

**Grendene®****2017 Results****February 2018**

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## 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.

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# Shareholder's equity (R\$) and return on equity (%)

Year (all amounts in Thousand of R\$)	Opening equity <sup>1</sup>	Profit	Dividend	Reinvestment	Return on equity	Closing equity <sup>1</sup>
2004	692,726	204,865	64,152	140,713	29.6%	733,566
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
2015	2,232,649	551,223	275,925	275,298	24.7%	2,520,866
2016	2,520,866	634,492	351,383	283,109	25.2%	2,792,976
2017	2,792,976	660,929	377,773	283,156	23.7%	3,087,479
<b>Accumulated</b>		<b>5,251,686</b>	<b>2,773,037</b>	<b>2,478,649</b>	<b>1,559.5%</b>	

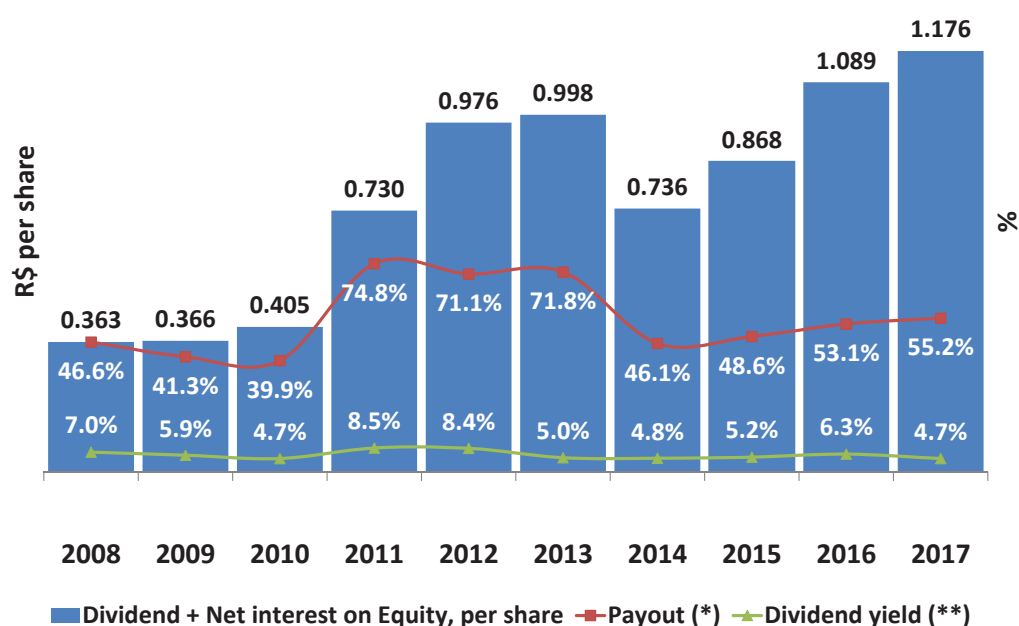
1) Equity adjusted by the exclusion of the balance of dividends payable.

Equity average  
return = 24.2% p.a.

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## Dividend 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 state tax incentives.



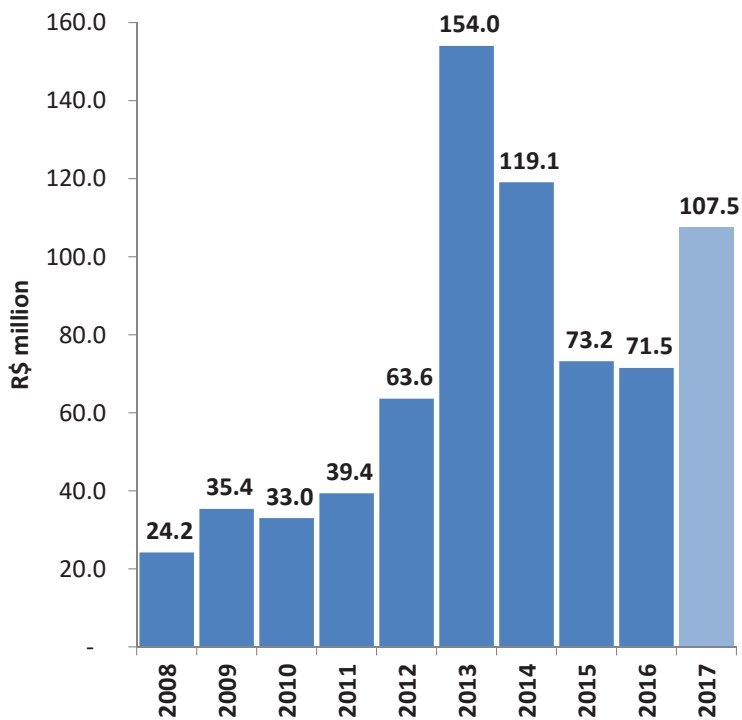
(\*) Payout: Dividend + Net Interest on Equity divided by profit after the allocations to legal reserves.

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

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## Capex (in fixed and intangible assets)

**Grendene®**



Modernization of the  
plant and better efficiency  
of production

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## Footwear sector

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# melissa



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## Footwear sector- Brazil

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Million pairs	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Production	790	769	835	838	997	1.036	998	944*	868*	845*
Imports	39	30	29	34	36	39	37	33	23	24
Exports	166	127	143	113	113	123	130	124	126	127
Apparent consumption	663	672	721	759	920	952	905	853*	765*	742*
Per capita consumption (pairs)	3.5	3.5	3.7	3.8	4.6	4.7	4.5	4.2*	3.7*	3.6*

Source: IBGE / SECEX / ABICALÇADOS / (\*) Numbers estimated by Grendene

*Ipanema*

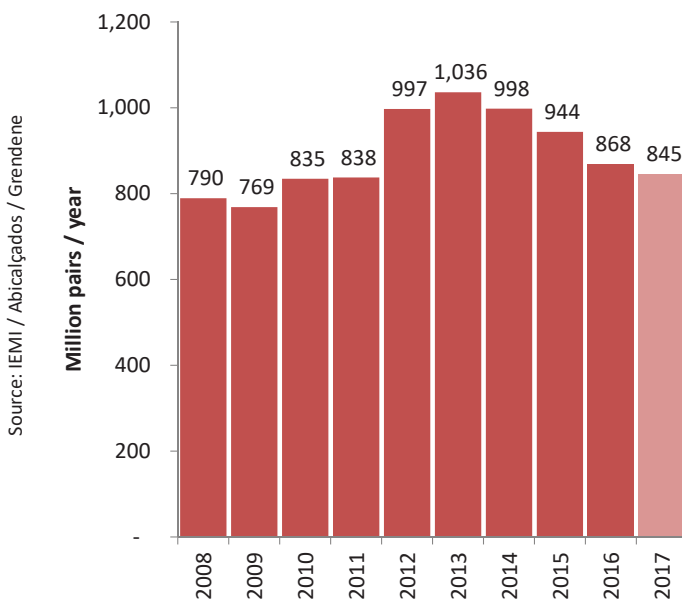


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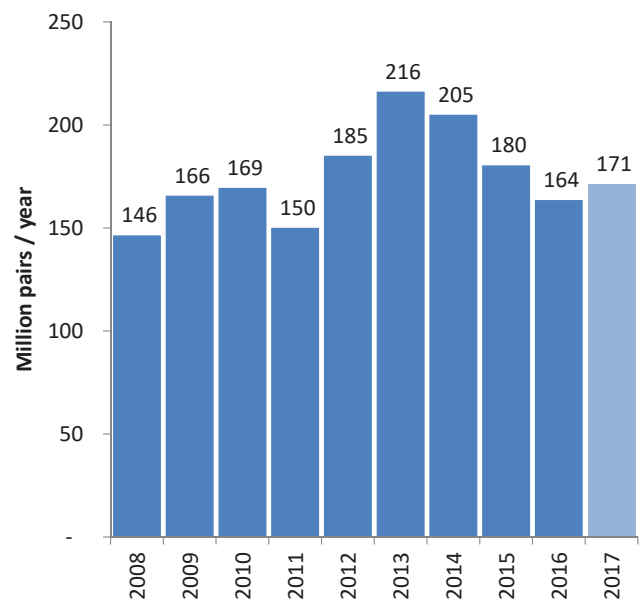
## Brazilian Footwear sector x Grendene

