Earnings Release - 4Q16 and 2016

AREZZO &CO

AREZZO

SCHUTZ

ALEXANDRE BIRMAN

ANACAPRI

FIEVER

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Belo Horizonte, March 8, 2017. Arezzo&Co (BM&FBOVESPA: ARZZ3), leader in the women's footwear, handbags and accessories industry in Brazil, reports its earnings for the 4th quarter of 2016. The Company's information, except when otherwise indicated, is based on consolidated figures in thousands of Brazilian Reais, and compiled in accordance with the International Financial Reporting Standards (IFRS). All comparisons refer to the same period in 2015 (4Q15), except when otherwise indicated.

Closing price of ARZZ3 in 07.03.17:

R$ 31.13

Market Cap in 07.03.17:

R$ 2,728.2 million

Earnings conference call:

Thursday, March 9th, 2017
11h00 (Brasília time)

Connection phone numbers:

Participants calling from Brazil and other countries:
+55 11 2820-4001
Participants calling from USA:
+1 786-924-6977
Access code: Arezzo

Presentation of slides and connection via webcast (via internet) will be available 30 minutes before at: www.arezzoco.com.br

Investor Relations:

Thiago Borges
CFO and Investor Relations Officer

Paulo Ionescu
IR Manager

Guilherme de Biagi
IR Coordinator

Victoria Machado
IR Analyst

Contact:

E-mail: ri@arezzo.com.br
Tel: +55 11 2132-4300

The Arezzo&Co chain posted SSS sell-out growth of 8.6%, the Company's Net Revenue increased by 19.4% and its EBITDA, 20.6% against 4Q15.

HIGHLIGHTS

- Net revenue in 4Q16 reached R$338.9 million, a 19.4% increase against 4Q15;
- 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 for 4Q16 totaled R$53.9 million, with a margin of 15.9% and a 20.6% increase against 4Q15;
- In 4Q16, net income was R$35.8 million, with a 10.6% margin;
- 4Q16 recorded a total of 21 net store openings and two expansions, which when added to the other expansions in 2016 represents a 3.7% growth in terms of sales area over the last 12 months.

Message from Management

Arezzo&Co continues to consolidate its leadership position in the women's footwear, handbags and fashion accessories market. Even with the rather adverse macroeconomic scenario, the Company posted sales growth of 8.3% during the year, increasing its market share at a time of market downturn.

The Investor Relations policy reinforces the Company's strategy of dynamism and transparency adopted by the Company. Over the course of the year, Management received a number of investors and analysts at the company's stores, offices and showrooms, as well as taking part in numerous national and international panels and conferences. The 6th edition of Arezzo&Co's Investor Day was held in December, and welcomed more than 120 participants, improving the vision of the company's business model and knowledge of the most significant strategic guidelines, in addition to providing an important interaction with the Company's main managers.

In 2016, for the first time the Company surpassed the mark of 11 million pairs of shoes and 1 million handbags sold. In light of the still challenging economic outlook, the Company's multi-brand and multi-channel strategy proved resilient, recording an 8.3% increase in gross revenue, with highlight going to the web commerce and foreign market channels, in addition to the Arezzo and Anacapri brands, with revenue growth of 57.2%, 19.3%, 9.0% and 28.1%, respectively. On the domestic market there was a 7.3% increase in sales, with a net opening of 21 stores, which added to the expansions, boosted the company's sales area by 1,442m². Due to the Company's strategy of increasingly focusing on sell-out, with an increasingly assertive mix, and thus a greater share of full-price sales, sell-out for franchises, owned stores and web commerce at the same stores grew by 4.1% against 2015.

The Company, in a solid and consistent way, continues to invest in short, medium, and long term options. Among the growth initiatives undertaken during the year, highlight goes to the roll-out of the Fiever brand, with three physical stores; a presence in the online channel and a growing distribution via multi-brand stores, Schutz's new web platform - F.I.S. (Fashion Info & Shop) - another important step in the company's omni project by making the site a reference for fashion and trend content and giving yet another boost to consumers' engagement and leveraging the sales channel; the increased diversification of categories with an increased share in the handbags segment, reinforced by international presence with the pilot operation in the USA. At the same time, the Company seeks efficiency gains, as seen in the management of operating expenses, which excluding the effects of losses from renegotiations with debtors in arrears, the elimination of payroll exemptions and the pilot project in the USA, would have remained stable against 2015.

The Arezzo brand, which accounts for 57.3% of the Company's sales in the domestic market, has been consolidating its leadership, recording a sound growth of 9.0% in 2016 against 2015. This good result is due to the growing investment in brand awareness, through a strong communication plan starred by Brazil's most prominent international top model, in addition to integrated work involving online media and CRM. Also noteworthy is the continuous improvements in the supply method, by means of more frequent collections, which totaled 21 cycles over the year, greater alignment with the franchise channel, which has its purchasing decision more fractioned and closer to the moment of sell-out, generating significant gains in gross margin for the stores. It should be noted that the brand's value proposition is extremely cost-effective, heightening customers loyalty.

The first year of the Arezzo's online store showed major progress, recording a 5.7% share of the brand's sales on the domestic market. It is worth bearing in mind that the Company's strategy for this channel is to be a platform that also boosts the sales of physicalstores, by applying the omni concept of coexistence and enhancement of channels; for example, the “Let me know when it arrives” tool, which provides the physical stores with information regarding consumers' purchase intentions, triggered more than 27 thousand notices in 4Q16 – up by 66% against 4Q15 –generating additional sales.

Schutz continues to strengthen its position as an innovative trend-setting brand with the creation of attractively designed iconic products, backed up by a creative and well-targeted marketing plan. Highlights include the Schutz Step-up and Schutz Light-on actions, focused on the tennis shoes category, and Schutz Id, to promote handbags. In 2016 its sales were affected by the performance of the multi-brands channel, which accounts for more than 30% of the sales on the domestic market, but they have been showing a trajectory of significant recovery. Additionally, the transfer of 5 owned stores to franchises in the past two years, in line with the company's strategy to improve the Company's return, has also influenced the decrease in gross revenues, while positively impacting the contribution margin and the capital employed.

