



earnings release

2Q18

AREZZO
&CO

AREZZO

SCHUTZ

ANACAPRI

ALEXANDRE
BIRMAN

FIEVER

OWME

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2Q18 Highlights

SSS

Same-Store-Sales growth of **3.9%** in the quarter.

Net Revenue

Net revenue in 2Q18 reached **R\$ 373.9 million**, a **13.7% increase** against 2Q17.

Gross Profit

In 2Q18, **Gross Profit** totaled **R\$ 178.8 million** (gross margin of 47.8%), a **15.8% increase** against 2Q17.

EBITDA

EBITDA for 2Q18 totaled **R\$ 56.6 million** with a **net margin of 15.1%** and a **12.4% increase** against 2Q17.

ROIC

Arezzo&Co recorded a **750bps increase in ROIC**, reaching a level of **31.2%**.

Sales Area

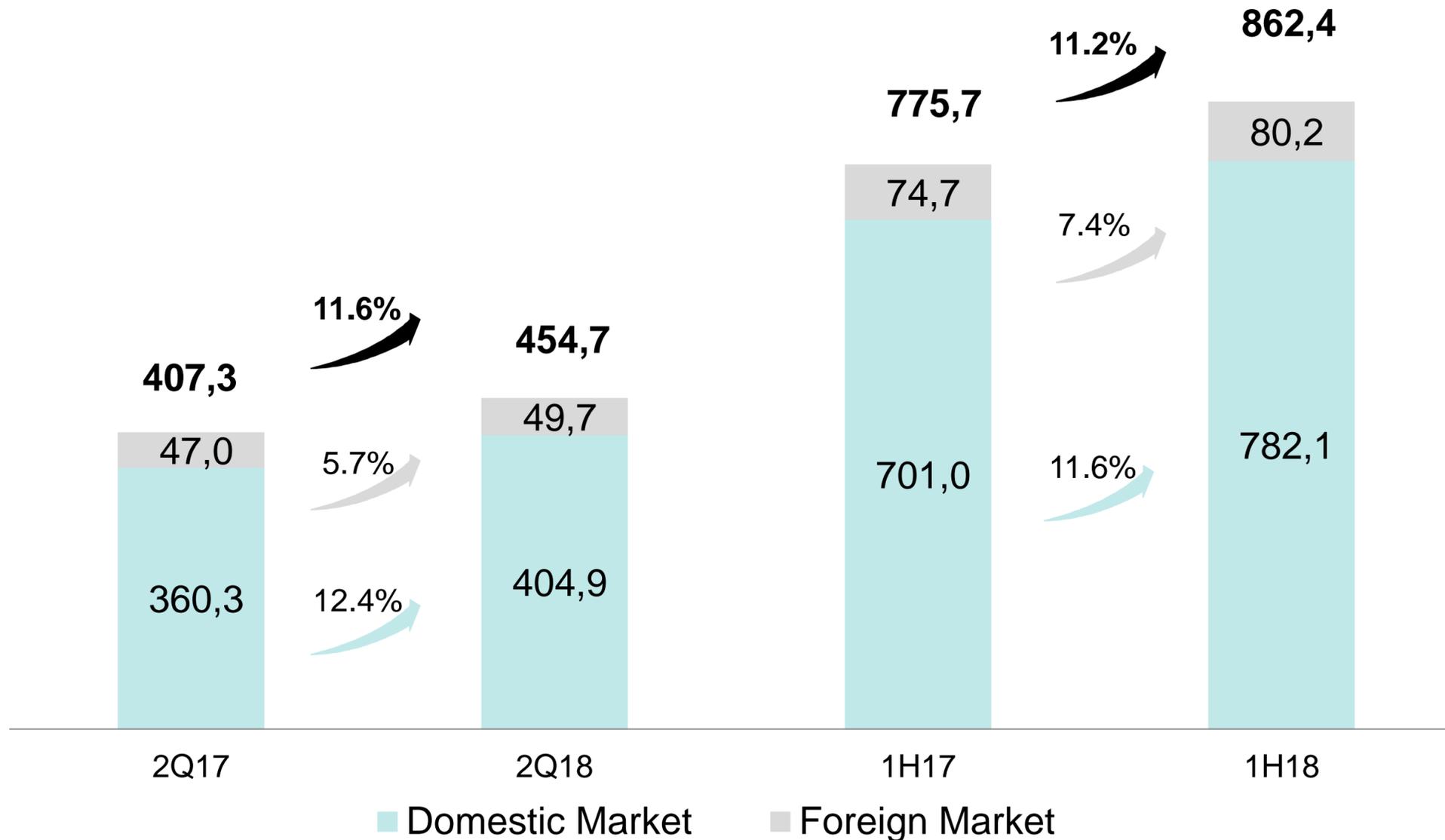
Arezzo&Co opened **11 stores** and closed 2Q18 with a **growth of 8.0% in store area** in the last twelve months.

Net Income

Excluding the non-cash effect from exchange rate variation, net income would have reached **R\$ 46.9 million**, **19.4% higher than in 2Q17**.

