

Grendene®

São Paulo – SP
February, 2019

 **BTGPactual**
20° CEO Brasil 2019
CONFERENCE



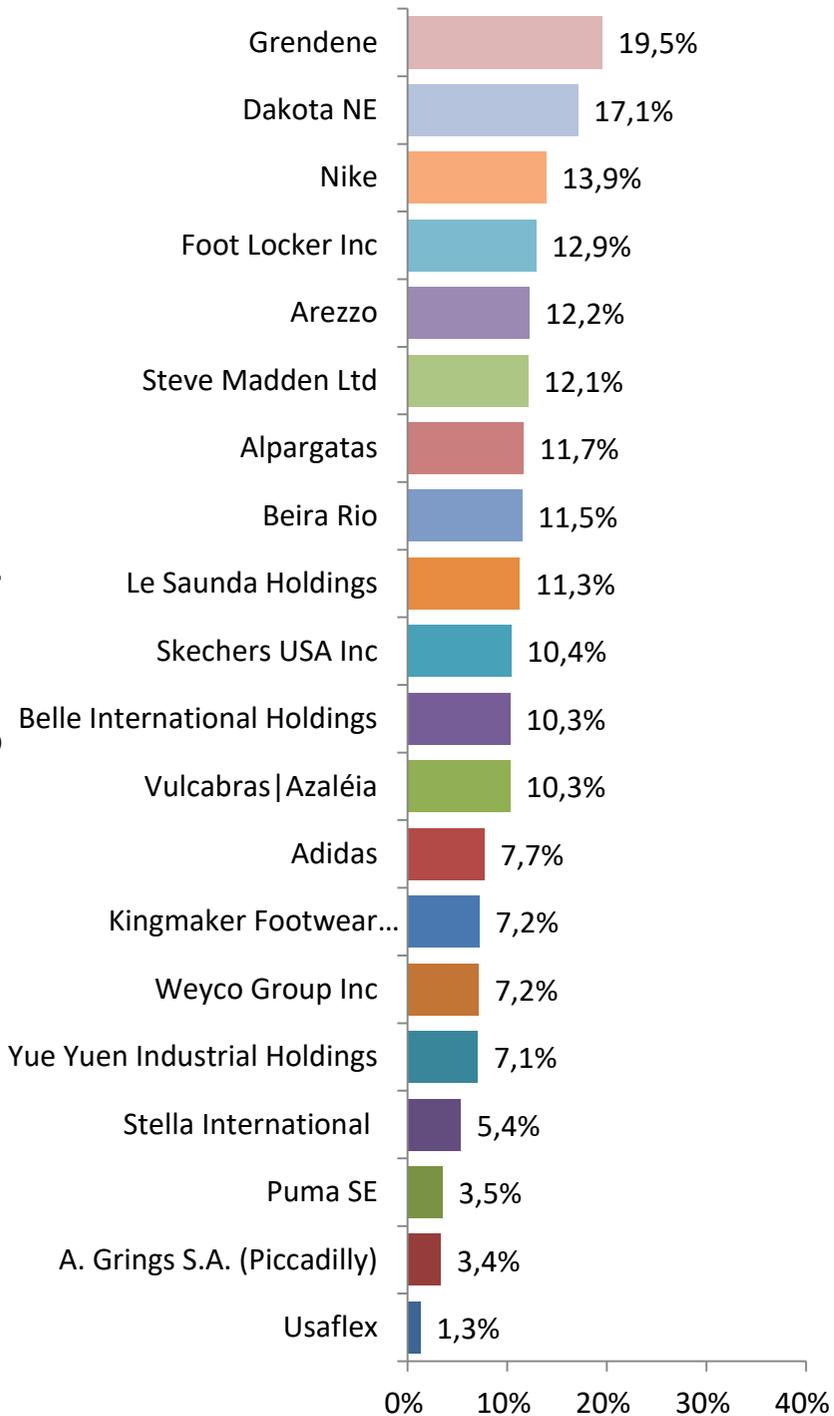
Disclaimer

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.

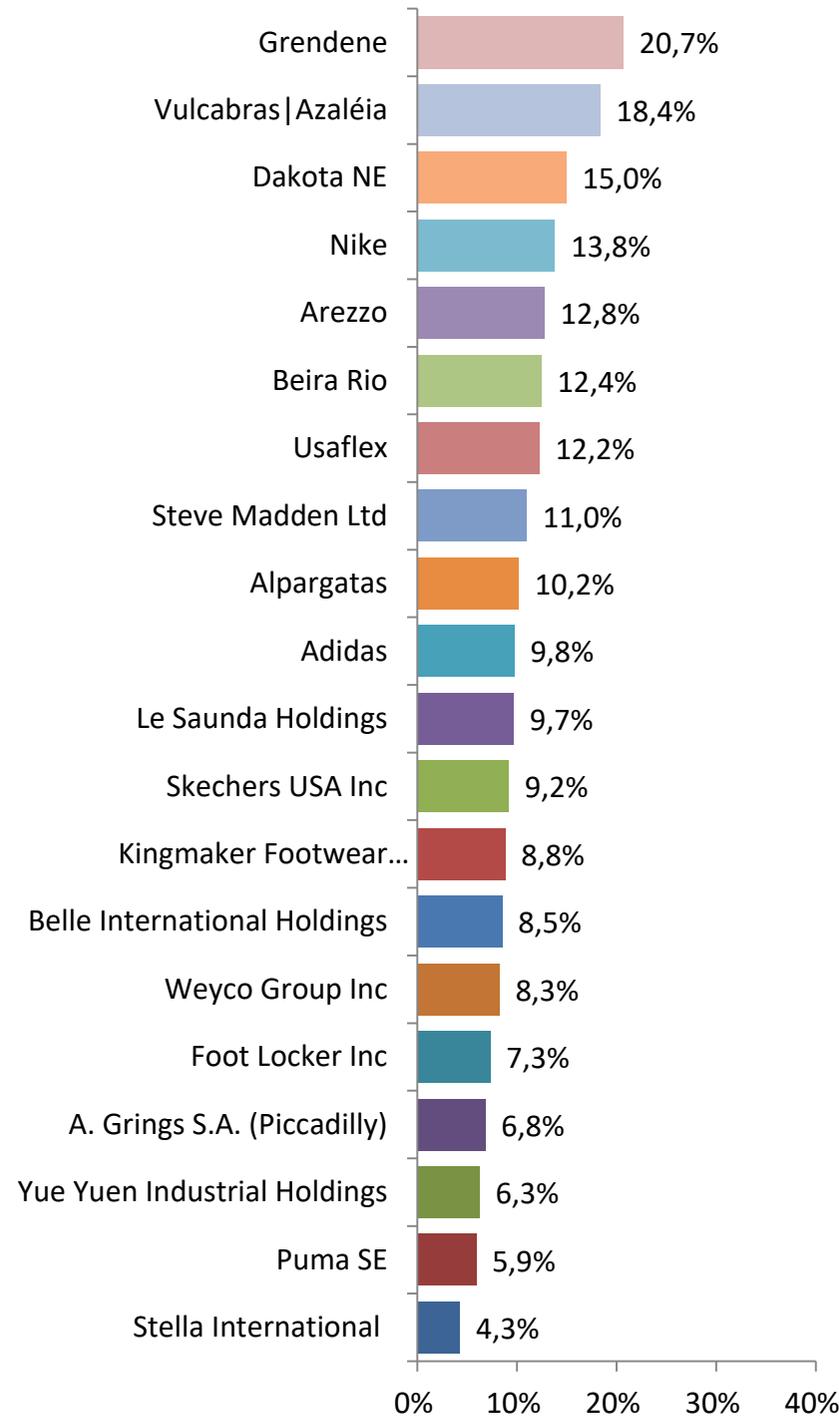
Profitability – EBIT margin

Source: Grendene / Bloomberg / Companies Financial Statements.