**Grendene®**

**Brazilian production**  
CAGR (2017/2008): 0.8%  
Change (2017/2016): (2.6%)



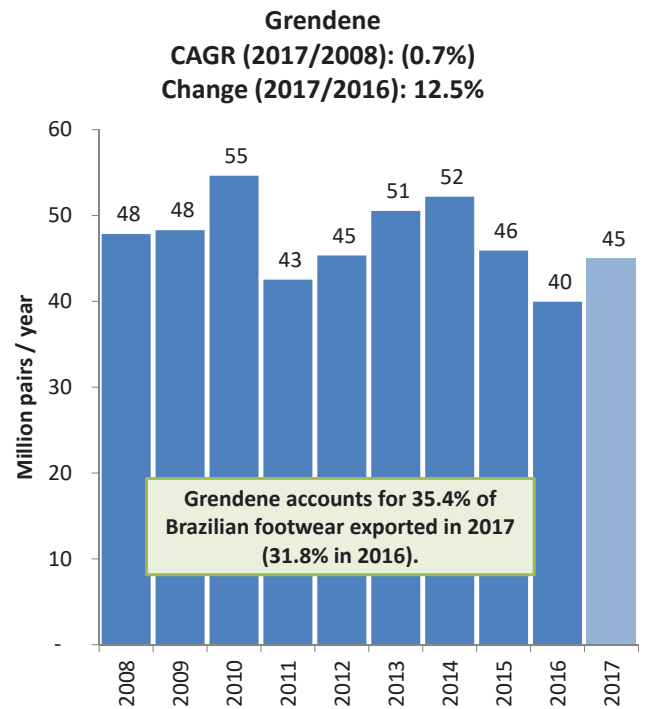
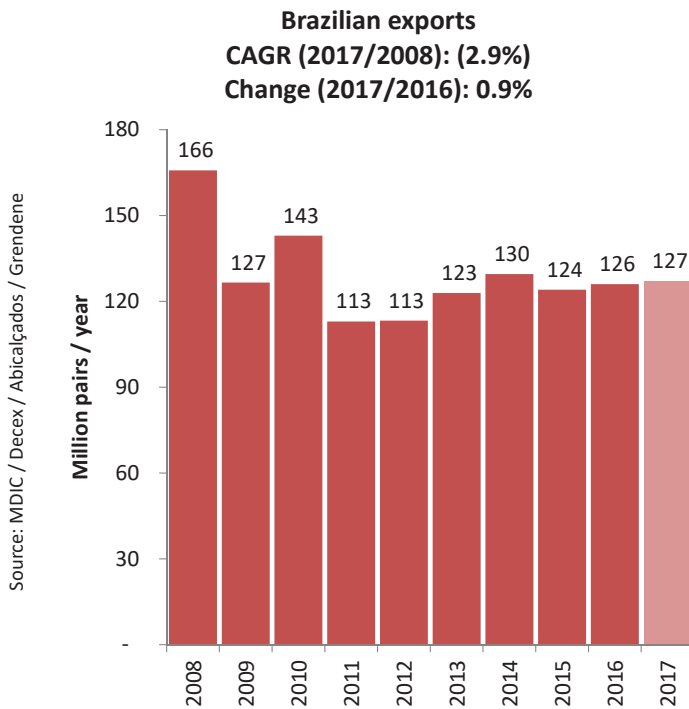
**Grendene**  
CAGR (2017/2008): 1.8%  
Change (2017/2016): 4.8%



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## Export: Brazil vs. Grendene

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## Brands & Marketing

**Grendene®**

Products that meet essential and basic needs at low cost.



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

GRENDHA

**ZAXY**

**rider**

**CARTAGO**

*Ipanema*

**melissa**

**Grendene® kids**  
O melhor da infância

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## Marketing

**Grendene®**

GRENDA

*Weto Sangalo*



Digital



MPV



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## Marketing

**Grendene®**

**OCARTAGO**

Father's Day advertising

Outdoor



Busdoor



**rider**

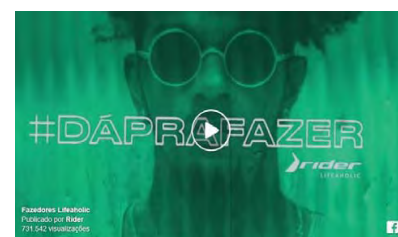
Rider movie in the main channels of closed TV  
#DÁPRAFAZER



multi show

CANAL off

PIX MEGAPIX



PREMIERE FC

SPORTV

SPORTV2

SPORTV3

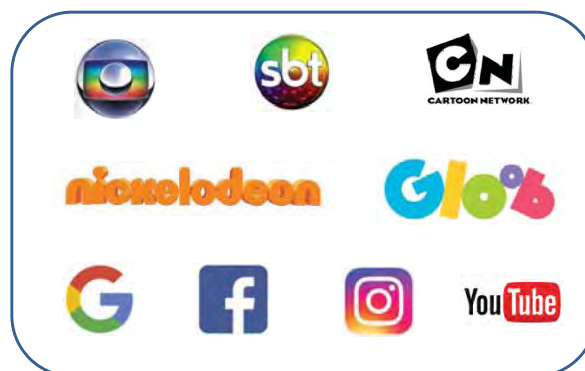
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# Marketing

**Grendene®**



Media TV / Digital / Social networks



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# Marketing

**Grendene®**



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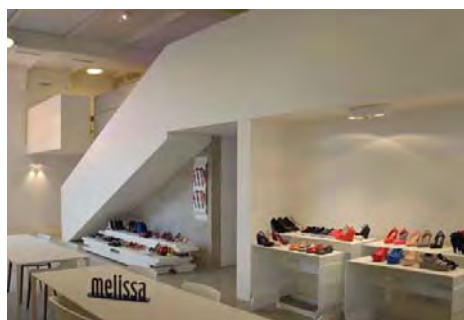
# melissa®



Galeria Melissa São Paulo



Galeria Melissa New York



Showroom in Milan



Galeria Melissa London

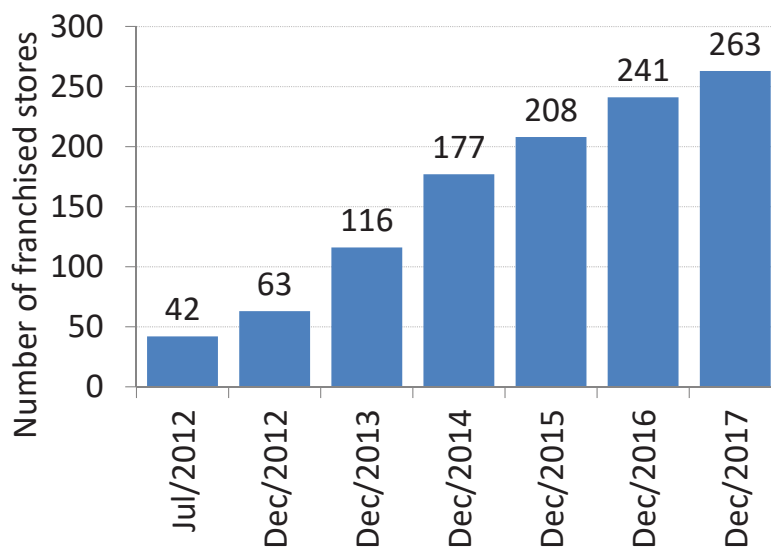
Galeria Melissa

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## Sales Channels



### Evolution – Clube Melissa



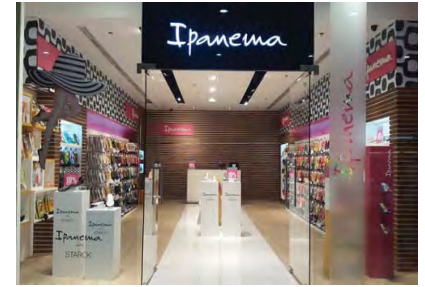
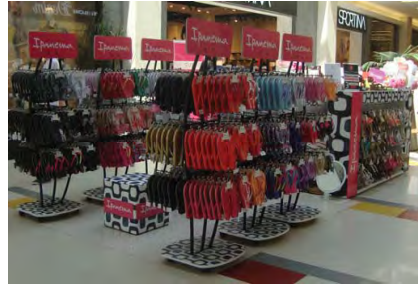
Club Melissa follows growth trajectory and good performance

