.8%	5.8%
SSS Sell-out (Owned Stores + franchises)	-3.8%	7.6%	-2.7%	3.4%
SSS Sell-out (Owned Stores + web + franchises)	-3.6%	8.6%	-1.6%	4.1%

In 4T16 all channels experienced significant growth, highlighting a increase of 28.8% in the Web Commerce channel, growth in franchises of 20.9%, and the multibrand channel resuming its growth, with a high of 26.7%.

# Distribution Channel Expansion

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



## Number of Stores – Domestic Market

### AREZZO

Franchises	369
Owned Stores	15
Multibrand	1,106

### SCHUTZ

Franchises	61
Owned Stores	23
Multibrand	1,208

### ALEXANDRE BIRMAN

Owned Stores	3
Multibrand	18

### ANACAPRI

Franchises	80
Owned Stores	4
Multibrand	1,040

### FIEVER

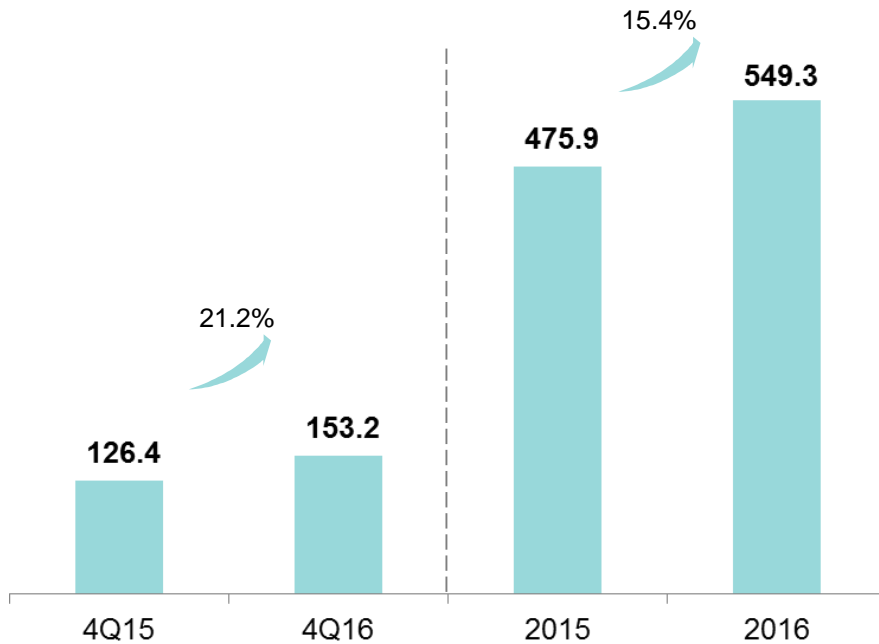
Owned Store	3
Multibrand	200

2016 recorded a total of 22 net stores openings, which represents a 3.7% growth in terms of sales area, in line with the guidance disclosed by the Company.

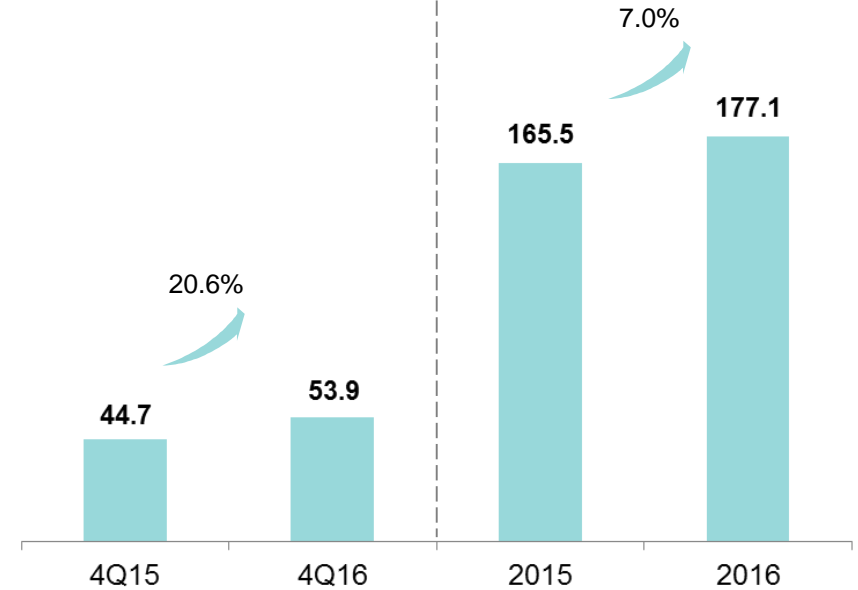
1) Includes 7 *Outlets*, with a total area of 1.952m<sup>2</sup>. Includes stores overseas