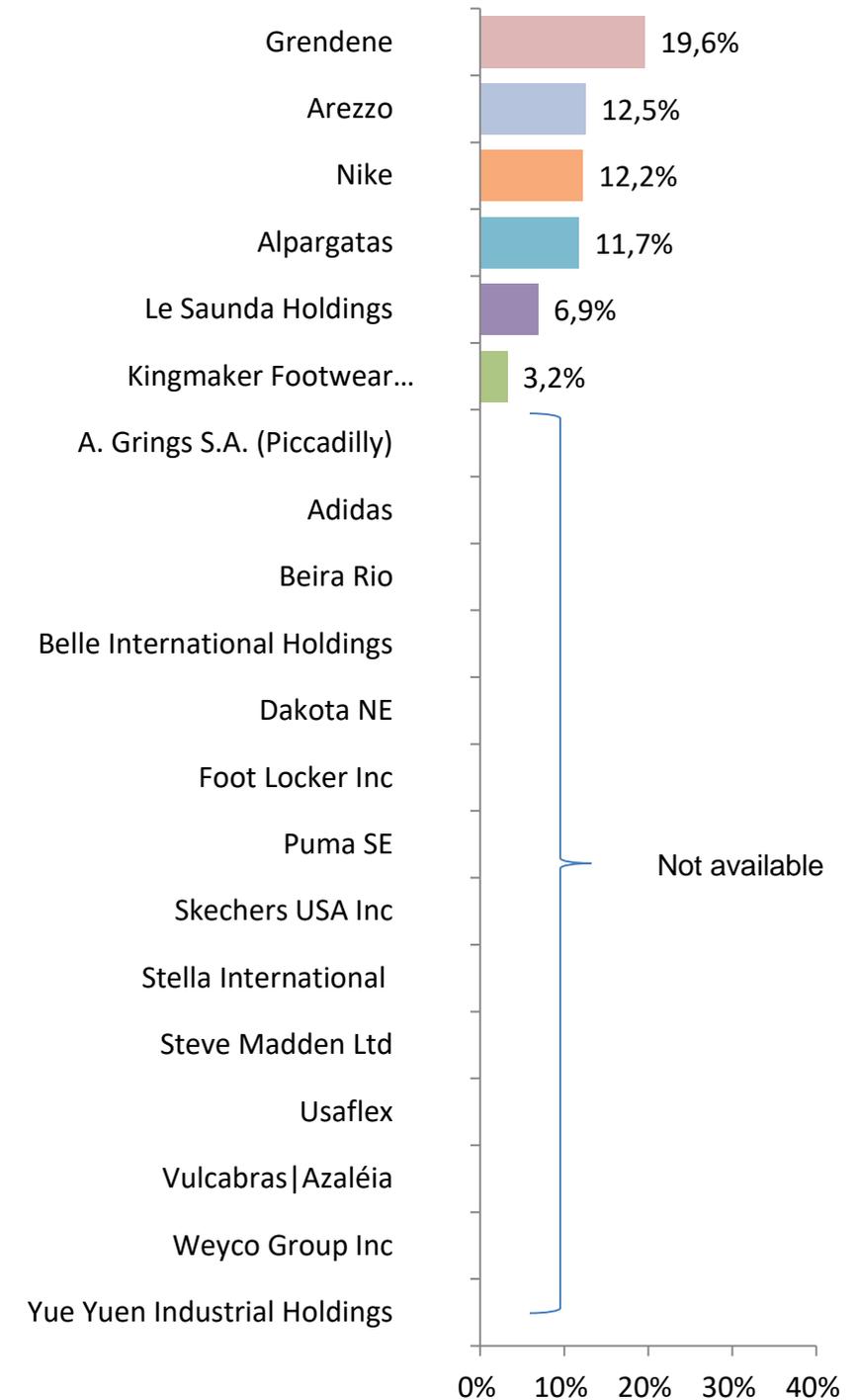
EBIT margin - 2016



EBIT margin - 2017

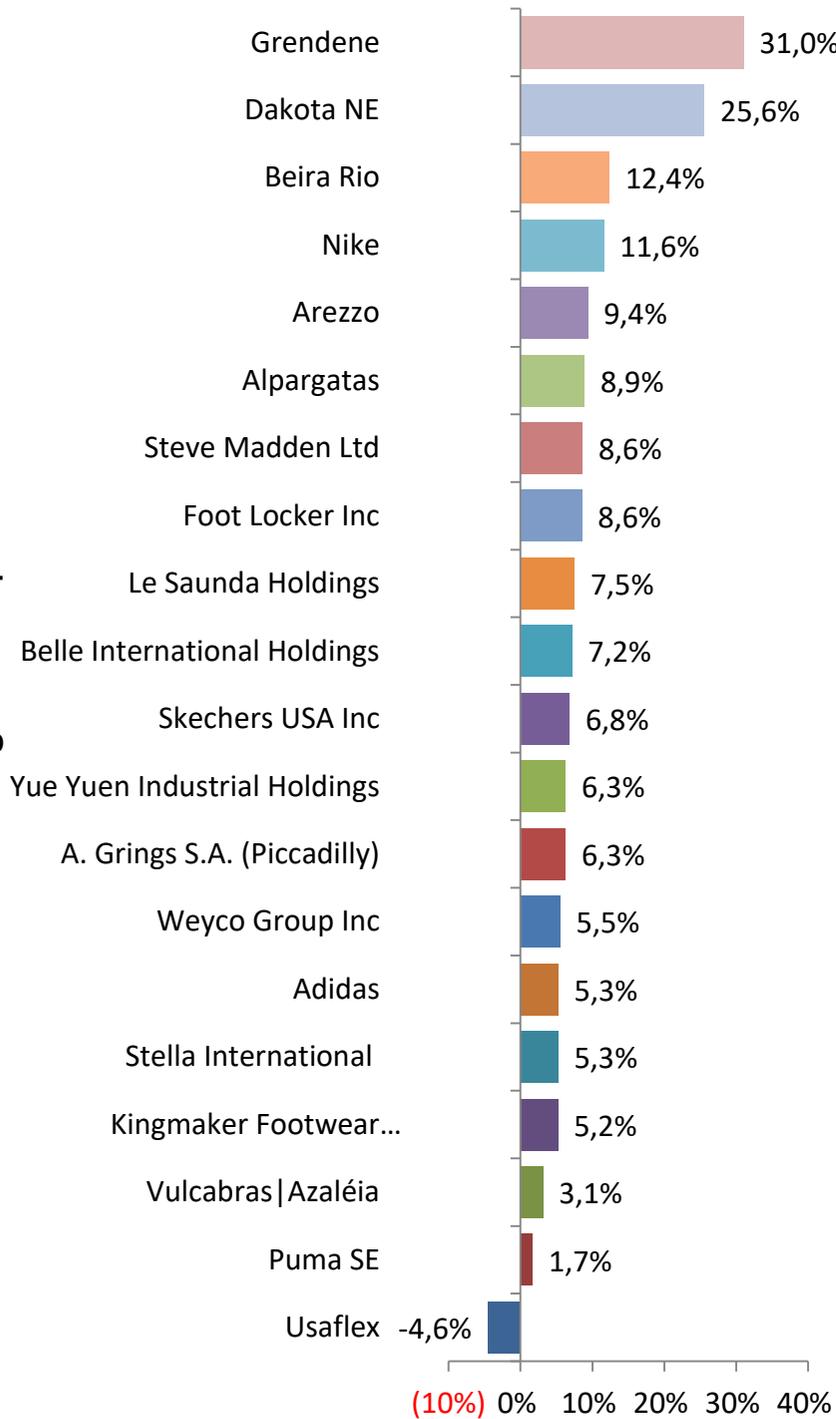


EBIT margin - 2018

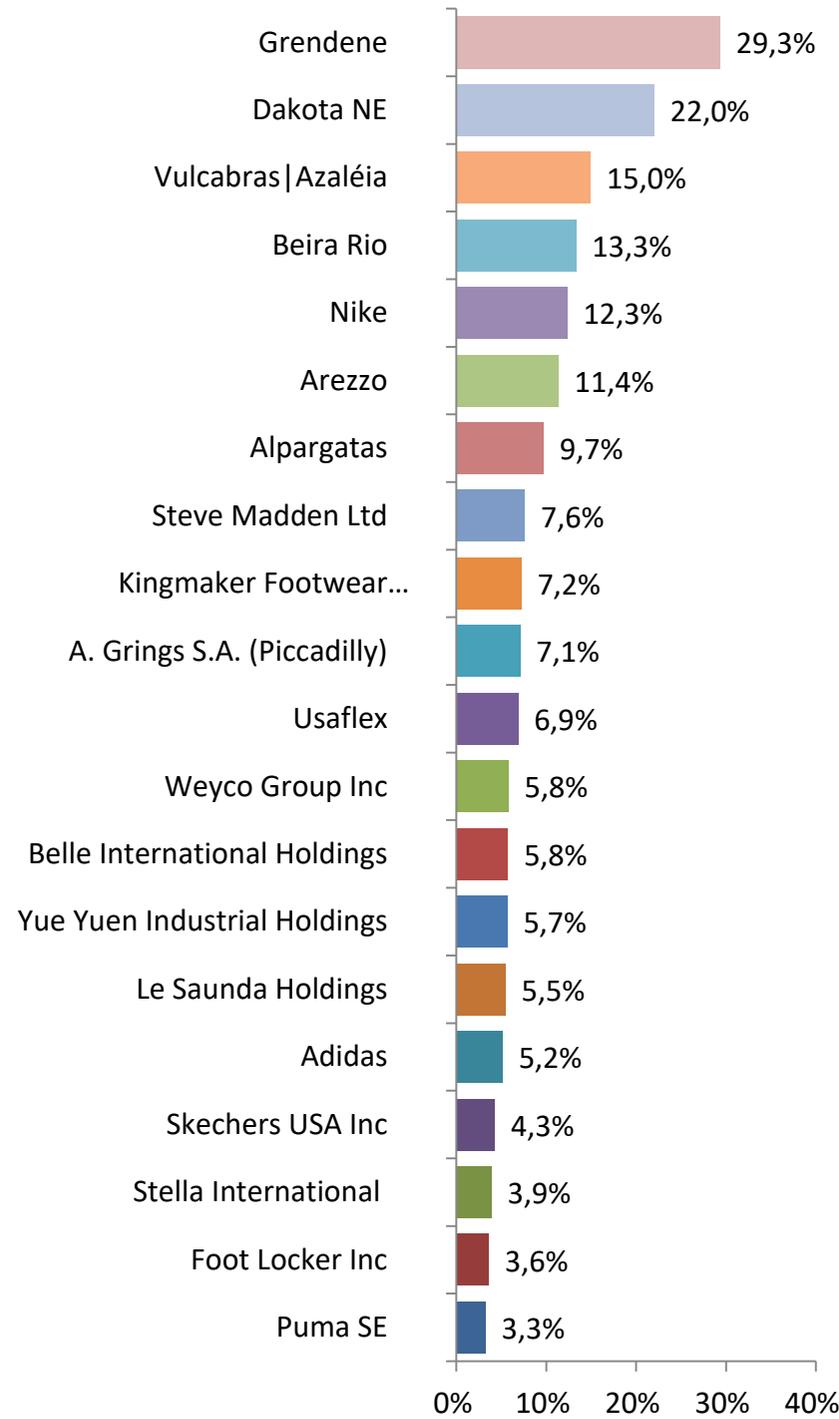


Profitability – Net margin