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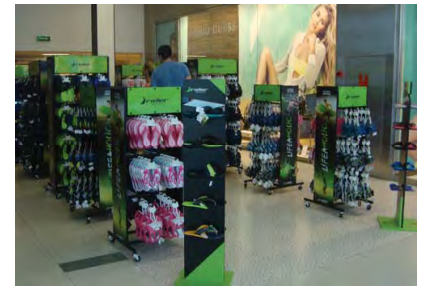


## Sales Channels

**Grendene®**



Strong  
relationship  
with trade



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## Results (in IFRS)

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# Highlights 2017 (YoY 2016)

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Gross revenue	Domestic market: R\$ 2,106.6 million	↑	12.6%
	Exportation: R\$ 621.1 million	↑	1.4%
Net profit	R\$ 660.9 million	↑	4.2%
EBIT	R\$ 465.6 million	↑	16.5%
	Margin 20.7%	↑	1.2 p.p.
Exchange	Negative impacto: R\$ 58.0 million	↓	
Volumes	Domestic Market: 126.4 million pairs	↑	2.2%
	Exportation: 45.0 million pairs	↑	12.5%
Average price	Domestic market	↑	10.2%
	Exportation	↓	(9.9%)
	US\$ 4.33	↓	(1.4%)

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## Main indicators

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Note: CAGR 9 years

R\$ Million	2012	2013	2014	2015	2016	2017	Change % 17-16	CAGR* (17-08)
Gross revenue	2,324.5	2,711.4	2,720.3	2,631.8	2,483.0	2,727.7	9.9%	6.3%
Domestic market	1,845.4	2,146.9	2,077.7	1,899.8	1,870.3	2,106.6	12.6%	6.3%
Exports	479.1	564.5	642.6	732.0	612.7	621.1	1.4%	6.4%
Net revenue	1,882.3	2,187.3	2,233.3	2,202.8	2,045.1	2,252.0	10.1%	6.8%
Cost of sales	(1,000.2)	(1,193.6)	(1,207.4)	(1,134.9)	(1,048.6)	(1,151.2)	9.8%	5.2%
Gross profit	882.1	993.7	1,025.6	1,067.9	996.5	1,100.8	10.5%	8.7%
EBIT	362.8	399.2	389.4	400.7	399.6	465.6	16.5%	12.2%
EBITDA	394.5	435.9	436.9	454.4	457.5	526.2	15.0%	11.9%
Net income	429.0	433.5	490.2	551.2	634.5	660.9	4.2%	11.9%

Margin %	2012	2013	2014	2015	2016	2017	Change 17-16 (p.p.)	Var. 17-08 (p.p.)
Gross	46.9%	45.4%	45.9%	48.5%	48.7%	48.9%	0.2 p.p.	7.4 p.p.
EBIT	19.3%	18.3%	17.4%	18.2%	19.5%	20.7%	1.2 p.p.	7.4 p.p.
EBITDA	21.0%	19.9%	19.6%	20.6%	22.4%	23.4%	1.0 p.p.	8.1 p.p.
Net	22.8%	19.8%	22.0%	25.0%	31.0%	29.3%	(1.7 p.p.)	10.1 p.p.

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# Gross sales revenue– R\$ million

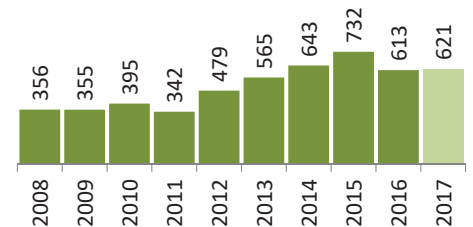
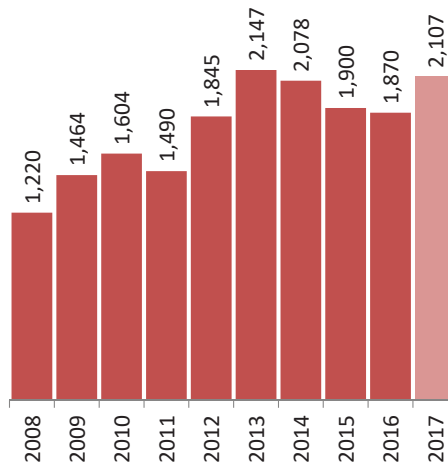
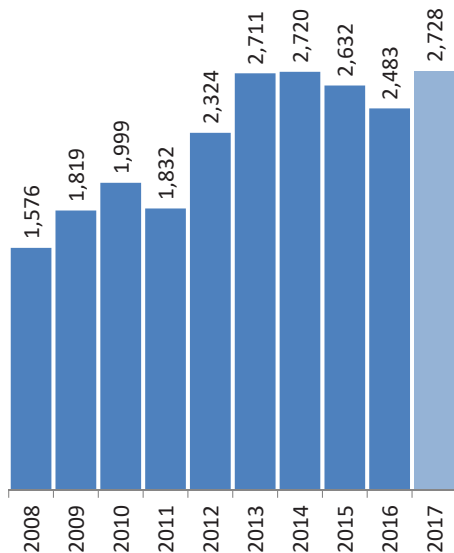
Note: CAGR 9 years

**Grendene®**

**Gross sales revenue  
Total**  
CAGR (17-08): 6.3%  
Change % (17-16): 9.9%

**Gross sales revenue  
Domestic market**  
CAGR (17-08): 6.3%  
Change % (17-16): 12.6%

**Gross sales revenue  
Exports**  
CAGR (17-08): 6.4%  
Change % (17-16): 1.4%

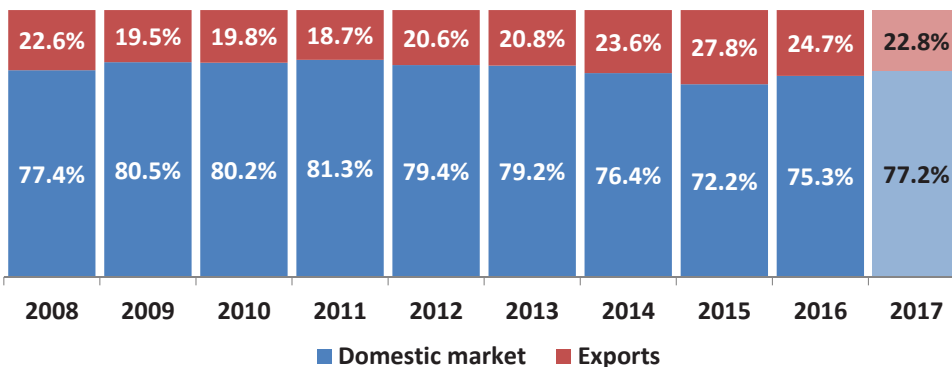


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## Share %

**Grendene®**

### Gross sales revenue



### Sales volume



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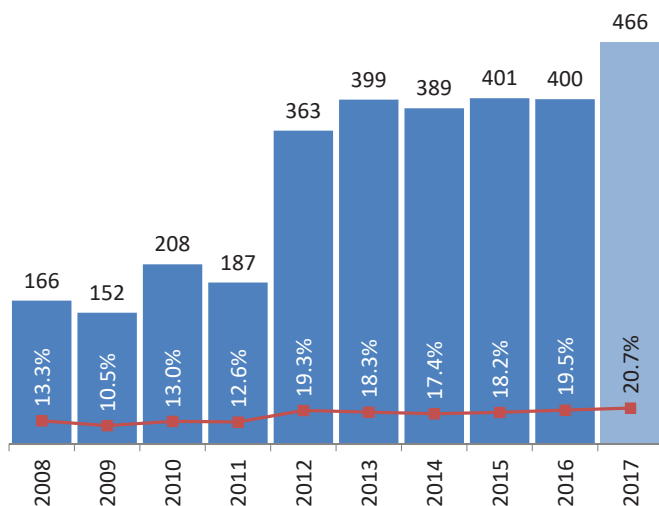
# EBIT/EBITDA – R\$ million

