

AREZZO **&CO**

Conference Call
2Q17

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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.

2Q17 Highlights

Net Revenue

Net revenue in 2Q17 reached R\$328.9 million, a 11.2% increase against 2Q16.

Gross Profit

The Company's gross profit totaled R\$154.3 million, with a gross margin of 46.9%, and a 16.8% increase against 2Q16 (growth of 220 bps).

EBITDA

EBITDA for 2Q17 totaled R\$50.3 million, with a margin of 15.3% and a 22.8% increase against 2Q16 (growth of 140 bps).

Net Income

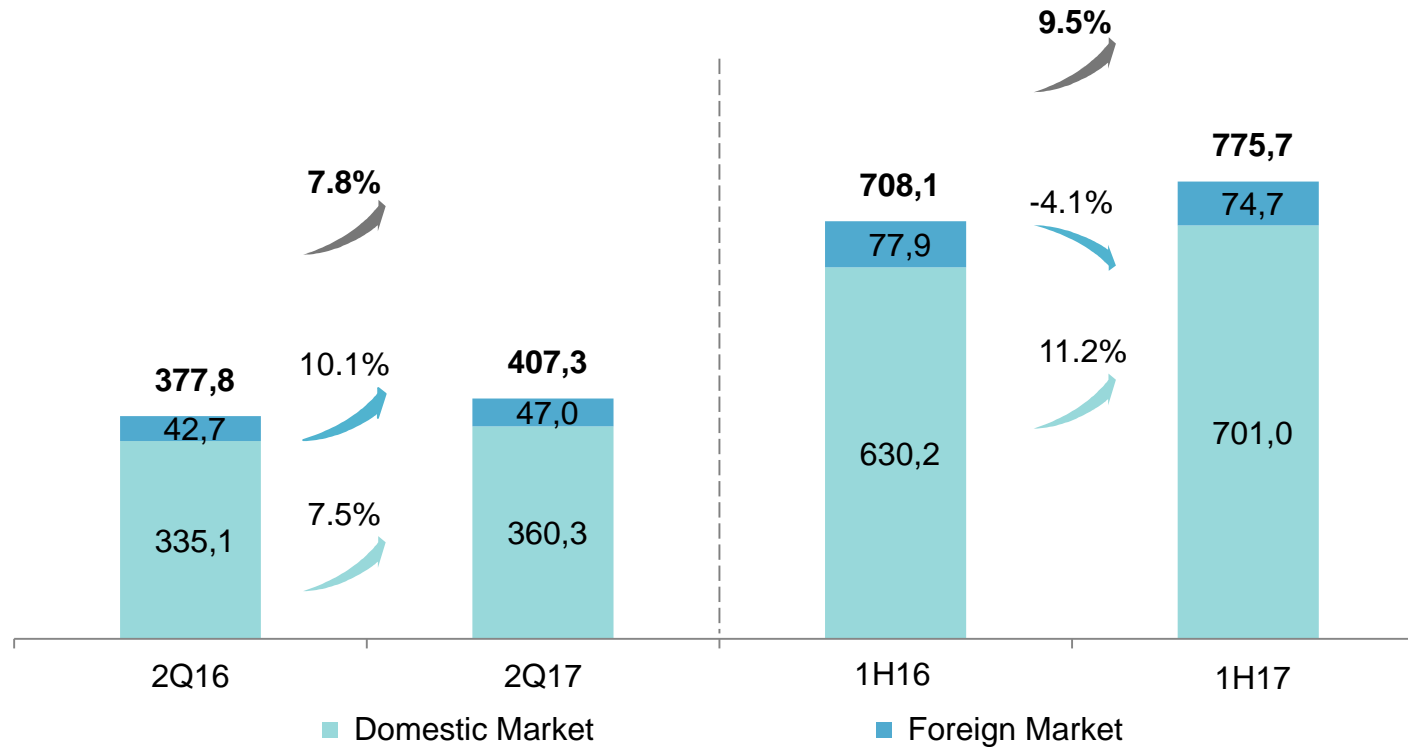
Net income was R\$39.3 million, with a 11.9% margin and growth of 30.0% (growth of 170 bps).

Sales Area

During the quarter, Arezzo&Co's **opened five stores**, with **growth of 3.3%** in the sales area over the last 12 months.