Company Growth

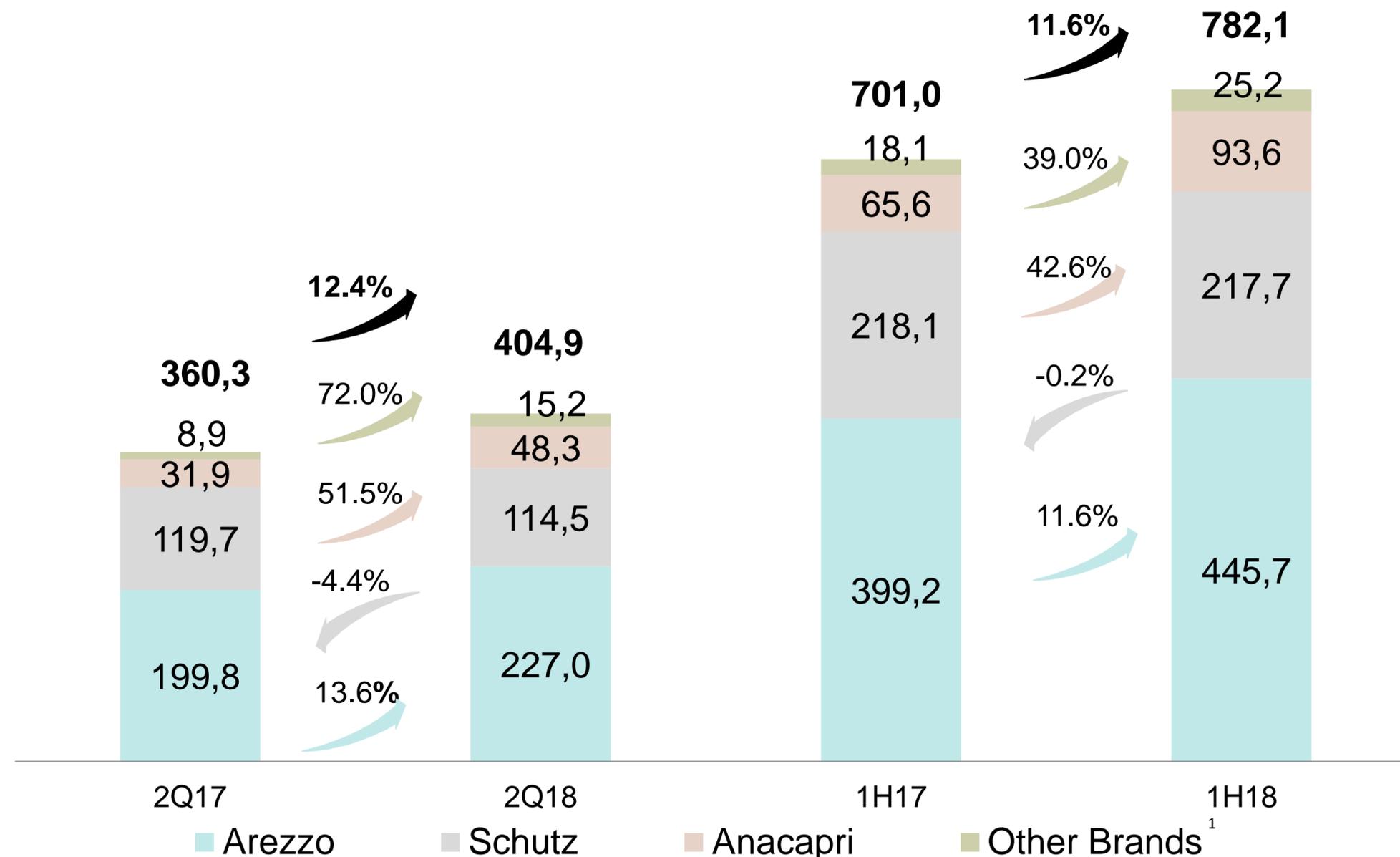
GROSS REVENUE / DOMESTIC AND FOREIGN MARKET (R\$ MILLION)



THE COMPANY REACHED A **GROSS REVENUE OF R\$ 454.7 MILLION** IN THE 2Q18, A 11.6% GROWTH COMPARED TO THE 2Q17, THE HIGHLIGHT BEING THE DOMESTIC MARKET WITH GROWTH OF 12.4%.

Gross Revenue by Brand | Domestic Market

GROSS REVENUE BREAKDOWN BY BRAND / DOMESTIC MARKET (R\$ MILLION)



