

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

**Conference Call**  
**1Q17**

# 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.

# 1Q17 Highlights

## Net Revenue

Net revenue in 1Q17 reached **R\$297.2 million**, a 15.4% increase against 1Q16.

## Gross Profit

Gross profit totaled **R\$130.1 million**, with a 16.4% increase against 1Q16, and margin of 43.8% (growth of 40bps).

## EBITDA

EBITDA totaled **R\$36.0 million**, with a 36.8% increase against 1Q16, and margin of 12.1% (growth of 190bps).

## Net Income

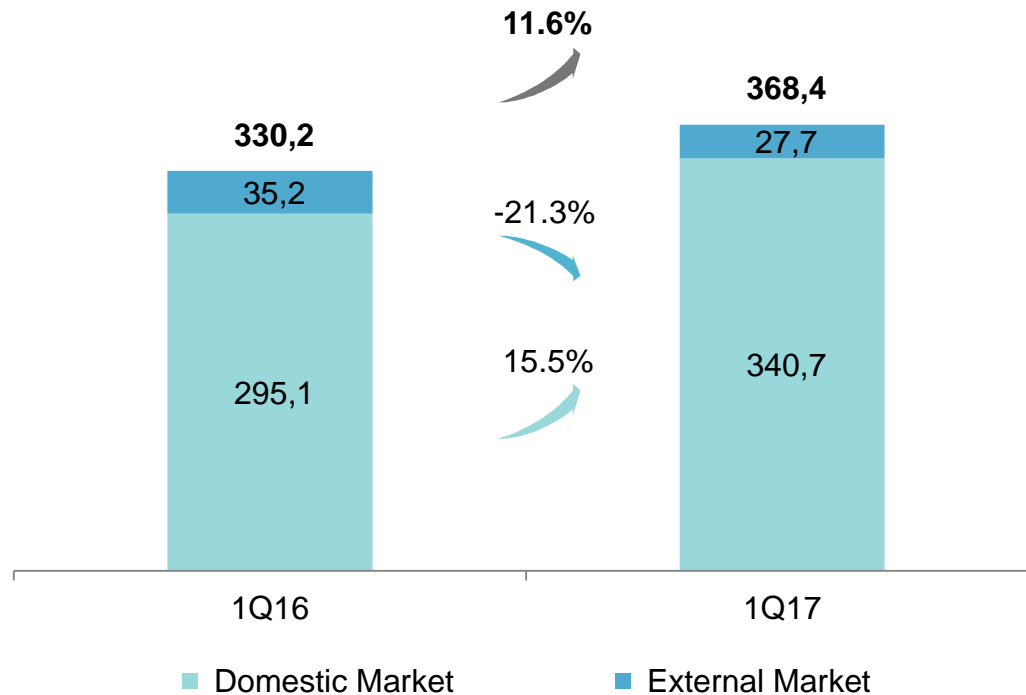
Net income was **R\$22.2 million**, with a growth of 51.1% and margin of 7.5% (growth of 180bps).

## Sales Area

Arezzo&Co ended the 1Q17 with a **2.7% growth** in its store area over the last twelve months.