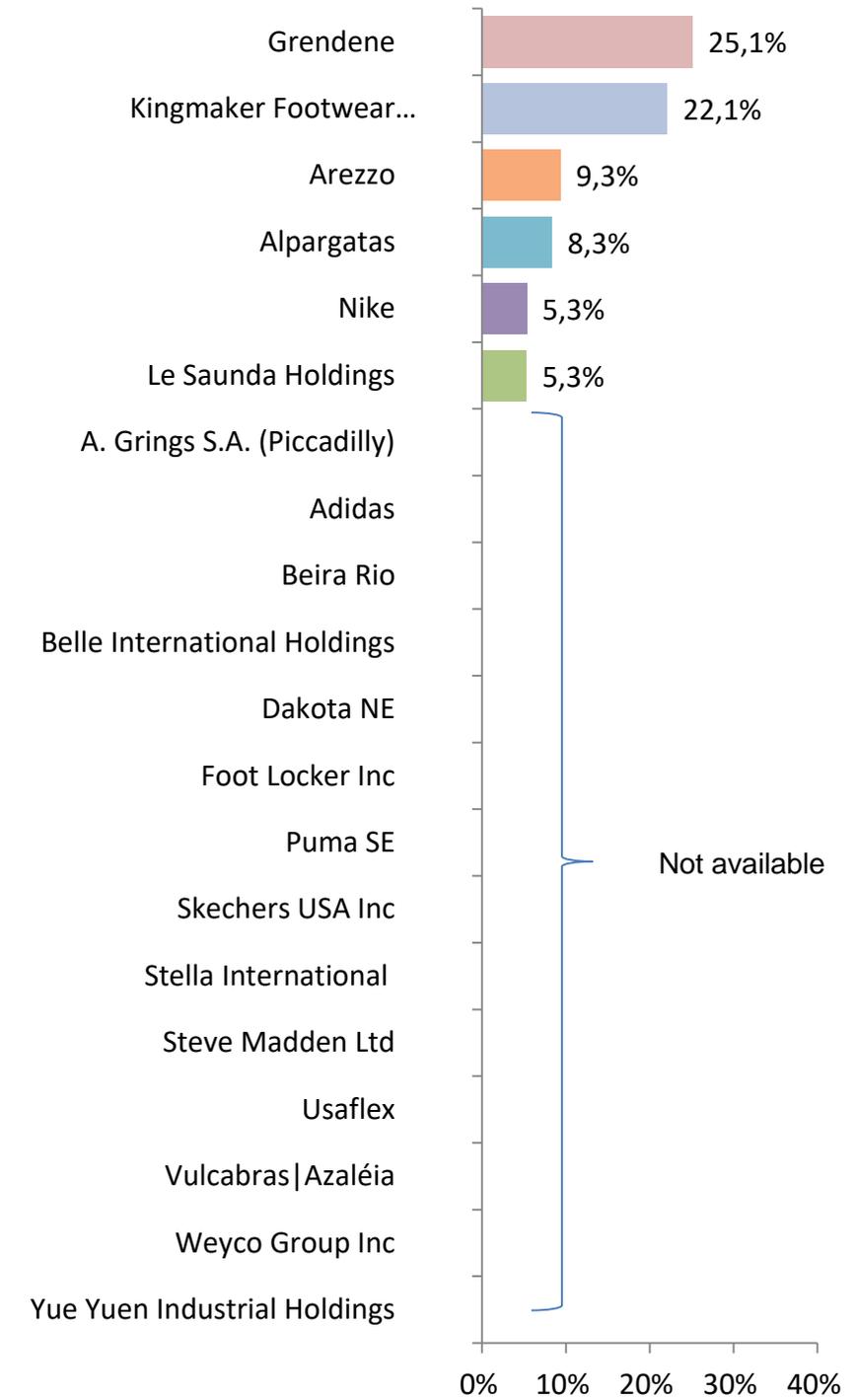
Net margin - 2016



Net margin - 2017



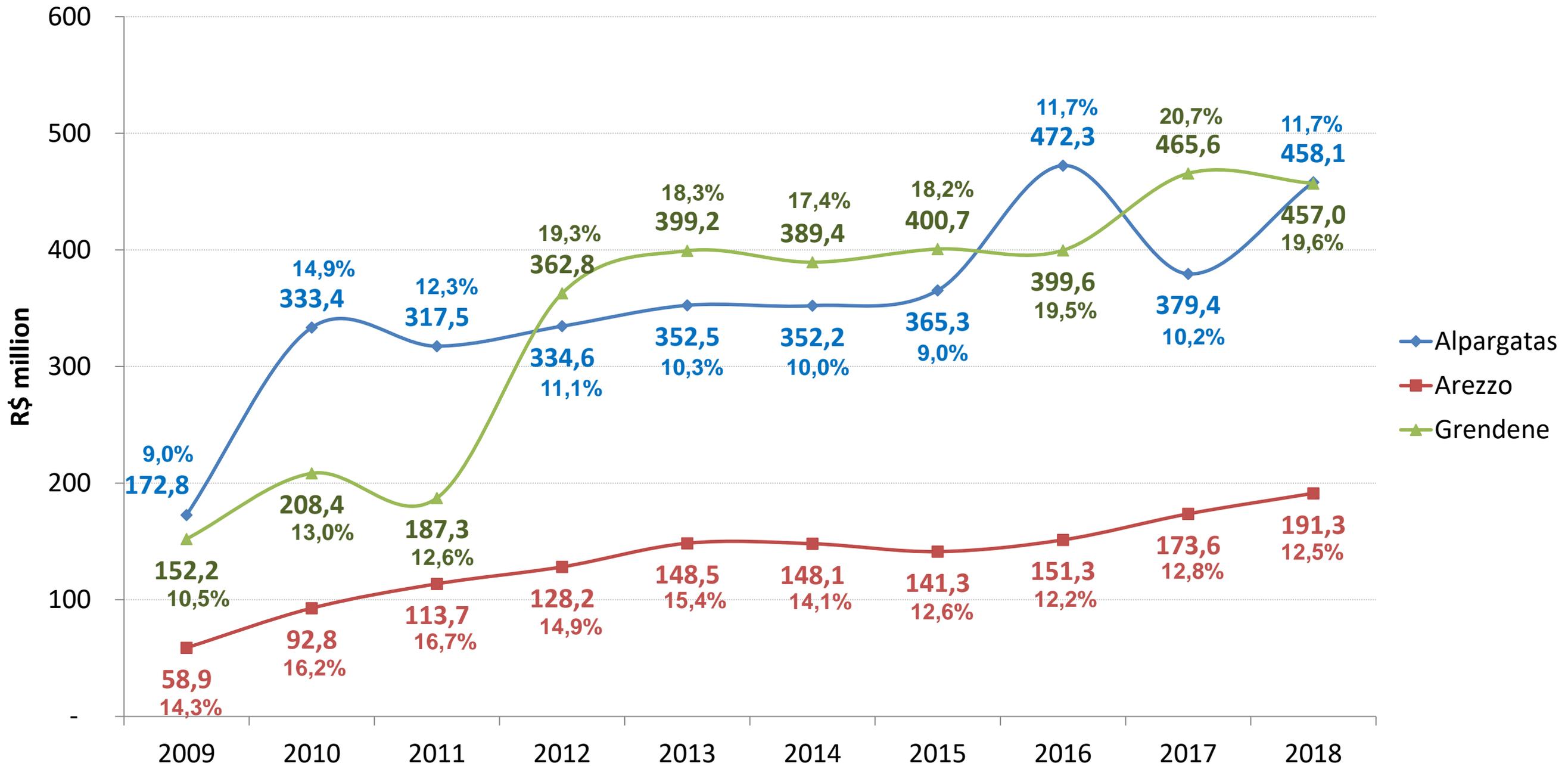
Net margin - 2018



Source: Grendene / Bloomberg / Companies Financial Statements.