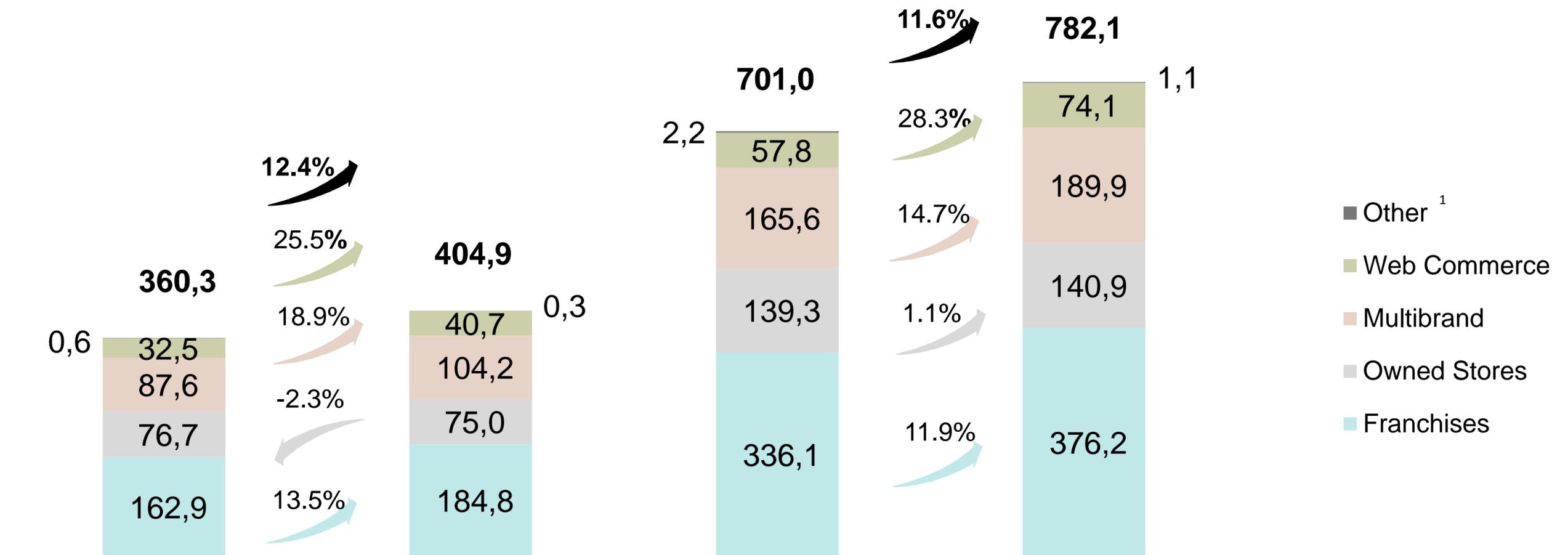
IN 2Q18, WE HAD HIGHLIGHTING THE **AREZZO AND ANACAPRI** BRANDS WITH 13.6% AND 51.5% GROWTH RESPECTIVELY.

WE ALSO HIGHLIGHT THE BRANDS **ALEXANDRE BIRMAN AND FIEVER** THAT HAD EXPRESSIVE RESULTS

1. OTHERS: INCREASE OF 72.0% IN 2Q18 (INCLUDES ONLY DOMESTIC MARKETS FOR ALEXANDRE BIRMAN, FIEVER AND OWME BRANDS AND OTHER REVENUES).

Gross Revenue by Channel | Domestic Market

GROSS REVENUE BY CHANNEL / DOMESTIC MARKET (R\$ MILLION)



SSS SELL-IN
(FRANCHISES)

SSS SELL-OUT
(OWNED STORES + WEB + FRANCHISES)