**Grendene®**

Note: CAGR 9 years

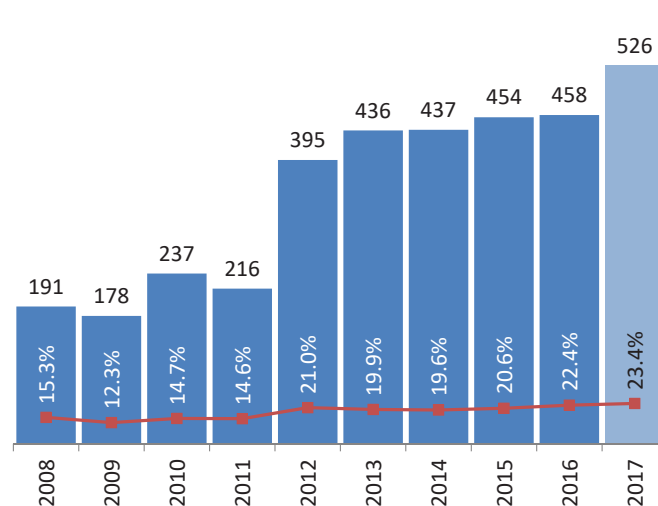
**EBIT / EBIT margin**  
CAGR (17-08): 12.2%  
Change % (17-16): 16,5%

■ EBIT ■ EBIT margin



**EBITDA / EBITDA margin**  
CAGR (17-08): 11.9%  
Change % (17-16): 15.0%

■ Ebitda ■ Ebitda margin



Improvement of internal processes to generate value.

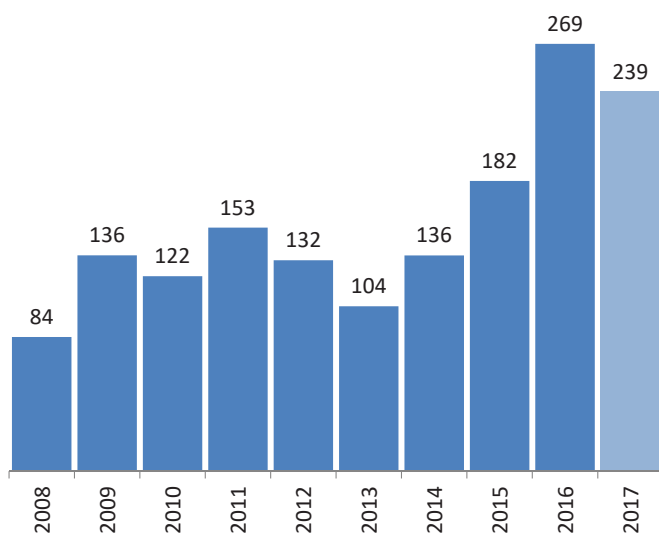
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# Net financial revenue (expenses) / Net profit – R\$ million

**Grendene®**

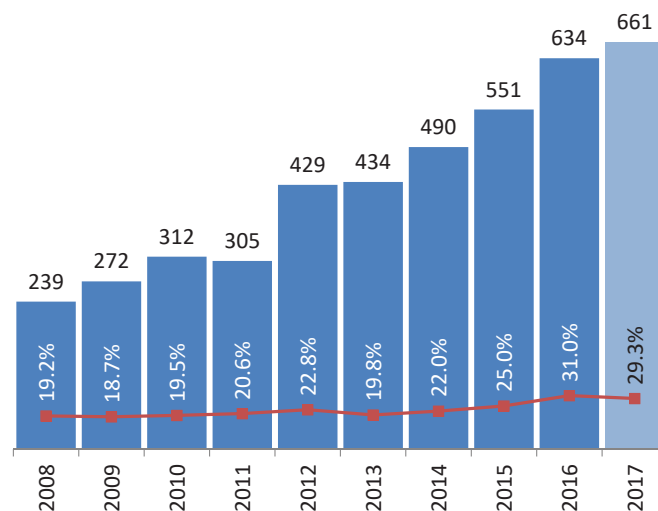
Note: CAGR 9 years

**Net financial revenue (expenses)**  
CAGR (17-08): 12.3%  
Change % (17-16): (11.2%)



**Net profit**  
CAGR (17-08): 11.9%  
Change % (17-16): 4.2%

■ Net profit ■ Net margin



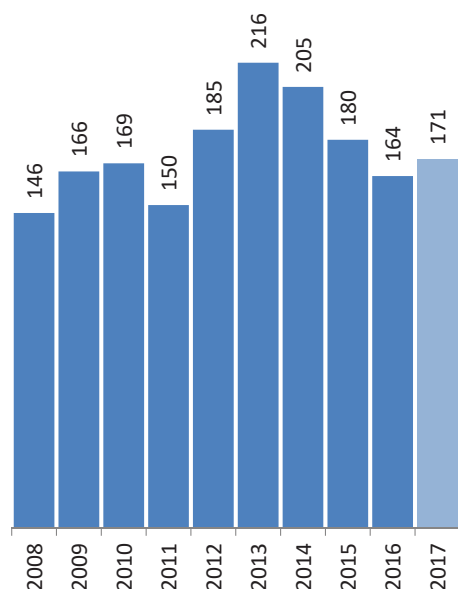
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# Production (million pairs)

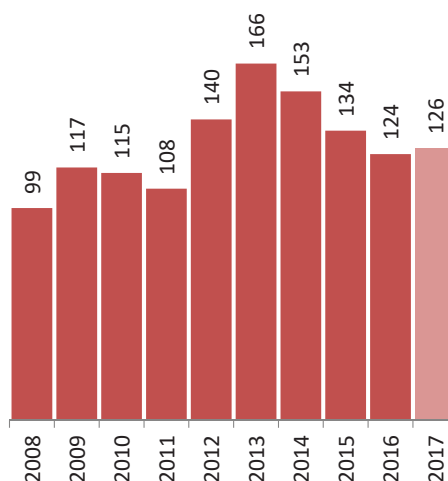
Note: CAGR 9 years

**Grendene®**

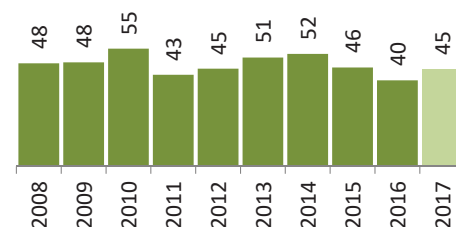
**Sales volume**  
**Total**  
CAGR (17-08): 1.8%  
Change % (17-16): 4.8%



**Sales volume**  
**Domestic market**  
CAGR (17-08): 2.8%  
Change % (17-16): 2.2%



**Sales volume**  
**Exports**  
CAGR (17-08): (0.7%)  
Change % (17-16): 12.5%



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## Net cash provided by operating ativities