Message from Management

As a result, the brand's sales on the domestic market were 2.0% lower than in 2015. However, it should be emphasized that the growth of the handbags category, which is one of the brand's core categories, exceeded the level of 22% of sell-out in 2016. In addition, the web channel continues to constantly reinvent itself, with the launch of the new site – Schutz F.I.S, and reached 12% of the brand's annual sales on the domestic market.

The pilot operation in the USA in 2016 made significant progress with the opening of a second flagship store, in Los Angeles, the partnership established with a leading chain of department stores and the reinforcement of the corporate structure, which is constantly evolving. The Company remains confident in the evolution of Schutz in the U.S. market, having consistent signs of acceptance of the brand and the product in the country, as witnessed by the "Brand of the Year" award, by Footwear News, an important communication vehicle in the sector. Still in experimental phase, the plans for 2017 include a continued focus on reinforcing the organizational structure, in addition to a study towards the opening a third store, in a high flow shopping mall, so as to continue to increase its knowledge of the US market.

Anacapri had an important year for the consolidation of its positioning as a young, affordable, colorful brand, focused on flats for every type of occasion. The results have come with highlight for the summer collection, with a very assertive product mix, a greater representativeness of automatic restocking items and fueled by a greater investment in marketing, which was backed up for the first time by a campaign featuring a well-known Brazilian actress. With the opening of 10 new stores, the brand registered a 28.1% growth in its sales during the year, representing 8.5% of the Company's revenue on the domestic market. All of the brand's channels performed well during the year. The franchise channel grew by more than 25%, due to new openings coupled with the greater productivity of the stores; in the multi-brand channel, the number of clients posted significant growth, also in excess of 25%, due to cross-selling with other brands. The brand's web commerce almost doubled in size over the course of the year while the number of followers on Instagram increased by 2.5 times.

The Alexandre Birman brand, boosted by the more consistent supply capacity resulting from its own plant, registered a marked growth in its sales in 2016 both on the domestic market as well as on the foreign market, of more than 40%. With its operational focus on the strengthening of its international branding through events, relationship with actresses and celebrities and widespread distribution throughout the world's major department stores, the brand has been increasing its awareness, generating excellent results, with a positive contribution margin for the very first time since the brand was created in 2009.

The successful implementation, ahead of schedule and below estimated cost, of the Company's new distribution center in the State of Espírito Santo in 2016, was an important corporate project for the sustainability of Arezzo&Co's long-term growth. The goals of reducing lead time for strategic markets, the possibility of diversifying purchasing in other manufacturing centers, the speed in terms of the replenishment of continuables combined with greater tax efficiency, contributed to the positive results achieved by the Company in the year.

One of the central pillars of the Company's strategy is well-trained, motivated and engaged individuals. For this reason, the company is constantly focusing on actions to attract, develop and keep talented individuals. The results of the engagement survey, which reached 67%, or an increase of eight percentage points against 2014, reflects the actions deployed in the past years, highlighting the work to disseminate our organizational identity (Mission, Vision and Principles), engaging all employees. Among the initiatives towards selecting and preparing talents with the Company DNA, it is worth highlighting the sixth trainee program targeted at professionals focusing on the areas of Merchandising, Sales and Marketing. Various people development initiatives were strengthened during the year, such as Team Building for officers, Leader Coaching for managers and New Leaders for coordinators and supervisors. Additionally, the Company continues to invest in training programs, such as the School of Shoemakers, for professionals at the plants, and online courses in the AIR platform, focused on the retail sector. Finally, in an effort to retain talents, as well as moving ahead with its meritocracy management system, the Company seeks to recognize and award high performers with actions such as the Talents Pool program, which offers mentoring programs and specialization courses.

At Arezzo&Co, a target achieved is nothing more than the basis for the next one. In this way, the company maintains its motivation and confidence in relation to the outlook for 2017 and remains on track toward 2154.

THE MANAGEMENT

Summary of Results	4Q15	4Q16	Δ 15 x 16	2015	2016	Δ 15 x 16
Net Revenues	283,797	338,870	19.4%	1,120,557	1,239,110	10.6%
Gross Profit	126,429	153,231	21.2%	475,899	549,291	15.4%
Grosss Margin	44.5%	45.2%	0.7 p.p.	42.5%	44.3%	1.8 p.p.
EBITDA[1]	44,708	53,915	20.6%	165,496	177,141	7.0%
EBITDA Margin[1]	15.8%	15.9%	0.1 p.p.	14.8%	14.3%	-0.5 p.p.
Net Income	33,500	35,817	6.9%	119,663	116,149	-2.9%
Net Margin	11.8%	10.6%	-1.2 p.p.	10.7%	9.4%	-1.3 p.p.

Operating Indicators	4Q15	4Q16	Δ 15 x 16	2015	2016	Δ 15 x 16
# of pairs sold ('000)	2,885	3,093	7.2%	10,418	11,181	7.3%
# of handbags sold ('000)	237	345	45.9%	897	1,097	22.3%
# of employees	2,106	2,233	6.0%	2,106	2,233	6.0%
# of stores*	543	565	22	543	565	22
Owned Stores	49	50	1	49	50	1
Franchises	494	515	21	494	515	21
Outsourcing (as % of total production)	92.3%	91.0%	-1.3 p.p	91.4%	90.0%	-1.4 p.p
SSS[2] Sell-in (franchises)	-15.7%	17.9%	33.6 p.p	-8.8%	4.3%	13.1 p.p
SSS[2] Sell-out (owned stores + franchises)	-3.8%	7.6%	11.4 p.p	-2.7%	3.4%	6.1 p.p
SSS[2] Sell-out (owned stores + franchises + web commerce)	-3.6%	8.6%	12.2 p.p	-1.6%	4.1%	5.7 p.p

* Include international stores

(1) EBITDA = Earnings before interest, income tax and social contribution on net income, depreciation and amortization. EBITDA is not a measure used in accounting practices adopted in Brazil (BR GAAP), does not represent cash flow for the periods presented and should not be considered as an alternative to net income, as an indicator of operating performance, or as an alternative to cash flow as an indicator of liquidity. EBITDA does not have a standardized meaning and Arezzo&Co's EBITDA definition may not be comparable to adjusted EBITDA of other companies. While EBITDA does not provide, in accordance with the accounting practices adopted in Brazil, a measure of operating cash flows, management uses it to measure operating performance. Additionally, the company believes that certain investors and financial analysts use EBITDA as an indicator of operating performance for a company and/ or its cash flow.