2Q17

-0.8%

6.8%

2Q18

7.3%

3.9%

1H17

6.2%

4.9%

1H18

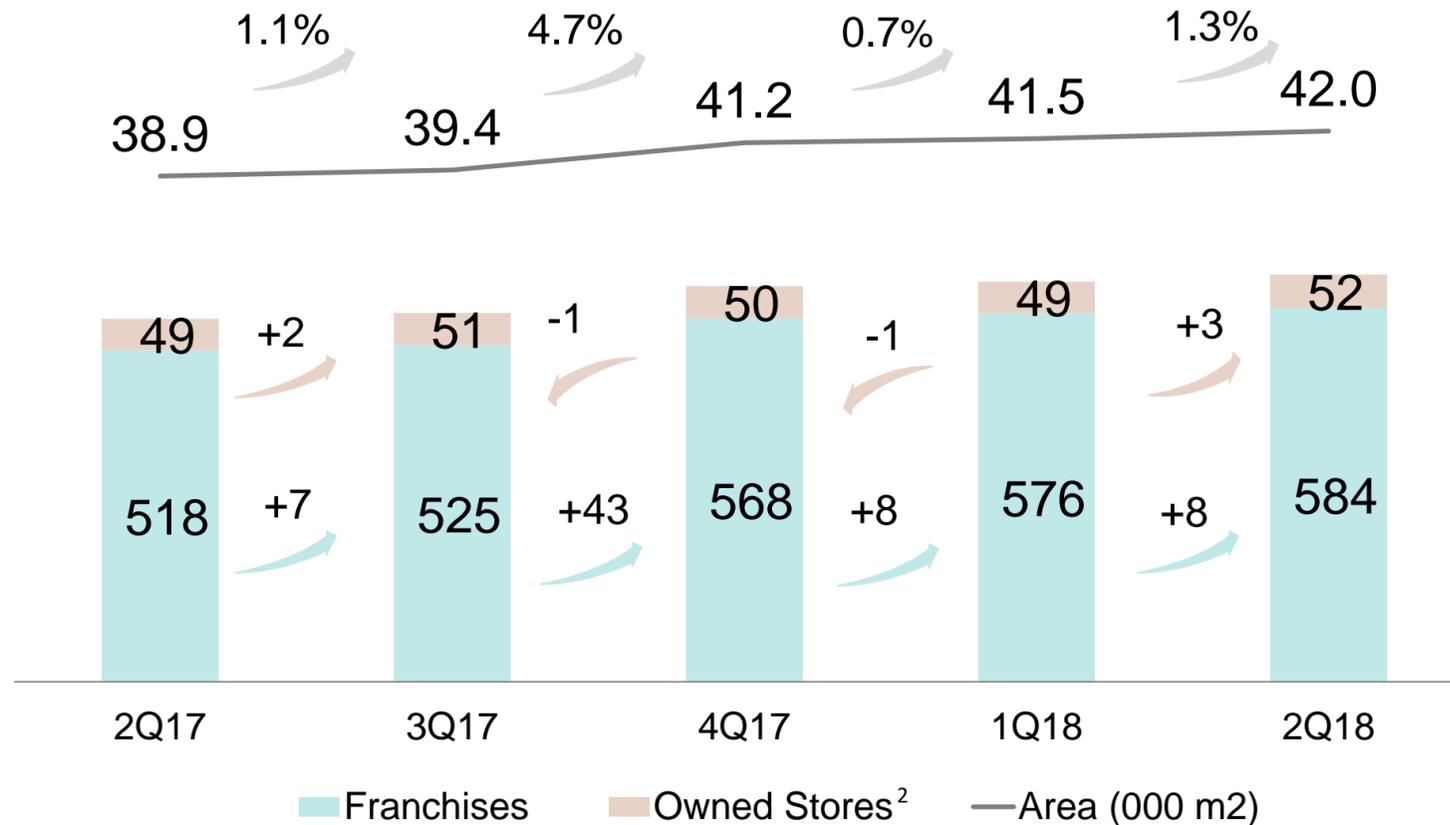
5.4%

5.9%

1. OTHERS : DECREASE OF 52.6% IN 1Q18 (INCLUDES DOMESTIC MARKET REVENUES THAT ARE NOT SPECIFIC FOR DISTRIBUTION CHANNELS).

Distribution Channel Expansion

OWNED STORES AND FRANCHISES EXPANSION¹



AREZZO&CO'S **OPENED 11 STORES** AND ENDED THE QUARTER WITH **8.0% GROWTH OF SALES AREA** OVER THE LAST 12 MONTHS.

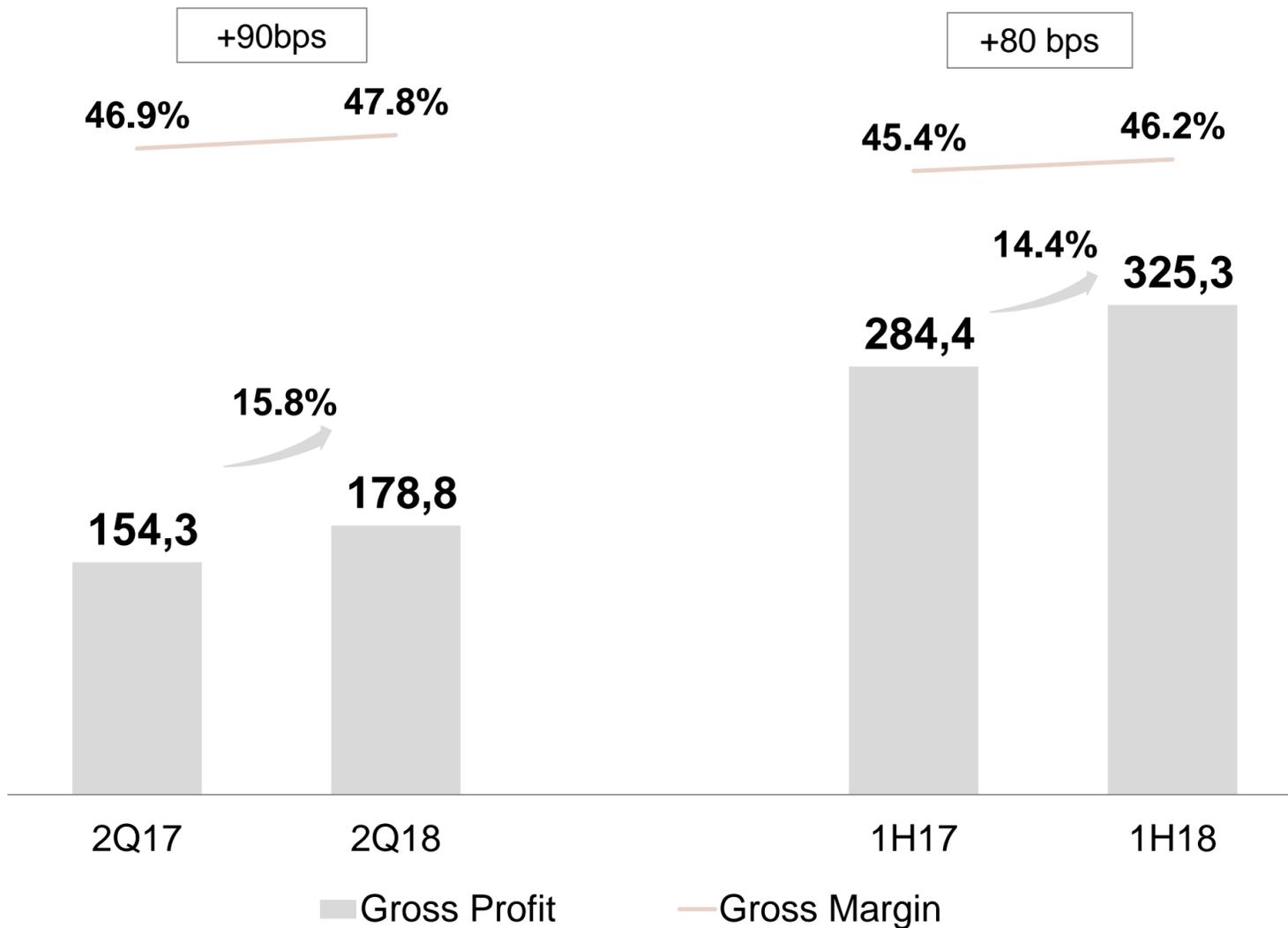
1. INCLUDES SEVEN OUTLET TYPE STORES WITH A TOTAL AREA OF 2,100 M² AND STORES OVERSEAS.
 2. INCLUDES ALEXANDRE BIRMAN AND SCHUTZ STORES, 3 IN NEW YORK AND ONE IN LOS ANGELES.