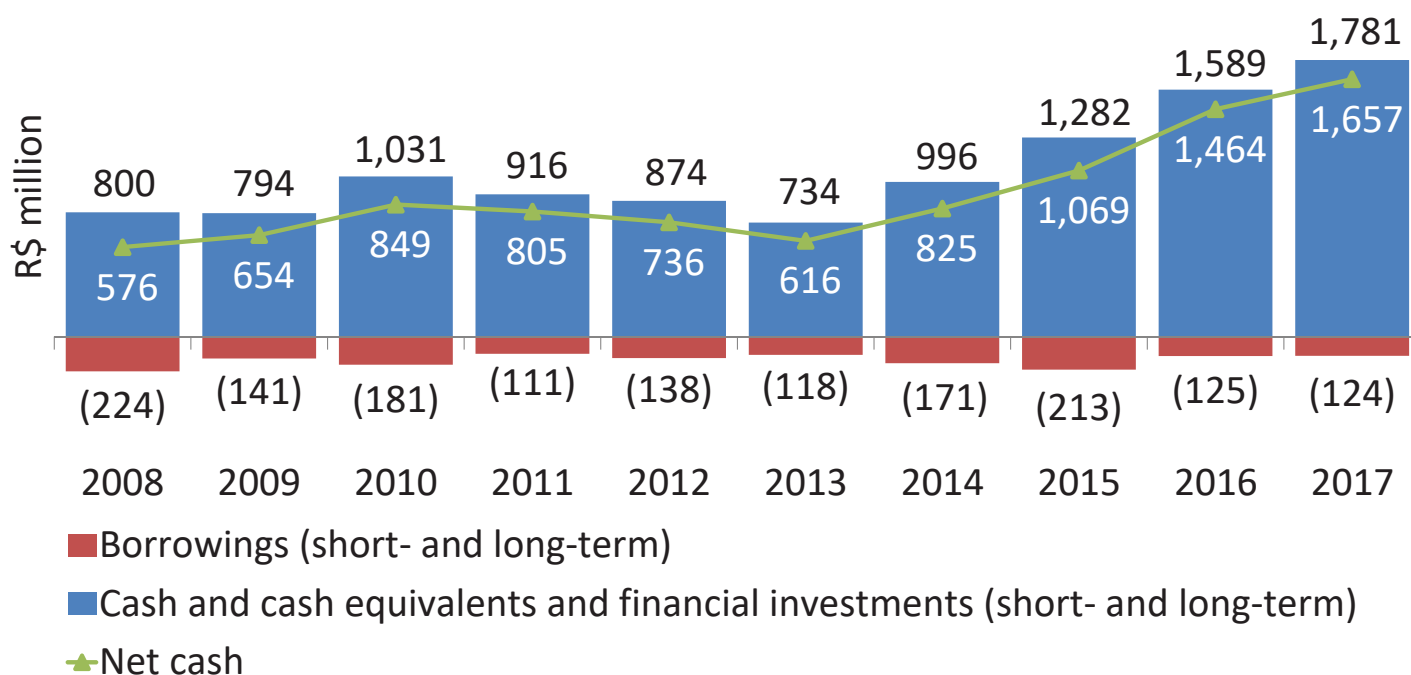
**Grendene®**

Operating cash generation	2012	2013	2014	2015	2016	2017	Change R\$ (17-16)	Change % (17-16)	CAGR (17-09)
Profit for the year/period	429,003	433,540	490,244	539,311	633,955	660,903	26,948	4.3%	11.7%
Depreciation	31,725	36,648	47,461	53,652	57,878	60,639	2,761	4.8%	11.0%
Other	(71,934)	(50,204)	(78,417)	(117,261)	(215,269)	(123,461)	91,808	(42.6%)	7.6%
Cash generation by changes in assets and liabilities	(196,158)	(116,679)	25,671	(32,984)	89,907	(72,355)	(162,262)	(180.5%)	1.0%
Trade receivables	(189,938)	(82,337)	2,387	54,355	91,811	(94,840)	(186,651)	(203.3%)	(3.9%)
Inventories	(30,194)	(33,139)	(10,298)	(49,121)	(3,180)	(19,735)	(16,555)	520.6%	15.0%
Suppliers	29,795	(17,014)	(3,505)	8,616	(3,534)	(4,664)	(1,130)	32.0%	-
Change in other assets and liabilities	(5,821)	15,811	37,087	(46,834)	4,810	46,884	42,074	874.7%	(0.4%)
Net cash provided by operating activities	192,636	303,305	484,959	442,718	566,471	525,726	(40,745)	(7.2%)	15.8%

**Solid capital structure and strong cash generation**

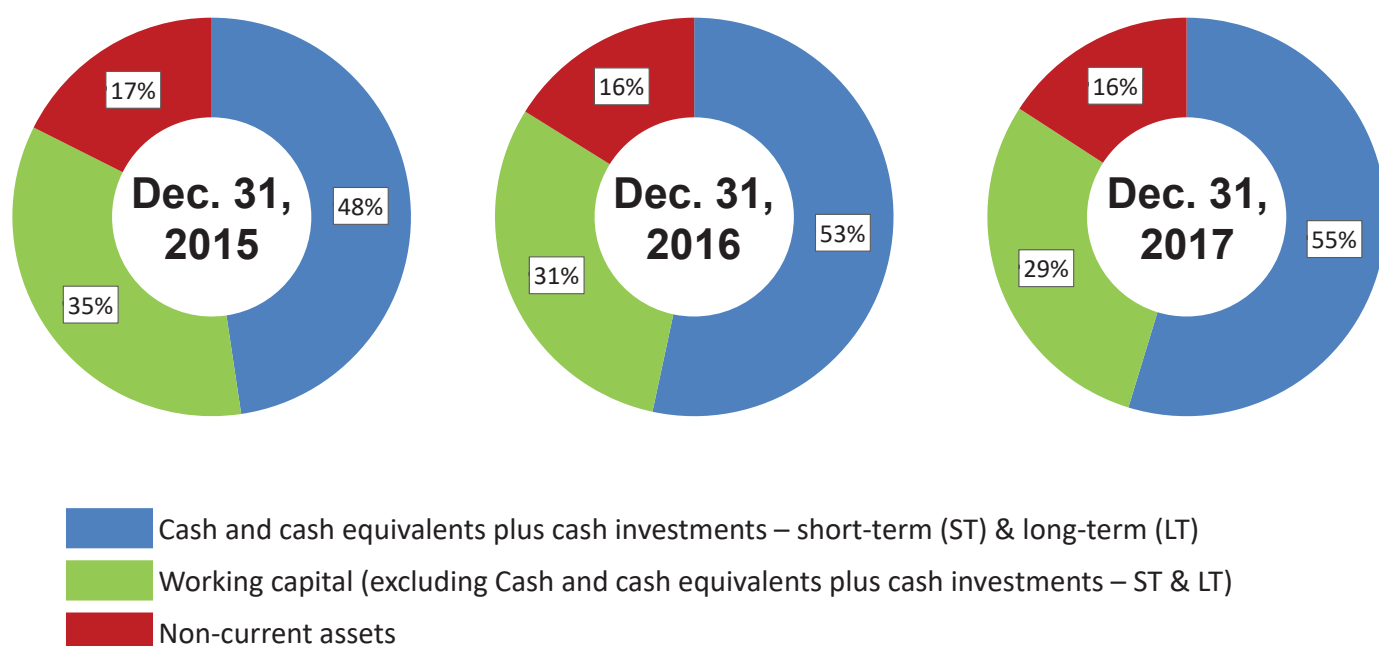
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## Cash and cash equivalents and financial investments (short- and long-term), borrowings (short- and long-term) and net cash