# Company Growth

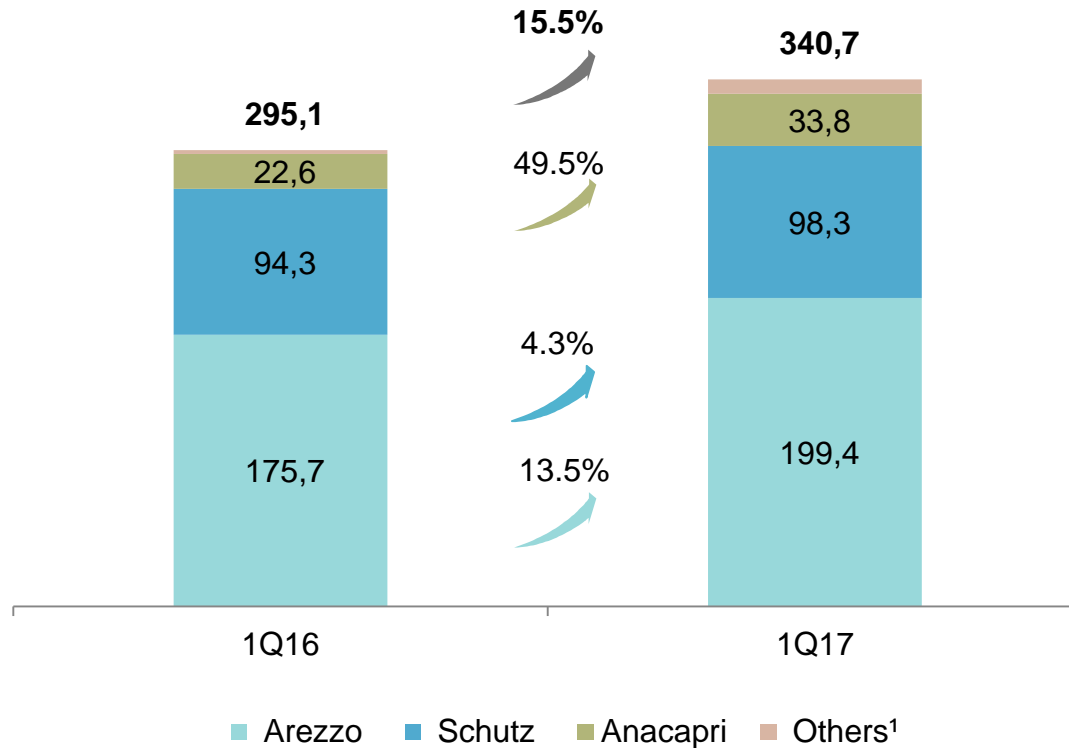
## Gross Revenue – Domestic and External Market (R\$ million)



The Company achieved a gross revenue of R\$368.4 million in the first quarter of 2017, a 11.6% growth compared to the 1Q16, with a highlight to the domestic market, which reached growth of 15.5%.

# Gross Revenue Breakdown by Brand – Domestic Market

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

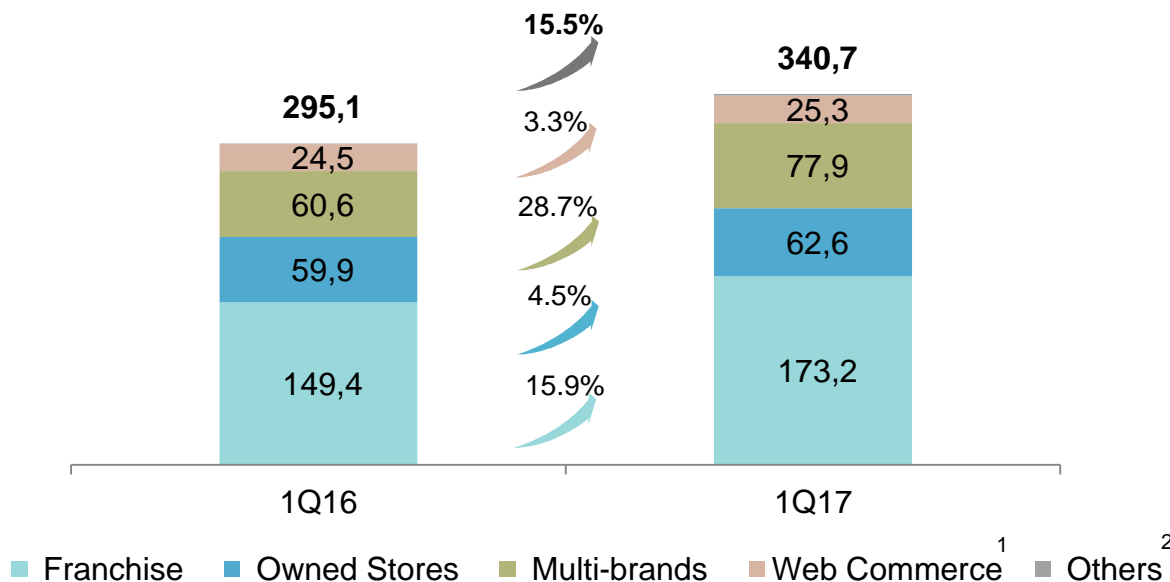


In 1Q17, all brands experienced growth, highlighting Anacapri brand and Arezzo brand, with increase of 49.5% and 13.5% respectively.

1) Others: Increase of 258.2% in 1Q17 (includes only domestic markets for Alexandre Birman and Fever brands and other revenues).