NUMBER OF STORES – DOMESTIC MARKET 2Q18

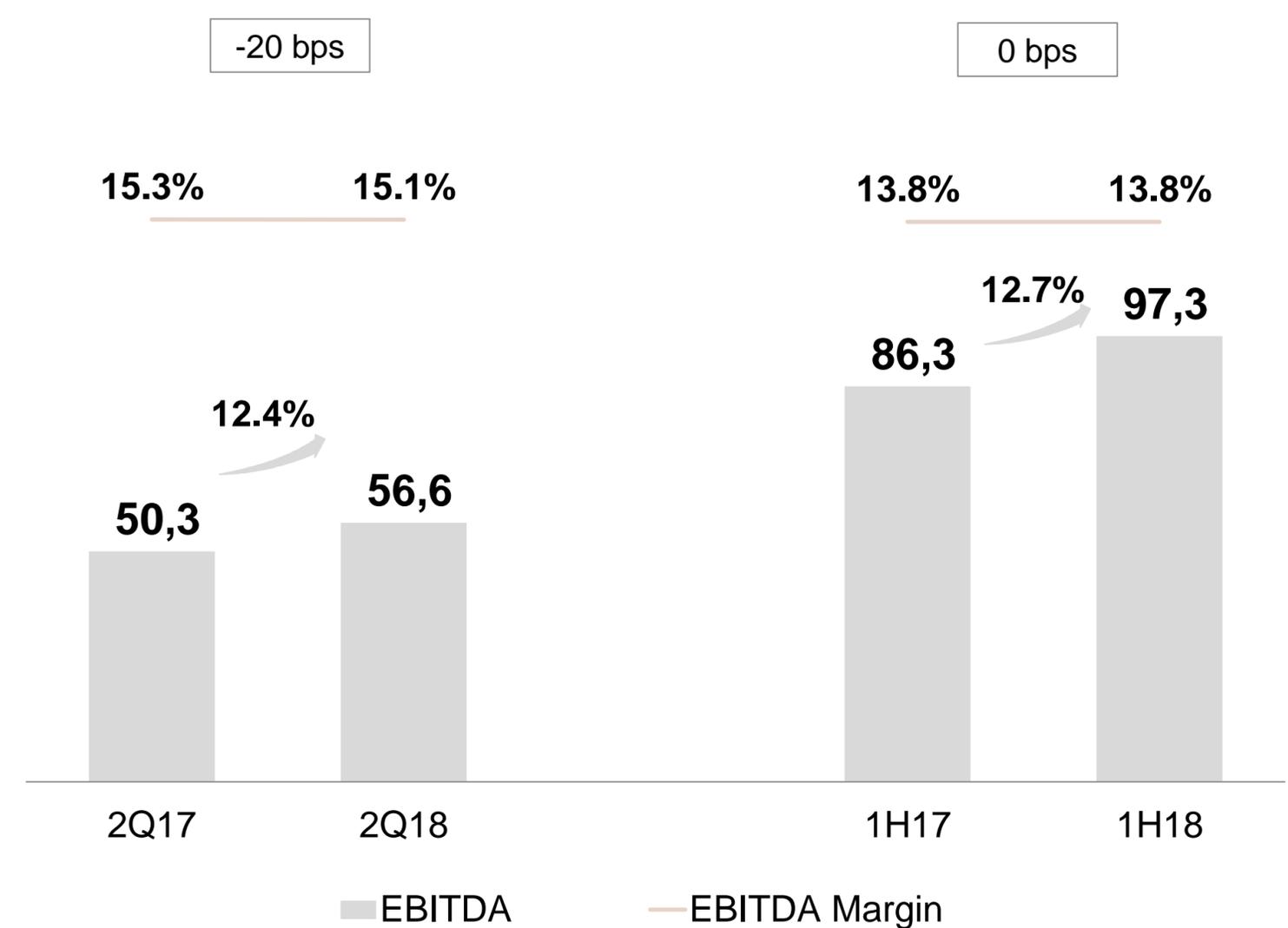
AREZZO	FRANCHISES	388
	OWNED STORES	14
	MULTIBRANDS	1,167
SCHUTZ	FRANCHISES	67
	OWNED STORES	22
	MULTIMARCAS	1,122
ANACAPRI	FRANQUIAS	124
	OWNED STORES	3
	MULTIBRANDS	1,304
ALEXANDRE BIRMAN	OWNED STORES	4
	MULTIBRANDS	24
FIEVER	OWNED STORES	4
	MULTIBRANDS	402
OWME	OWNED STORES	1
	MULTIBRANDS	97

