

# Ipanema



# Grendene®

## 1Q15 Results

UBS Latin America  
Consumer Conference –  
New York



# Disclaimer

This presentation contains statements that can represent expectations about future events or results. These statements are based on certain suppositions and analyses made by the company in accordance with its experience, with the economic environment and market conditions, and expected future developments, many of which are beyond the company's control. Important factors could lead to significant differences between real results and the statements on expectations about future events or results, including the company's business strategy, Brazilian and international economic conditions, technology, financial strategy, developments in the footwear industry, conditions of the financial market, and uncertainty on the company's future results from operations, plans, objectives, expectations and intentions – among other factors. In view of these aspects, the company's results could differ significantly from those indicated or implicit in any statements of expectations about future events or results.

# Agenda

Mission, Vision & Values

History

Dividends

Capital Markets

Plants

Capital Expenditure (CAPEX)

Footwear Sector

Brands & Marketing

Results

Guidance

**Mission**

To create democratic fashion, responding rapidly to the market's needs, generating an attractive return for the company and its partners.

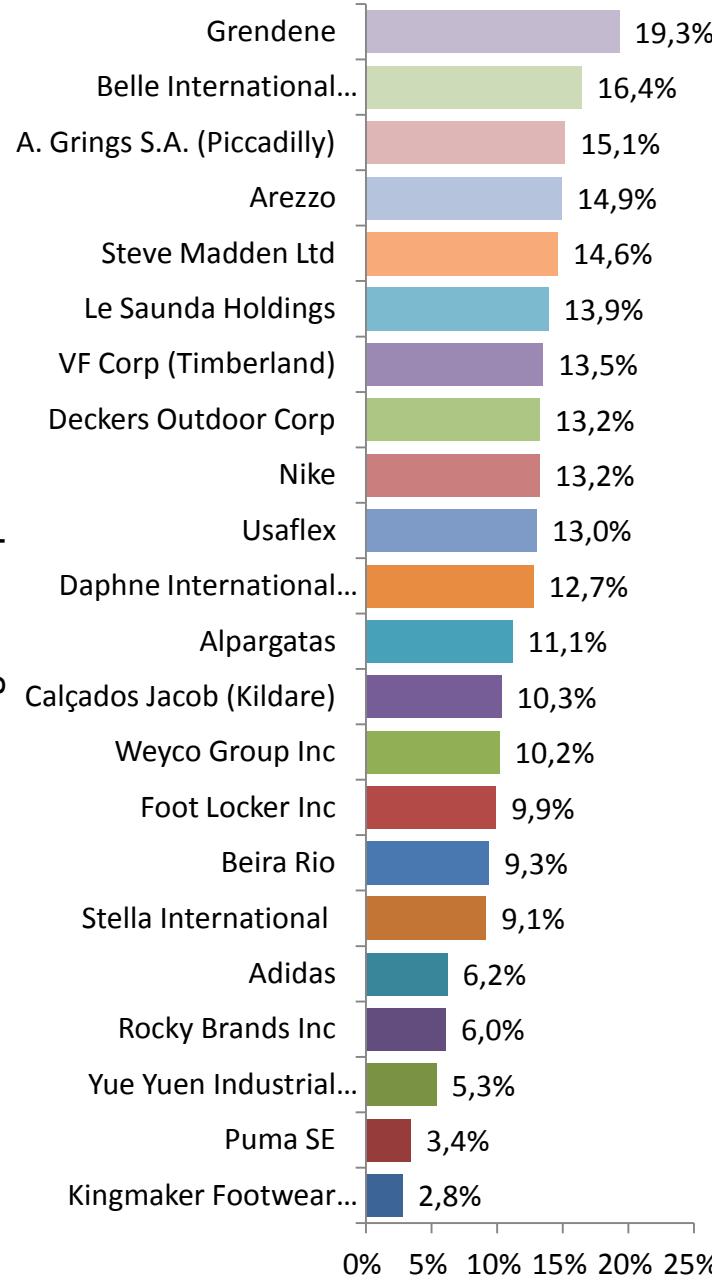
Being among the most profitable companies in the world and the leading organizations in the sector.

**Vision****Grendene Values****Profitability****Competitiveness****Innovation****Agility****Ethics**

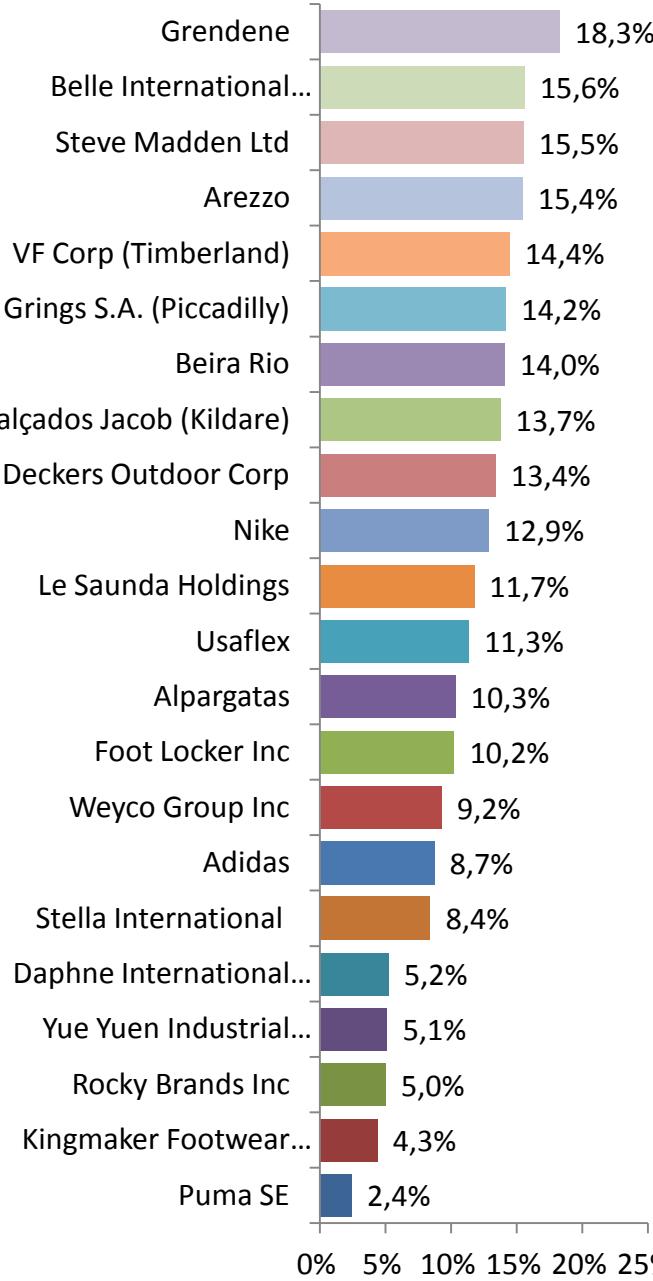
# Profitability – EBIT margin

Source: Grendene / Bloomberg / Companies Financial Statements.

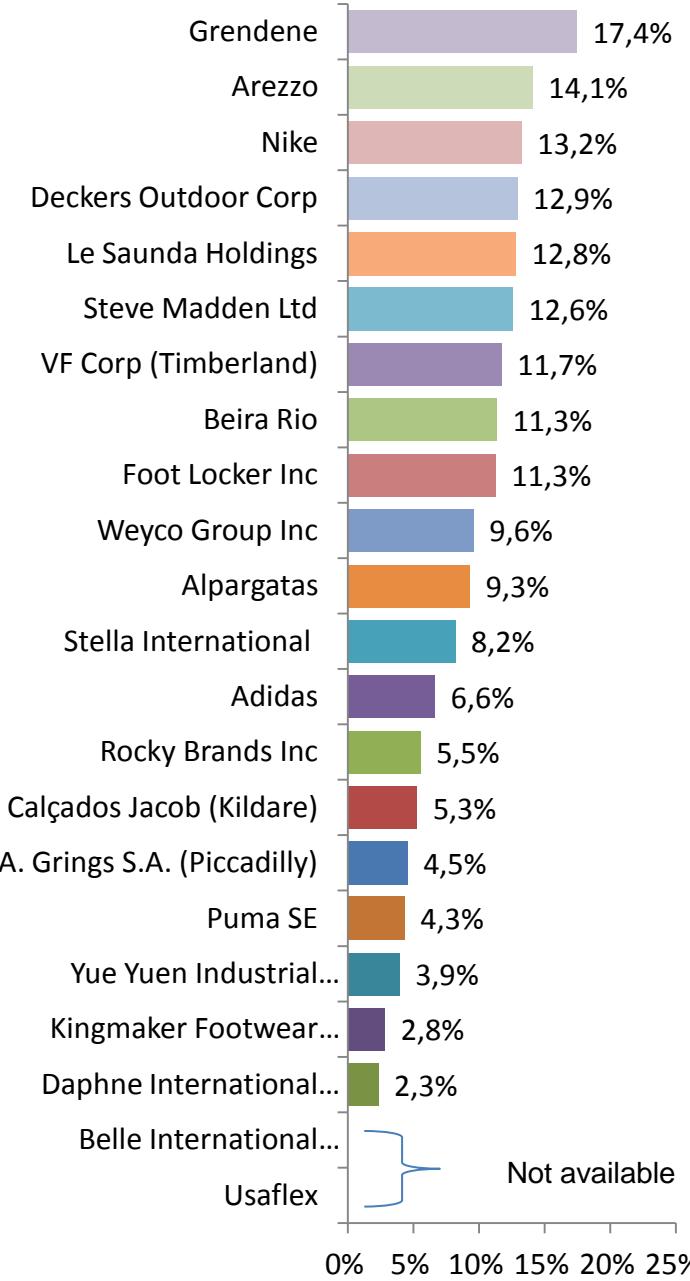
**EBIT margin - 2012**



**EBIT margin - 2013**



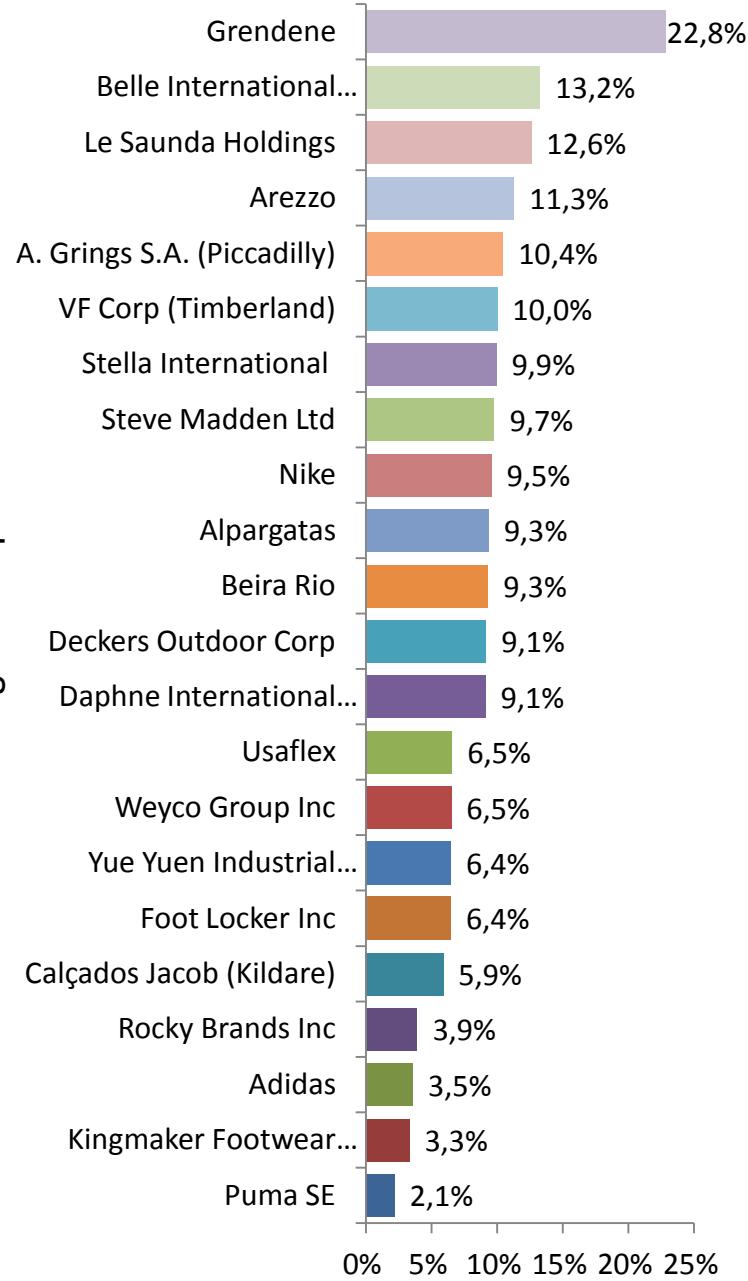
**EBIT margin - 2014**



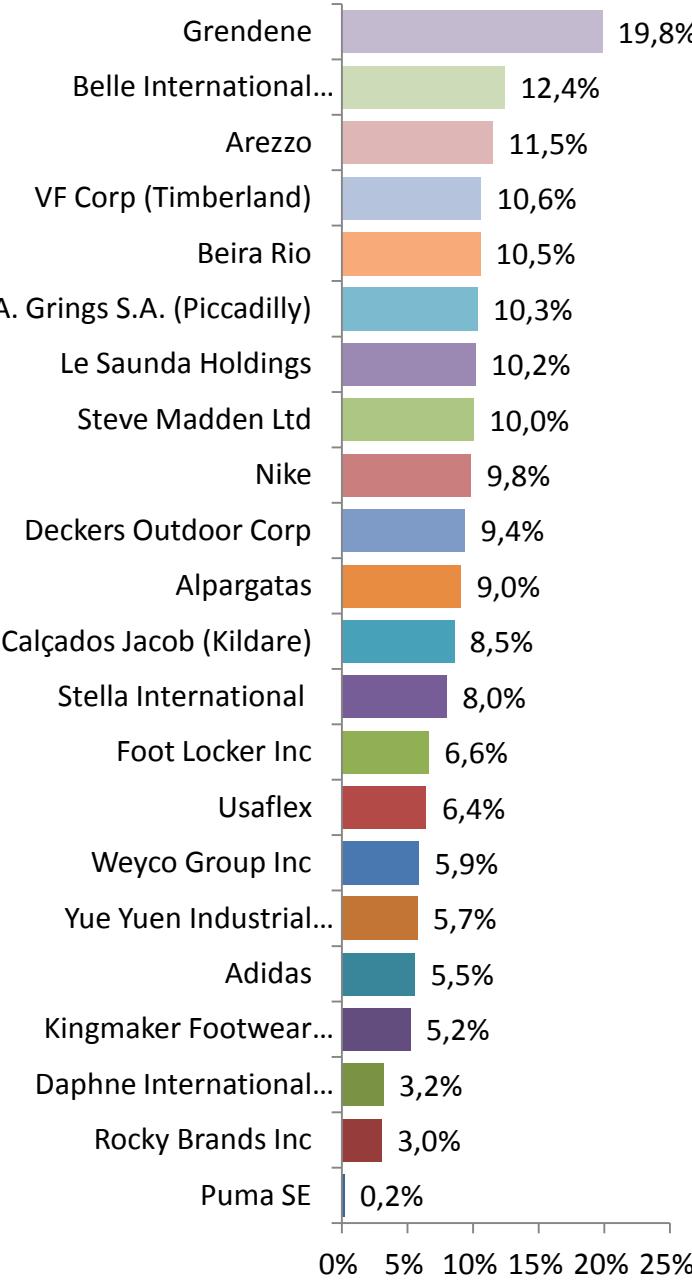
# Profitability – Net margin

Source: Grendene / Bloomberg / Companies Financial Statements.