Company Growth

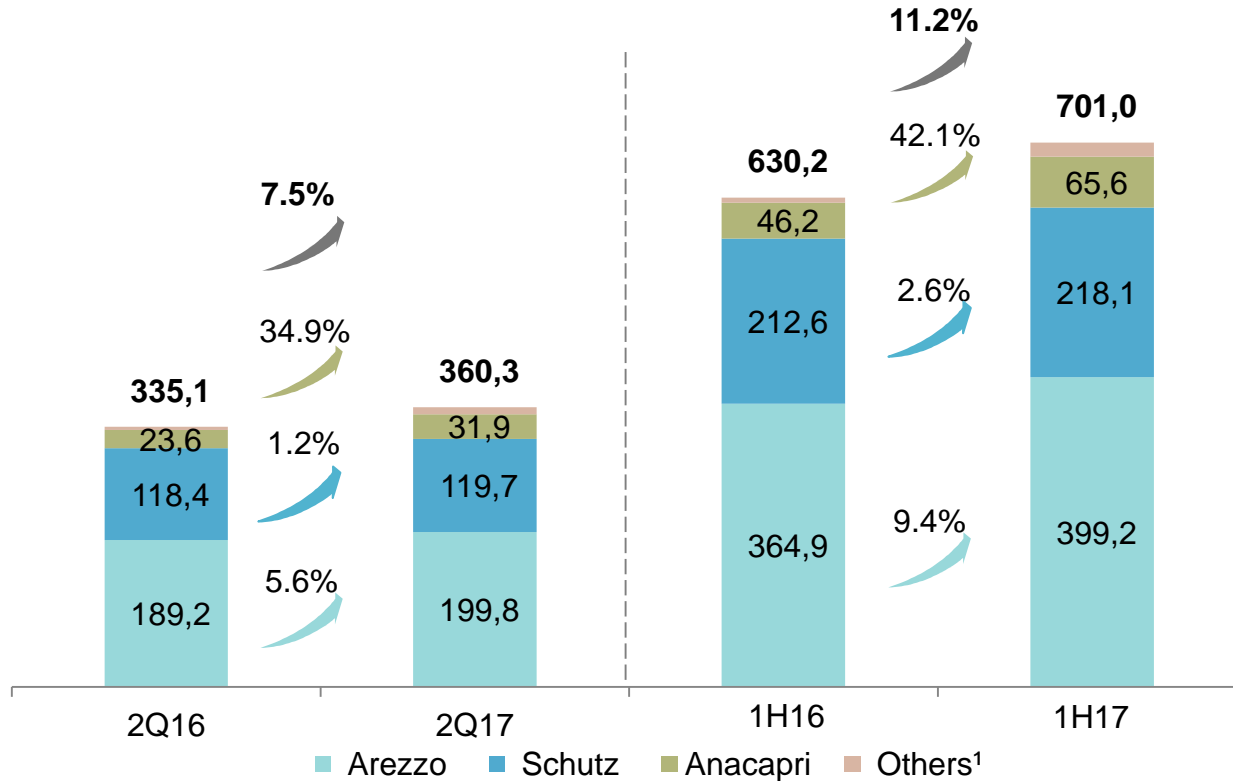
Gross Revenue – Domestic and Foreign Market (R\$ million)



The Company achieved a gross revenue of R\$407.3 million in the 2Q17, a 7.8% growth compared to the 2Q16, with a highlight to the foreign market, which reached growth of 10.1%.