EBIT and EBIT margin

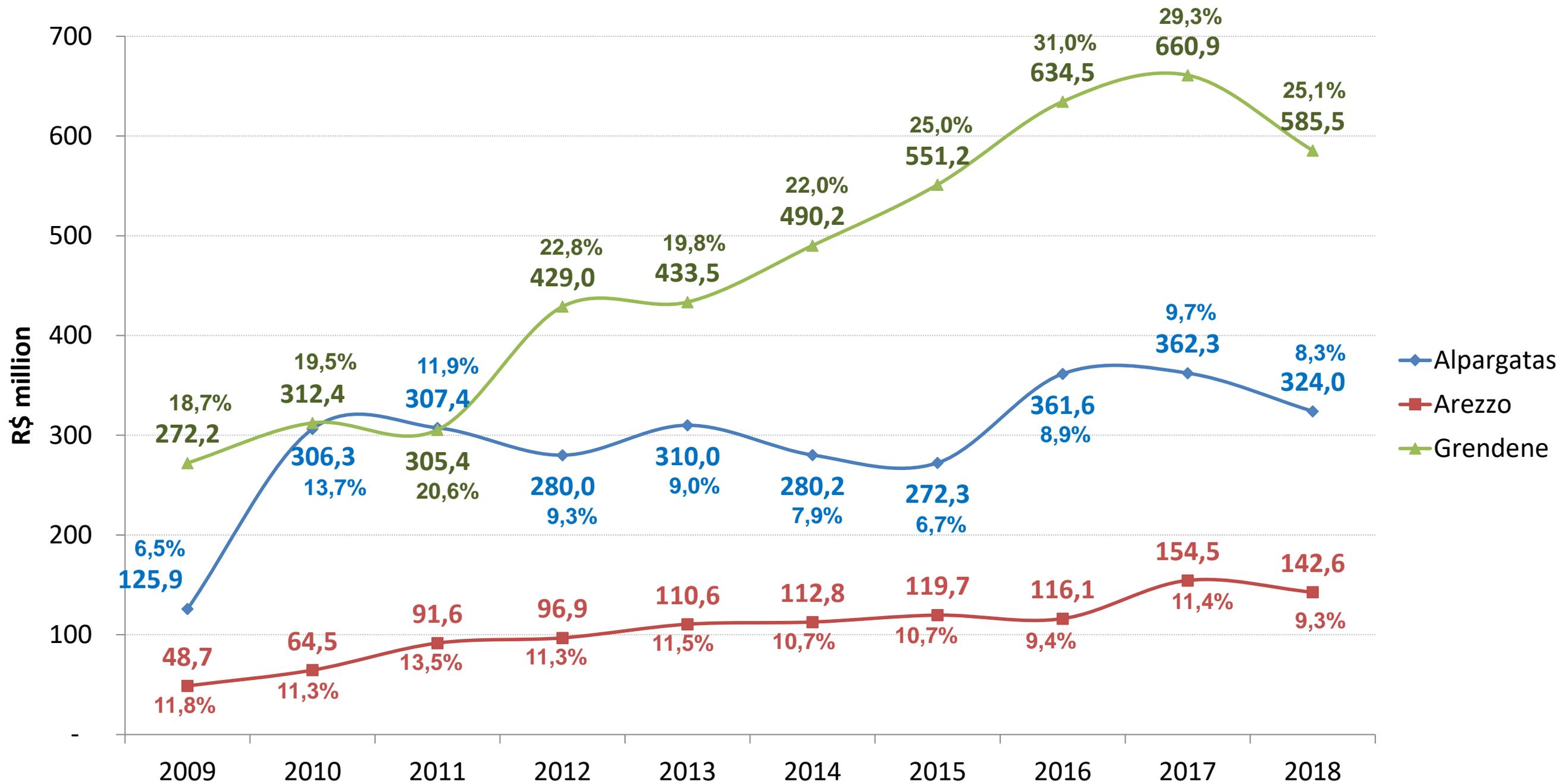
- Main companies in Brazil



Source: Grendene / Bloomberg

Net profit and Net margin

- Main companies in Brazil



Source: Grendene / Bloomberg

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

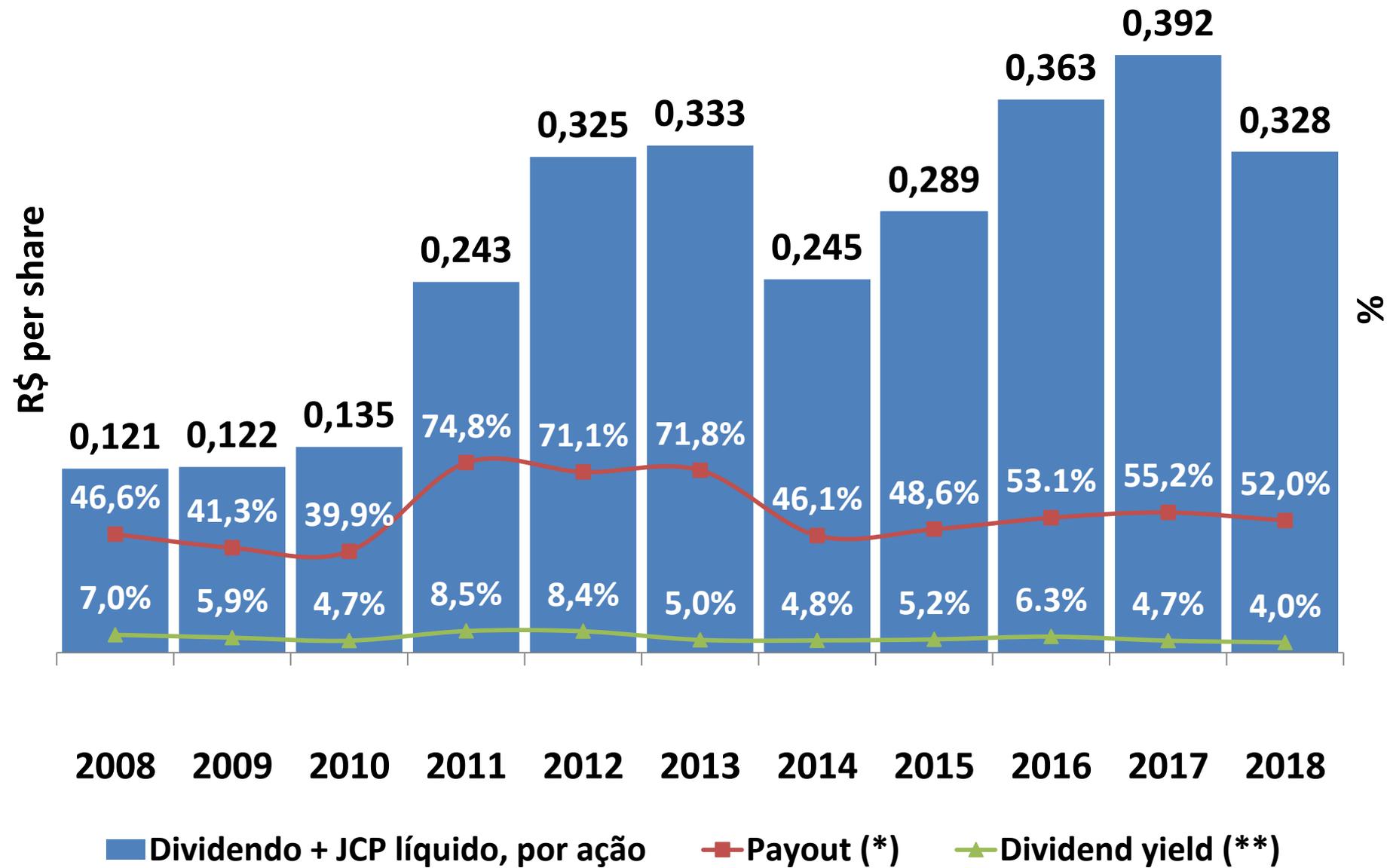
Year (all amounts in Thousand of R\$)	Opening equity ¹	Profit	Dividend	Reinvestment	Return on equity	Closing equity ¹
2004	692,726	204,865	64,152	140,713	29.6%	733,566
2005	733,566	200,116	81,181	118,935	27.3%	847,373
2006	847,373	257,343	128,261	129,082	30.4%	998,510
2007	998,510	260,508	119,724	140,784	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
2018	3,087,479	585,530	315,076	270,454	19.0%	3,341,108
Accumulated		5,837,216	3,088,113	2,749,103	1,874.8%	