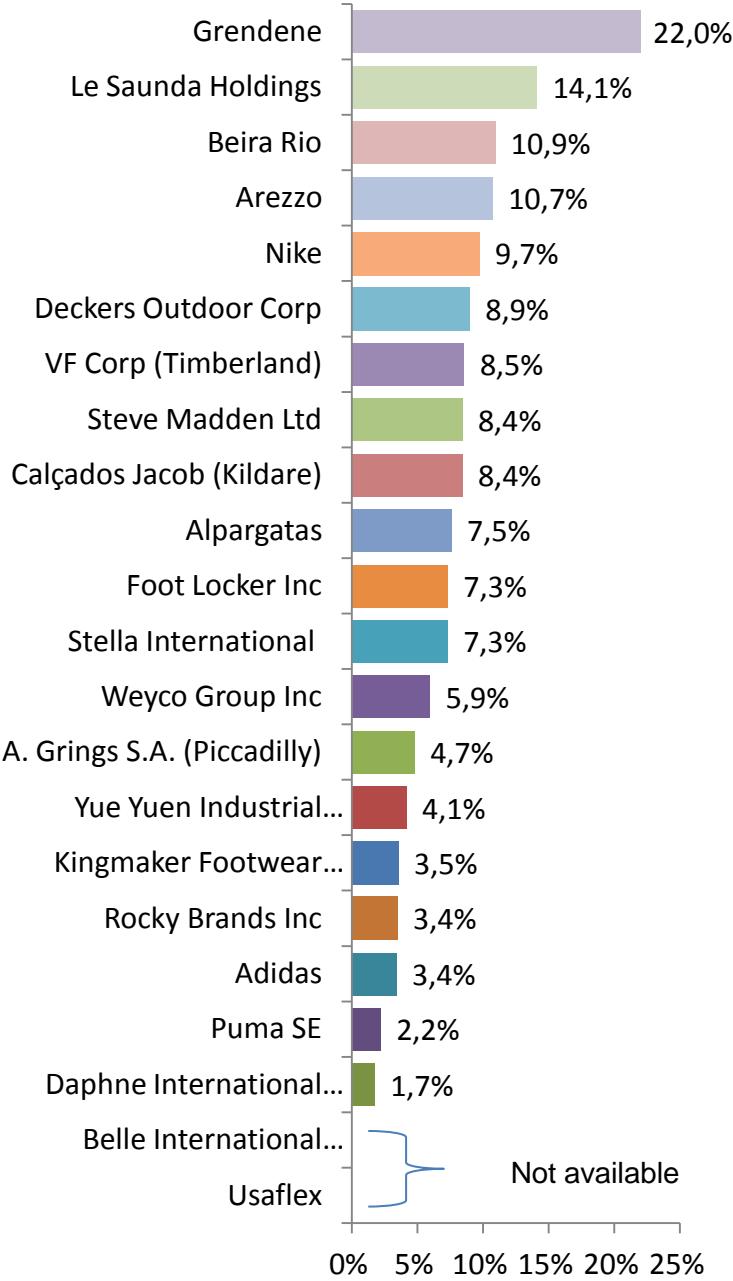
**Net margin - 2012**



**Net margin - 2013**



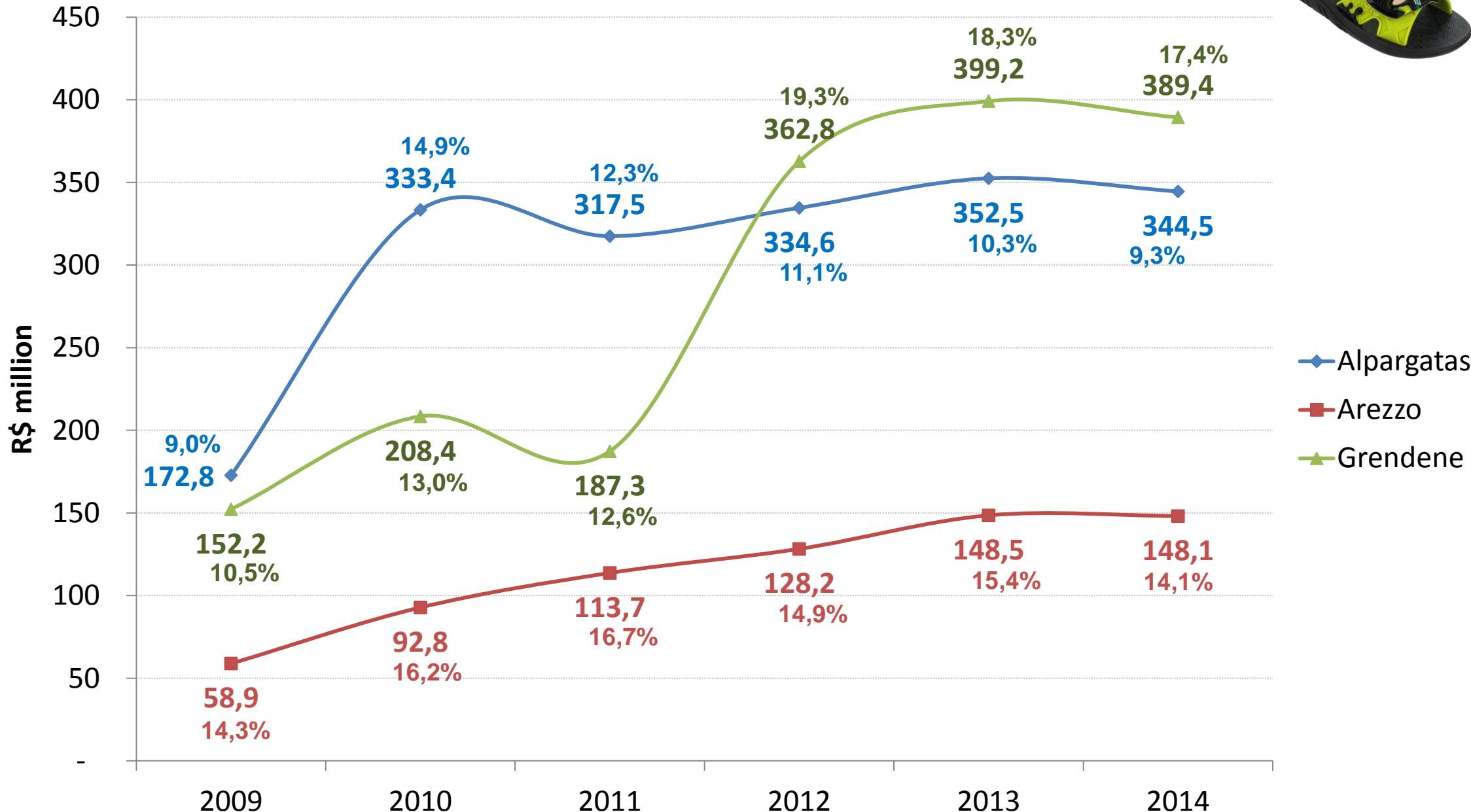
**Net margin - 2014**



# EBIT and EBIT margin

## - Main companies in Brazil

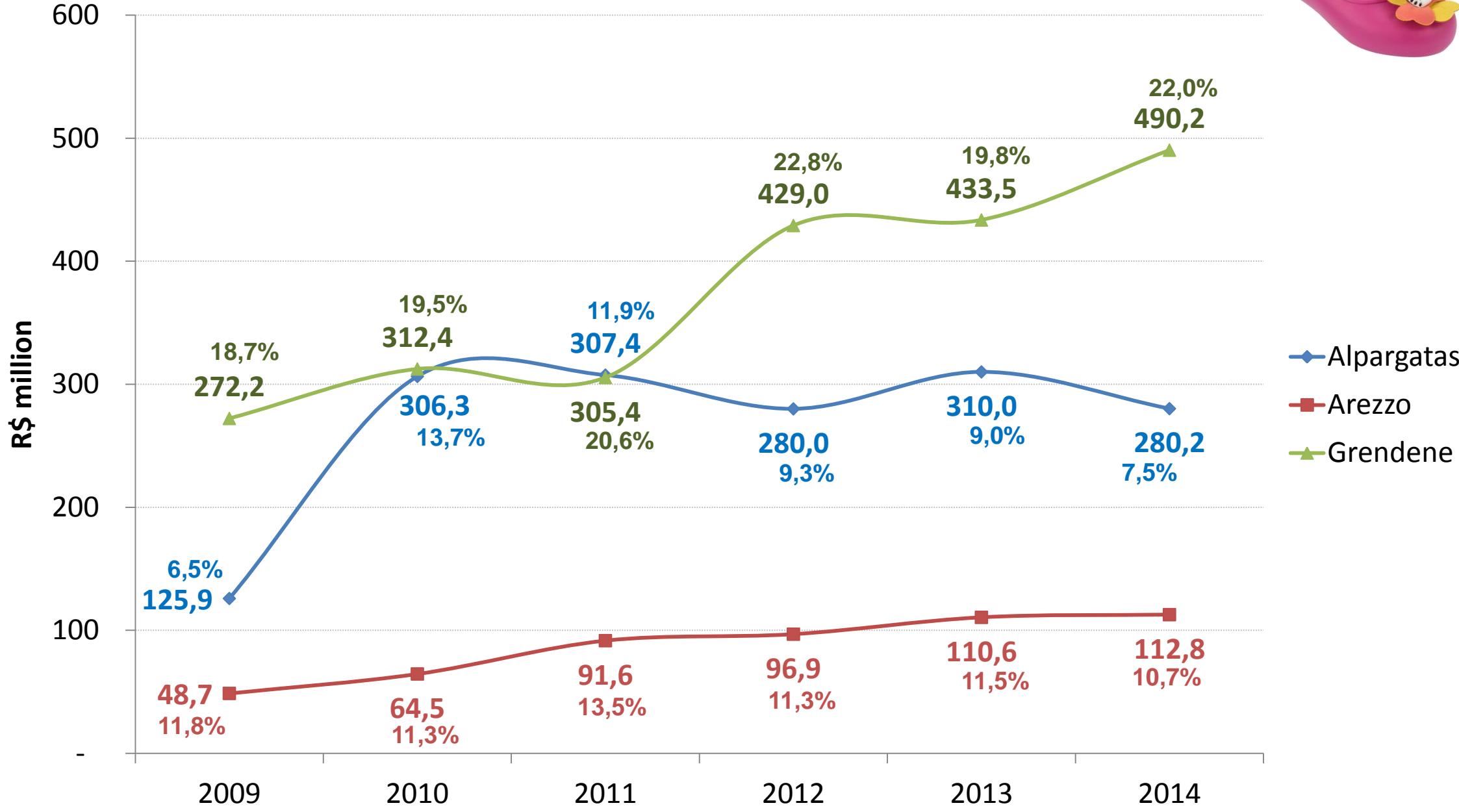
Grendene®



Source: Grendene / Bloomberg

# Profit and Net margin - Main Companies in Brazil

Grendene®



Source: Grendene / Bloomberg

# Equity and return on equity



Year (all amounts in thousand of reais)	Openning equity <sup>1</sup>	Profit	Dividends	Reinvestment	Return on equity	Closing equity <sup>1</sup>
2005	733,566	200,116	81,181	118,935	27.3%	847,373
2006	847,373	257,343	128,261	129,082	30.4%	998,510
2007	998,510	260,508	119,724	140,784	26.1%	1,132,718
2008	1,132,718	239,367	109,000	130,367	21.1%	1,274,080
2009	1,274,080	272,211	110,000	162,211	21.4%	1,430,569
2010	1,430,569	312,399	121,738	190,661	21.8%	1,624,542
2011	1,624,542	305,446	219,526	85,920	18.8%	1,713,743
2012	1,713,743	429,003	293,503	135,500	25.0%	1,848,309
2013	1,848,309	433,540	300,057	133,483	23.5%	1,957,295
2014	1,957,295	490,244	220,814	269,430	25.0%	2,232,649
<b>Acumulado</b>		<b>3,200,177</b>	<b>1,703,804</b>	<b>1,496,373</b>	<b>759.3%</b>	

1) Equity adjusted by the exclusion of the balance of dividends payable.

# Timeline

- Grendene **was founded in Farroupilha**, in the State of Rio Grande do Sul.
- **Launch** of the sandal collection with **the brand Melissa**.

70's



80's

- Openning of own **plant making molds**.
- Launch of the **Rider brand** of sandals for the men's market.



90's

- Openning of the factories in Ceará State.
- Launch of the **Grendha brand** product line for the women's market.



# Timeline

- Grendene started having common shares (“GRND3”) negotiated at the Novo Mercado of BM&FBOVESPA.
- 2000**
- ■ Opening of **Galeria Melissa** in São Paulo
- 2010**
- **New plant** – Teixeira de Freitas (BA).
  - Launch of the **Ipanema, Zaxy and Cartago brands**.
- 
- 2011**
- **New plant** – Sobral (CE).
  - Opening of **Galeria Melissa** in New York.
  - **Clube Melissa's creation.**
  - **Creating of the subsidiary A3NP Indústria e Comércio de Móveis.** Partnership with Philippe Starck.
- 2014**
- Opening of **Casa Ipanema**.
  - Opening of **Galeria Melissa** in London.

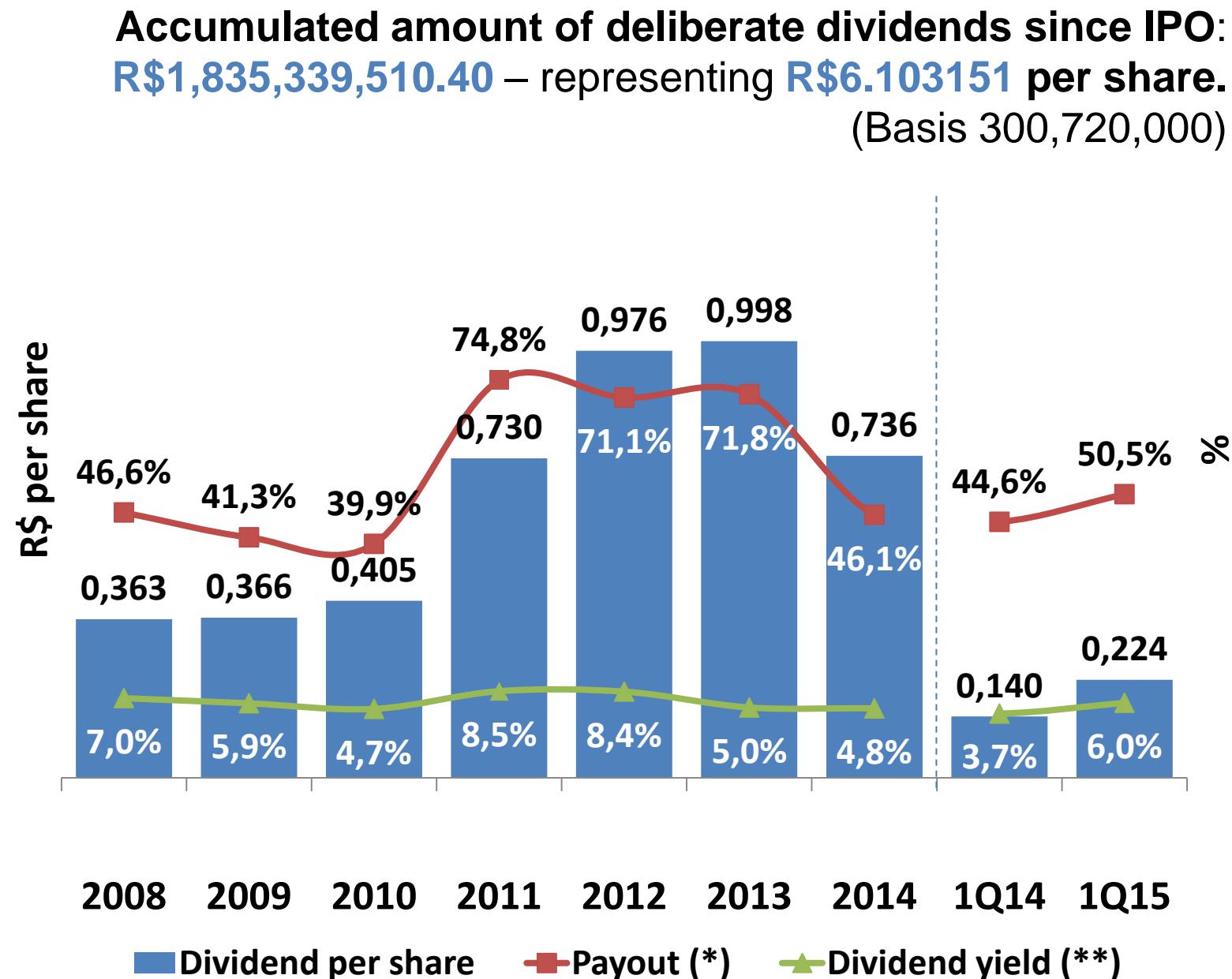


Foto: A. Carreiro – Out/2004



# Dividends Policy

The Company's dividend policy is **distribute, as dividends – after constitution of the Legal Reserve, and the Reserve under the Bylaws – that part of Profit that does not arise from tax incentives.**



(\*) Payout: Dividend divided by profit after the allocations to legal reserves.