(2) SSS (Same-store sales): Stores are included in comparable stores' sales as of the 13th month of operation. Variations in comparable stores' sales in the two periods are based on sales, net of returns, for owned stores, and on gross sales for franchises in operation during both periods under comparison. As of 4Q16, the Company started to report the SSS sell-in net of discounts. If a store is included in the calculation of comparable stores' sales for only a portion of one of the periods under comparison, this store will be included in the calculation of the corresponding portion of the other period. When square meters are added to or deducted from a store included in comparable stores' sales, with an impact of over 15% on the sales area, the store is excluded from comparable stores' sales. When a store operation is discontinued, this store's sales are excluded from the calculation of comparable stores' sales for the periods under comparison. As from this period, if a franchisee opens a warehouse, its sales will be included in comparable stores' sales if its franchises operate during both periods under comparison. The so-called "SSS of Franchises – Sell In" refers to comparison of Arezzo&Co's sales with those of each Franchised Store in operation for more than 12 months, serving as a more accurate indicator for monitoring the Group's revenue. On the other hand, "SSS – Sell Out" is based on the point of sales' performance, which, in the case of Arezzo&Co, is a better indicator of Owned Stores' sales behavior and Franchises' sell out sales. The franchise sell-out figures represent the best estimate calculated on the basis of information provided by third parties. Starting in 1Q14, the Company begins to also report SSS sell-out including web commerce.

Gross Revenue	4Q15	Part%	4Q16	Part%	Δ (%) 15 x 16	2015	Part%	2016	Part%	Δ (%) 15 x 16
Total Gross Revenue	**367,024**		**419,610**		**14.3%**	**1,434,659**		**1,554,147**		**8.3%**
Exports market	**42,055**	**11.5%**	**37,832**	**9.0%**	**(10.0%)**	**127,562**	**8.9%**	**152,139**	**9.8%**	**19.3%**
Domestic market	**324,969**	**88.5%**	**381,778**	**91.0%**	**17.5%**	**1,307,096**	**91.1%**	**1,402,008**	**90.2%**	**7.3%**
By brand										
Arezzo	*188,591*	*58.0%*	*218,755*	*57.3%*	*16.0%*	*737,549*	*56.4%*	*803,779*	*57.3%*	*9.0%*
Schutz	*108,137*	*33.3%*	*114,892*	*30.1%*	*6.2%*	*467,119*	*35.7%*	*457,648*	*32.6%*	*(2.0%)*
Anacapri	*25,457*	*7.8%*	*39,756*	*10.4%*	*56.2%*	*93,177*	*7.1%*	*119,357*	*8.5%*	*28.1%*
Others[1]	*2,784*	*0.9%*	*8,375*	*2.2%*	*200.8%*	*9,251*	*0.7%*	*21,224*	*1.5%*	*129.4%*
By channel										
Franchises	*161,503*	*49.7%*	*195,299*	*51.2%*	*20.9%*	*638,293*	*48.8%*	*686,334*	*49.0%*	*7.5%*
Multibrand	*48,010*	*14.8%*	*60,831*	*15.9%*	*26.7%*	*305,194*	*23.3%*	*303,661*	*21.7%*	*(0.5%)*
Owned Stores	*91,034*	*28.0%*	*94,376*	*24.7%*	*3.7%*	*291,540*	*22.3%*	*301,315*	*21.5%*	*3.4%*
Web Commerce	*23,762*	*7.3%*	*30,607*	*8.0%*	*28.8%*	*68,760*	*5.3%*	*108,080*	*7.7%*	*57.2%*
Others[2]	*660*	*0.2%*	*665*	*0.2%*	*0.8%*	*3,309*	*0.3%*	*2,618*	*0.2%*	*(20.9%)*

(1) Includes only domestic markets for Alexandre Birman and Fiever brands and other revenues.
(2) Includes domestic market revenues that are not specific for distribution channels.

Brands

The fourth quarter has the greatest sell-out representativeness for the brands, due to Christmas, which is the most important commemorative date for the retail sector. In addition, in the middle of October there is a promotion within the season, with the aim of clearing surplus stock from the Pre-Summer and Summer collections, making room for the High Summer collection. The Company's strategy of concentrating on sell-out with a view to having the right product at the right time and at the right price resulted in an increase in the sales of the collections, boosting the percentage of products sold at full price, reducing discounts and consequently improving the stores' gross margin.

The Arezzo brand reached gross revenues of R$218.8 million in 4Q16, a growth of 16.0%, representing 57.3% of domestic sales. Due to the continued success of the previous campaigns, the number one Brazilian model of international prominence once again starred in the brand's communication pieces, which together with a strong marketing plan generated an increasing engagement among the target audience. Among the actions deployed for the Christmas season, worthy of note is a collection focusing on gifts, which together with promotional actions, such as giving a pair of flat shoes to consumers who spend more than R$700 actions, and a strong focus on Valorizza– the Company's CRM program – increased the flow in the brand's stores and resulted in greater full-price sales. The brand's sales in the mono-brand physical stores is one of the highlights of the period, which achieved a 17.1% growth by comparison with 4Q15. Also worth mentioning is the fact that 5.8% of the brand's sales were achieved via Web Commerce, in addition to the fact that the brand's Instagram achieved more than 3.3 million followers, reinforcing the brand's presence in the digital world as well.