# Gross Profit and EBITDA

Gross Profit (R\$ million)



EBITDA (R\$ million)

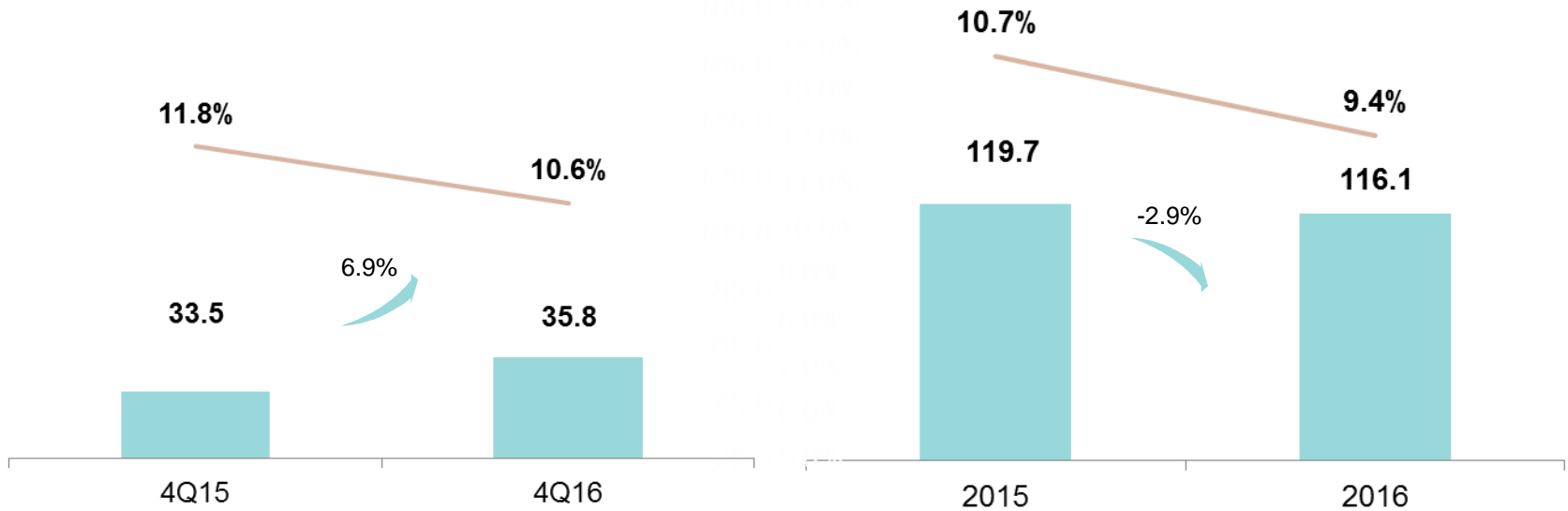


Gross profit reached R\$153.2 million in 4Q16, an increase of 21.2% and growth of 70bps in gross margin versus 4T15. EBITDA grew by 20.6% in 4Q16 to R\$53.9 million, with a margin of 15.9%.



# Net Income and Net Margin

## Net Income (R\$ million)



In the quarter, net income totaled R\$35.8 million, with a net margin of 10.6%.

# Operating Cash Flow

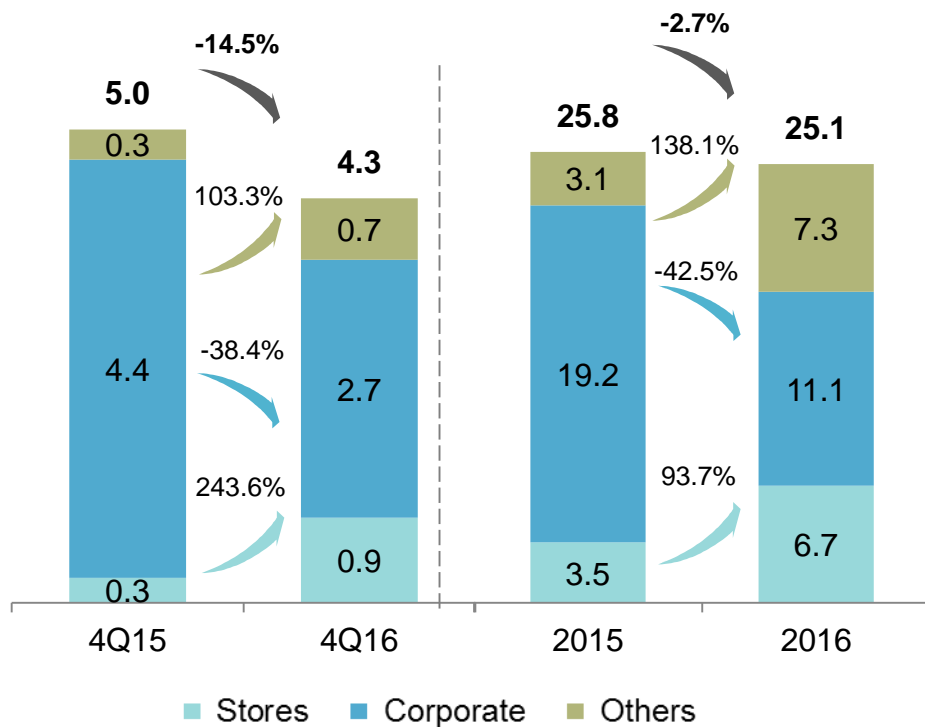
## Operating Cash Flow (R\$ thousand)