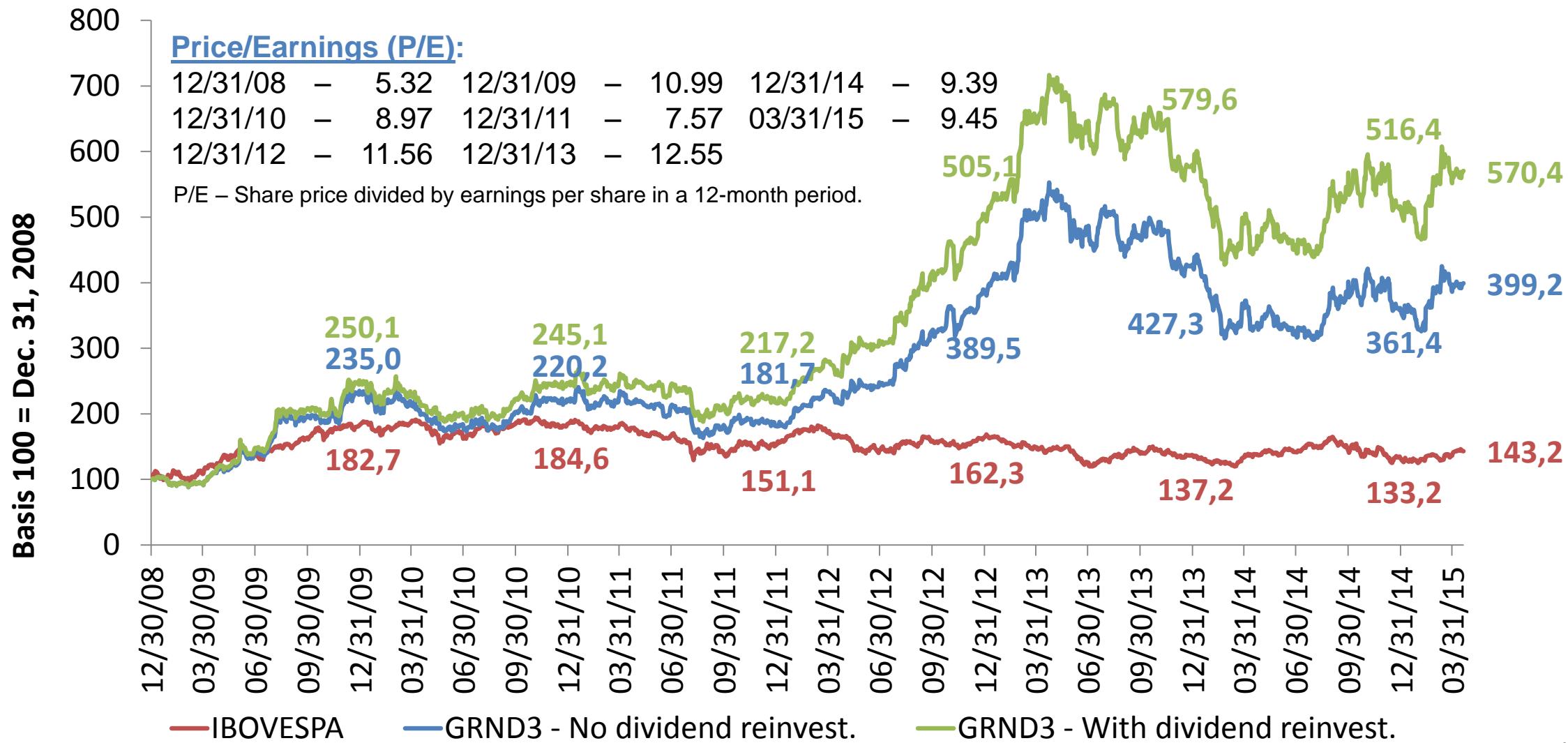
(\*\*) Dividend yield: Dividend per share in the period divided by the weighted average price of the share, annualized.

# Capital Markets

**Grendene®**

Last 52 weeks	Date	Share price (closing)	Market capitalization	Market capitalization – Free float
Minimum	July 31, 2014	R\$ 13.25	R\$ 4.0 billion	R\$ 1,0 billion
Maximim	March 13, 2015	R\$ 18.00	R\$ 5.4 billion	R\$ 1.4 billion

## Evolution GRND3 x IBOVESPA – Dec. 31, 2008 to Apr. 20, 2015



# Location of industrial plants

**Grendene®**



Sobral / CE



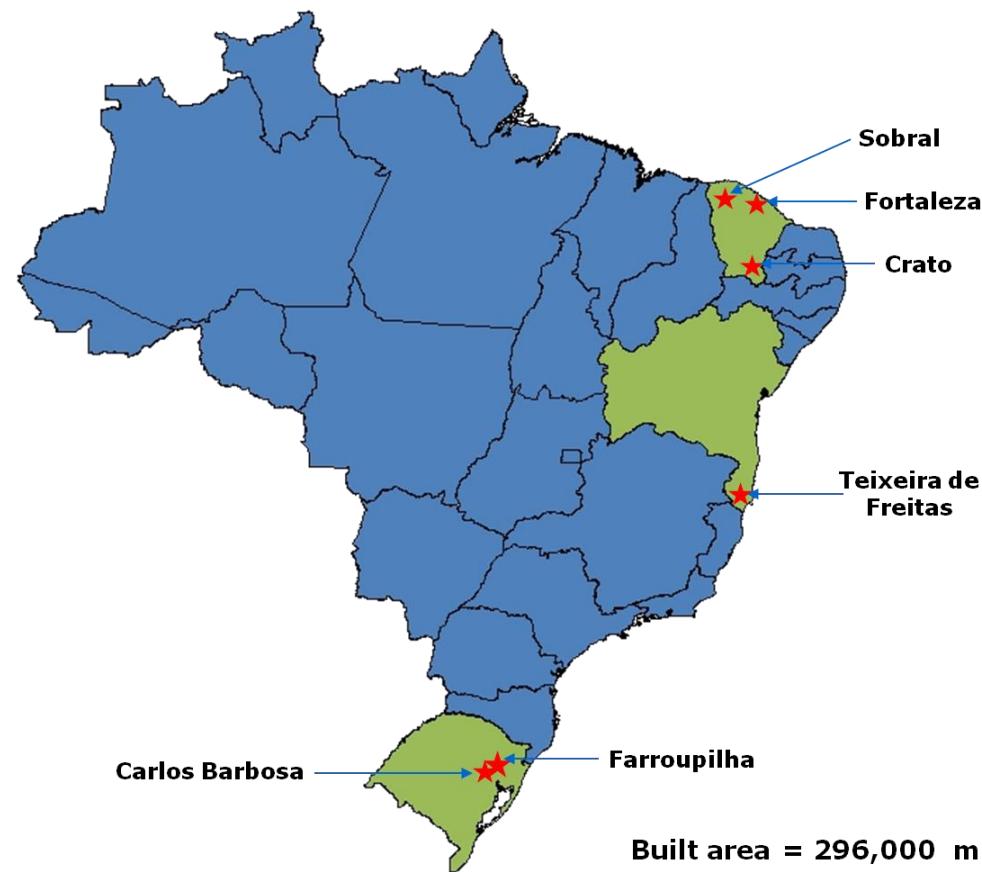
Carlos Barbosa / RS



Farroupilha / RS

Production capacity:  
250,000,000 pairs / year

**Brazil**



Employees:  
Northeast region: 23,900  
South region: 2,100



Fortaleza / CE



Crato / CE



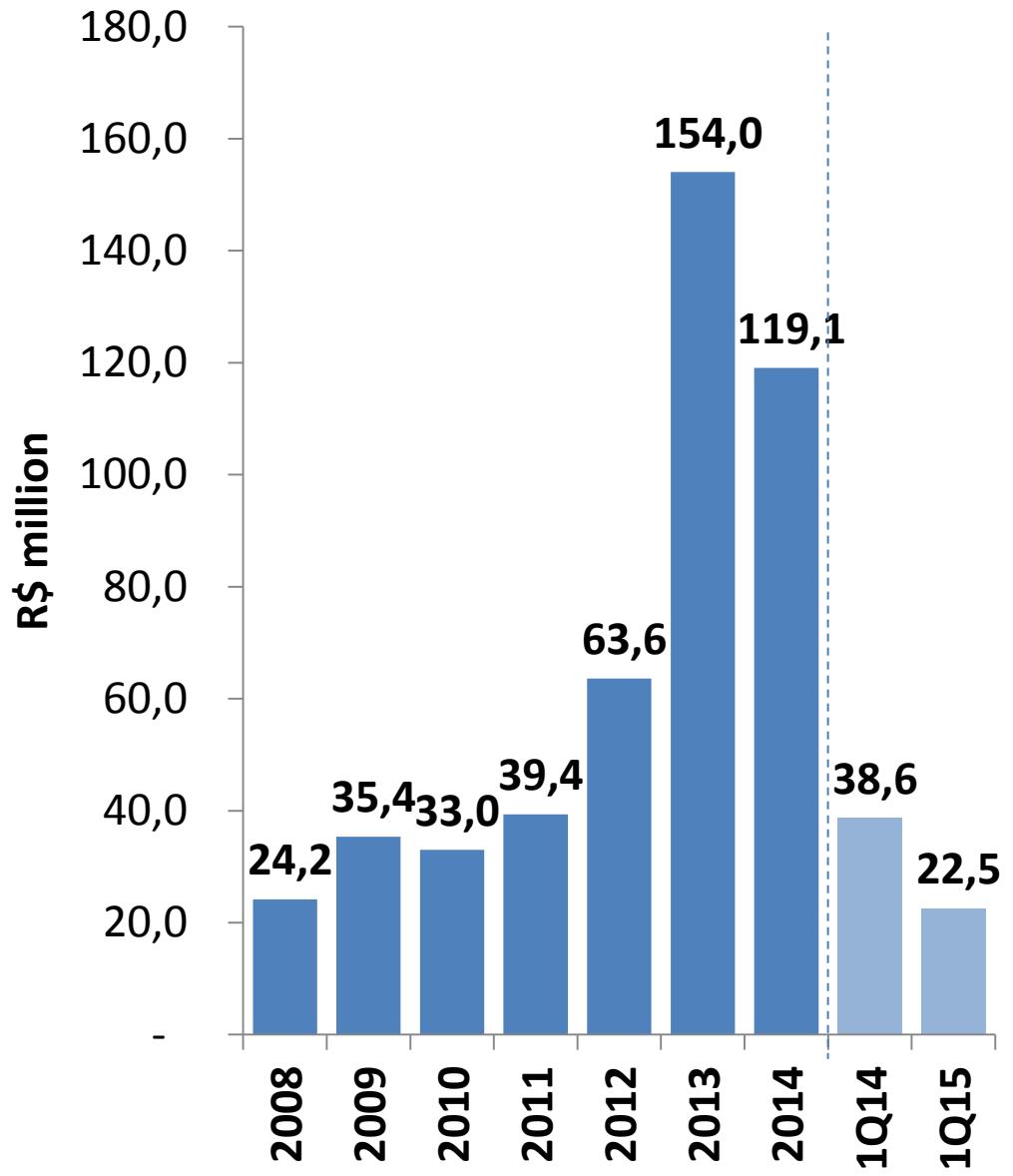
Teixeira de Freitas/BA

# Capex (Property, plant and equipment and intangible assets)

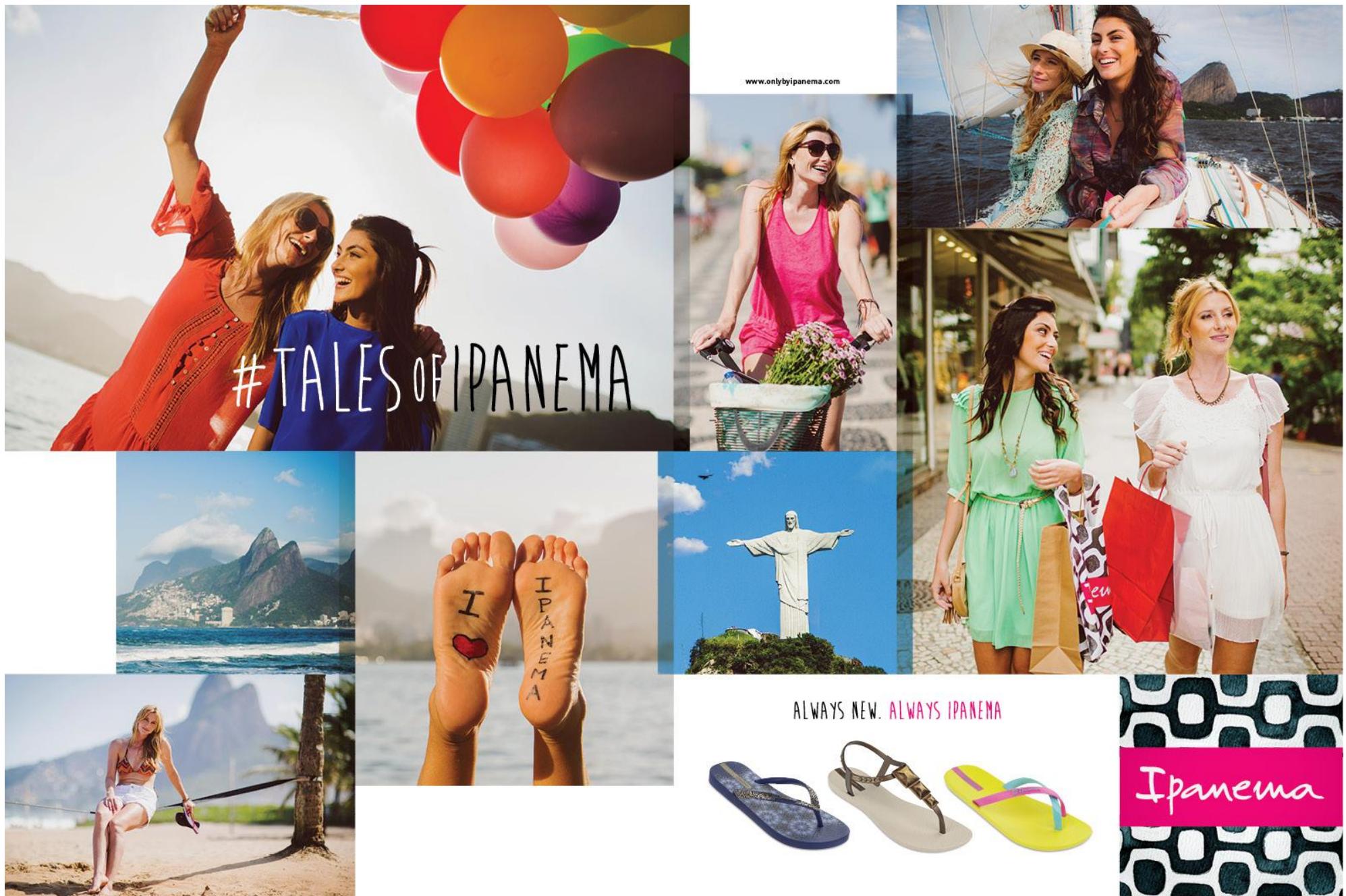
**Grendene®**



Investments increased the production capacity.