Gross Profit and EBITDA

GROSS PROFIT (R\$ MILLIONS)



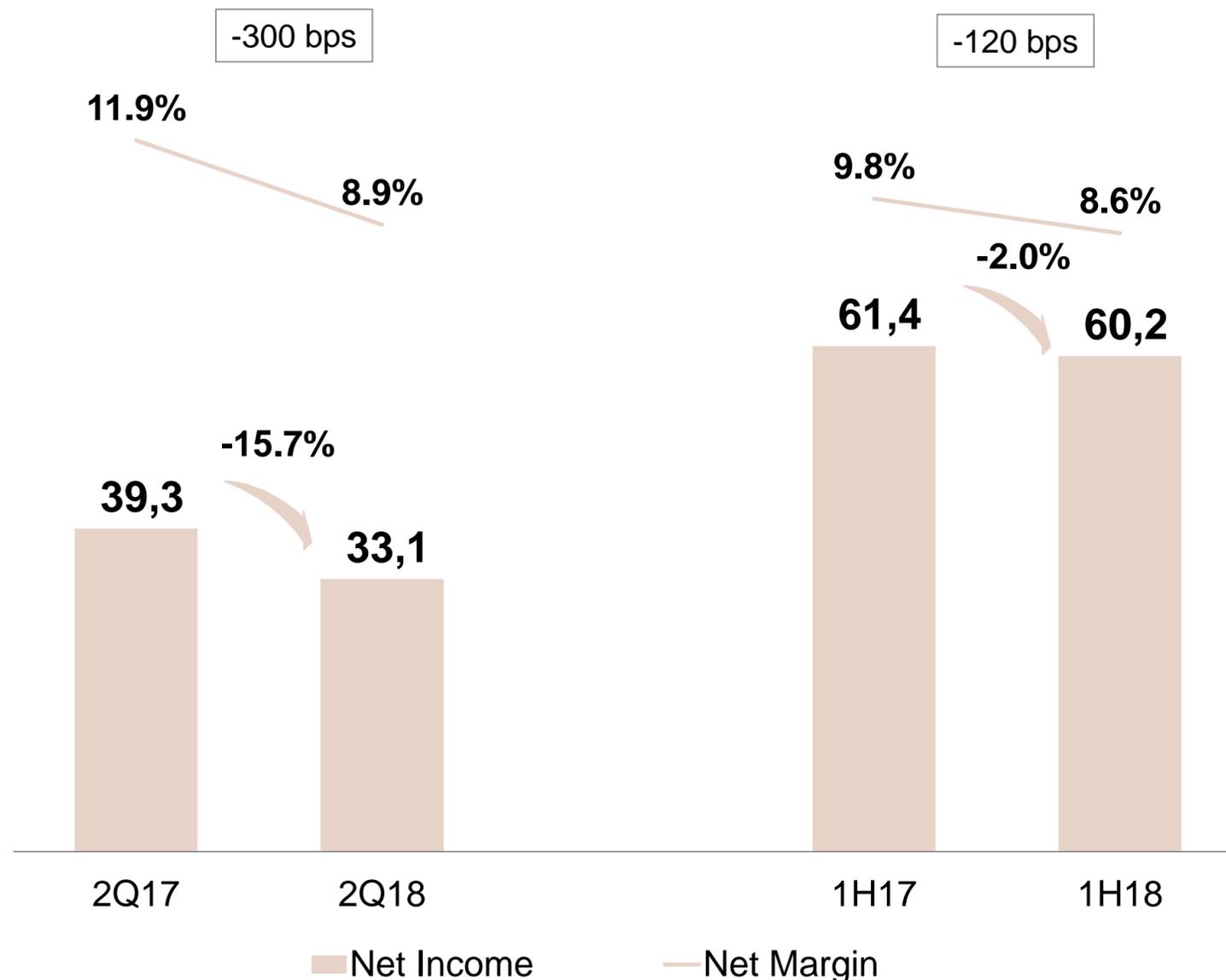
EBITDA (R\$ MILLIONS)



GROSS PROFIT TOTALLED R\$ 178.8 MILLION IN 2Q18 WITH AN INCREASE OF 15.8% (+ 90BPS IN GROSS MARGIN).
 EBITDA GREW BY 12.4% IN 2Q18 TO R\$ 56.6 MILLION (EBITDA MARGIN OF 15.1%).