Schutz reached gross revenue of R$114.9 million, representing a growth of 6.2%, with an important contribution from the resumption of the Multi-brand channel. It should be borne in mind that, in 2016, three of the brand's owned stores were transferred to operators of franchises, reducing the brand's sales in the period, but with a positive impact on margin and return, in line with the Company's strategy to increase return. Additionally, Schutz Handbags continues to post an excellent sales performance, increasingly consolidating it as one of the brand's core categories, and achieving 24% of the brand's sales in the quarter. Gift kits were developed for Christmas with shoes and handbags at promotional prices, in addition to shop windows and isles highlighting products that are suitable for the occasion. Together with marketing and opinion-maker events at the flagship stores, these brought excellent results to the chain's stores. The Web Commerce channel accounted for more than 13% of the total sales, representing yet another important achievement in terms of the Company's omni project. Schutz's pilot project continues to gain brand-awareness, as can be seen from the award received from Footwear News, which is an important communication vehicle for the footwear industry in the US market. The brand's operation in the US closed the year with healthy sales growth in US dollars, primarily as a result of the opening of the store in California and the growth in the Wholesale channel.

Anacapri posted revenues of R$39.8 million in the 4Q16, which represents a growth of 56.2%, due to the continuation of the strategy of having an increasingly assertive product mix, with greater representativeness of replenishments and fueled by a greater investment in marketing. The brand's focus during the Christmas season included promotional actions such as the distribution of customized giveaways for purchases over R$350, achieving excellent sell-out results in the mono-brand stores. Additionally, Anacapri celebrated the fact that it had managed to get more than 250 thousand followers on Instagram, more than doubling the figure a year before.

The Alexandre Birman brand, through a continuous focus on strengthening its international branding, registered its best year ever, with a 44% growth in its sales against the previous year, and reaching a positive contribution to the Company's EBITDA. The brand has been strengthening its positioning through initiatives aimed at its consumers, partnering with the major US department stores, and, as a result, has obtained major celebrity endorsements.

Fiever concluded its first year with a great performance and increased its sales in 4Q16 by almost 30% against 3Q16. A store was opened during the quarter in the city of Rio de Janeiro, along with a pop-up in the city of São Paulo, which, coupled with its growing presence on the Multibrand and Web Commerce channels, helped the brand reach consumers throughout the Brazilian territory.

Channels

Monobrand – Franchises, Owned Stores and Web Commerce

Reflecting the company's strategy of strengthening the mono-brand stores, the Arezzo&Co stores chain (owned stores + franchises + web commerce) posted growth of 12.3% in sell-out sales in 4Q16 against 4Q15, largely due to the increase in same-store sales and the growth of the Web Commerce channel across all the brands. Mono-brand same-store sales increased by 8.6% in 4Q16, while the stores' sales area recorded a 3.7% increase against the same quarter in 2015.

The Company's revenue from mono-brand stores on the domestic market, represented by sell-in for franchises and sell-out for owned stores and web commerce, showed a growth of 15.9% in 4Q16 against 4Q15, boosted by growth of the franchise channel and a 28.8% increase in the web commerce channel. The mono-brand stores accounted for 83.9% of the sales on the domestic market in 4Q16.

The franchise channel showed a 20.9% growth in sell-in during the quarter, accounting for 51.2% of domestic sales in 4Q16, boosted by sales of products in the stores as well as by the opening of 21 franchises during the last 12 months, 10 of which for the Anacapri brand, 9 for the Schutz brand and 2 for the Arezzo brand, adding a total of 1,309 m² to the channel's sales area.

Sell-in sales, i.e., those made by Arezzo&Co to its franchisees, posted an 17.9% growth in same franchises (SSS – franchises) in 4Q16 against 4Q15. It should be stressed that due to the collections schedule and the dynamics of the retail sector, an analysis of SSS indicators should be carried out taking into account the last 12 months. In 2016, the Company presented SSS sell-out of 3.4% and SSS sell-in of 4.3%, ending the year in a healthy way. In addition, in 2015 the Company implemented a number of actions designed to improve sales of franchisees' stocks and generate an increase in the chain's gross margin. Accordingly, the comparison basis for SSS sell-in was negatively affected in 2015. The Company continues to implement its strategy of having an ever more assertive mix, based on sell-out reading, with less stock leftover at the end of the collections and a higher average mark-up.

Looking solely at the sell-out channels, there was an 8.9% growth in revenue during 4Q16. Despite the transfer of owned stores to franchises in the domestic market, the channel registered a positive performance, with a growth of 3.7% against 4Q15. In addition, the Web Commerce channel, boosted by the launch of the Arezzo and Fiever online stores, together with the increase in Anacapri's sales, contributed to sell-out growth.

The Company ended 4Q16 with 558 mono-brand stores in Brazil and seven overseas. The breakdown of stores in Brazil is as follows: 384 for Arezzo, 84 for Schutz, 84 for Anacapri, 3 for Alexandre Birman and 3 for Fiever.

History of Stores	4Q15	1Q16	2Q16	3Q16	4Q16
Sales area [1,3]- Total (m²)	**37,342**	**37,296**	**37,653**	**37,687**	**38,784**
Sales area - franchises (m²)	31,087	31,033	31,131	31,410	32,397
Sales area - owned stores² (m²)	6,255	6,264	6,522	6,278	6,387
Total number of domestic stores	**537**	**536**	**537**	**537**	**558**
# of franchises	**489**	**488**	**489**	**492**	**510**
Arezzo	367	366	365	365	369
Schutz	52	52	52	55	61
Anacapri	70	70	72	72	80
# of owned stores	**48**	**48**	**48**	**45**	**48**
Arezzo	15	15	15	15	15
Schutz	26	26	26	23	23
Alexandre Birman	2	2	2	2	3
Anacapri	4	4	4	4	4
Fiever	1	1	1	1	3
Total number of international stores	**6**	**7**	**7**	**7**	**7**
# of franchises	5	5	5	5	5
# of owned stores	1	2	2	2	2

(1) Includes areas in square meters of the seven stores overseas
(2) Includes seven outlet type stores with a total area of 1,952 m²
(3) Includes areas in square meters of storesexpanded

Multi-brands

In 4Q16, sales in the multi-brand channel were up by 26.7% against 4Q15, consolidating the channel's recovery trajectory. The sound performance turned in by the channel reflects the combination of the Company's efforts to improve the service level, of a collection with an assertive mix of products, the gaining of new clients and increased cross-selling, both of brands and of handbags. Worthy of special mention is the growth registered by Anacapri, which captured new clients during the period and boosted its sales in the channel by more than 70% during the quarter, in addition to Schutz, which is the most representative brand for Multi-brands, posting a growth of 36.0% in relation to 4Q15.