# Footwear sector

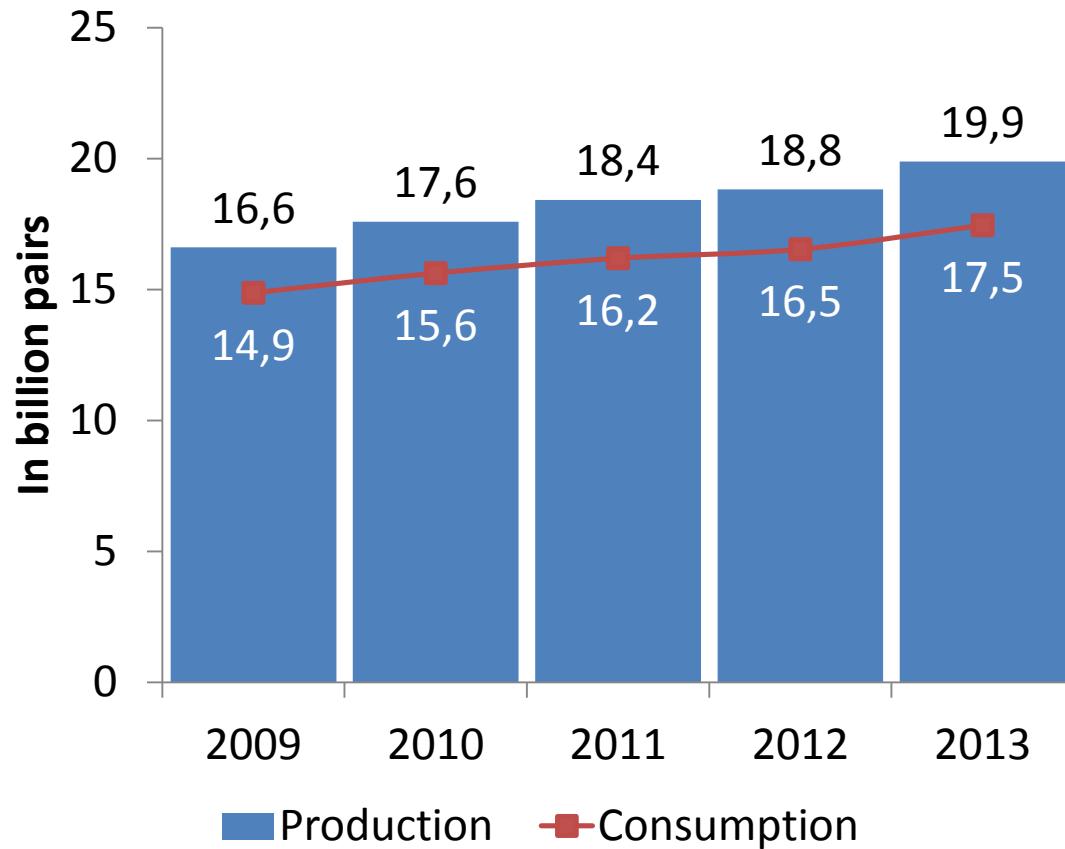


# Footwear sector – World

Grendene®

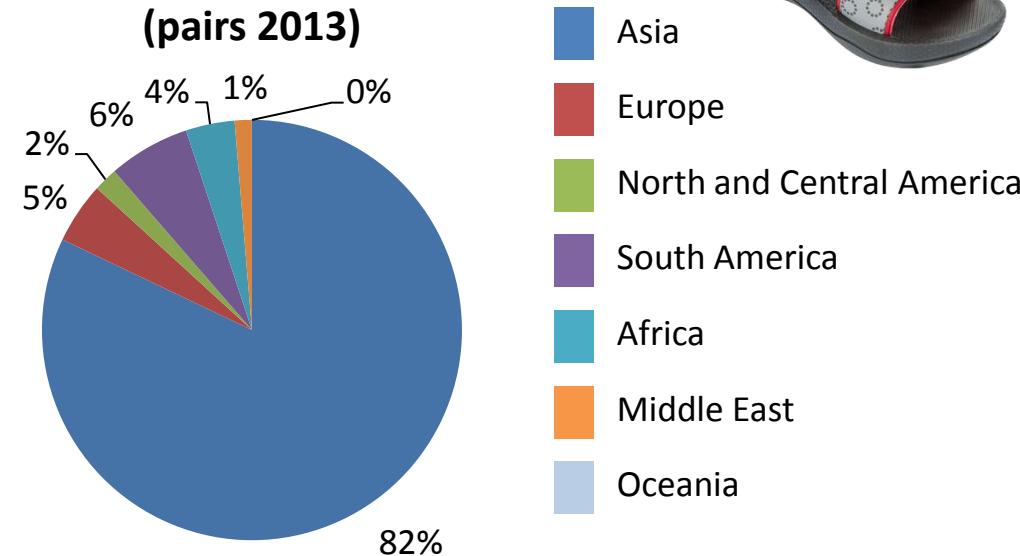


**Evolution of worldwide production and consumption of footwear**

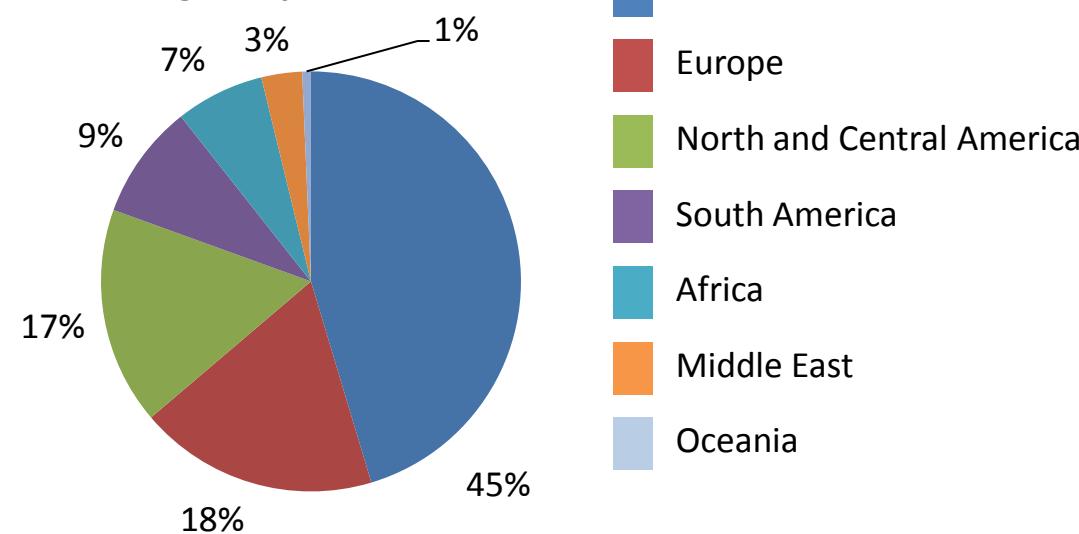


Brazil ranked third among the world's largest producers of footwear and fourth in Consumption in 2013.

**Footwear production by region (pairs 2013)**



**Footwear consumption by region (pairs 2013)**



# Footwear sector – Brazil

**Grendene®**

- World's 3<sup>rd</sup> largest producer;
- About 8,100 producers;
- 353,000 direct employees;
- Production\*: 846 million pairs in 2014;
- Exports: 130 million pairs to more than 150 countries in 2014;
- Apparent consumption, Brazilian domestic market\*: 753 million pairs and – 3.9 pairs per capita/year in 2014.



The footwear sector in Brazil is characterized by small companies and labor-intensive, with no barriers to entry or exit.

**Source: IEMI/RAIS/ABICALÇADOS/SECEX**

\* Figures estimated by Grendene based on Monthly Industrial Research on Physical Manufacturing, prepared by the Brazilian Institute of Geography and Statistics (IBGE).

# Footwear sector – Brazil

**Grendene®**

Million pairs	2009	2010	2011	2012	2013	2014
Production	814	894	819	864	900	846*
Imports	30	29	34	36	39	37
Exports	127	143	113	113	123	129
Apparent Consumption	717	780	740	787	816	753*
<b>Per capita consumption (pairs)</b>	<b>3,8</b>	<b>4,1</b>	<b>3,8</b>	<b>4,1</b>	<b>4,2</b>	<b>3,9*</b>

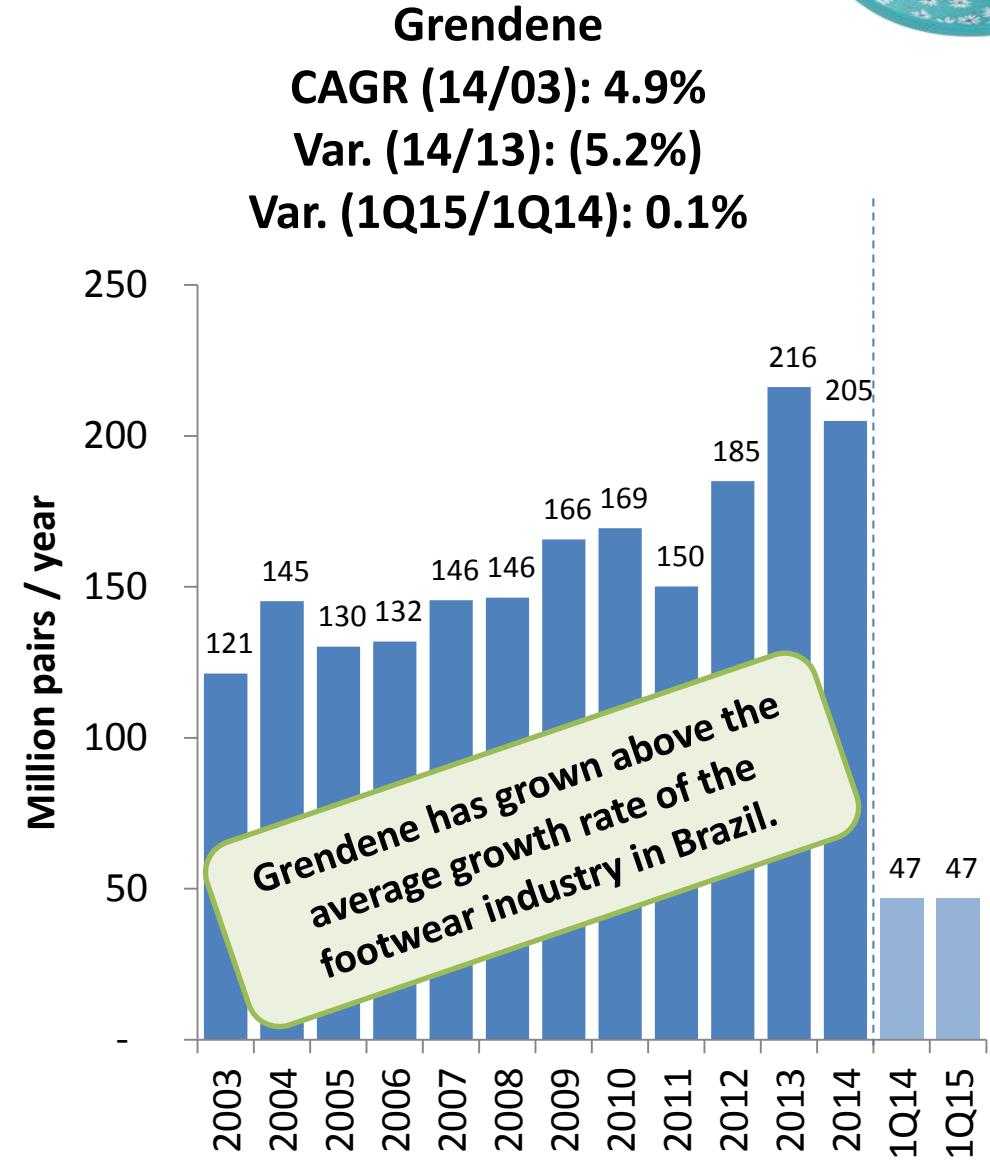
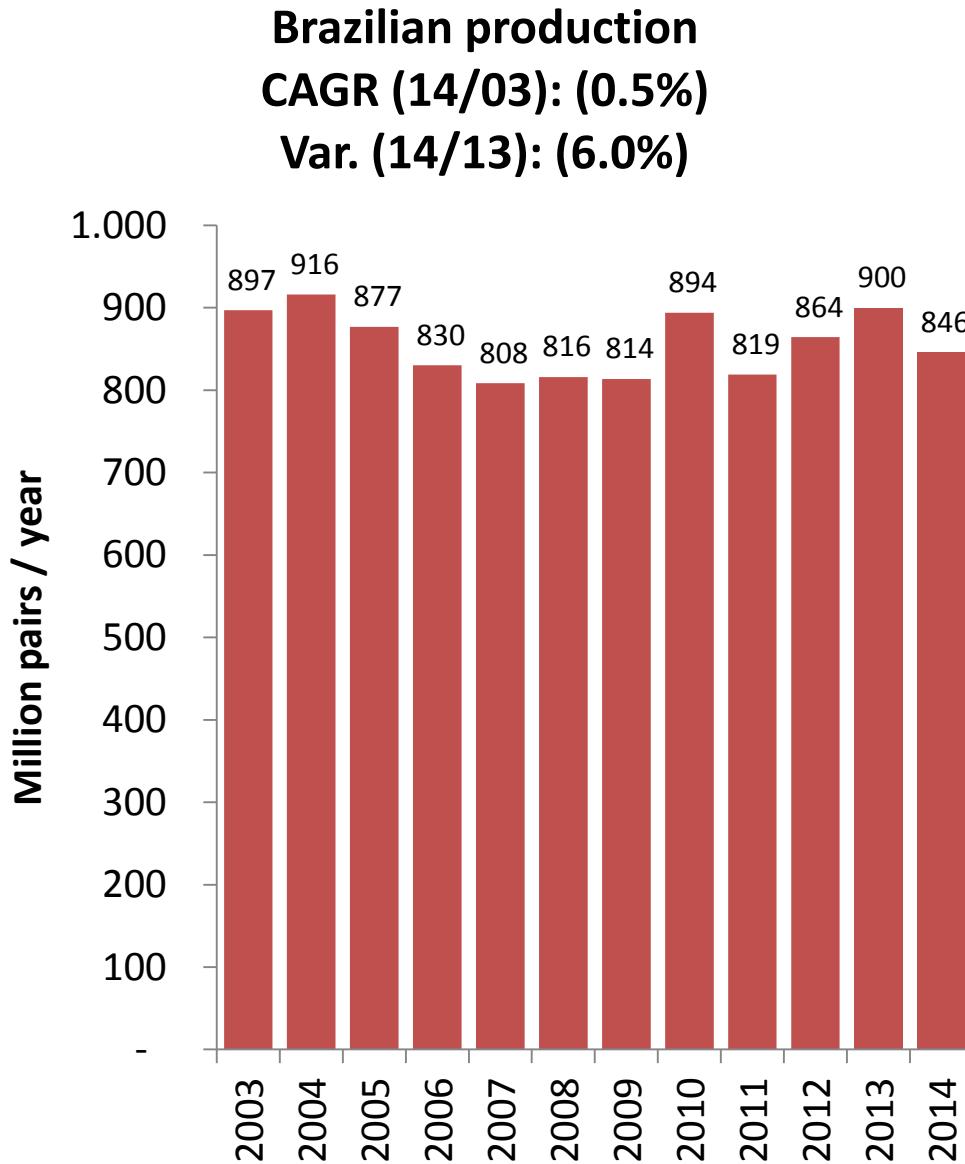
Source: IEMI / SECEX / ABICALÇADOS / (\*) Estimated by Grendene