# Gross Revenue Breakdown by Channel – Domestic Market

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



SSS Sell-in (franchises)	-1.4%	13.6%
SSS Sell-out (Owned Stores + franchises)	-4.3%	2.7%
SSS Sell-out (Owned Stores + web + franchises)	-3.8%	2.5%

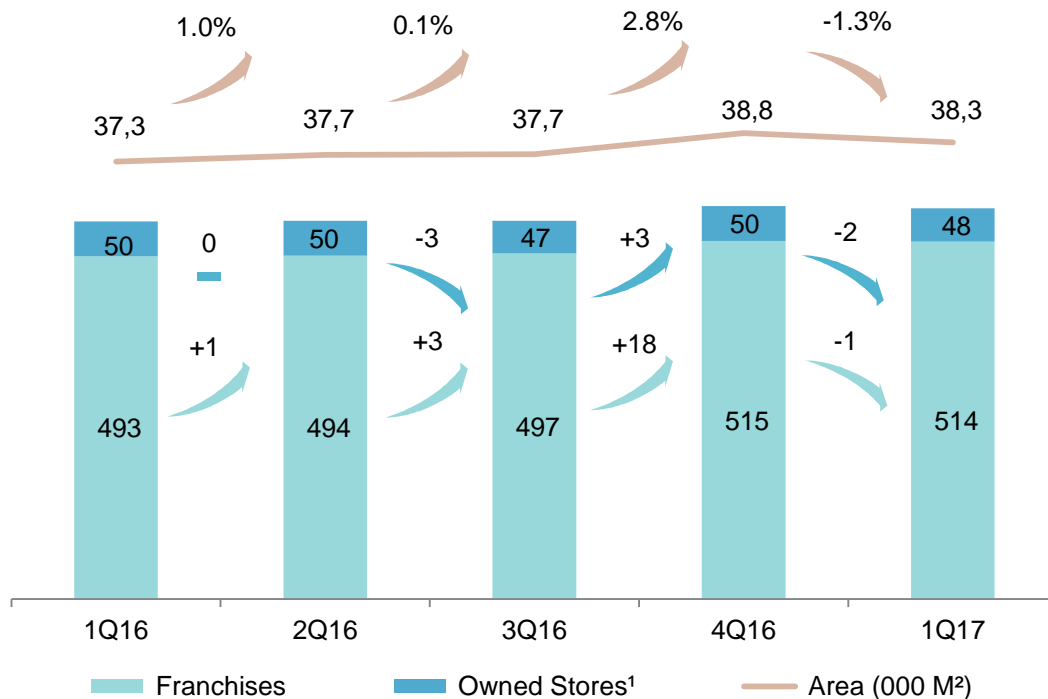
In 1Q17, all channels experienced growth, highlighting a increase of 28.7% in the Multi-brands channel and a growth in Franchises channel of 15.9%.

1) Web Commerce: impacted by "sales cut-off".

2) Others : Increase of 150% no 1Q17 (includes domestic market revenues that are not specific for distribution channels).

# Distribution Channel Expansion

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



## Number of Stores – Domestic Market

### AREZZO

Franchises	368
Owned Stores	15
Multibrand	1,135

### SCHUTZ

Franchises	61
Owned Stores	22
Multibrand	1,236

### ANACAPRI

Franchises	80
Owned Stores	4
Multibrand	1,140

### ALEXANDRE BIRMAN

Owned Stores	3
Multibrand	18

### FIEVER

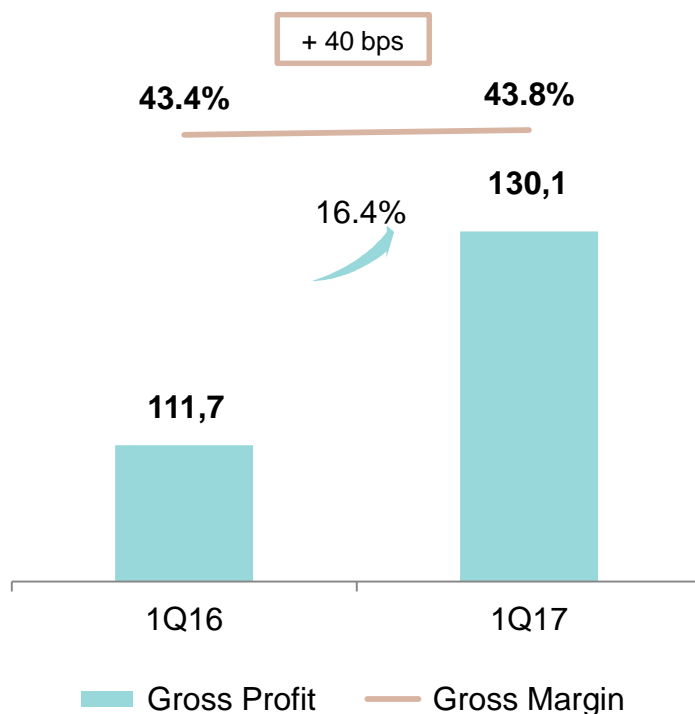
Owned Stores	2
Multibrand	234

Arezzo&Co ended the 1Q17 with a 2.7% growth in its store area over the last twelve months.