The group's brands are distributed through 2,117 stores in 4Q16, a 3.3% reduction against, and can be found in 1,212 cities.

Exports

The Company's sales on the foreign market, which accounted for 9.0% of the Company's total sales in 4Q16, are equally split between the pilot operation in the USA and exports from Brazil to the rest of the world. The volume of export sales is heavily affected by the FX rate, mainly in the private label sub-channel, and was reduced by almost half during the quarter against 4Q15. As a result, the Company's total revenue on the foreign market was 10.0% lower than in the same period the previous year. In dollar terms, exports registered a 5.5% growth during the quarter.

Key financial indicators	4Q15	4Q16	Δ (%) 15 x 16	2015	2016	Δ (%) 15 x 16
Net revenues	283,797	338,870	19.4%	1,120,557	1,239,110	10.6%
COGS	(157,368)	(185,639)	18.0%	(644,658)	(689,819)	7.0%
Gross profit	126,429	153,231	21.2%	475,899	549,291	15.4%
Gross margin	*44.5%*	*45.2%*	*0.7 p.p*	*42.5%*	*44.3%*	*1.8 p.p*
SG&A	(87,903)	(105,849)	20.4%	(334,610)	(397,964)	18.9%
% of net revenues	*(31.0%)*	*(31.2%)*	*(0.2 p.p)*	*-29.9%*	*-32.1%*	*(2.2 p.p)*
Selling expenses	(61,990)	(74,764)	20.6%	(232,582)	(284,292)	22.2%
Owned stores and web commerce	(31,374)	(32,970)	5.1%	(106,595)	(122,407)	14.8%
Selling, logistics and supply	(30,616)	(41,794)	36.5%	(125,987)	(161,885)	28.5%
General and administrative expenses	(17,980)	(23,971)	33.3%	(75,345)	(85,447)	13.4%
Other operating revenues (expenses)	(1,751)	(581)	(66.8%)	(2,476)	(2,411)	(2.6%)
Depreciation and amortization	(6,182)	(6,533)	5.7%	(24,208)	(25,815)	6.6%
EBITDA	44,708	53,915	20.6%	165,496	177,141	7.0%
EBITDA margin	*15.8%*	*15.9%*	*0.1 p.p*	*14.8%*	*14.3%*	*(0.5 p.p)*
Net income	33,500	35,817	6.9%	119,663	116,149	(2.9%)
Net margin	*11.8%*	*10.6%*	*(1.2 p.p)*	*10.7%*	*9.4%*	*(1.3 p.p)*
Working capital[1] - as % of revenues	29.2%	27.5%	(1.7 p.p)	29.2%	27.5%	(1.7 p.p)
Invested capital[2] - as % of revenues	44.4%	42.3%	(2.1 p.p)	44.4%	42.3%	(2.1 p.p)
Total debt	123,153	106,049	(13.9%)	123,153	106,049	(13.9%)
Net debt[3]	(102,609)	(136,795)	33.3%	(102,609)	(136,795)	33.3%
Net debt/EBITDA LTM	-0.6x	-0.8x	-	-0.6x	-0.8x	-

(1) Working Capital: current assets minus cash, cash equivalents and financial investments less from current liabilities minus loans and financing and dividends payable.
(2) Invested Capital: working capital plus fixed assets and other long term assets less income tax and deferred social contributions.
(3) Net debt is equal to total interest bearing debt position at the end of a period less cash, cash equivalents and short-term financial investments.

Net Revenue

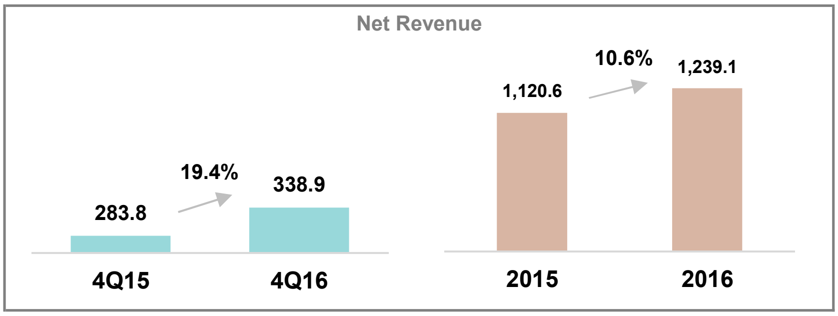
The company's net revenue in this quarter totaled R$338.9 million, up by 19.4% against 4Q15. Among the primary factors driving this growth, worthy of mention are:

i) expansion of 28.8% in the web commerce channel, highlighting the Arezzo brand;

ii) 26.7% increase in sales of the Multi-brands channel, %, particularly for Schutz and Anacapri;

iii) a 20.9% increase in the Franchise channel, as a result of the company's strategy focused on sell-out, with a mix of assertive products, an increased percentage share of replenishment orders and a better turnover of products;

iv) a 10.0% decrease in sales on the foreign market, due to FX impact.