# Brazilian footwaer sector x Grendene

**Grendene®**

Source: IEMI / Abicalçados / Grendene / \* Estimated by Grendene

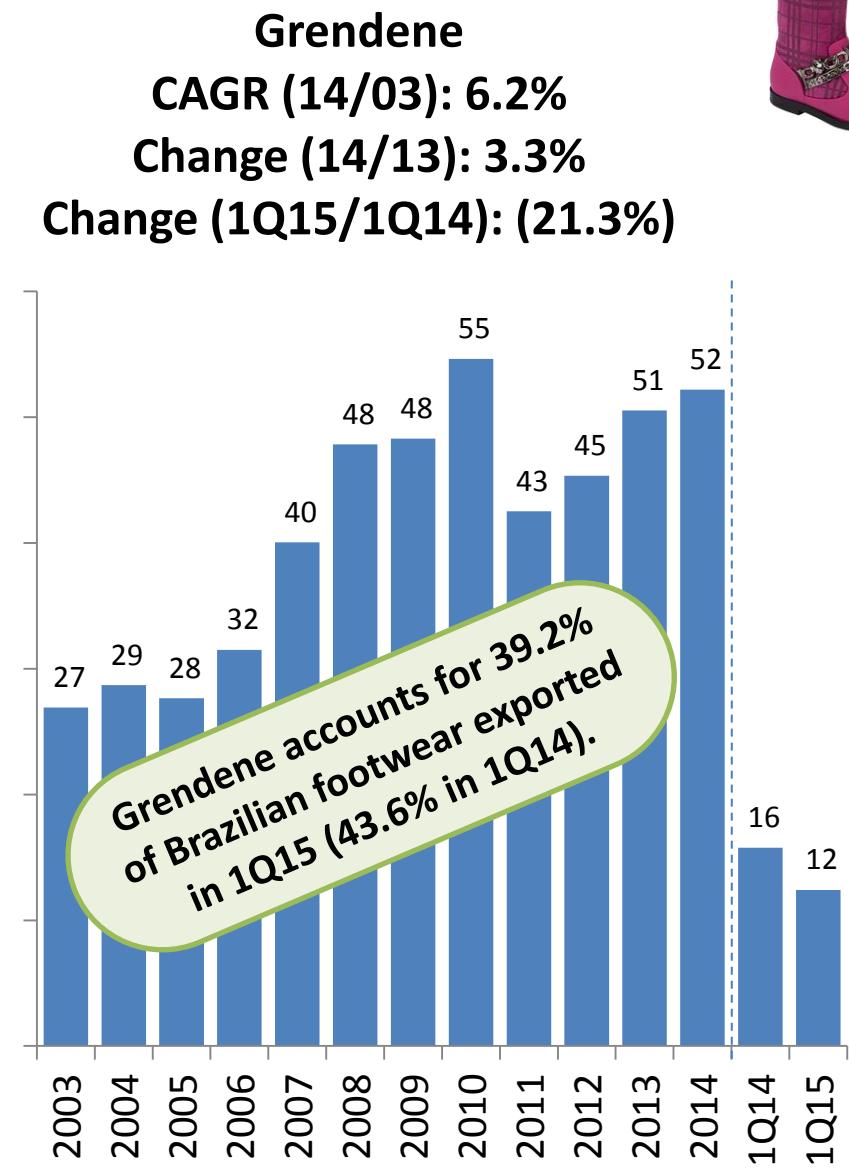
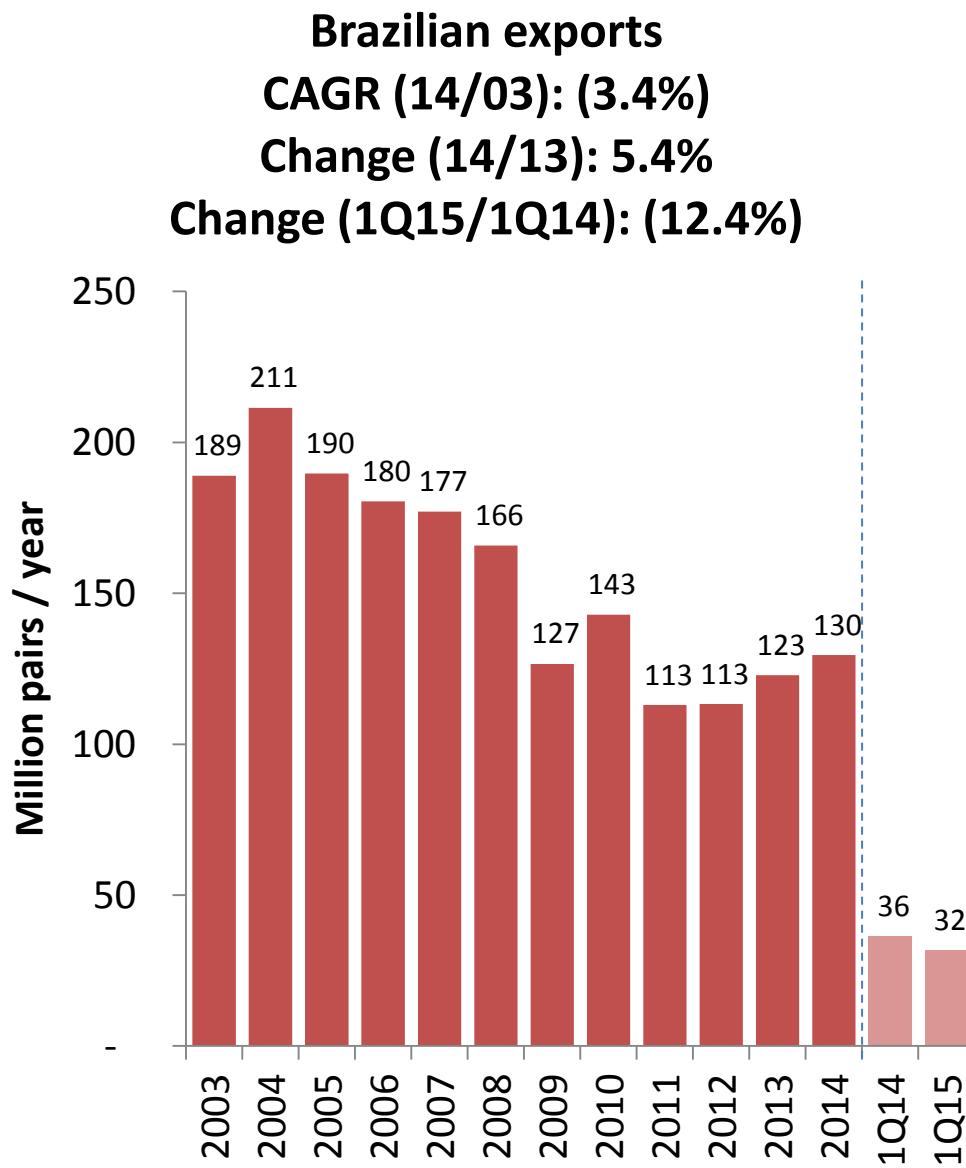


# ExportS: Brazil x Grendene

**Grendene®**



Source: MDIC / Decex / Abicalçados / Grendene



Products that meet essential and basic needs at low cost.



Ipanema

melissa



CARTAGO



Products for all the income levels: A, B, C, D and E – with very good cost x benefit.

ZIZOU

Casa Ipanema – Rio de Janeiro/RJ – Brazil

# Ipanema



Actress:  
Sheron Menezes  
Mariana Rios  
Fernanda Paes Leme

# melissa®



Galeria Melissa SP



Galeria Melissa NY



Galeria Melissa London



Pop Up Store Melissa  
Miami / USA



Clube Melissa



Showroom Melissa  
em Milão

Grendene®



Strawberry  
Shortcake



polly  
pocket



MARVEL  
ULTIMATE  
SPIDER-MAN



XUXA



Disney  
PRINCESAS



GALINHA  
pintadinha



Patati  
Patatá



SABAN'S  
POWER  
RANGERS  
SAMURAI



nickelodeon  
TEENAGE MUTANT NINJA  
TURTLES



Disney



Fisher-Price



HELLO  
KITTY



ANGRY BIRDS



nickelodeon  
The  
BACKYARDIGANS



BEN  
10



my hello kitty  
pet baby!



MARVEL  
IRON MAN 3



Disney



Disney



Disney  
AVIÕES



Barbie



Disney  
fadas



Hot Wheels



Jolie



MAX  
STEEL



MONSTER HIGH

# Sales channels

**Grendene®**

**Clube Melissa**



Retail



Retail

Strong relationship  
with trade



Retail

# Results (in IFRS)



# Main financial and economic indicators

**Grendene®**

R\$ million	2008	2009	2010	2011	2012	2013	2014	Change % 14-13	CAGR	1Q14	1Q15	Change % 1Q15- 1Q14
Gross revenue	1,576.0	1,819.4	1,998.6	1,831.6	2,324.5	2,711.4	2,720.3	0.3%	8.4%	615.4	638.4	3.7%
Domestic market	1,220.5	1,464.4	1,603.8	1,489.9	1,845.4	2,146.9	2,077.7	(3.2%)	7.2%	447.6	471.0	5.2%
Exports	355.5	355.0	394.8	341.7	479.1	564.5	642.6	13.8%	12.6%	167.8	167.4	(0.2%)
Net revenue	1,249.9	1,455.8	1,604.5	1,481.1	1,882.3	2,187.3	2,233.3	2.1%	8.9%	493.8	532.3	7.8%
Cost of sales	(731.2)	(889.7)	(953.3)	(840.5)	(1,000.2)	(1,193.6)	(1,207.4)	1.2%	6.3%	(285.0)	(282.9)	(0.8%)
Gross profit	518.7	566.0	651.2	640.6	882.1	993.7	1,025.9	3.2%	12.6%	208.8	249.4	19.5%
EBIT	165.9	152.2	208.4	187.3	362.8	399.2	389.4	(2.5%)	20.7%	72.4	109.2	50.7%
EBITDA	191.5	178.5	236.6	216.2	394.5	435.9	436.9	0.2%	19.6%	83.0	122.5	47.6%
Net income	239.4	272.2	312.4	305.4	429.0	433.5	490.2	13.1%	12.5%	96.5	136.9	41.8%

Margin %	2008	2009	2010	2011	2012	2013	2014	Change 14-13 (p.p.)	Change 14-09 (p.p.)	1Q14	1Q15	Change 1Q15- 1Q14 (p.p.)
Bruta	41.5%	38.9%	40.6%	43.3%	46.9%	45.4%	45.9%	0.5	7.0	42.3%	46.9%	4.6
EBIT	13.3%	10.5%	13.0%	12.6%	19.3%	18.3%	17.4%	(0.9)	6.9	14.7%	20.5%	5.8
EBITDA	15.3%	12.3%	14.7%	14.6%	21.0%	19.9%	19.6%	(0.3)	7.3	16.8%	23.0%	6.2
Líquida	19.2%	18.7%	19.5%	20.6%	22.8%	19.8%	22.0%	2.2	3.3	19.5%	25.7%	6.2

# Performance – CAGR, in the first quarters of the years 2008-2015

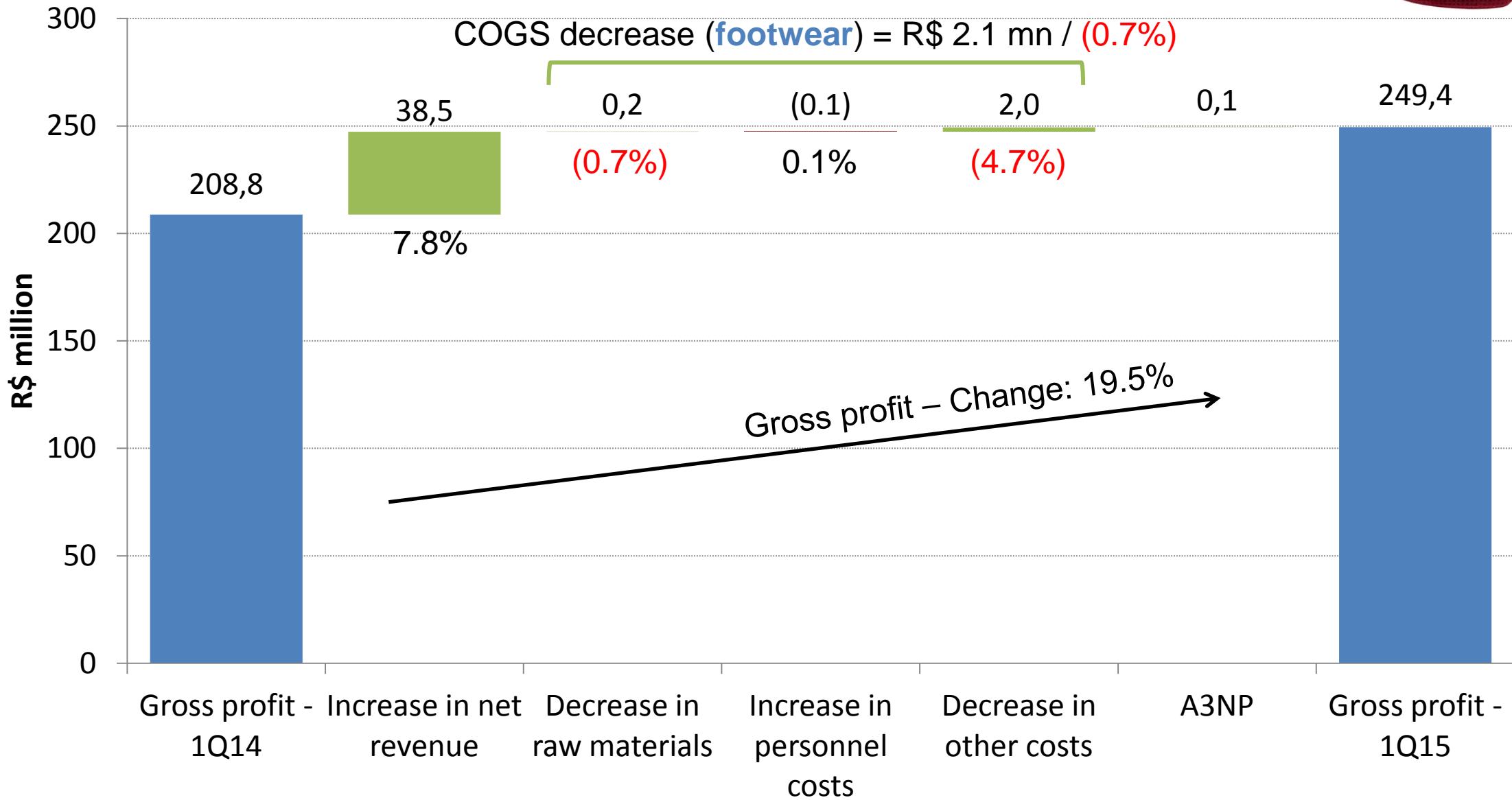
R\$ million	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	1Q14	1Q15	CAGR
<b>Gross revenue</b>	<b>331.4</b>	<b>371.5</b>	<b>456.6</b>	<b>392.1</b>	<b>495.4</b>	<b>603.6</b>	<b>615.4</b>	<b>638.4</b>	<b>9.8%</b>
<b>Y-o-Y variation</b>		<b>12.1%</b>	<b>22.9%</b>	<b>(14.1%)</b>	<b>26.3%</b>	<b>21.8%</b>	<b>2.0%</b>	<b>3.7%</b>	
<b>Profit</b>	<b>41.0</b>	<b>64.3</b>	<b>46.9</b>	<b>63.5</b>	<b>82.1</b>	<b>102.3</b>	<b>96.5</b>	<b>136.9</b>	<b>18.8%</b>
<b>Y-o-Y variation</b>		<b>56.8%</b>	<b>(27.1%)</b>	<b>35.4%</b>	<b>29.3%</b>	<b>24.6%</b>	<b>(5.7%)</b>	<b>41.8%</b>	

R\$ million	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	1Q14	1Q15	CAGR
<b>Advertising expenses</b>	<b>17.4</b>	<b>18.7</b>	<b>18.4</b>	<b>18.7</b>	<b>30.0</b>	<b>32.9</b>	<b>26.4</b>	<b>23.9</b>	<b>4.6%</b>
<b>Participation % - net revenue</b>	<b>6.6%</b>	<b>6.1%</b>	<b>4.9%</b>	<b>5.9%</b>	<b>7.6%</b>	<b>6.8%</b>	<b>5.3%</b>	<b>4.5%</b>	