Gross Revenue Breakdown by Brand – Domestic Market

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

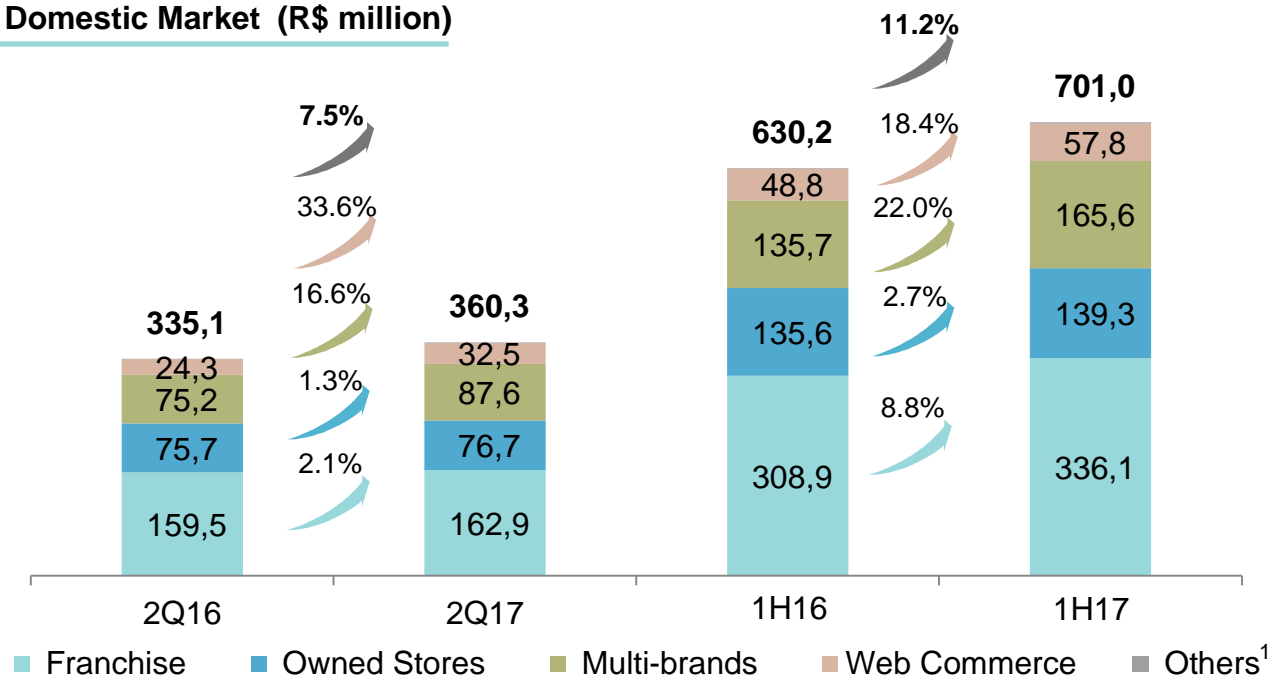


In 2Q17 and 1H17, all brands experienced growth, highlighting Anacapri brand with growth of 34.9% and 42.1% respectively.

1) Others: Increase of 128.3% in 2Q17 and 180.2% in 1H17 (includes only domestic markets for Alexandre Birman and Fiever brands and other revenues).

Gross Revenue Breakdown by Channel – Domestic Market

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



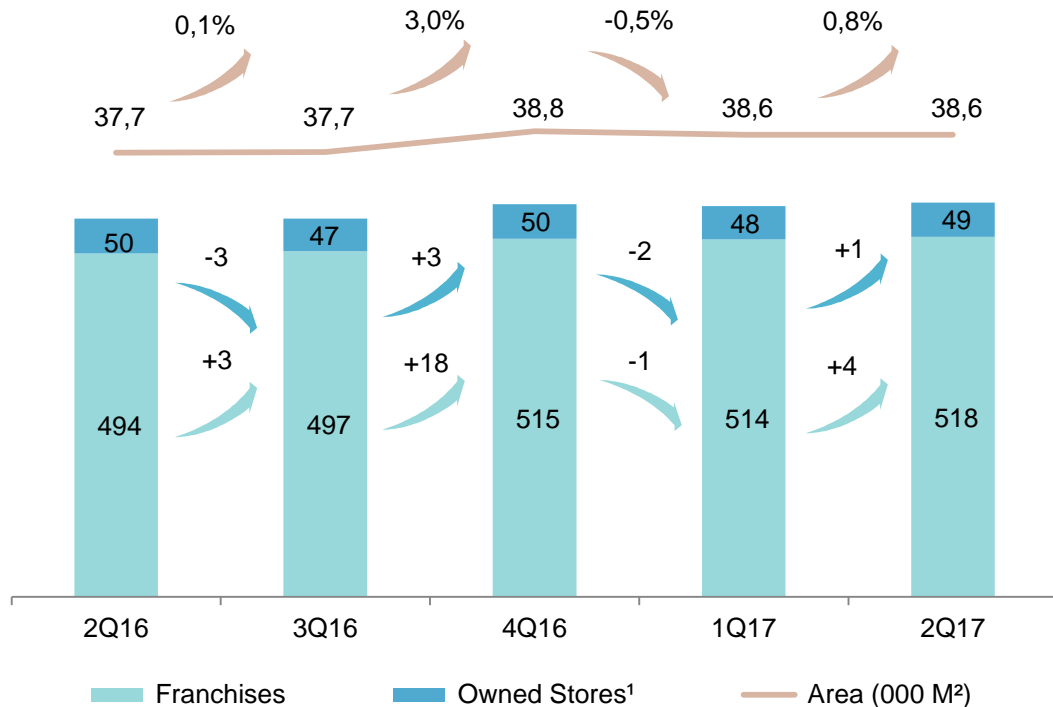
| | | | | |
|---|------|-------|-------|------|
| SSS <i>Sell-in</i> (franchises) | 1.9% | -0.8% | 0.3% | 6.2% |
| SSS <i>Sell-out</i> (Owned Stores + franchises) | 2.5% | 5.3% | -0.6% | 4.1% |
| SSS <i>Sell-out</i> (Owned Stores + web + franchises) | 2.6% | 6.8% | -0.4% | 4.9% |