Gross Profit

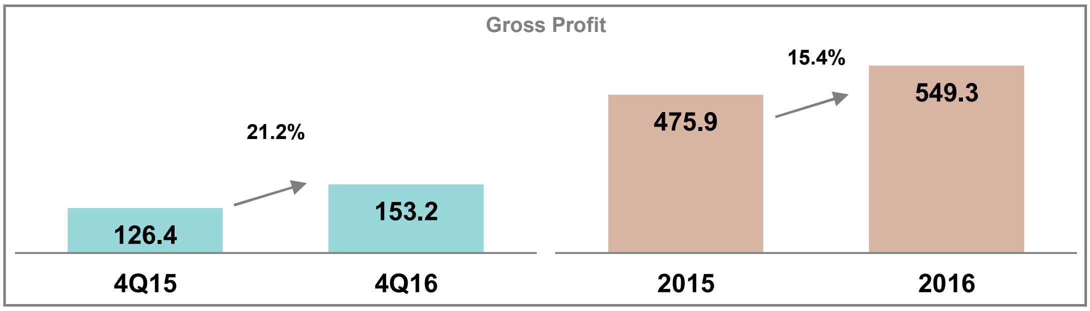
Gross profit for 4Q16 totaled R$153.2 million, a 21.2% increase against 4Q15, with gross margin up by 70 bps, reaching 45.2% in 4Q16. Among the main factors, highlight goes to the following:

i) effect of the mix of channels in the domestic market, with a negative impact due to the lower share of the company's owned stores;

ii) positive impact of 190bps on the gross margin as a result of the ICMS tax benefits on account of the start-up of the new distribution center;

iii) reduction in the export margin due to the FX rate impact.

It should be remembered that the Company's strategy is to maintain stability of gross margin per channel, with some variation in the owned stores, Web Commerce and export channels.



Operating expenses

The Company is making a major effort to control expense levels and adjust them to the growth in sales. However, this quarter expenses were under pressure for two main factors, namely: (i) the provision for payment of Profit Sharing, due to the excellent operating result achieved during the year and (ii) the continuation of phase two of the pilot operation in the USA. Excluding these effects, expenses would have increased less than the Company's revenue.

Selling Expenses

Selling expenses grew by 20.6% in 4Q16 against 4Q15, reaching R$74.8 million in the quarter. It should be stressed that selling expenses include costs of owned stores and web commerce, which amounted to R$33.0 million in the quarter, up by 5.1% against 4Q15, as well as sales, logistics and supply costs, which totaled R$41.8 million, accounting for a 36.5% growth against the same period the previous year.

The increase in expenses for owned stores and web commerce was not only less than the 8.9% growth in revenues from these channels, but also lower than the inflation for the period.

Incremental expenses affected sales, logistics and supplies as a result of (i) the R$4.6 million provision for payment of profit sharing and (ii) the pilot operation in the USA, in the amount of R$3.9 million, mainly due to the opening of the store in California and the strengthening of the corporate structure. Excluding these impacts, total sales, logistics and supplies costs would have increased by 8.7%, below the increase in the company's revenue.

General and Administrative Expenses

In 4Q16, general and administrative expenses totaled R$24 million, a 33.3% increase against 4Q15. Excluding the provision for payment of R$5.5 million under the Profit Sharing Program, expenses would have increased in line with inflation, clearly showing the company's effort to keep its expenses under control.

EBITDA and EBITDA margin

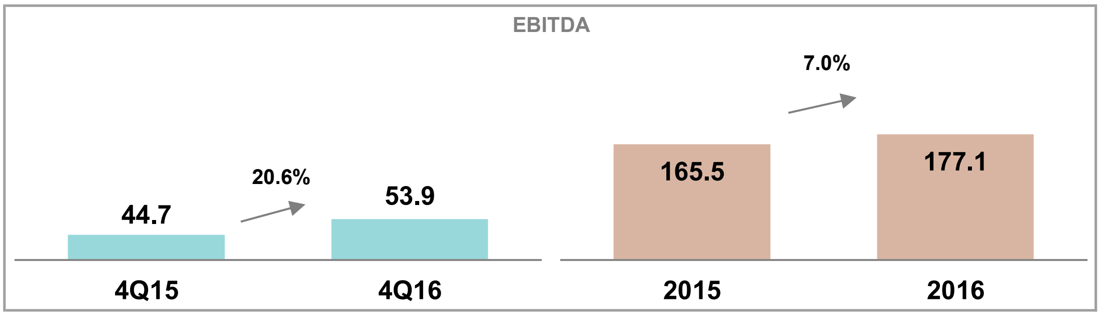
The company's EBITDA totaled R$53.9 million in 4Q16, which represents a margin of 15.9% and a growth of 20.6% against the results reported in 4Q15. Among the main reasons, the highlights were as follows:

i) 19.4% growth in net revenue against the same period of the previous year;

ii) a 70bps increase in gross margin, ending 4Q16 at 45.2%;

iii) an increase in incremental operating expenses for initiatives reaching maturity, such as the pilot operation in the USA;

In line with the impact shown in the previous quarters, excluding the pilot operation in the USA, the company's consolidated EBITDA margin would have increased by 160bps.

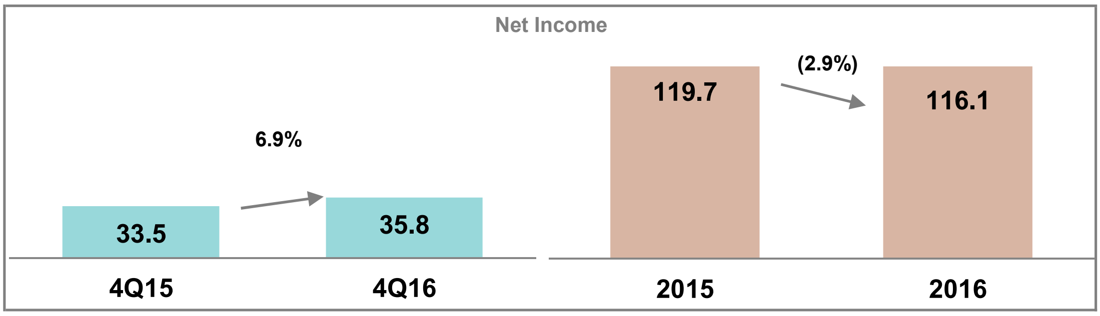


EBITDA Reconciliation	4Q15	4Q16	2015	2016
Net income	33,500	35,817	119,663	116,149
(-) Income tax and social contribution	(8,251)	(10,721)	(44,894)	(40,851)
(-) Financial results	3,225	(844)	23,269	5,674
(-) Depreciation and amortization	(6,182)	(6,533)	(24,208)	(25,815)
(=) EBITDA	44,709	53,915	165,496	177,141

Net income and net margin

The company's EBITDA margin of 15.9% in 4Q16 converted into a net margin of 10.6%.