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## Assets



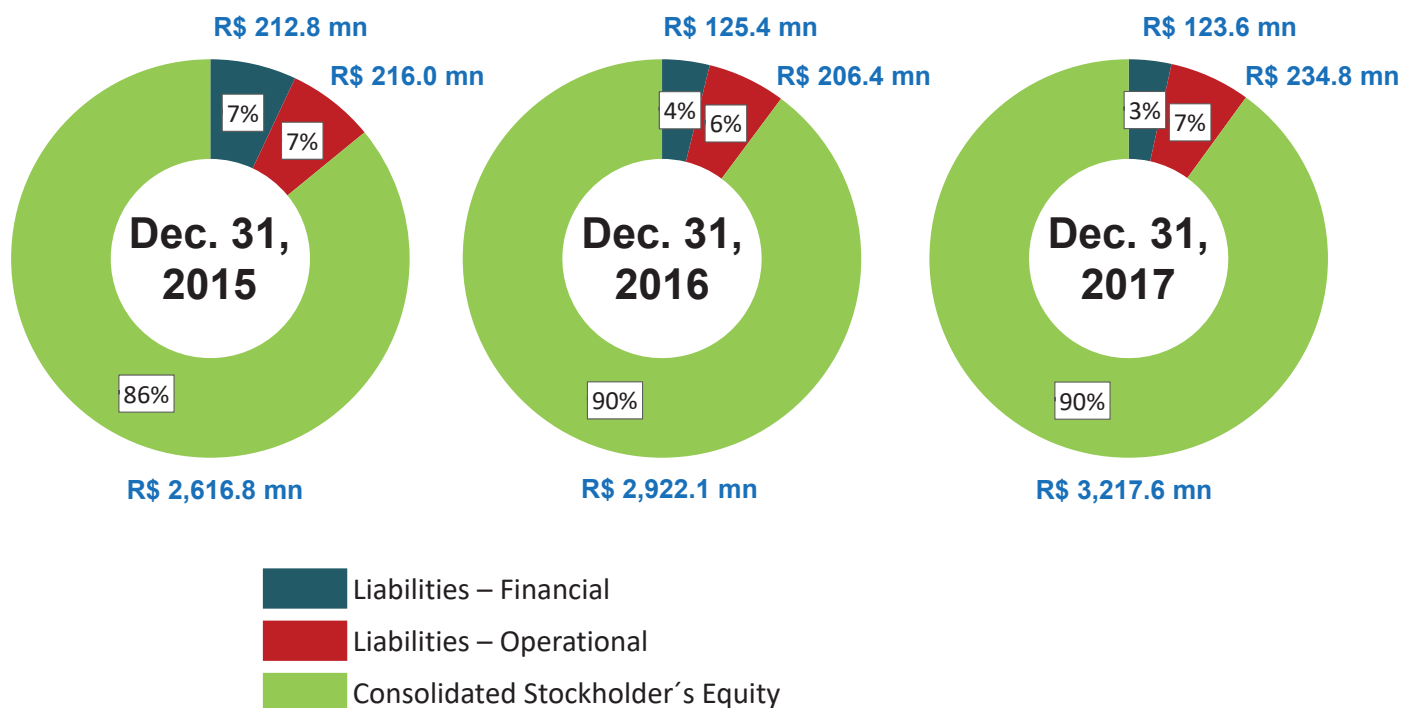
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# Liabilities\* and Stockholder's Equity

\* Liabilities: Current + Non-current Liabilities

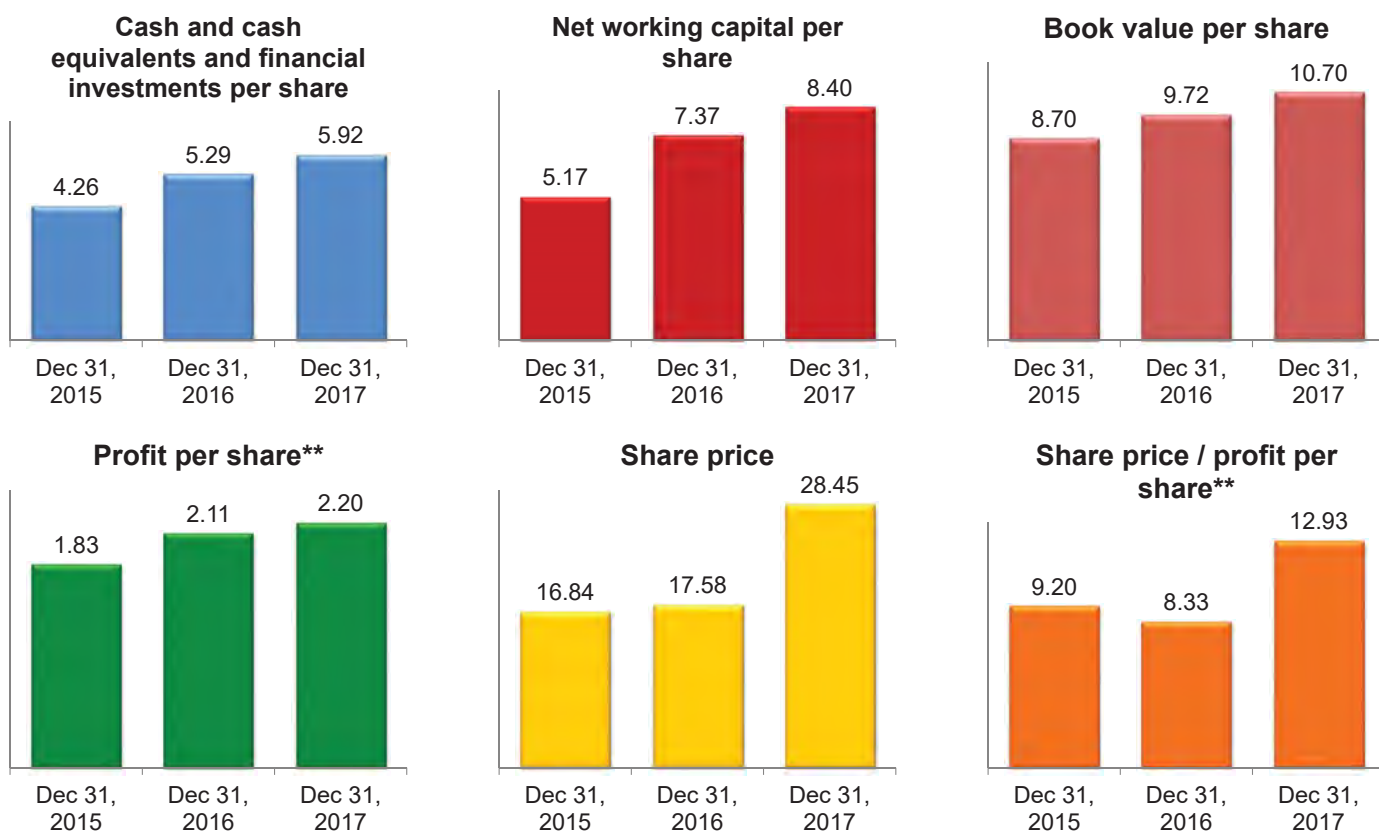
**Grendene®**



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## Value indicators (Accounting)

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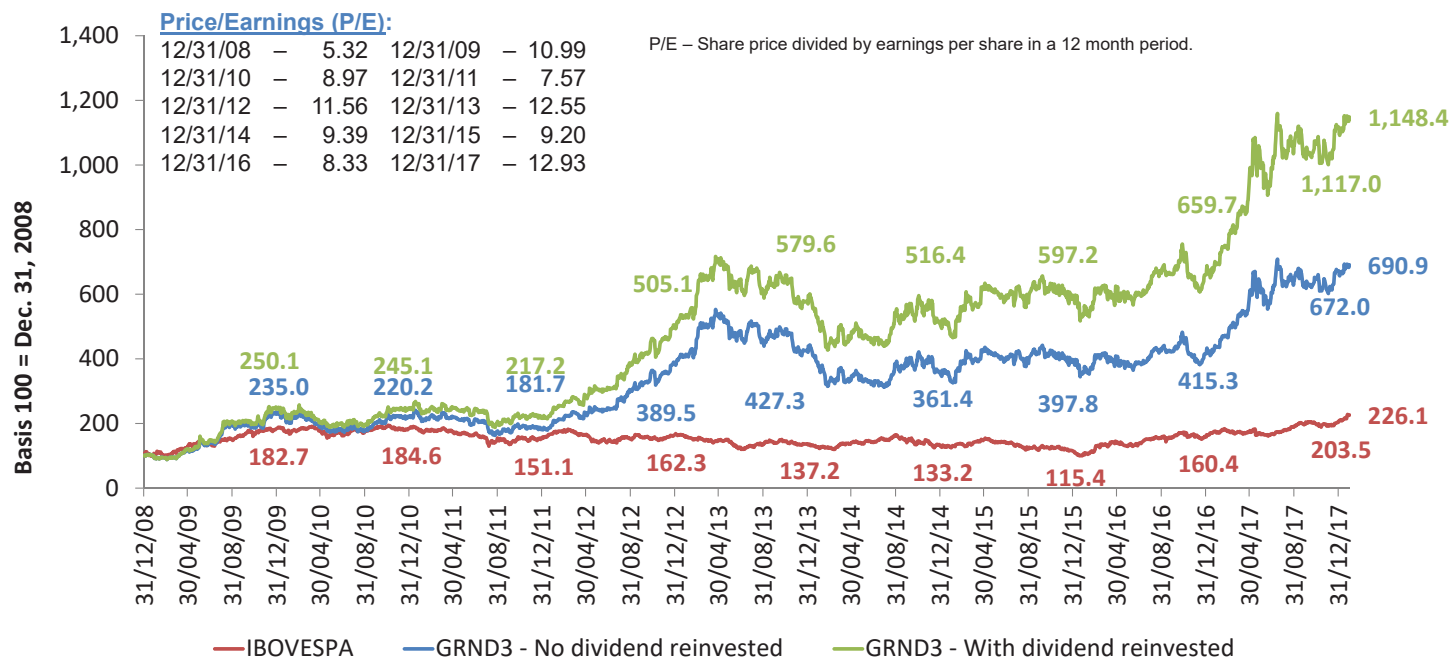