In 2Q17, all channels experienced growth, highlighting an increase of 33.6% (18.4 in 1H17) in the Web Commerce channel and a growth in Multi-brands channel of 16.6% (22% in 1H17).

1) Others : Increase of 37.1% in 2Q17 and 104% in 1H17 (includes domestic market revenues that are not specific for distribution channels).

Distribution Channel Expansion

Owned Stores and Franchises Expansion¹



Number of Stores – Domestic Market 2Q17

AREZZO

| | |
|--------------|-------|
| Franchises | 369 |
| Owned Stores | 14 |
| Multibrand | 1,120 |

SCHUTZ

| | |
|--------------|-------|
| Franchises | 61 |
| Owned Stores | 22 |
| Multibrand | 1,188 |

ANACAPRI

| | |
|--------------|-------|
| Franchises | 83 |
| Owned Stores | 4 |
| Multibrand | 1,139 |

ALEXANDRE BIRMAN

| | |
|--------------|----|
| Owned Stores | 3 |
| Multibrand | 17 |

FIEVER

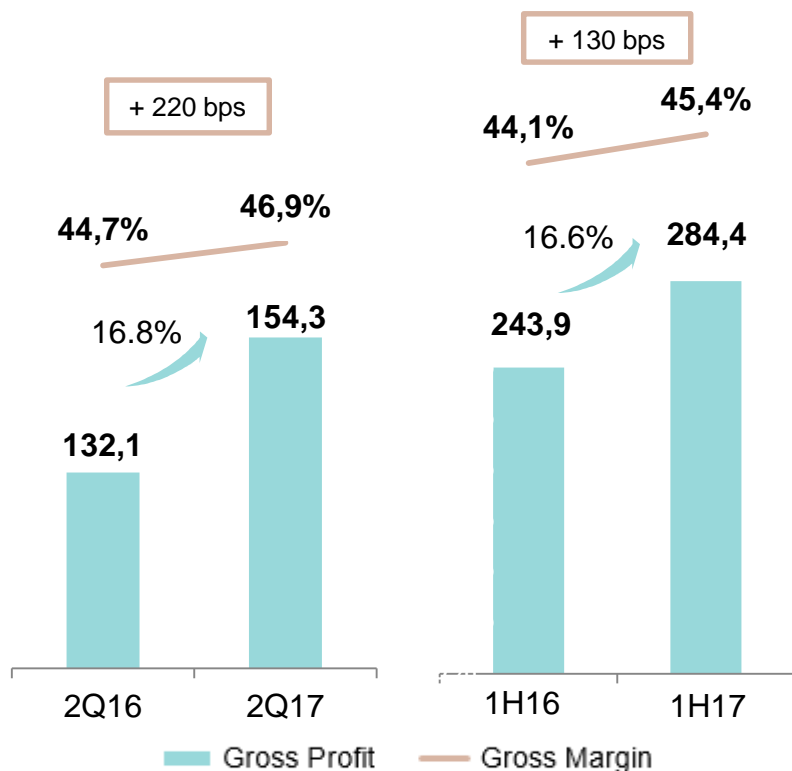
| | |
|--------------|-----|
| Owned Stores | 4 |
| Multibrand | 248 |

During the quarter, Arezzo&Co's opened five stores, with growth of 3.3% in the sales area over the last 12 months.