Net income for 4Q16 totaled R$35.8 million. Excluding FX rate variations and discounts granted to customers in spot financial negotiations, the company's net income would have grown in line with EBITDA.



Operating cash flow

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.

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 (%)
Income before income tax and social contribution	**41,751**	**46,538**	**4,787**	**11.5%**	**164,557**	**157,000**	**(7,557)**	**(4.6%)**
Depreciações e amortizações	**6,182**	**6,533**	**351**	**5.7%**	**24,208**	**25,815**	**1,607**	**6.6%**
Others	**(9,741)**	**1,435**	**11,176**	**n/a**	**(9,758)**	**(21,120)**	**(11,362)**	**n/a**
Decrease (increase) in assets / liabilities	**26,640**	**8,506**	**(18,134)**	**(68.1%)**	**(48,317)**	**(23,444)**	**24,873**	**(51.5%)**
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
Payment of income tax and social contribution	**(15,582)**	**(17,333)**	**(1,751)**	**11.2%**	**(39,443)**	**(36,542)**	**2,901**	**(7.4%)**
Net cash flow generated by operational activities	**49,250**	**45,679**	**(3,571)**	**(7.3%)**	**91,247**	**101,709**	**10,462**	**11.5%**

Investments - CAPEX

The Company makes investments of three types:

i) Investments in expansion or refurbishment of owned sales outlets;

ii) Corporate investments that include IT, facilities, showrooms and offices; and

iii) Other investments, which are chiefly related to the modernization of the industrial operations.

Total capex in 4Q16 was R$4.3 million, mainly due to investments made in IT infrastructure, with the aim of making the Company's systems and processes more robust and efficient.

Summary of investments	4Q15	4Q16	Δ 15 x 16 (%)	2015	2016	Δ 15 x 16 (%)
Total CAPEX	**5,012**	**4,283**	**(14.5%)**	**25,774**	**25,067**	**(2.7%)**
Stores - expansion and refurbishing	262	902	243.6%	3,459	6,702	93.7%
Corporate	4,429	2,730	(38.4%)	19,249	11,066	(42.5%)
Other	321	652	103.3%	3,066	7,299	138.1%

Cash position and indebtedness

The Company ended 4Q16 with R$242.8 million in cash. The debt policy remains conservative, with the following primary characteristics:

• Total indebtedness of R$106.0 million in 4Q16 against R$95.8 million in 3Q16;
• Long term indebtedness of 25.5% of total debt in 4Q16, compared to 30.7% in 3Q16;
• Weighted average cost of the company's total debt in 4Q16 remained at low levels.

Cash position and Indebtedness	4Q15	3Q16	4Q16
Cash	**225,762**	**221,591**	**242,844**
Total debt	**123,153**	**95,785**	**106,049**
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%
Net debt	**(102,609)**	**(125,806)**	**(136,795)**

ROIC (Return on Invested Capital)

Return on invested capital (ROIC) returned to its upward trajectory in 4Q16 and totaled 21.1%. The main factor behind this positive result was the 14.6% growth in NOPAT, on account of the higher operating result and also greater tax efficiency. Additionally, the capital employed increased only by 3.2%, given less need for Capex investments together with efforts to improve working capital.

Income from operations	4Q14	4Q15	4Q16	Δ 15 x 16 (%)
EBIT (LTM)[1]	156,794	141,288	151,326	7.1%
+ IR and CS (LTM)[2]	(51,520)	(44,894)	(40,851)	(9.0%)
NOPAT	**105,274**	**96,394**	**110,475**	**14.6%**
Working Capital[3]	304,546	327,005	340,528	4.1%
Permanent assets	165,843	164,322	159,918	(2.7%)
Other long-term assets	7,889	25,138	32,596	29.7%
Invested capital[4]	**478,278**	**516,465**	**533,042**	**3.2%**
Average invested capital[5]		**497,372**	**524,754**	**5.5%**

(1) Does not include a non-cash, non-recurring impact of R$8.7 million due to the implementation of the new ERP in 4Q14.
(2) An impact of R$2.8 million has been made to reflect the above-mentioned effect on EBIT for the last 12 months.
(3) Working Capital: current assets minus cash, cash equivalents and financial investments less current liabilities minus loans and financing and dividends payable.
(4) Less deferred income tax and social contribution.
(5) Average invested capital in the period and same period previous year.
(6) ROIC: NOPAT for the last 12 months divided by average invested capital.

Balance sheet

Assets	4Q15	3Q16	4Q16
Current assets	**658,203**	**719,074**	**706,229**
Cash and cash equivalents	8,822	7,155	5,020
Financial Investments	216,940	214,436	237,824
Trade accounts receivables	280,528	334,858	315,304
Inventory	106,951	124,019	110,478
Taxes recoverable	21,222	21,468	22,562
Other credits	23,740	17,138	15,041
Non-current assets	**195,745**	**203,994**	**200,919**
Long-term receivables	31,423	41,454	41,001
Financial Investments	919	0	0
Trade accounts receivables	14,217	13,896	13,676
Deferred income and social contribution	6,285	10,004	8,405
Other credits	10,002	17,554	18,920
Investments	0	1,177	905
Property, plant and equipment	73,593	72,741	73,052
Intangible assets	90,729	88,622	85,961
Total Assets	**853,948**	**923,068**	**907,148**

Liabilities	4Q15	3Q16	4Q16
Current liabilities	**190,772**	**230,221**	**201,830**
Loans and financing	85,336	66,424	78,970
Suppliers	64,881	103,050	66,445
Other liabilities	40,555	60,747	56,415
Non-current liabilities	**45,271**	**37,887**	**35,619**
Loans and financing	37,817	29,361	27,079
Related parties	1,393	1,208	1,214
Other liabilities	6,061	7,318	7,326
Equity	**617,905**	**654,960**	**669,699**
Capital	261,247	310,008	310,008
Capital reserve	35,377	38,371	39,554
Income reserves	308,079	261,249	269,024
Equity Valuation Adjustments	-5,502	-1,850	-1,862
Profit	0	47,182	0
Additional proposed dividend	18,704	0	52,975
Total liabilities and shareholders' equity	**853,948**	**923,068**	**907,148**