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

**Equity average
return = 23.7% p.a.**

Dividend Policy

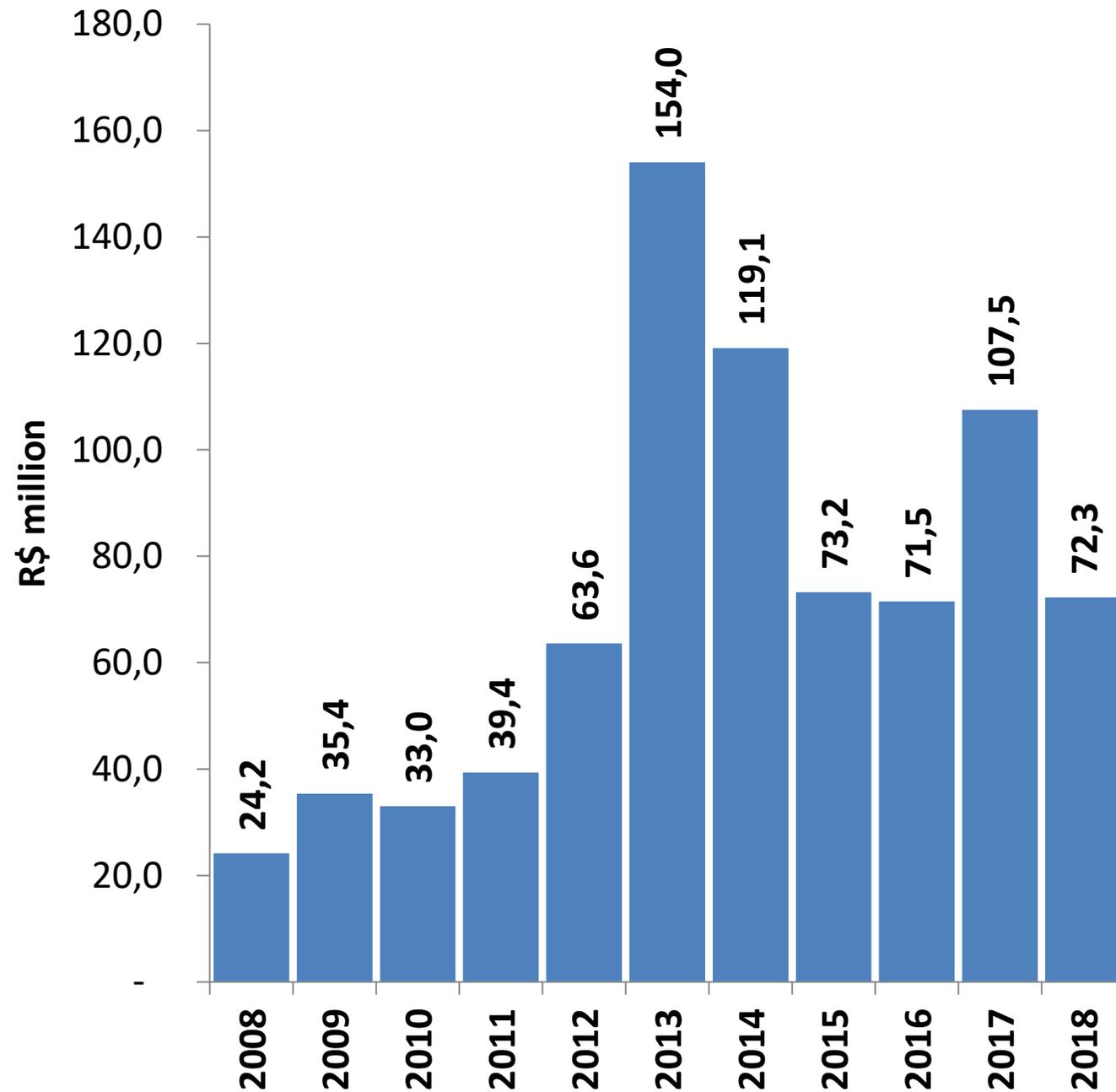
The Company's dividend policy is to distribute, as dividends – after constitution of the Legal Reserve, and the Reserve under the Bylaws – that part of Profit that does not arise from state tax incentives.



(*) 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.

Capex (in fixed and intangible assets)



Modernization of the plant and better efficiency of production



melissa

Footwear sector- Brazil

Million pairs	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Production	790	769	835	838	997	1.036	998	944*	868*	845*	826*
Imports	39	30	29	34	36	39	37	33	23	24	27
Exports	166	127	143	113	113	123	130	124	126	127	113
Apparent consumption	663	672	721	759	920	952	905	853*	765*	742*	740*
Per capita consumption (pairs)	3.5	3.5	3.7	3.8	4.6	4.7	4.5	4.2*	3.7*	3.6*	3,5*

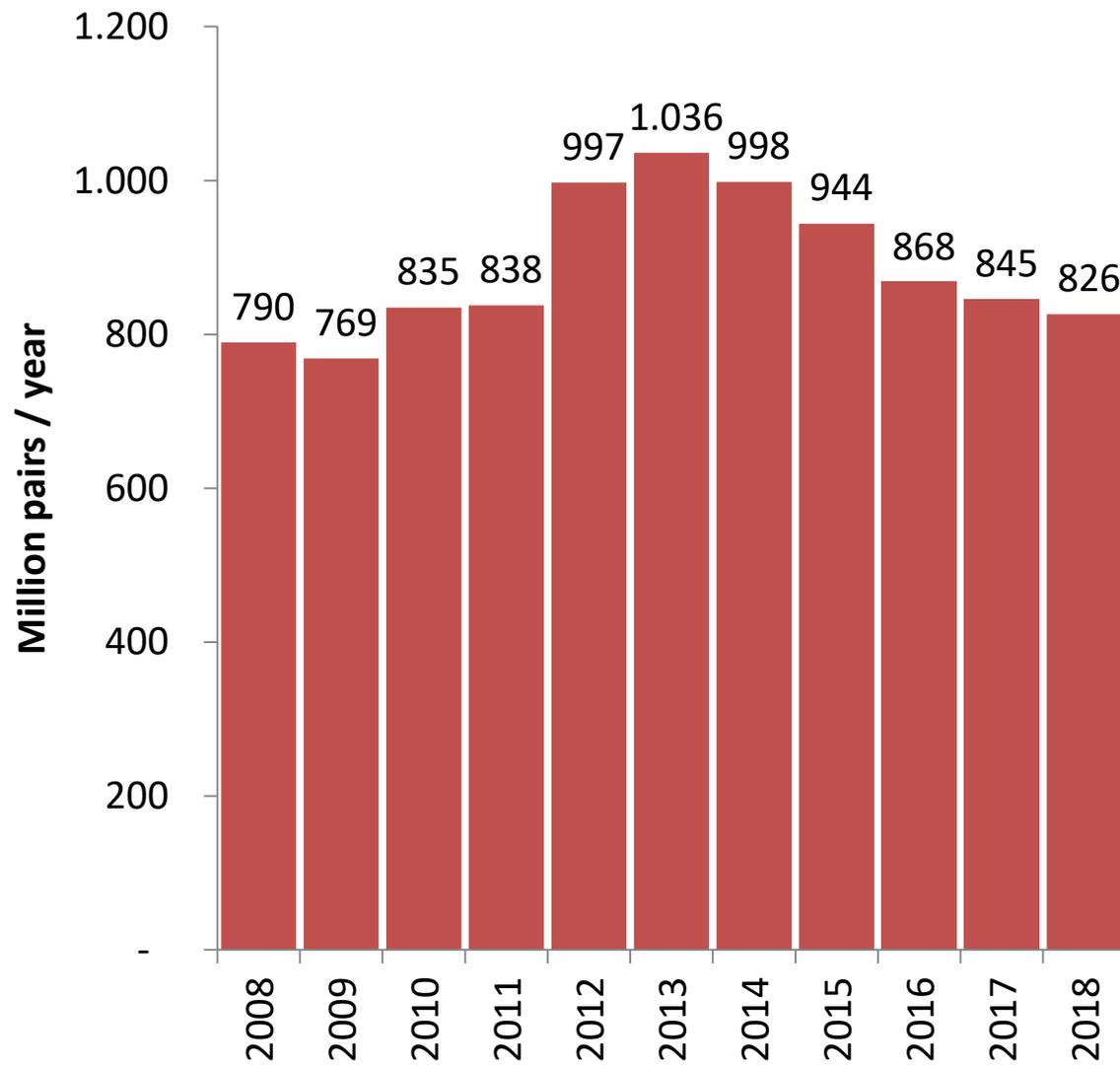
Source: IBGE / SECEX / ABICALÇADOS / (*) Numbers estimated by Grendene