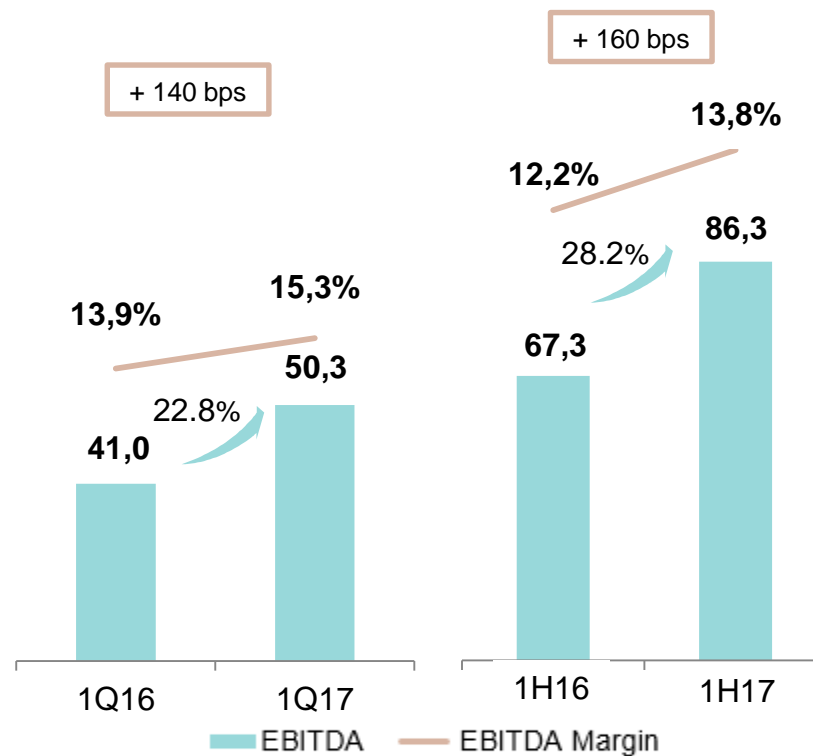
¹Includes eight outlet type stores with a total area of 1,809 m² and stores overseas.

Gross Profit and EBITDA

Gross Profit (R\$ million)



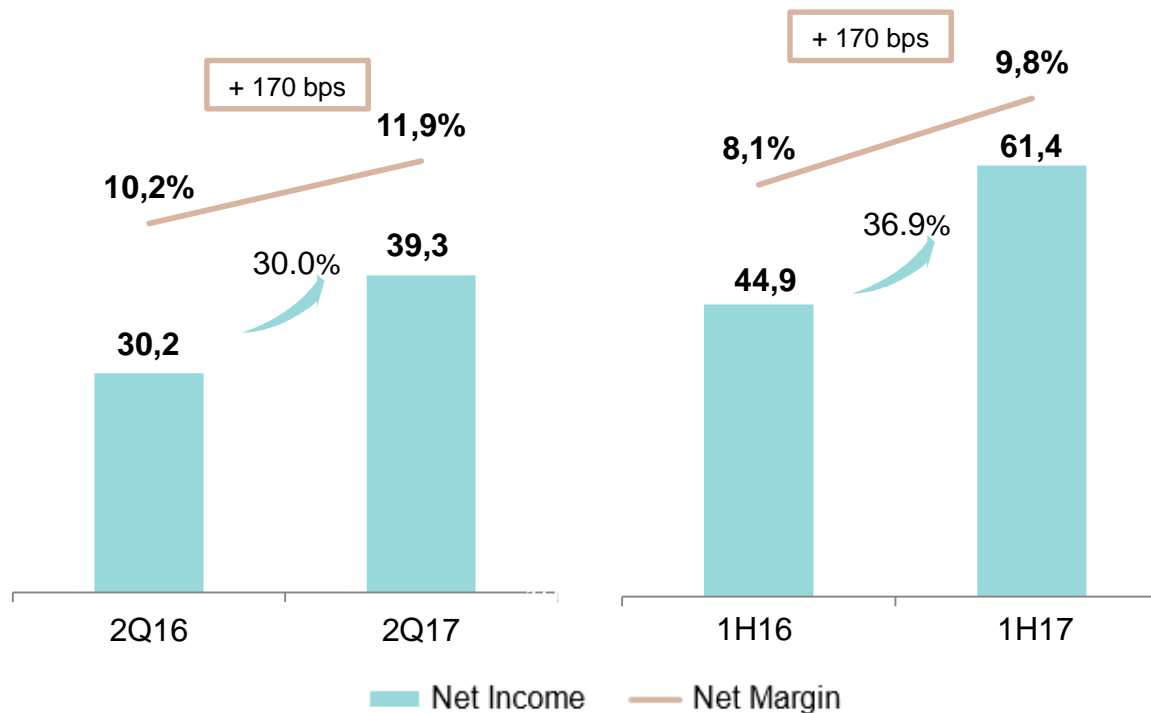
EBITDA (R\$ million)