\*\* last 12 months

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Last 52 weeks	Date	Share price	Market Capitalization	Market Capitalization – free-float
Minimum	Feb. 7, 2017	R\$ 18.39	R\$ 5.5 billion	R\$ 1.5 billion
Maximum	Jul. 18, 2017	R\$ 31.49	R\$ 8,7 billion	R\$ 2.4 billion

## Evolution GRND3 x IBOVESPA – Dec. 31, 2008 up to Jan. 31, 2018

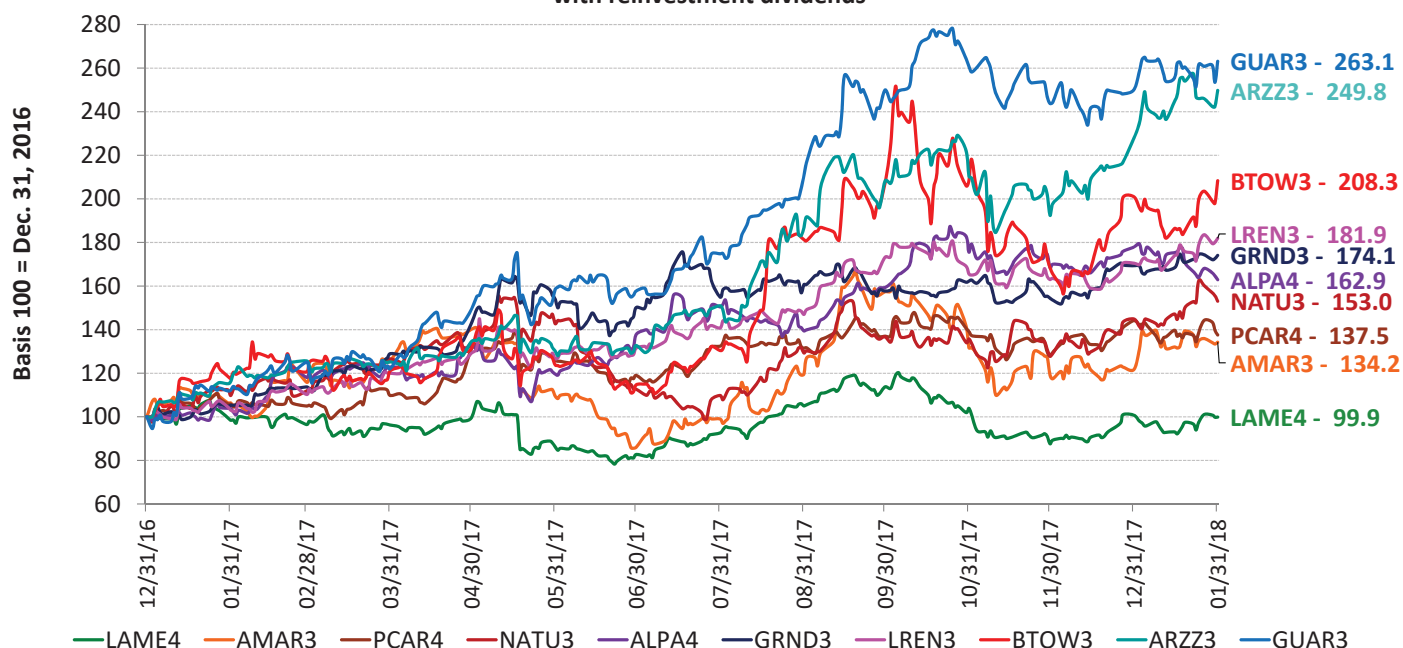


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## Performance of the shares of main companies in the consumption sector

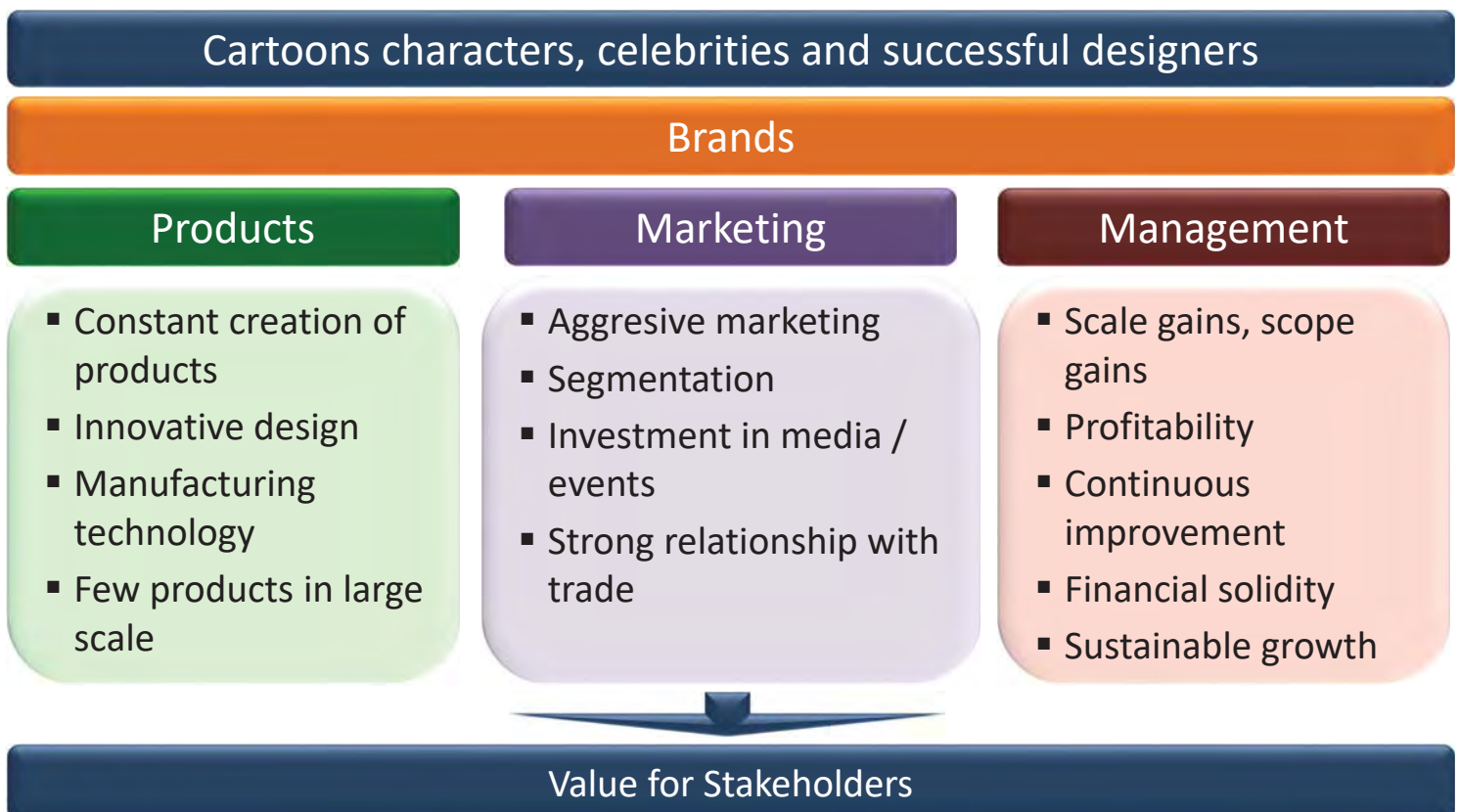
Period: Dec. 31, 2016 up to Jan. 31, 2018

with reinvestment dividends



ALPA4	AMAR3	ARZZ3	BTOW3	GRND3	GUAR3	LAME4	LREN3	NATU3	PCAR4
Alpargatas	Marisa	Arezzo	B2W	Grendene	Guararapes	Americanas	Lojas Renner	Natura	P.Açúcar