# Results (IFRS) – R\$ million

Grendene®

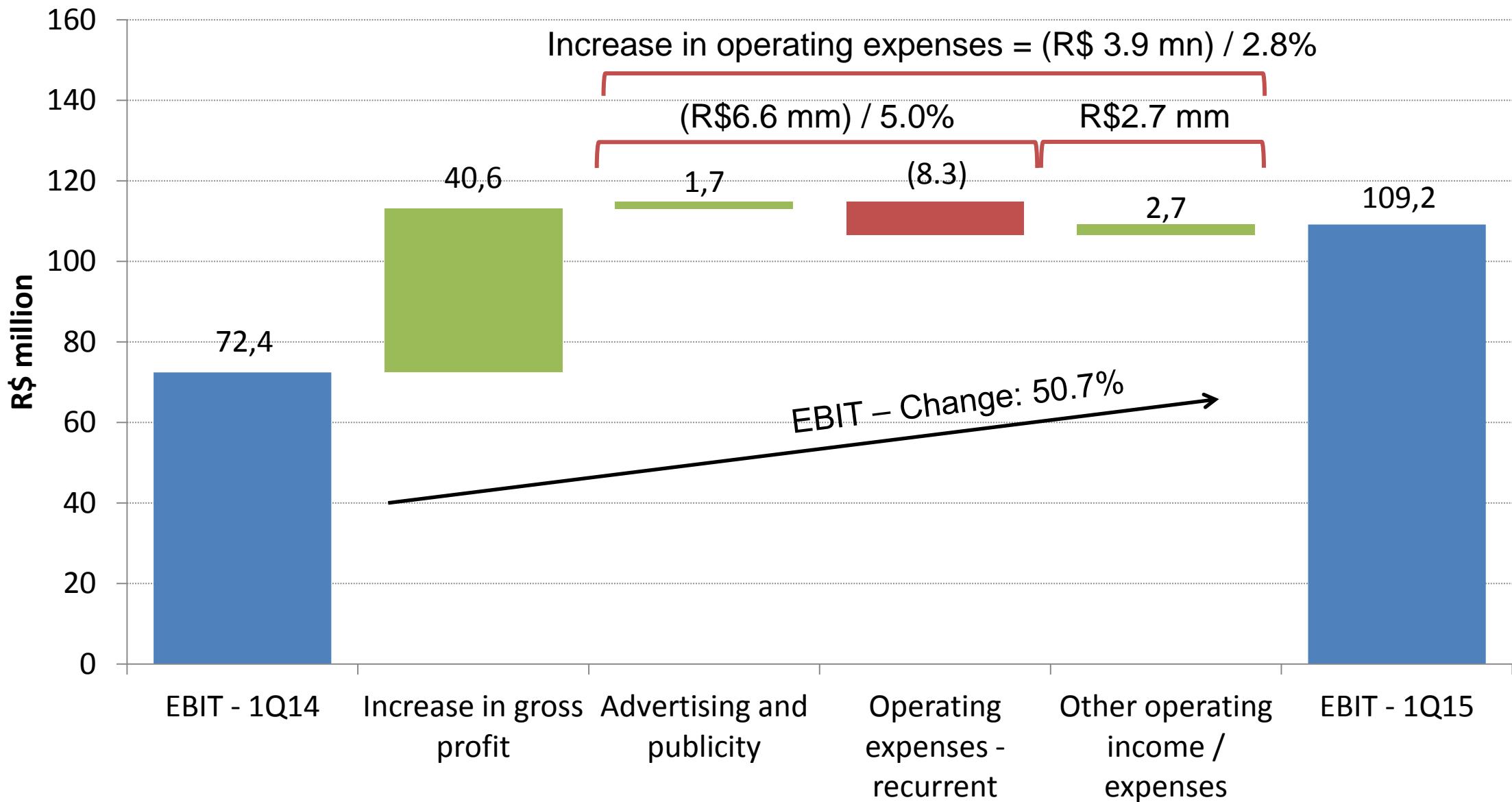
## Gross profit



# Results (IFRS) – R\$ million

Grendene®

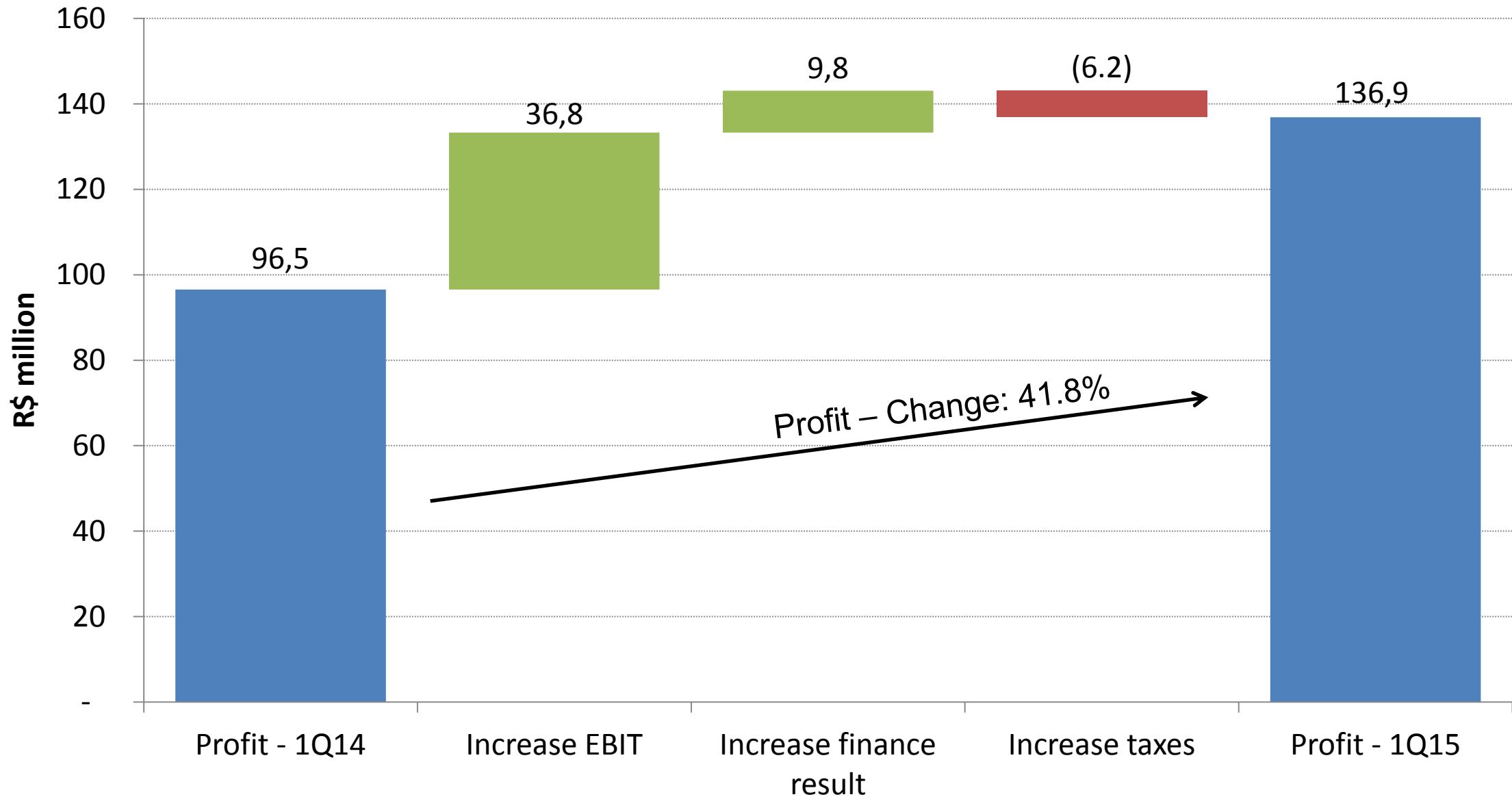
## EBIT



# Results (IFRS) – R\$ million

Grendene®

## Profit

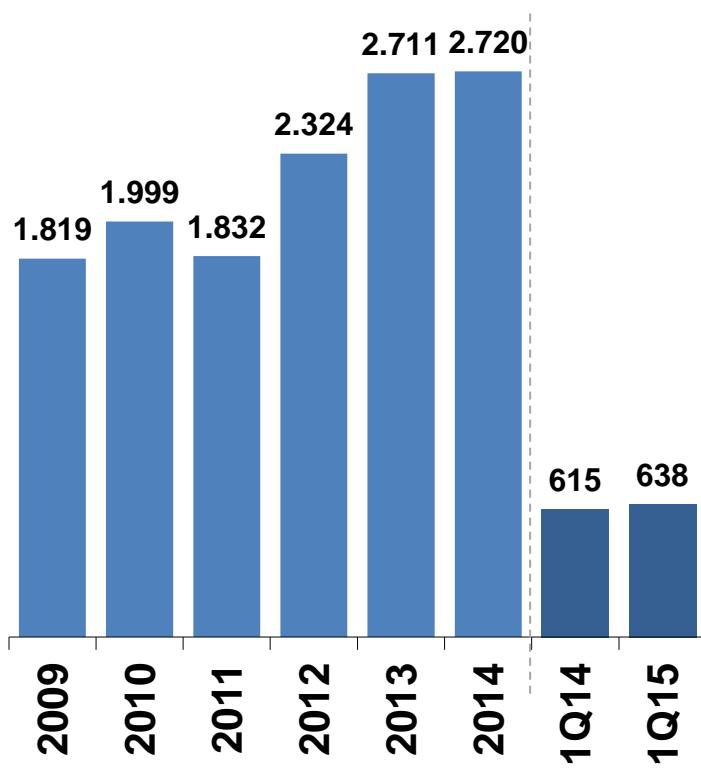


# Gross sales revenue (IFRS) – R\$ million



## Gross sales revenue Total

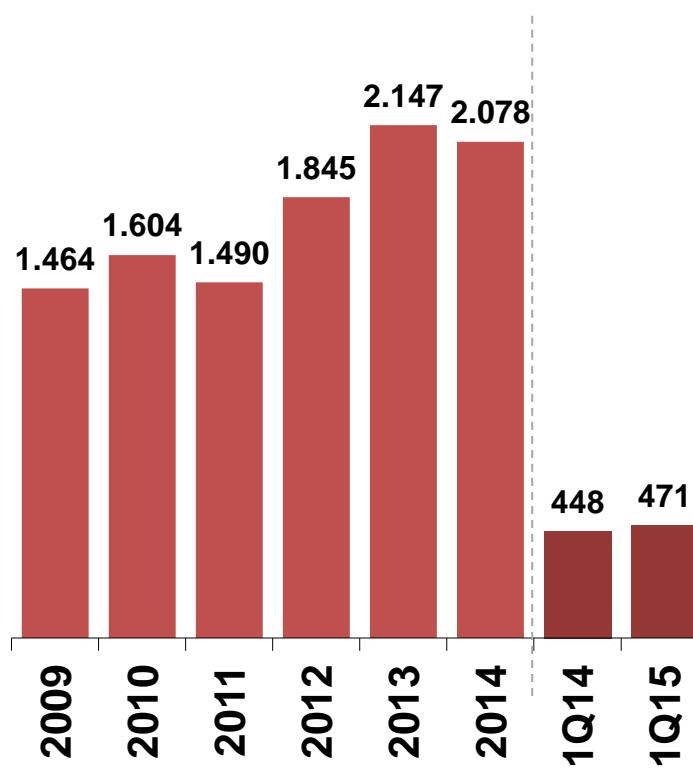
CAGR (14-09): 8.4%  
Change (14-13): 0.3%  
Change (1Q15-1Q14): 3.7%



Note: CAGR 5 years

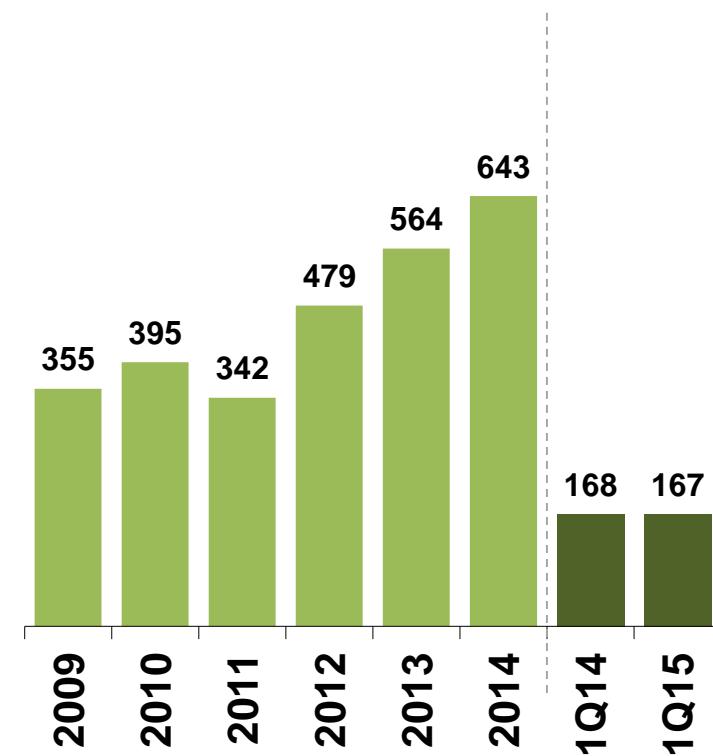
## Gross sales revenue Domestic market

CAGR (14-09): 7.2%  
Change (14-13): (3.2%)  
Change (1Q15-1Q14): 5.2%



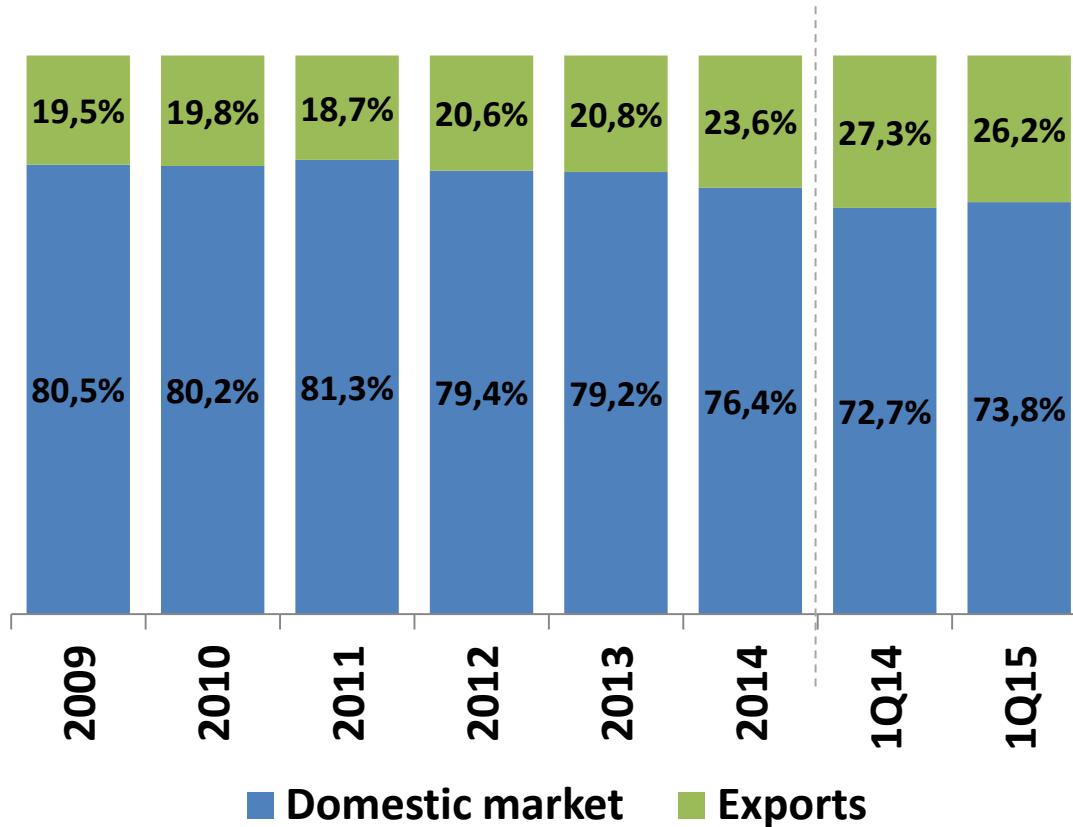
## Gross sales revenue Exports

CAGR (14-09): 12.6%  
Change (14-13): 13.8%  
Change (1Q15-1Q14): (0.2%)

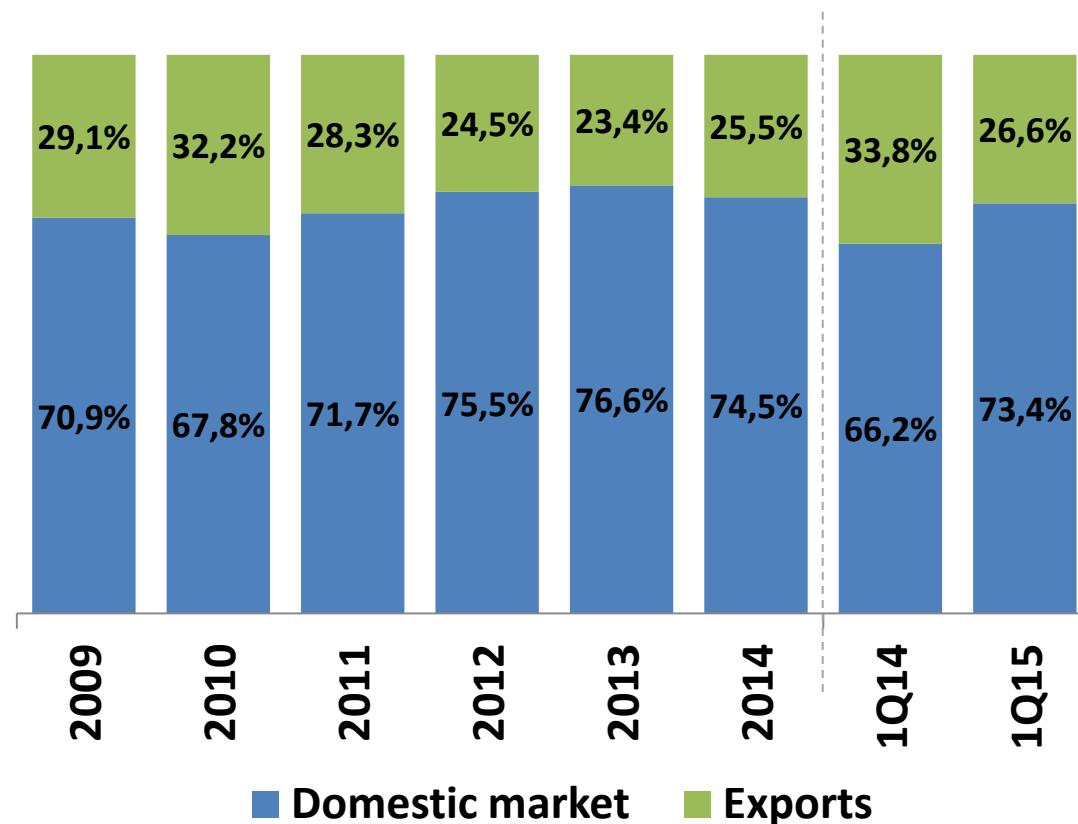




## Gross sales revenue



## Sales volume (pairs)



# Results (IFRS) – R\$ million

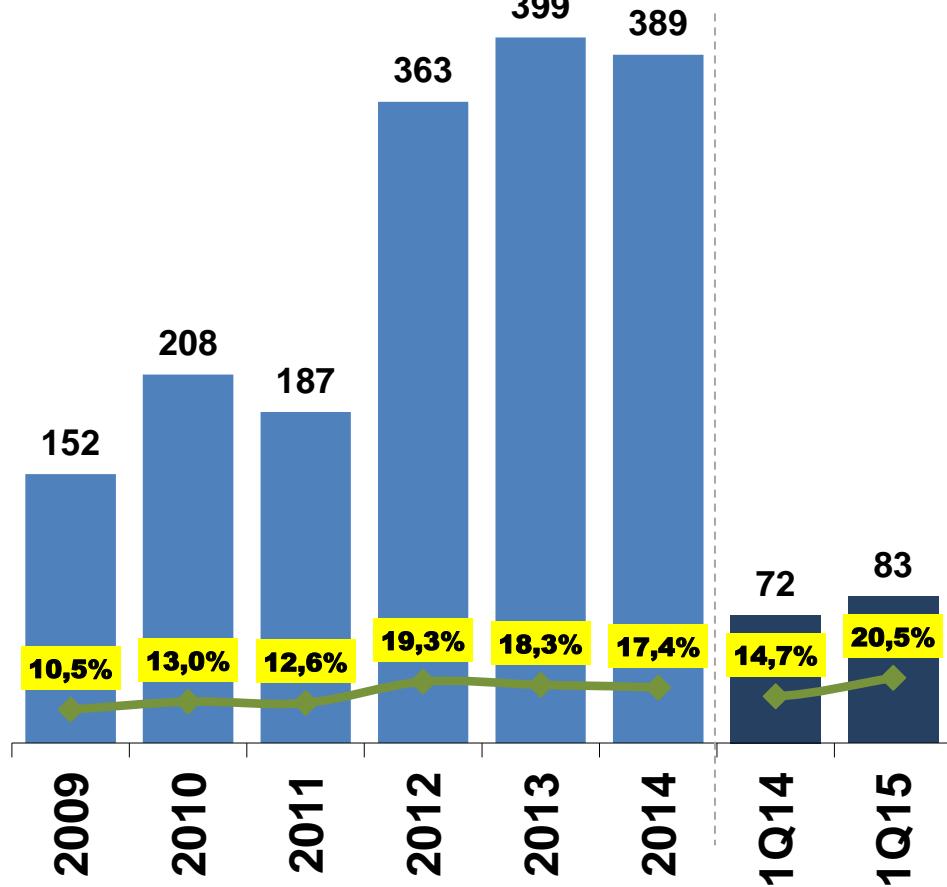
Grendene®

## EBIT / EBIT margin

CAGR (14-09): 20.7%

Change % (14-13): (2.5%)