Operating Cash Flow	4Q15	4Q16	Δ 15 x 16 (R\$)	Δ 15 x 16 (%)	2015	2016	Δ 15 x 16 (R\$)	Δ 15 x 16 (%)
<b>Income before income tax and social contribution</b>	<b>41,751</b>	<b>46,538</b>	<b>4,787</b>	<b>11.5%</b>	<b>164,557</b>	<b>157,000</b>	<b>(7,557)</b>	<b>(4.6%)</b>
<b>Depreciações e amortizações</b>	<b>6,182</b>	<b>6,533</b>	<b>351</b>	<b>5.7%</b>	<b>24,208</b>	<b>25,815</b>	<b>1,607</b>	<b>6.6%</b>
<b>Others</b>	<b>(9,741)</b>	<b>1,435</b>	<b>11,176</b>	<b>n/a</b>	<b>(9,758)</b>	<b>(21,120)</b>	<b>(11,362)</b>	<b>n/a</b>
<b>Decrease (increase) in assets / liabilities</b>	<b>26,640</b>	<b>8,506</b>	<b>(18,134)</b>	<b>(68.1%)</b>	<b>(48,317)</b>	<b>(23,444)</b>	<b>24,873</b>	<b>(51.5%)</b>
Trade accounts receivables	44,922	15,903	(29,019)	(64.6%)	(18,708)	(38,088)	(19,380)	103.6%
Inventories	13,688	12,897	(791)	(5.8%)	(11,754)	(5,020)	6,734	(57.3%)
Suppliers	(36,862)	(36,606)	256	(0.7%)	(5,434)	1,563	6,997	n/a
Change in other noncurrent and current assets and liabilities	4,892	16,312	11,420	233.4%	(12,421)	18,101	30,522	n/a
<b>Payment of income tax and social contribution</b>	<b>(15,582)</b>	<b>(17,333)</b>	<b>(1,751)</b>	<b>11.2%</b>	<b>(39,443)</b>	<b>(36,542)</b>	<b>2,901</b>	<b>(7.4%)</b>
<b>Net cash flow generated by operational activities</b>	<b>49,250</b>	<b>45,679</b>	<b>(3,571)</b>	<b>(7.3%)</b>	<b>91,247</b>	<b>101,709</b>	<b>10,462</b>	<b>11.5%</b>

Arezzo&Co generated R\$45.7 million cash from operations in 4Q16, in line with the cash generation in 4Q15, despite a scenario of revenue growth. Year-to-date, Arezzo&Co generated R\$101.7 million cash, which was higher than the comparable amount registered in 2015, as a result of the Company's focus on a more efficient management of working capital.

# Capital Expenditure (CAPEX) and Indebtedness

## CAPEX (R\$ million)



## Indebtedness (R\$ million)

Cash position and Indebtedness	4Q15	3Q16	4Q16
Cash	225,762	221,591	242,844
<b>Total debt</b>	<b>123,153</b>	<b>95,785</b>	<b>106,049</b>
Short term	85,336	66,424	78,970
% total debt	69.3%	69.3%	74.5%
Long-term	37,817	29,361	27,079
% total debt	30.7%	30.7%	25.5%
<b>Net debt</b>	<b>(102,609)</b>	<b>(125,806)</b>	<b>(136,795)</b>

In 4Q16, the Company invested R\$4.3million, 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 103.3% in 4Q16 and 138.1% in 2016.

# Contacts

**CFO and IR Officer**

*Thiago Borges*

**IR Manager**

*Paulo Ionescu*

**IR Coordinator**

*Guilherme de Biagi*

**IR Analyst**

*Victoria Machado*

**AREZZO**  
**&CO**

Telephone: +55 11 2132-4300  
ri@arezzoco.com.br  
www.arezzoco.com.br