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Melissa

Brand: Melissa

Competitors:  
Arezzo, Schultz,  
Grudy, Flor de  
Mel, Cravo and  
Canela

**melissa®**



Vivienne  
Westwood



Jason Wu



Disney

Women

Brands: Grendha  
and Zaxy  
Licenses: Ivete  
Sangalo

Competitors: Via  
Marte, Beira Rio,  
Ramarim, Dakota,  
Picadilly, Via Uno,  
Anacapri, Usaflex

GRENDHA



**ZAXY**



GRENDHA

*Ivete Sangalo*



## Men

Brands: Rider and  
Cartago  
Licenses: Guga  
Küerten, Bad Boy,  
Mormaii

Competitors:  
Kenner, Beira Rio,  
Alpargatas, Itapuã,  
Free-Way

**Grendene®**



 Küerten



 **CARTAGO**



 **rider**



 **BAD BOY**

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## Kids

Brand: Grendene Kids  
Licenses: Ben 10, Hello  
Kitty, Disney, Hot  
Wheels, Barbie, Angry  
Birds among others

Competitors:  
Klim, Bibi,  
Pampily, Bical, Pé  
com Pé, Marisol

**Grendene®**

 **Grendene kids**  
The best part of childhood



 **AVENGERS**



 **Barbie**



 **Disney FROZEN**



 **PAW PATROL**



 **Disney**



 **SPIDER-MAN**



 **HOT WHEELS**



 **Strawberry Shortcake**

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Mass  
market

Brand: Ipanema

Competitors:  
Alpargatas, Dupé  
Balina, Beira-Rio

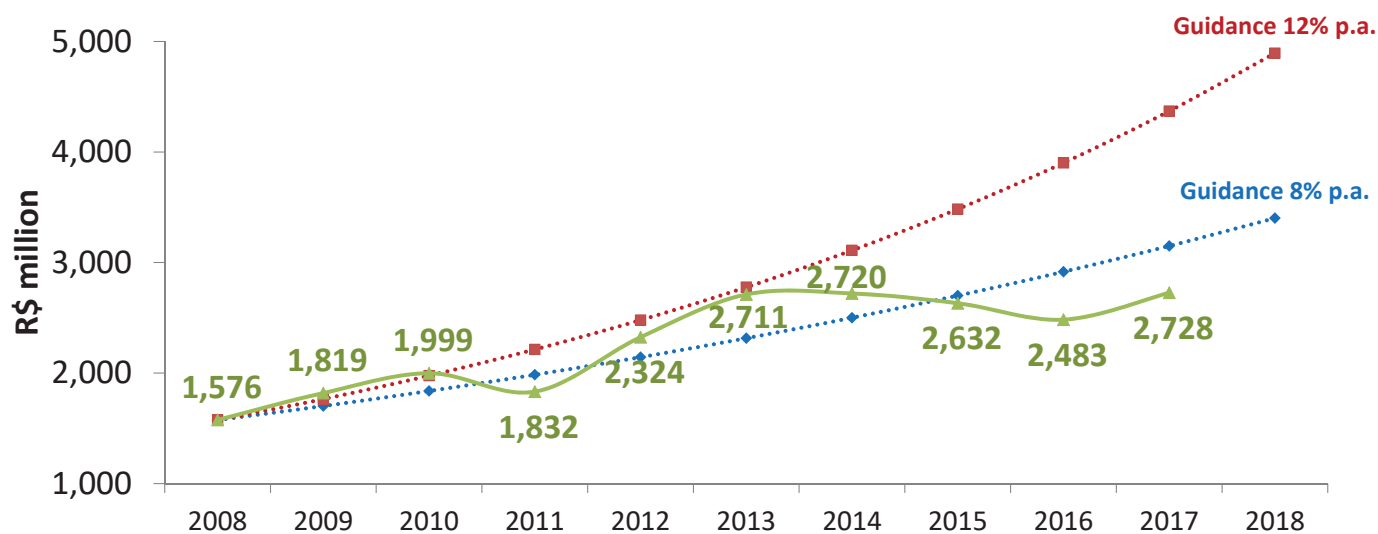
Ipanema



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## Guidance

### Gross sales revenue



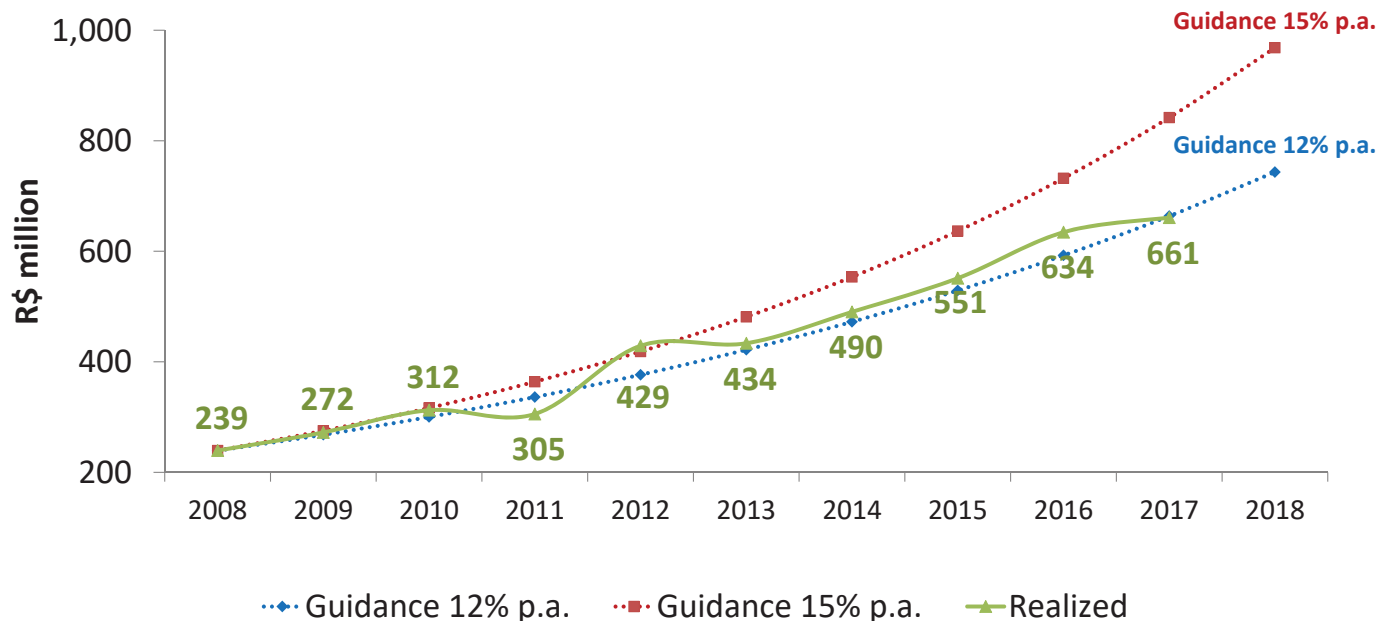
◆◆ Guidance 8% p.a.    ◆◆ Guidance 12% p.a.    ▲ Realized

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.

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## Net income



Entendemos que neste período poderemos ter anos com crescimento maior que esta taxa, como foi o caso em 2009 e outros anos com crescimento menor, mas pretendemos na média atingir esta meta.

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## Targets:

### 2008-2015 extended through 2018

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%.

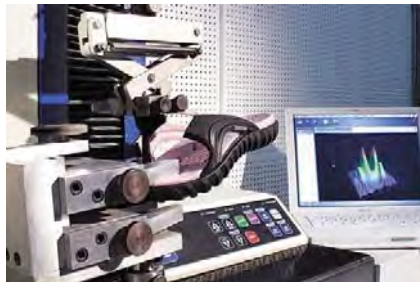
Advertising expenses: average 8% - 10% of net revenue in this period.

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



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**CAPEX** – In 2018 we expect to invest between R\$110 mn and R\$120 mn.



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**IR Team**

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**Thank you!**

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