Change % (1Q15-1Q14): 50.7%



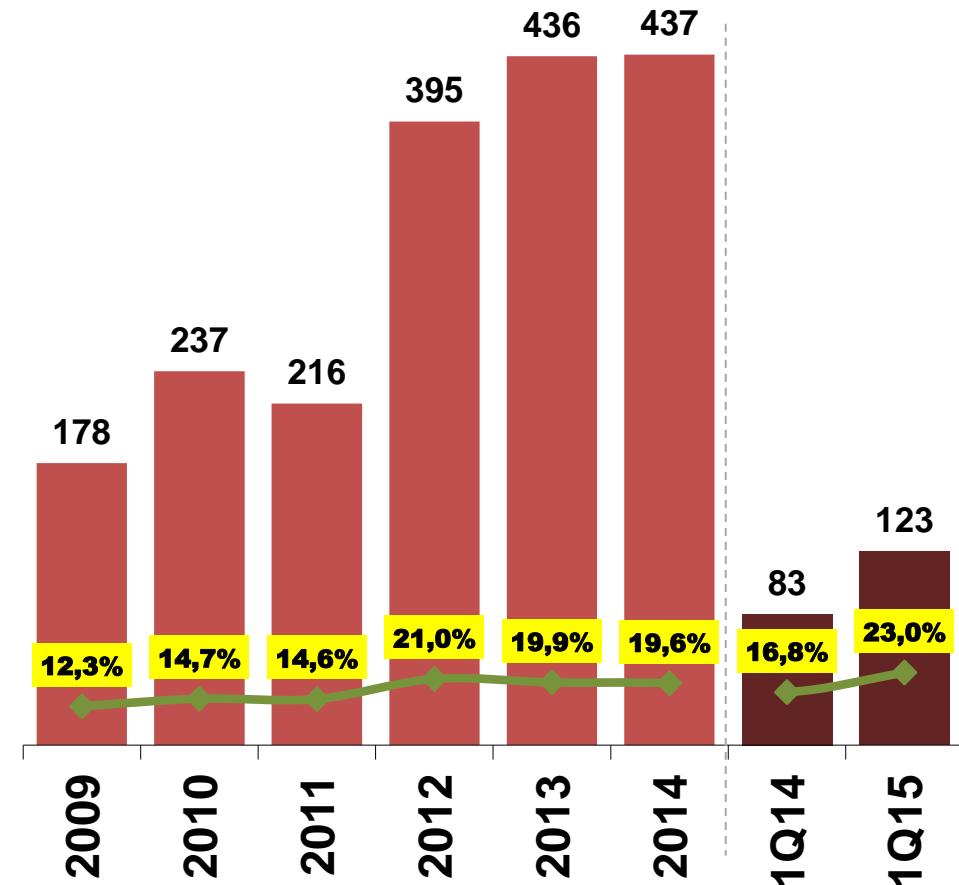
Improvement in the internal processes of generte value.

## EBITDA / EBITDA margin

CAGR (14-09): 19.6%

Change % (14-13): 0.2%

Change % (1Q15-1Q14): 47.6%



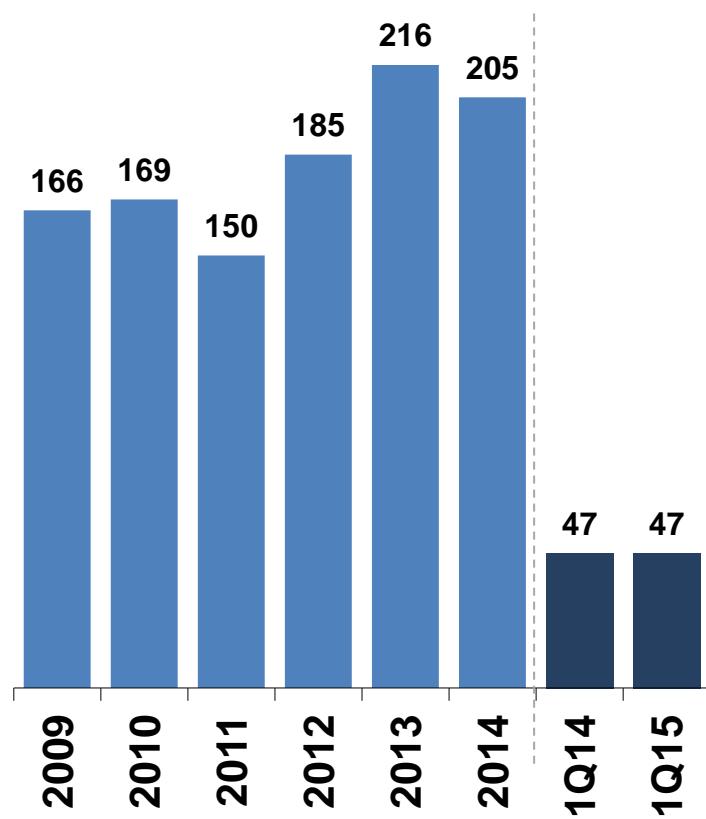
Note: CAGR 5 years

# Production (million pairs)

Grendene®

## Sales volume - Total

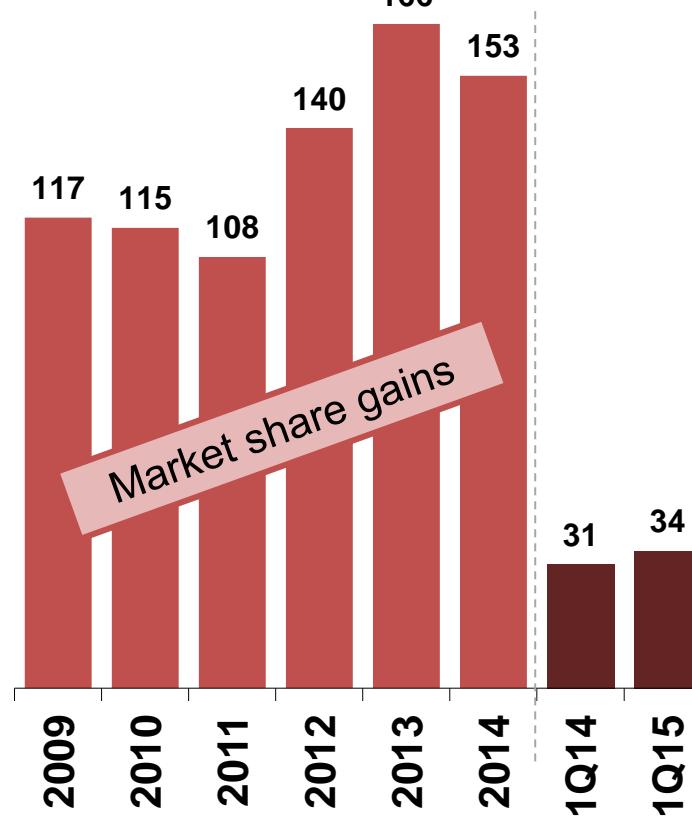
CAGR (14-09): 4.3%  
Change % (14-13): (5.2%)  
Change % (1Q15-1Q14): 0.1%



Obs: CAGR 5 anos

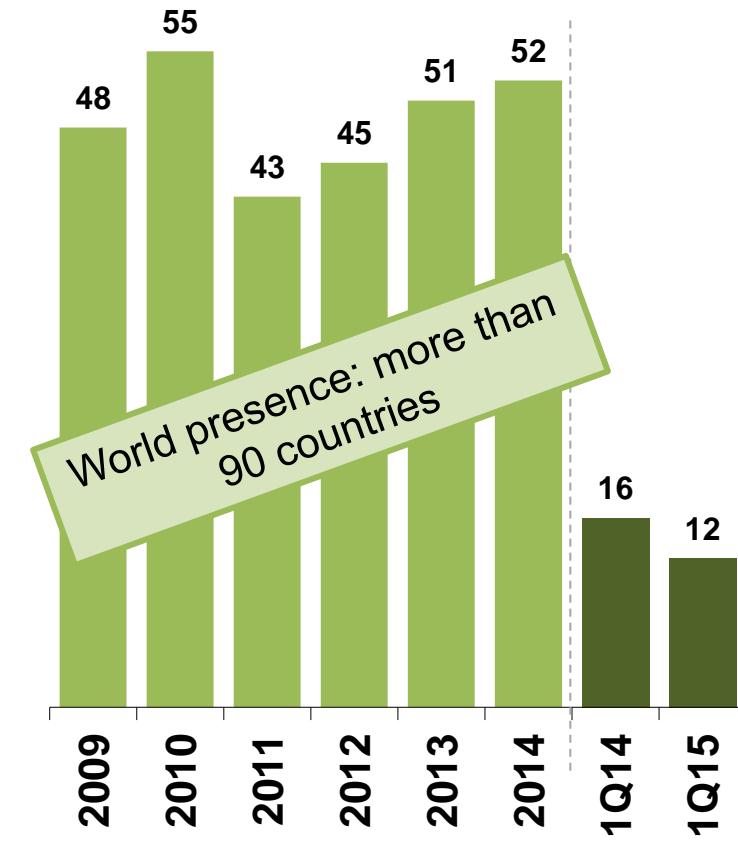
## Sales volume – Domestic market

CAGR (14-09): 5.4%  
Change % (14-13): (7.8%)  
Change % (1T15-1T14): 11.0%



## Sales volume – Exports

CAGR (14-09): 1.6%  
Change % (14-13): 3.3%  
Change % (1Q15-1Q14): (21.3%)

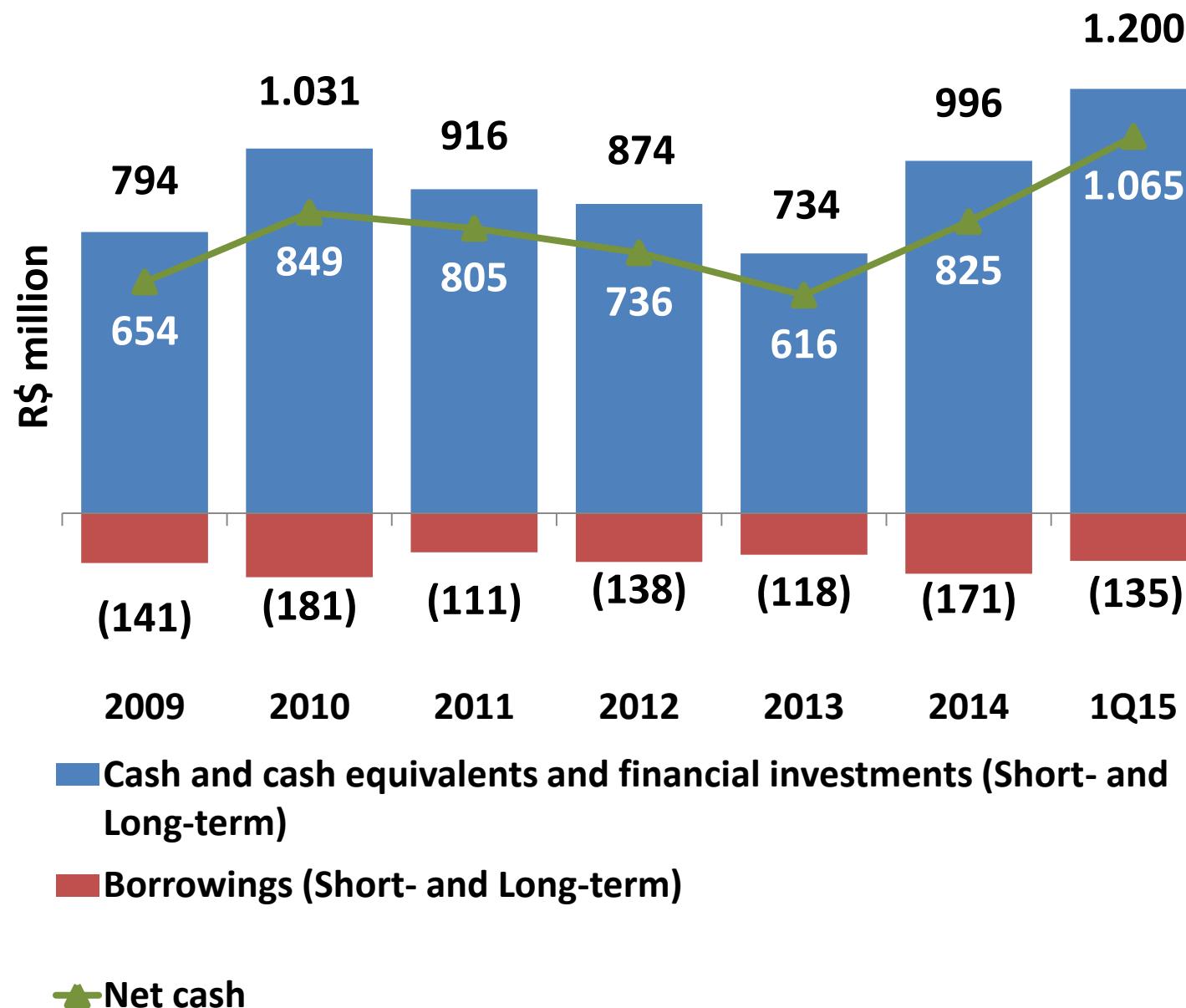


# Net cash provided by operating activities

Operating cash generation	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	Change R\$ (14-13)	Change % (14-13)	CAGR	03/31/14 (1Q14)	03/31/15 (1Q15)	Change % (1Q15-1Q14)
Profit for the year / period	272,211	312,399	305,446	429,003	433,540	490,244	56,704	13.1%	12.5%	96,533	136,880	41.8%
Depreciation	26,307	28,173	28,917	31,725	36,648	47,461	10,813	29.5%	12.5%	10,582	13,342	26.1%
Other	(68,676)	(87,399)	(94,025)	(71,934)	(50,204)	(76,293)	(26,089)	52.0%	2.1%	(28,731)	(25,768)	(10.3%)
Cash generation by changes in assets and liabilities	(66,756)	(6,243)	(172,191)	(196,158)	(116,679)	23,547	140,226	(120.2%)	(181.2%)	199,238	107,489	(46.0%)
Trade receivables	(130,878)	34,930	(106,354)	(189,938)	(82,337)	2,387	84,724	(102.9%)	(144.9%)	225,951	135,582	(40.0%)
Inventories	(6,452)	(1,107)	4,378	(30,194)	(33,139)	(10,298)	22,841	(68.9%)	9.8%	(291)	(17,493)	5,911.3%
Trade payables	22,036	(8,322)	(4,676)	29,795	(17,014)	(3,505)	13,509	(79.4%)	(169.2%)	5,813	7,845	35,0%
Change in other assets and liabilities	48,538	(31,744)	(65,539)	(5,821)	15,811	34,963	19,152	121.1%	(6.4%)	(32,235)	(18,445)	(42.8%)
<b>Net cash provided by operating activities</b>	<b>163,086</b>	<b>246,930</b>	<b>68,147</b>	<b>192,636</b>	<b>303,305</b>	<b>484,959</b>	<b>181,654</b>	<b>59.9%</b>	<b>24.4%</b>	<b>277,622</b>	<b>231,943</b>	<b>(16.5%)</b>

Solid capital structure and strong cash generation

## Cash and cash equivalents and financial investments (short- and long-term), borrowings (short- and long-term) and net cash



grendha  
**NEW**  
COLLECTION  
JULIANA PAES  
ZAPAHABITU

Less labor intensive

More capital intensive

**Strategy: Break paradigms**

Higher entry barriers

Highly marketing intensive

*Our expertise of more than 40 years, producing innovative footwear and generating desired brands, shows the success of our vision of the market, our strategy and our business model – and our capacity to create value for stockholders.*

# Value proposition

Cartoons characters, celebrities and successful designers

## Brands

### Products

- Constant creation of products
- Innovative design
- Manufacturing technology
- Few products in large scale

### Marketing

- Aggresive marketing
- Segmentation
- Investment in media / events
- Strong relationship with trade

### Management

- Scale gains, scope gains
- Profitability
- Continuous improvement
- Financial solidity
- Sustainable growth



Value for Stakeholders

## Melissa

**Brand:** Melissa

**Main competitors:** Arezzo, Schultz, Grudy, Flor de Mel, Cravo e Canela.



**melissa®**

## Women

**Main brands:** Grendha, Zaxy, Ilhabela

**Main licenses:** Ivete Sangalo, Shakira, Paula Fernandes

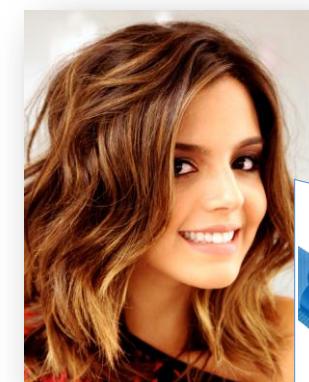
**Main competitors:** Via Marte, Beira Rio, Ramarim, Dakota, Picadilly, Via Uno, Anacapri, Usaflex.