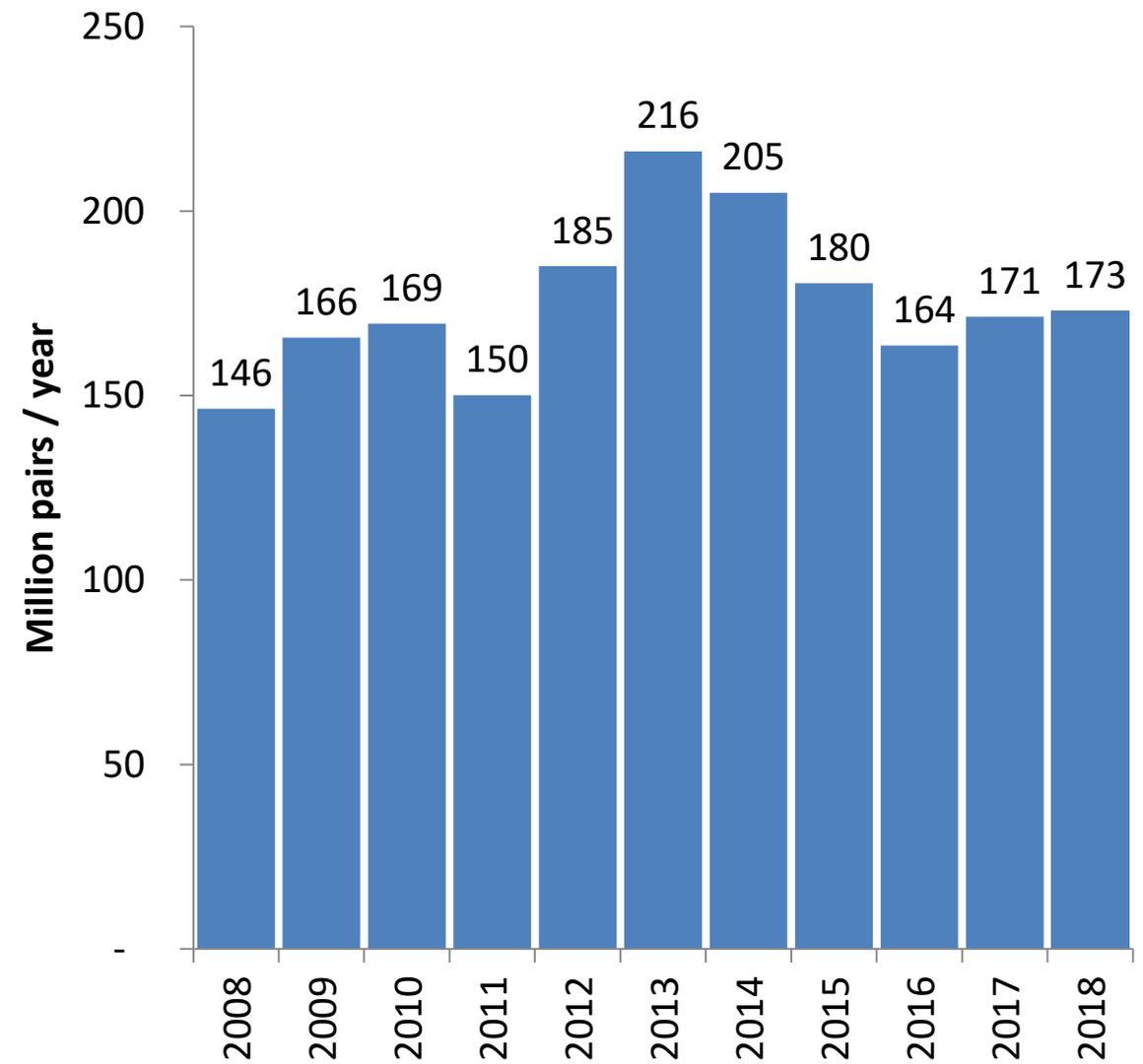
Brazilian Footwear sector x Grendene



Brazilian production
CAGR (2018/2008): 0.5%
Change (2018/2017): (2.2%)