Net Income

NET INCOME (R\$ MILLIONS)



THE COMPANY POSTED A NET MARGIN OF 8.9% IN 2Q18 AND A NET INCOME OF R\$ 33.1 MILLION, DOWN 15.7% IN 2Q17. EXCLUDING THE NON-CASH EFFECT, NET INCOME WOULD HAVE REACHED R\$ 46.9 MILLION, 19.4% HIGHER THAN IN 2Q17. **EXCLUDING THE NON-CASH EFFECT, NET INCOME WOULD HAVE BEEN R\$ 46.9 MILLION, 19.4% HIGHER THAN IN 2Q17.**

IN 4Q17 THE COMPANY OBTAINED AN INJUNCTION EXEMPTING IT FROM THE PAYMENT OF INCOME AND SOCIAL CONTRIBUTION TAXES (IR AND CSLL) ON AN ICMS TAX BENEFIT RETROACTIVE TO 2017, WHICH REMAINED VALID DURING THE FIRST HALF OF 2018.

ON THE OTHER HAND, NET INCOME WAS NEGATIVELY IMPACTED BY THE WORSENING OF THE FINANCIAL RESULT - DUE TO:

- (I) HIGHER EXCHANGE RATE VARIATION IN THE PERIOD (NON-CASH EFFECT IN THE COMPANY'S RESULTS);
- (II) HIGHER FINANCIAL EXPENSES, COUPLED WITH HIGHER INDEBTEDNESS COMPARED TO 2Q17 AND;
- (III) LOWER FINANCIAL INCOME DUE TO THE REDUCTION OF THE SELIC RATE OVER THE LAST 12 MONTHS.

Operating Cash Flow

OPERATING CASH FLOW (R\$ THOUSAND)

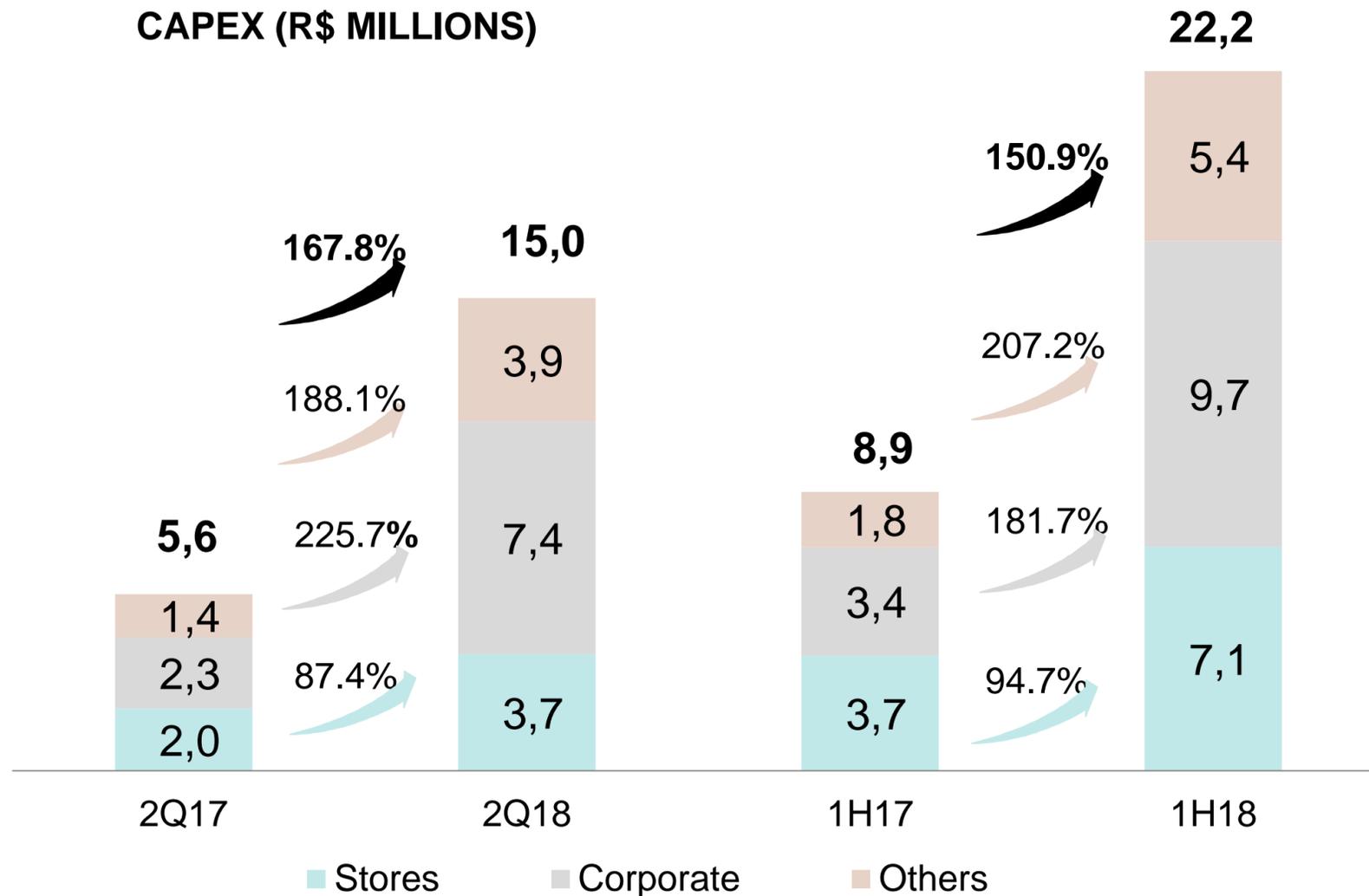
Operating Cash Flow	2Q18	2Q17	1H18	1H17
Profits before income tax and social contribution	34.883	48.497	68.444	82.934
Depreciation and amortization	8.788	6.737	17.213	13.412
Others	15.226	1.509	14.163	(1.346)
Decrease (increase) in assets / liabilities	(28.098)	(1.541)	(35.470)	14.605
Trade accounts receivables	9.804	21.450	1.597	19.511
Inventories	(14.689)	(5.462)	(29.041)	(14.808)
Suppliers	(25.485)	(23.682)	2.936	22.905
Change in other noncurrent and current assets and liabilities	2.272	6.153	(10.962)	(13.003)
Payment of income tax and social contribution	(2.751)	(14.421)	(6.141)	(14.871)
Net cash flow generated by operational activities	28.048	40.781	58.209	94.734