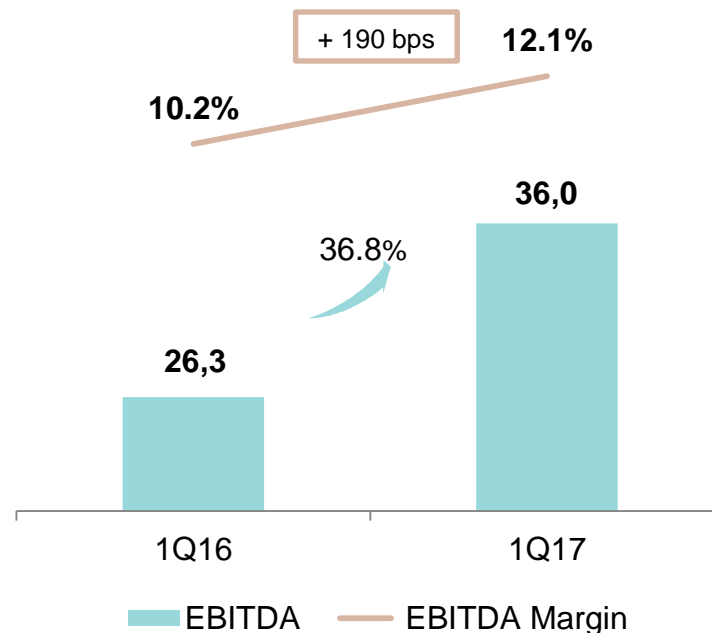
<sup>1</sup>Includes eight outlet type stores with a total area of 1,952 m<sup>2</sup> and stores overseas.

# Gross Profit and EBITDA

## Gross Profit (R\$ million)



## EBITDA (R\$ million)

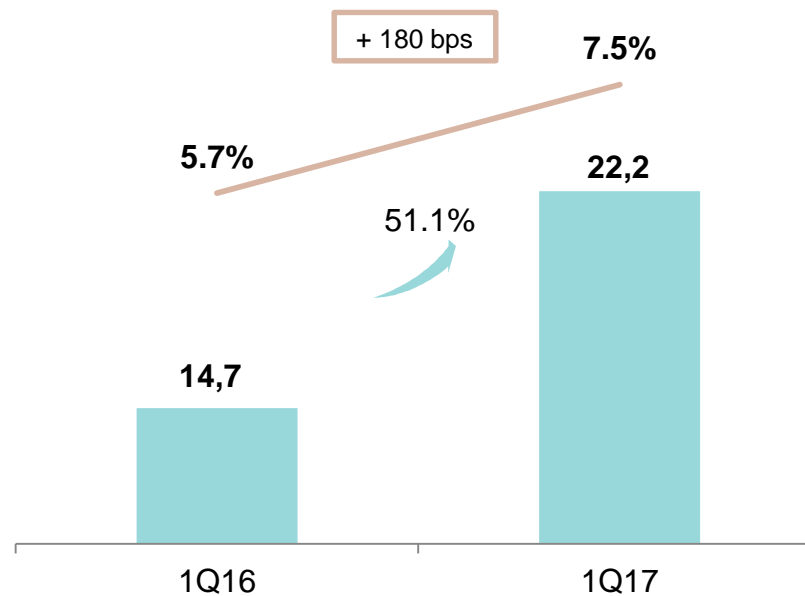


Gross profit reached R\$130.1 million in 1Q17, an increase of 16.4% and growth of 40bps in gross margin versus 1Q16. EBITDA grew by 36.8% in 1Q17 to R\$36.0 million, with a margin of 12.1%.



# Net Income and Net Margin

Net Income (R\$ million)



In the quarter, net income totaled R\$22.2 million, with a growth of 51.1% and net margin of 7.5%.