Grendene
CAGR (2018/2008): 1.7%
Change (2018/2017): 1.0%

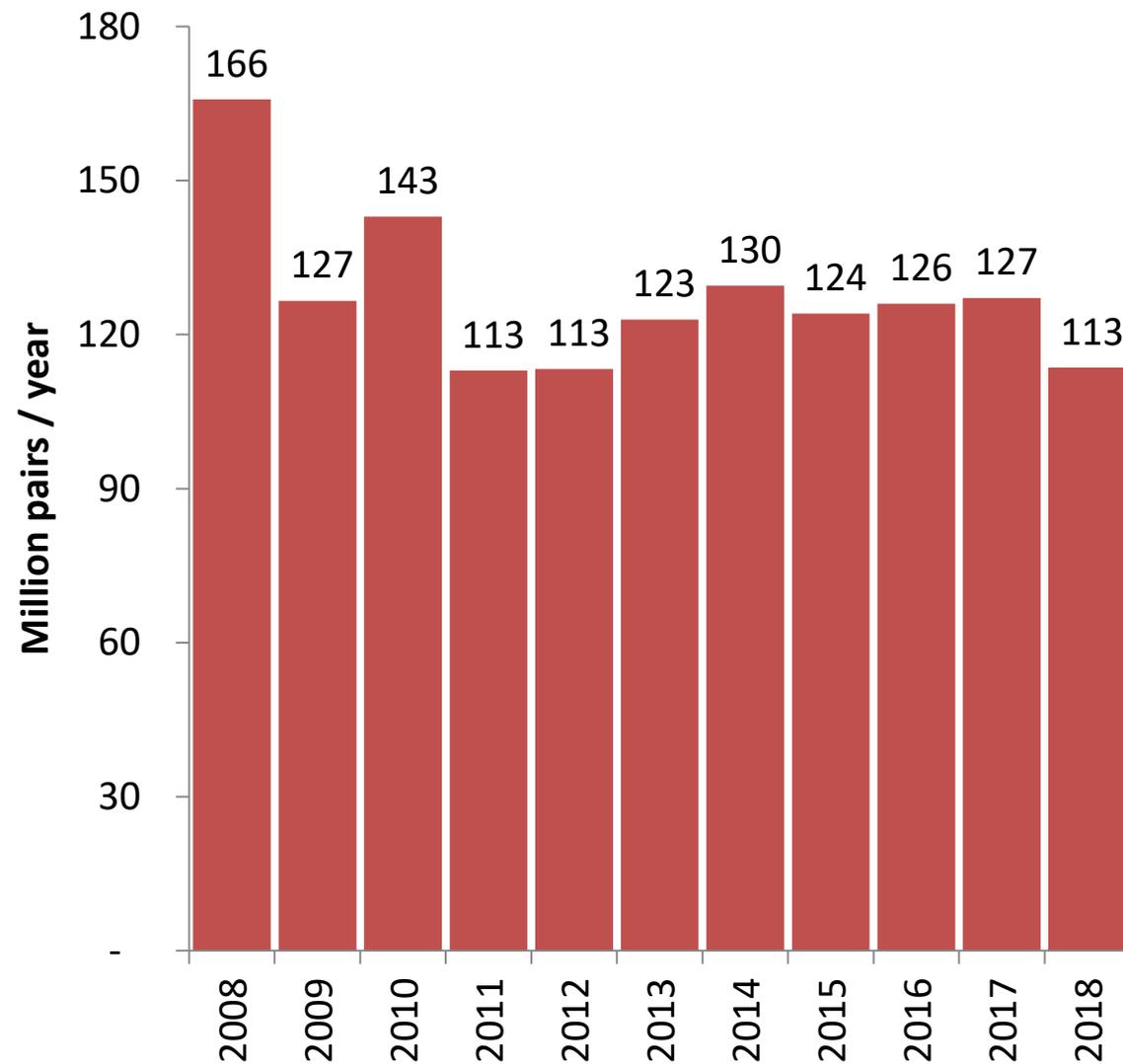


Source: IEMI / Abicalçados / Grendene

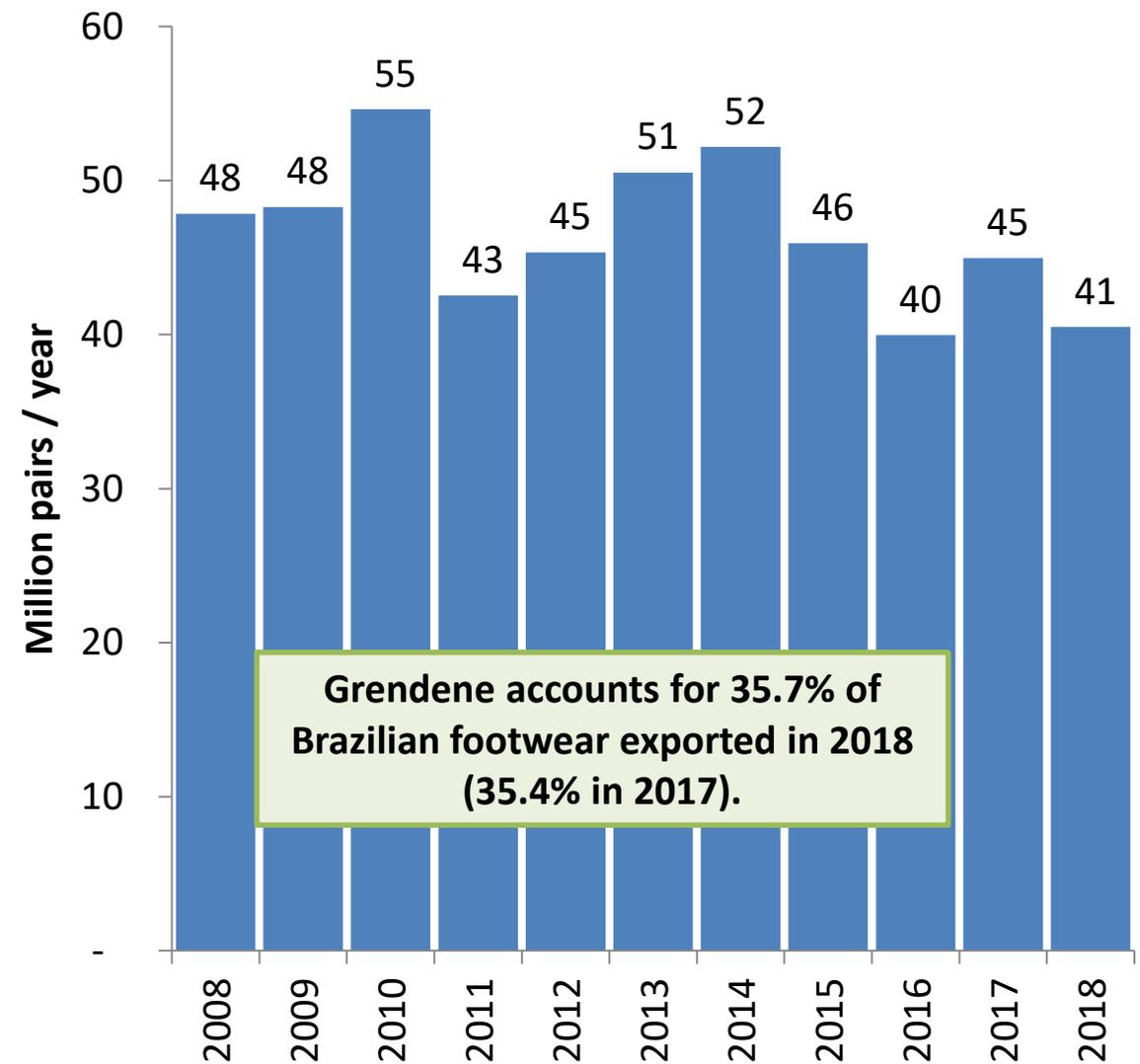
Export: Brazil vs. Grendene



Brazilian exports
CAGR (2018/2008): (3.7%)
Change (2018/2017): (10.8%)



Grendene
CAGR (2017/2008): (1.7%)
Change (2018/2017): (9.9%)



Grendene accounts for 35.7% of Brazilian footwear exported in 2018 (35.4% in 2017).

Source: MDIC / Decex / Abicalçados / 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.



melissa®

GRENDA

+ rider



Ivete Sangalo



Ludmilla + Duda
Beat + Hiran

ZAXY



Luísa Sonza

Ipanema

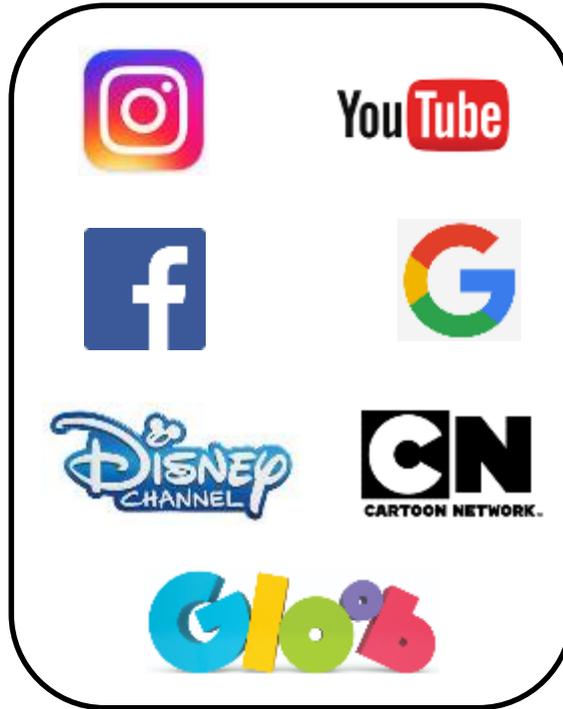


Marketing



Mídia TV/ Digital/ Redes Sociais

**MINNIE
MOUSE**



Grendene® kids
O melhor da infância

**LOL
SURPRISE!**

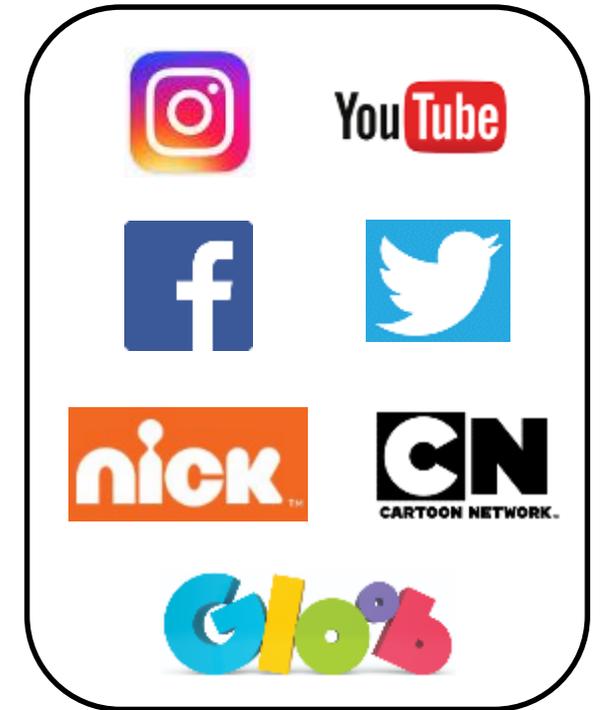


**JUSTICE
LEAGUE**



Marketing

Mídia TV/ Digital/ Redes Sociais



Marketing

Grendene®



melissa®



Galeria Melissa São Paulo



Galeria Melissa New York



Showroom in Milan

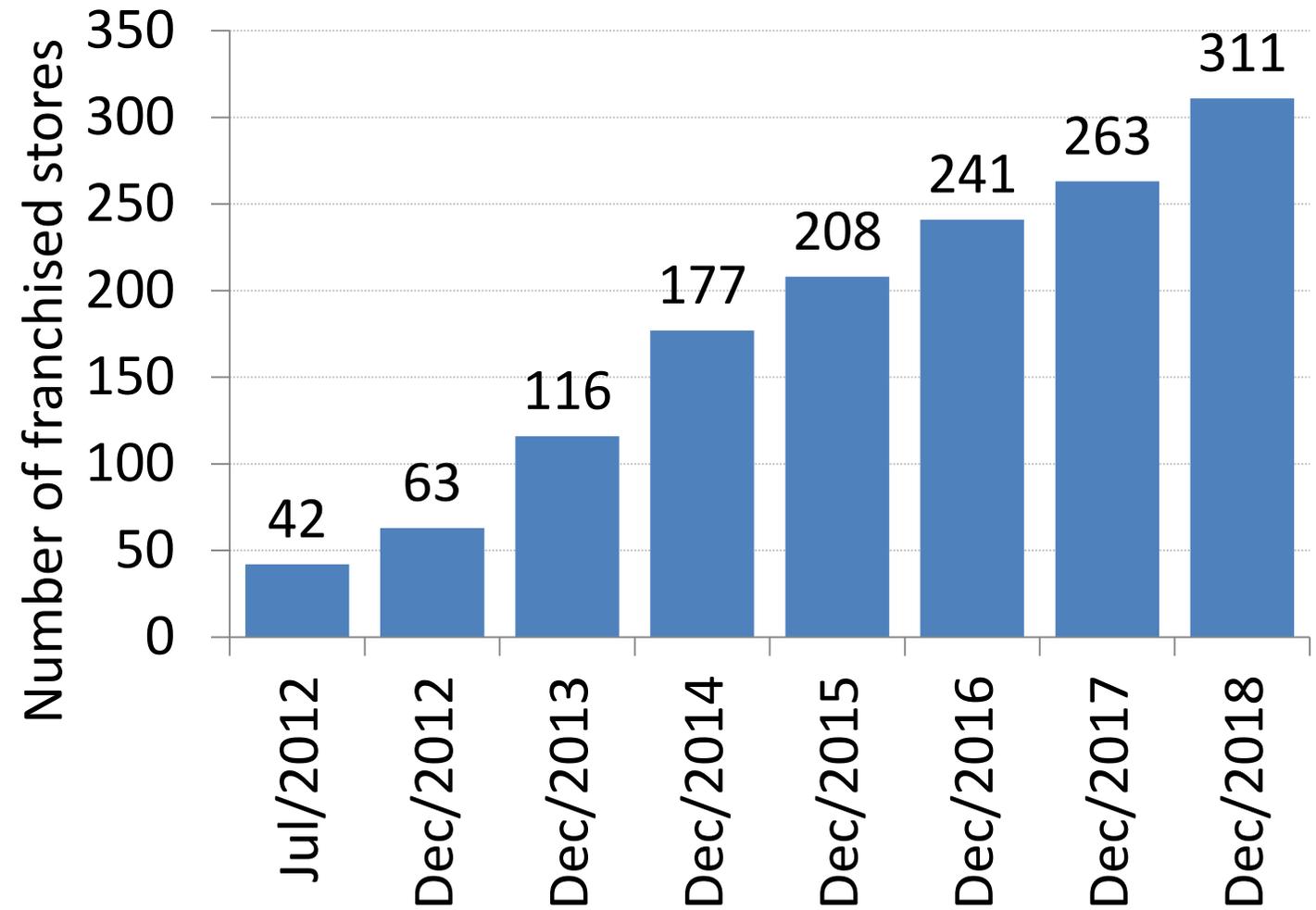


Galeria Melissa London

Galeria Melissa



Evolution – Clube Melissa



Club Melissa follows growth trajectory and good performance

Sales Channels



Strong
relationship with
trade



¿CUÁL ES TU PRÓXIMO PASO?

rider

rider

rider

rider

The advertisement features a central image of a person's legs on a skateboard, wearing black rider sandals with a green logo. The text '¿CUÁL ES TU PRÓXIMO PASO?' is overlaid on the right side. Four inset photos show lifestyle scenes: a woman sitting on a ledge, two men by a fence, a close-up of a skateboard wheel, and a chain-link fence. The rider logo is also present at the bottom right.