AREZZO&CO GENERATED R\$ 28.0 MILLION CASH FROM OPERATIONS IN 2Q18, LOWER THAN THE AMOUNT PRESENTED IN 2Q17.

IT IS WORTH HIGHLIGHTING THE PAYMENT OF SUPPLEMENTARY DIVIDENDS FOR 2017 IN THE AMOUNT OF R\$ 2.8 MILLION AND THE PAYMENT OF INTERIM DIVIDENDS BASED ON THE PROFITS RESERVE, CONSTANT OF THE COMPANY'S BALANCE SHEET OF DECEMBER 2017, IN THE AMOUNT OF R\$ 46.0 MILLION. BOTH PAYMENTS WERE MADE ON JUNE 8, 2018.

Investments (CAPEX) and Indebtedness

CAPEX (R\$ MILLIONS)



INDEBTEDNESS (R\$ MILLIONS)

Cash position and Indebtedness	2Q18	1Q18	2Q17
Cash	283.172	333.338	310.115
Total debt	175.501	172.112	110.847
Short term	162.002	156.354	88.311
% total debt	92,3%	90,8%	79,7%
Long-term	13.499	15.758	22.536
% total debt	7,7%	9,2%	20,3%
Net Debt	(107.671)	(161.226)	(199.268)
Net Debt/EBITDA	-0.5x	-0.8x	-1.0x

IN 2Q18, AREZZO&CO INVESTED R\$ 15.0 MILLION IN CAPEX, INCLUDING:

- BRAZIL: (I) AREZZO&CO NEW OFFICE IN SÃO PAULO, (II) OPENING OF OWME'S FIRST FLAGSHIP STORE (II) REMODELING OF SCHUTZ STORES INTO THE NEW DIGITAL STORE CONCEPT, (IV) DESIGN AND CONSTRUCTION OF AN ADDITIONAL OWNED FACTORY, FOCUSED ON SNEAKERS AND COMFORT SHOES.
- UNITED STATES: (I) OPENING OF SCHUTZ STORE AND ALEXANDRE BIRMAN STORES IN NYC (II) OPENING OF THE ALEXANDRE BIRMAN SHOWROOM IN EUROPE (MILAN).

THE COMPANY ENDED 2Q18 WITH R\$ 107.7 MILLION IN CASH AND THE DEBT POLICY REMAINS CONSERVATIVE.

ROIC (Return on Invested Capital)

Income from operations	2Q18	2Q17	2Q16	Δ 18 x 17 (%)
EBIT (LTM)	180.797	169.714	136.651	6,5%
+ IR and CS (LTM)	(15.181)	(49.539)	(38.515)	(69,4%)
NOPAT	165.616	120.175	98.136	37,8%
Working Capital ¹	378.688	307.097	327.433	23,3%
Permanent assets	154.515	156.998	165.567	(1,6%)
Other long-term assets ²	34.156	29.173	29.505	17,1%
Invested capital	567.359	493.268	522.505	15,0%
Average invested capital³	530.314	507.887		4,4%
ROIC⁴	31,2%	23,7%		

RETURN ON INVESTED CAPITAL (ROIC) AGAIN SHOWED GROWTH IN 2Q18, REACHING 31.2% AND A 750BPS INCREASE VS 2T17.

AMONG THE FACTORS RESPONSIBLE FOR THIS IMPROVEMENT ARE:

(I) INCREASE OF 37.8% NOPAT AGAINST 2Q17, WHICH IS PARTIALLY DUE TO AN INJUNCTION OBTAINED IN 4Q17 EXEMPTING THE COMPANY FROM THE PAYMENT OF INCOME AND SOCIAL CONTRIBUTION TAXES (IR AND CSLL – 34%) ON AN ICMS TAX BENEFIT RETROACTIVE TO 2017, WHICH REMAINED VALID DURING THE FIRST HALF OF 2018 AND;

(II) PERMANENT ASSET REDUCTION, RESULTING FROM THE LOWER SHARE OF OUR 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.

ZZO

& CO

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