# Operating Cash Flow

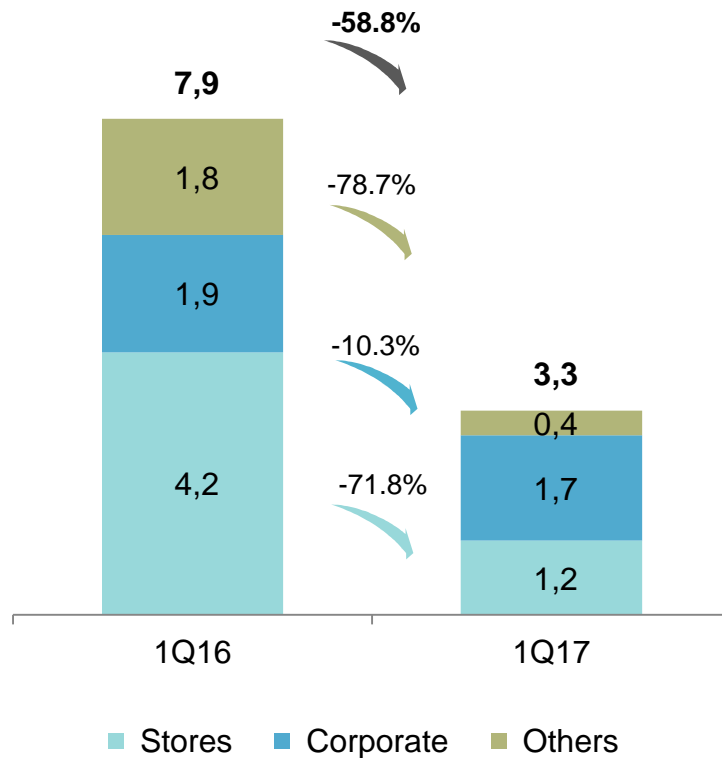
## Operating Cash Flow (R\$ thousand)

Operating Cash Flow	1Q16	1Q17	Δ 16 x 17 (R\$)	Δ 16 x 17 (%)
<b>Income before income tax and social contribution</b>	<b>23,474</b>	<b>34,437</b>	<b>10,963</b>	<b>46.7%</b>
<b>Depreciações e amortizações</b>	<b>6,272</b>	<b>6,675</b>	<b>403</b>	<b>6.4%</b>
<b>Others</b>	<b>(13,057)</b>	<b>(2,855)</b>	<b>10,202</b>	<b>(78.1%)</b>
<b>Decrease (increase) in assets / liabilities</b>	<b>7,481</b>	<b>16,146</b>	<b>8,665</b>	<b>115.8%</b>
Trade accounts receivables	(12,244)	(1,939)	10,305	(84.2%)
Inventories	(15,524)	(9,346)	6,178	(39.8%)
Suppliers	45,767	46,587	820	1.8%
Change in other noncurrent and current assets and liabilities	(10,518)	(19,156)	(8,638)	82.1%
<b>Payment of income tax and social contribution</b>	<b>-</b>	<b>(450)</b>	<b>(450)</b>	<b>n/a</b>
<b>Net cash flow generated by operational activities</b>	<b>24,170</b>	<b>53,953</b>	<b>29,783</b>	<b>123.2%</b>

Arezzo&Co generated R\$54 million cash from operations in 1Q17, which was more than 120% higher than the figure posted for 1Q16, as a result of the Company's focus on managing working capital more efficiently together with the 47% increase in pre-tax profits.

# Investimentos (CAPEX) e Endividamento

## CAPEX (R\$ millions)



## Indebtedness (R\$ millions)

Cash position and Indebtedness	1Q16	4Q16	1Q17
Cash	249,158	242,844	292,697
<b>Total debt</b>	<b>114,349</b>	<b>106,049</b>	<b>97,191</b>
Short term	79,799	78,970	72,385
% total debt	69.8%	74.5%	74.5%
Long-term	34,550	27,079	24,806
% total debt	30.2%	25.5%	25.5%
<b>Net debt</b>	<b>(134,809)</b>	<b>(136,795)</b>	<b>(195,506)</b>
Dívida Líquida/EBITDA	-0.8x	-0.8x	-1.0x

Total Capex in 1Q17 was R\$3.3 million, with highlight going to the opening of two Fiever owned stores over the next few months, and software licenses acquisition, mainly in relation to the company's Omni project.

# Contacts

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