Income statement - IFRS

Income statement - IFRS	4Q15	4Q16	Var.%	2015	2016	Var.%
Net operating revenue	**283,797**	**338,870**	**19.4%**	**1,120,557**	**1,239,110**	**10.6%**
Cost of goods sold	(157,368)	(185,639)	18.0%	(644,658)	(689,819)	7.0%
Gross profit	**126,429**	**153,231**	**21.2%**	**475,899**	**549,291**	**15.4%**
Operating income (expenses):	**(87,903)**	**(105,849)**	**20.4%**	**(334,611)**	**(397,965)**	**18.9%**
Selling	(66,310)	(79,388)	19.7%	(249,242)	(302,708)	21.5%
Administrative and general expenses	(19,841)	(25,880)	30.4%	(82,893)	(92,846)	12.0%
Other operating income net	(1,752)	(581)	-66.8%	(2,476)	(2,411)	-2.6%
Income before financial result	**38,526**	**47,382**	**23.0%**	**141,288**	**151,326**	**7.1%**
Financial income	3,225	(844)	-126.2%	23,269	5,674	-75.6%
Income before income taxes	**41,751**	**46,538**	**11.5%**	**164,557**	**157,000**	**-4.6%**
Income tax and social contribution	(8,251)	(10,721)	29.9%	(44,894)	(40,851)	-9.0%
Current	(6,116)	(9,122)	49.1%	(47,055)	(42,971)	-8.7%
Deferred	(2,135)	(1,599)	-25.1%	2,161	2,120	-1.9%
Net income for period	**33,500**	**35,817**	**6.9%**	**119,663**	**116,149**	**-2.9%**

Cash Flow - IFRS

Cash Flow - IFRS	4Q15	4Q16	2015	2016
Operating activities				
Income before income tax and social contribution	41,751	46,538	164,557	157,000
Adjustments to reconcile net income with cash from operational activities	**(3,559)**	**7,968**	**14,450**	**4,695**
Depreciation and amortization	6,182	6,533	24,208	25,815
Income from financial investments	(9,778)	(7,517)	(23,970)	(29,239)
Interest and exchange rate	(2,980)	3,109	2,779	(2,318)
Other	3,017	5,843	11,433	10,437
Decrease (increase) in assets				
Trade accounts receivables	44,922	15,903	(18,708)	(38,088)
Inventory	13,688	12,897	(11,754)	(5,020)
Recoverable taxes	(1,715)	(1,029)	(376)	(6,849)
Variation other current assets	2,217	2,300	(10,597)	9,113
Judicial deposits	(712)	(1,700)	(1,682)	(6,112)
Decrease (increase) in liabilities				
Suppliers	(36,862)	(36,606)	(5,434)	1,563
Labor liabilities	(8,956)	20	(4,229)	10,764
Fiscal and social liabilities	13,434	14,471	8,830	9,012
Variation in other liabilities	624	2,250	(4,367)	2,173
Payment of income tax and social contribution	(15,582)	(17,333)	(39,443)	(36,542)
Net cash flow from operating activities	**49,250**	**45,679**	**91,247**	**101,709**
Investing activities				
Sale of fixed and intangible assets	1,106	372	3,826	3,117
Acquisitions of fixed and intangible assets	(5,012)	(4,283)	(25,775)	(25,066)
Financial Investments	(202,214)	(257,249)	(728,605)	(818,205)
Redemption of financial investments	178,769	239,619	720,147	819,196
Net cash used in investing activities	**(27,351)**	**(21,541)**	**(30,407)**	**(20,958)**
Financing activities with third parties				
Increase in loans[1]	11,563	24,881	72,055	71,129
Payments of loans[1]	(11,146)	(17,383)	(54,769)	(81,201)
Payments of Interest on loans	(340)	(281)	(2,506)	(1,602)
Net cash used in financing activities with third parties	**77**	**7,217**	**14,780**	**(11,674)**
Financing activities with shareholders				
Interest on equity	(17,958)	(22,249)	(33,511)	(44,142)
Distribution of profits	-	(11,257)	(44,837)	(29,961)
Receivables (payables) with shareholders	(27)	5	443	(178)
Share Issuance	-	-	1,050	1,931
Net cash used in financing activities	**(17,985)**	**(33,501)**	**(76,855)**	**(72,350)**
Increase (decrease) in cash and cash equivalents	**3,991**	**(2,146)**	**(1,235)**	**(3,273)**
Cash and cash equivalents				
Foreign exchange effect on cash and cash equivalents	43	11	(773)	(529)
Cash and cash equivalents - Initial balance	4,788	7,155	10,831	8,822
Cash and cash equivalents - Closing balance	8,822	5,020	8,822	5,020
Increase (decrease) in cash and cash equivalents	**3,991**	**(2,146)**	**(1,236)**	**(3,273)**

[1]The Company's management reclassified the accounts Increase in Loans countering Payment of Loans in the Financing section of the Cash Flow Statements for the period ended in September 30, 2015, which are presented here for comparative purposes. The adjustment cancel each other and thus had no effects in the Third Parties or any other totals of the Cash Flow Statement.

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Information contained herein may include forward-looking statements and reflects management's current view and estimates concerning the evolution of the macro-economic environment, industry conditions, company performance, and financial results. Any statements, expectations, capabilities, plans and assumptions contained in this document that do not describe historical facts, such as statements regarding declaration or payment of dividends, the future course of operations, the implementation of material operational and financial strategies, the investment program, and the factors or trends affecting financial condition, liquidity or results from operations, are deemed forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties. There is no guarantee that these results will actually materialize. Statements are based on many assumptions and factors, including economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations. Arezzo&Co’s consolidated financial information presented herein complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), based on audited financial data. Non-financial and other operating information has not been audited by independent auditors.