Gross profit reached R\$154.3 million in 2Q17, an increase of 16.8% and growth of 220bps in gross margin versus 2Q16. EBITDA grew by 22,8% in 2Q17 to R\$50.3 million, with a margin of 15.3%.

Net Income and Net Margin

Net Income (R\$ million)



In the quarter, net income totaled R\$39.3 million, with a growth of 30% and net margin of 11.9%. In 1H17, net income totaled R\$61.4 million (+36.9%) and net margin of 9.8%.

Operating Cash Flow

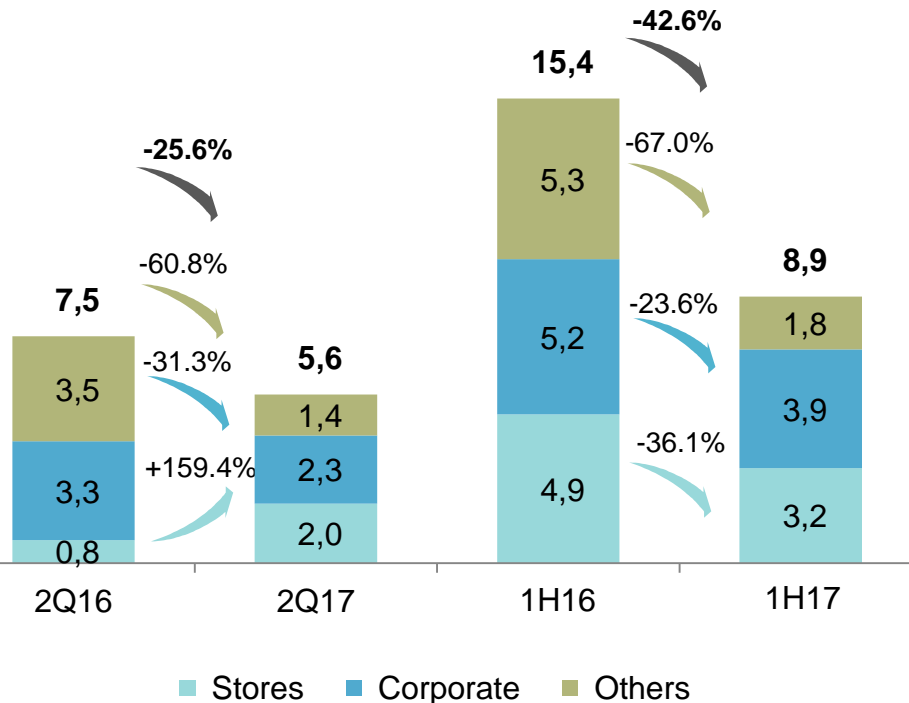
Operating Cash Flow (R\$ thousand)