Shakira



Juliana Paes



Giovanna Lancelotti



Ivete Sangalo



Paula Fernandes

## Men

**Main brands:** Rider, Cartago

**Main licenses:** Guga Küerten, Bad Boy, Mormaii

**Main competitors:** Kenner, Beira Rio, Alpargatas, Itapuã, Free-Way.



## Kids

**Main brands:** Grendene Kids, Grendene Baby, Zizou

**Main licenses:** Ben 10, Hello Kitty, Disney, Hot Wheels, Smurfs, Barbie, Moranguinho, Fisher-Price, Max Steel, Angry Birds entre outras.

**Main competitors:** Klim, Bibi, Pampily, Bical, Pé com Pé, Marisol



## Mass market

**Main brand:** Ipanema

**Main competitors:** Alpargatas, Dupé, Balina, Beira-Rio.



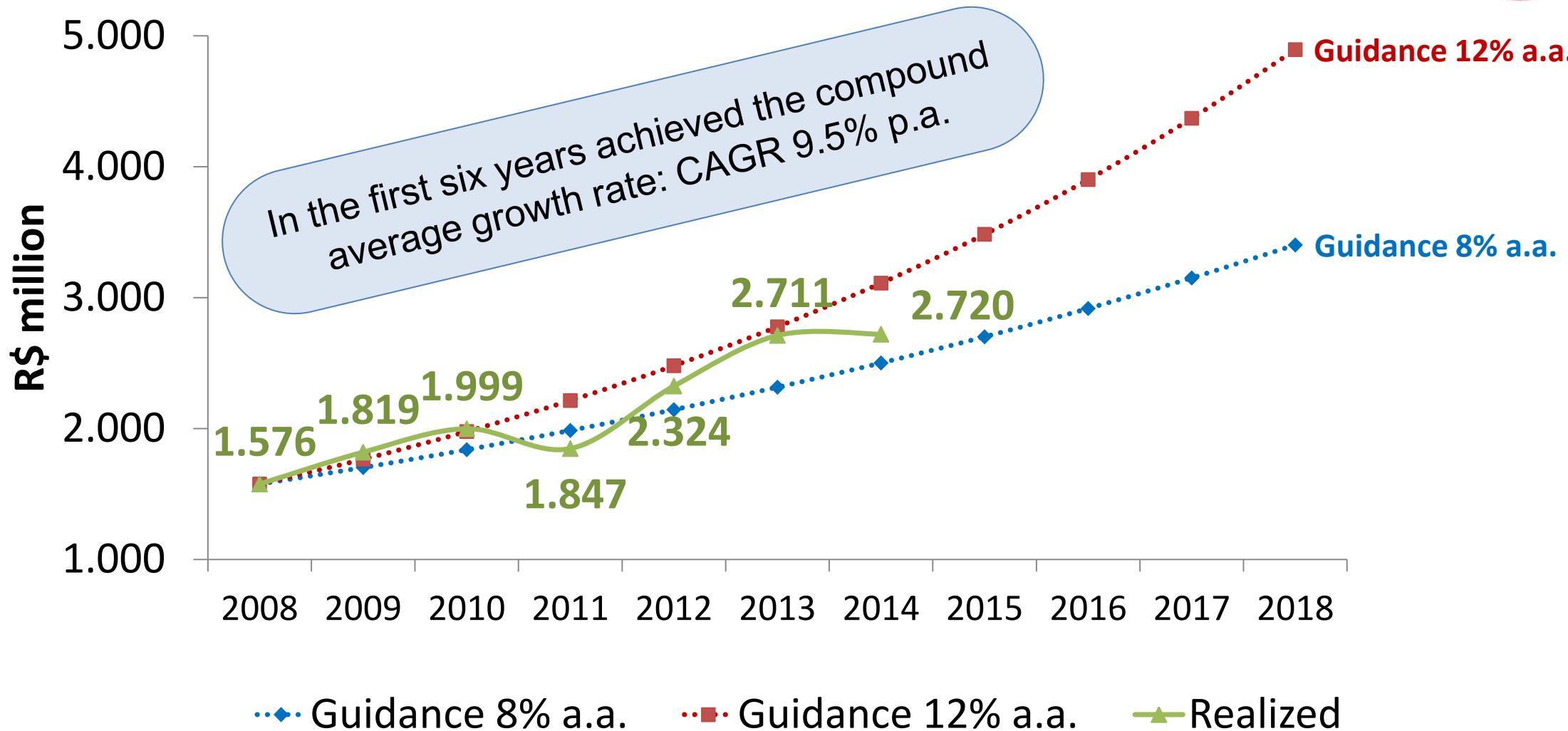
*Ipanema*





# Guidance

## Gross sales revenue

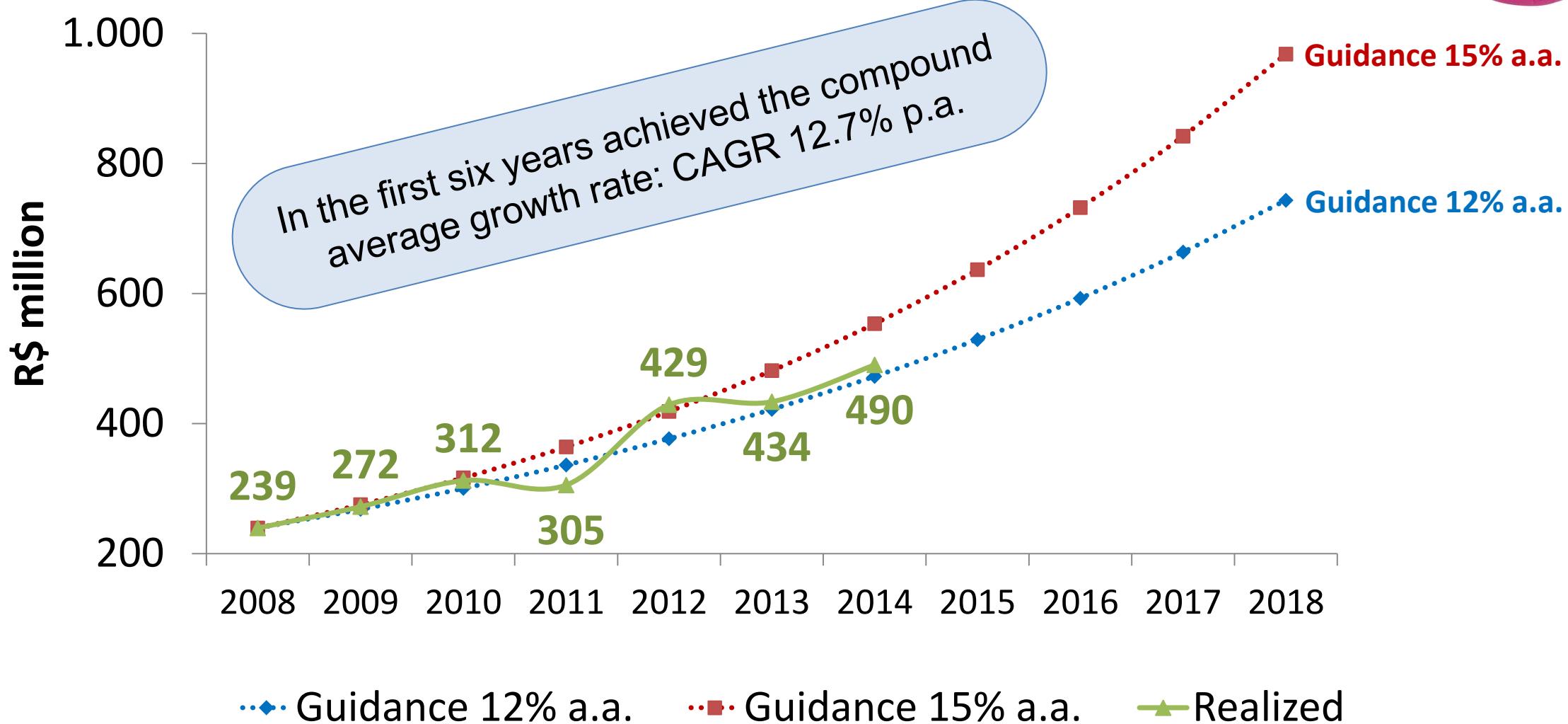


We expect in this period to have some years with higher growth than these rates, as happened in 2009 and other years with lower growth, but on average we intend to achieve these targets.

# Guidance



## Net profit



We expect in this period to have some years with higher growth than these rate, as happened in 2009 and other years with lower growth, but on average we intend to achieve these targets.

# Guidance



## Targets for: 2008-2015

Gross revenue growth at a compound annual growth rate (CAGR) between 8% and 12%.

Profit growth at a compound annual growth rate (CAGR) between 12% and 15%.

Advertising expenses: average 8% - 10% of net revenue in this period.

We expect in this period to have some years with higher growth than these rates, as happened in 2009 and other years with lower growth, but on average we intend to achieve these targets.

# Guidance 2015 – Footwear

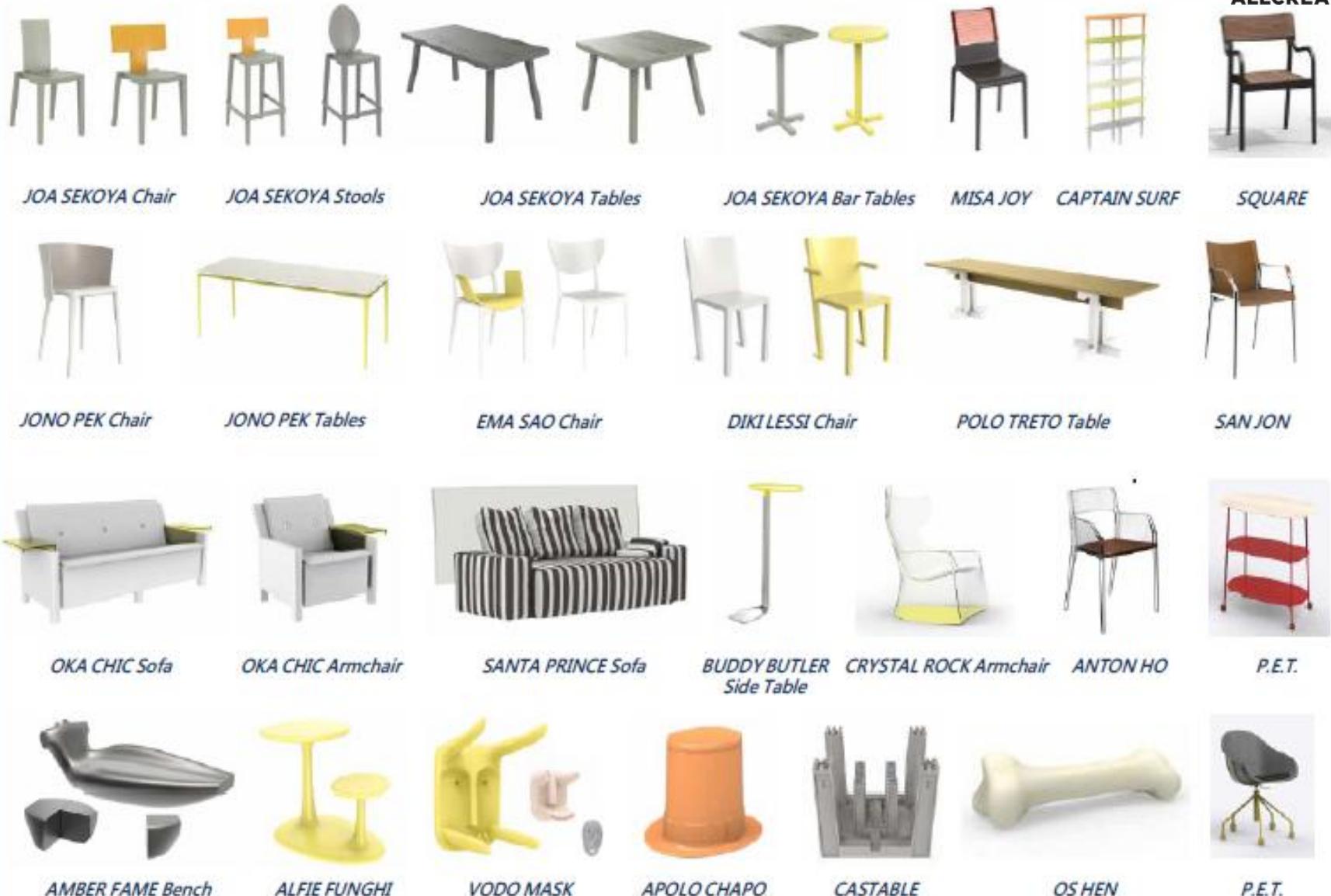
**CAPEX 2015** – approximately R\$ 60 million – maintenance of the production capacity.



**Clube Melissa** probably exceed 200 stores.

# Guidance 2015 – Furniture

2014 Collection



# Guidance 2015 – Furniture

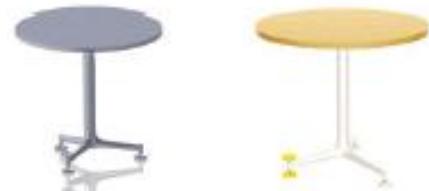
Grendene®



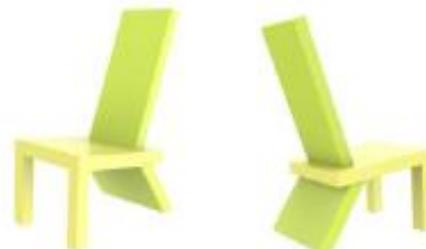
2015 Collection



Philippe Starck – *TOG at Work Seat System*



Philippe Starck – *MISA EMA Bar Table*



Philippe Starck – *RITA VELD Beach Chair*



Philippe Starck – *COUNTRY GIRL Chair*



Antonio Citterio – *ALU CAST Chair*



Antonio Citterio – *ALU TUBE Chair*



Design Facility –  
*FIGURE STOOLS Family*



Sebastian Bergne –  
*SHORTY CONTAINER Stool*



Sebastian Bergne –  
*I-BEAM Bench*



Ambroise Maggiar –  
*FIGURE STOOLS Family*

# Guidance 2015 - Furniture

- Wide range of products;
- Production by third parties in Italy;
- Internationally renowned designers;
- Global brand;
- Ramp-up operation in 2015;
- Sales in Brazil begin in 2015.





**Francisco Schmitt**  
CFO & IRO  
(55 54) 2109.9022

**Thank You**

**Further information**

Internet: <http://ri.grendene.com.br>

Email: [dri@grendene.com.br](mailto:dri@grendene.com.br)

# Q&A

# Notes

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# Notes

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