| Operating Cash Flow | 2Q16 | 2Q17 | Δ 17 x 16 (R\$) | Δ 17 x 16 (%) | 1S16 | 1S17 | Δ 17 x 16 (R\$) | Δ 17 x 16 (%) |
|---|-----------------|-----------------|---------------------------|-------------------------|-----------------|-----------------|---------------------------|-------------------------|
| Income before income tax and social contribution | 34,219 | 48,497 | 14,278 | 41.7% | 57,693 | 82,934 | 25,241 | 43.8% |
| Depreciações e amortizações | 6,510 | 6,737 | 227 | 3.5% | 12,782 | 13,412 | 630 | 4.9% |
| Others | (8,618) | 1,509 | 10,127 | n/a | (21,675) | (1,346) | 20,329 | n/a |
| Decrease (increase) in assets / liabilities | (17,757) | (1,541) | 16,216 | (91.3%) | (10,276) | 14,605 | 24,881 | n/a |
| Trade accounts receivables | 8,887 | 21,450 | 12,563 | 141.4% | (3,357) | 19,511 | 22,868 | n/a |
| Inventories | (6,134) | (5,462) | 672 | (11.0%) | (21,658) | (14,808) | 6,850 | (31.6%) |
| Suppliers | (29,528) | (23,682) | 5,846 | (19.8%) | 16,239 | 22,905 | 6,666 | 41.0% |
| Change in other noncurrent and current assets and liabilities | 9,018 | 6,153 | (2,865) | (31.8%) | (1,500) | (13,003) | (11,503) | 766.9% |
| Payment of income tax and social contribution | (8,537) | (14,421) | (5,884) | 68.9% | (8,537) | (14,871) | (6,334) | 74.2% |
| Net cash flow generated by operational activities | 5,817 | 40,781 | 34,964 | 601.1% | 29,987 | 94,734 | 64,747 | 215.9% |

Arezzo&Co generated R\$40.8 million cash flow from operations in 2Q17, which was greater than the figure observed in 2Q16, as a result of the Company's focus on managing its working capital more efficiently, with a significant improvement in accounts receivable and inventories, as well as a 41.7% increase in pre-tax profits.

CAPEX and Indebtedness

CAPEX (R\$ millions)



Indebtedness (R\$ millions)

| Cash position and Indebtedness | 2Q16 | 1Q17 | 2Q17 |
|--------------------------------|------------------|------------------|------------------|
| Cash | 223,764 | 292,697 | 310,115 |
| Total debt | 97,535 | 97,191 | 110,847 |
| Short term | 65,642 | 72,385 | 88,311 |
| % total debt | 67.3% | 74.5% | 79.7% |
| Long-term | 31,893 | 24,806 | 22,536 |
| % total debt | 32.7% | 25.5% | 20.3% |
| Net debt | (126,229) | (195,506) | (199,268) |
| Dívida Líquida/EBITDA | -0.8x | -1.0x | -1.0x |

In 2Q17, Arezzo & Co invested R\$5.6 million in capex, with highlight going to the opening of two Fiever owned stores, one Anacapri flagship store at Oscar Freire Street in São Paulo, the opening of the new showroom for the Schutz and Alexandre Birman brands in New York, and the acquisition of software licenses.

ROIC (Return on Invested Capital)

| Income from operations | 2Q15 | 2Q16 | 2Q17 | $\Delta 17 \times 16$ (%) |
|---|----------------|----------------|----------------|------------------------------|
| EBIT (UDM) | 152,715 | 136,651 | 169,713 | 24.2% |
| + IR e CS (UDM) | (49,736) | (38,515) | (49,539) | 28.6% |
| NOPAT | 102,979 | 98,136 | 120,174 | 22.5% |
| Working Capital ¹ | 321,277 | 327,433 | 307,097 | (6.2%) |
| Fixed assets | 167,257 | 165,567 | 156,998 | (5.2%) |
| Other long-term assets ² | 9,597 | 29,505 | 29,173 | (1.1%) |
| Invested capital | 498,131 | 522,505 | 493,268 | (5.6%) |
| Average invested capital³ | | 510,318 | 507,887 | (0.5%) |
| ROIC⁴ | | 19.2% | 23.7% | |

Once again the return on invested capital (ROIC) posted growth, reaching 23.7% in the 2Q17. Among the factors behind this improvement are the 22.5% growth in NOPAT against 2Q16, the actions taken to improve working capital, with a focus on reducing inventories and accounts receivable and the reduction of fixed assets as a result of the lower percentage of owned stores in the Company's mix.

(1) Working Capital: current assets minus cash, cash equivalents and financial investments less current liabilities minus loans and financing and dividends payable.

(2) Less deferred income tax and social contribution.

(3) Average invested capital in the period and same period previous year.

(4) ROIC: NOPAT for the last 12 months divided by average invested capital.

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