Highlights 2018 (YOY 2017)

Gross revenue	Domestic market: R\$ 2,168.0 million			2.9%
	Exports: R\$ 657.0 million			5.8%
	Exports: US\$ 179.8 million			(7.6%)
Net profit	R\$ 585.5 million			(11.4%)
EBIT	R\$ 457.0 million			(1.9%)
	Margin 19.6%			(1.1 p.p.)
Exchange	Positive impact: R\$ 83.1 million			
Volumes	Domestic Market: 132.5 million pairs			4.9%
	Exports: 40.5 million pairs			(9.9%)
Gross revenue per pair	Domestic market	R\$ 16.36		(1.9%)
	Exports	R\$ 16.22		17.5%
		US\$ 4.44		2.5%

Main indicators

(*) CAGR 10 years – 2008 – 2018

R\$ million	2013	2014	2015	2016	2017	2018	Change % 2018-17	CAGR*
Gross revenue	2,711	2,720	2,632	2,483	2,728	2,825	3.6%	6.0%
Domestic market	2,147	2,078	1,900	1,870	2,107	2,168	2.9%	5.9%
Exports	564	642	732	613	621	657	5.8%	6.3%
Net revenue	2,187	2,233	2,203	2,045	2,252	2,333	3.6%	6.4%
Costs of sales	(1,193)	(1,207)	(1,135)	(1,048)	(1,151)	(1,227)	6.6%	5.3%
Gross profit	994	1,026	1,068	997	1,101	1,106	0.5%	7.9%
EBIT	399	389	401	400	466	457	(1.9%)	10.7%
EBITDA	436	437	454	457	526	523	(0.7%)	10.6%
Net income	434	490	551	634	661	586	(11.4%)	9.4%

Margin %	2013	2014	2015	2016	2017	2018	Change 2018-18 (p.p.)	Change 2018-08 (p.p.)
Gross	45.4%	45.9%	48.5%	48.7%	48.9%	47.4%	(1.5 p.p.)	5.9 p.p.
EBIT	18.3%	17.4%	18.2%	19.5%	20.7%	19.6%	(1.1 p.p.)	6.3 p.p.
EBITDA	19.9%	19.6%	20.6%	22.4%	23.4%	22.4%	(1.0 p.p.)	7.1 p.p.
Net	19.8%	22.0%	25.0%	31.0%	29.3%	25.1%	(4.2 p.p.)	5.9 p.p.

Gross sales revenue– R\$ million



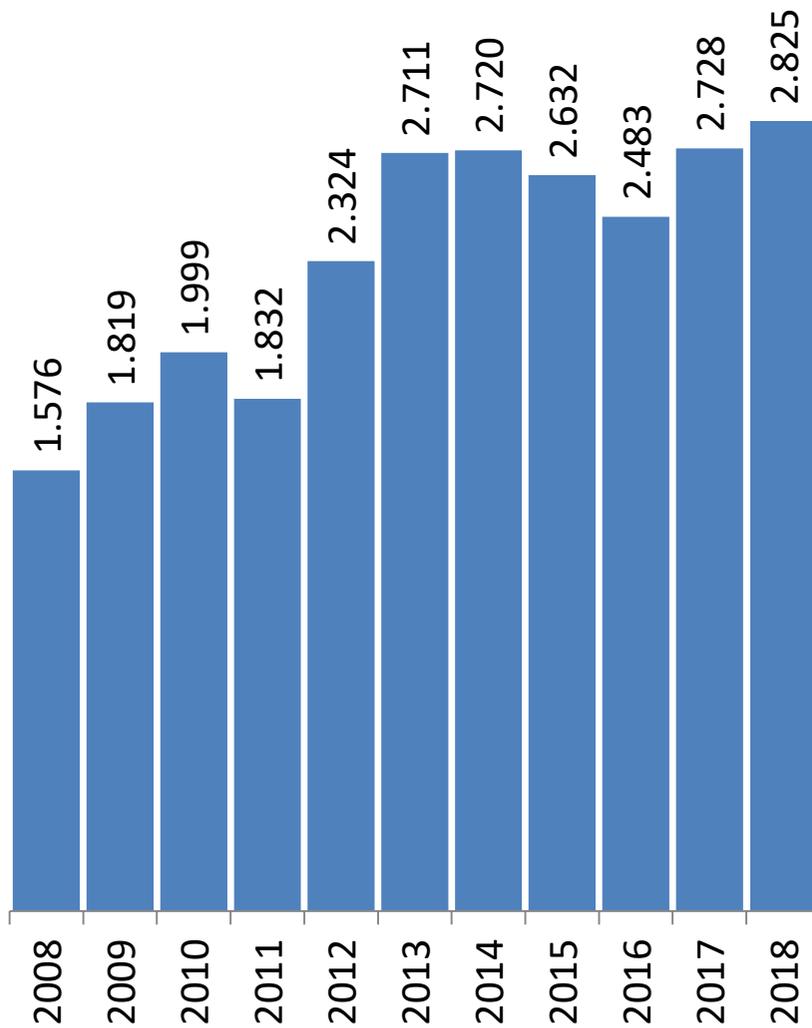
Note: CAGR 10 years

Gross sales revenue

Total

CAGR (18-08): 6.0%

Change % (18-17): 3.6%

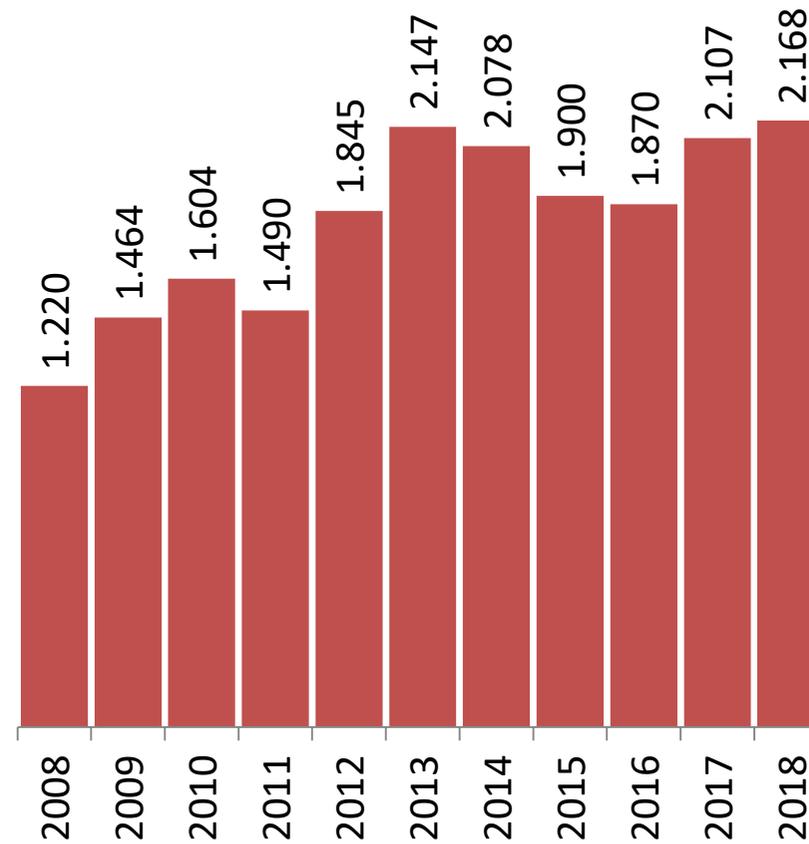


Gross sales revenue

Domestic market

CAGR (18-08): 5.9%

Change % (18-17): 2.9%

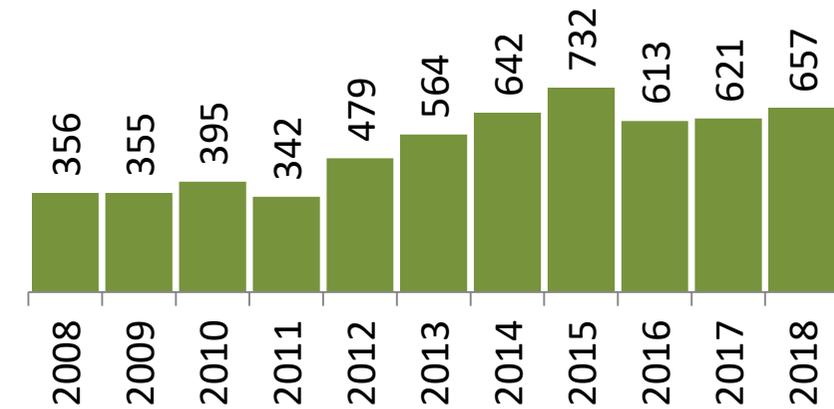


Gross sales revenue

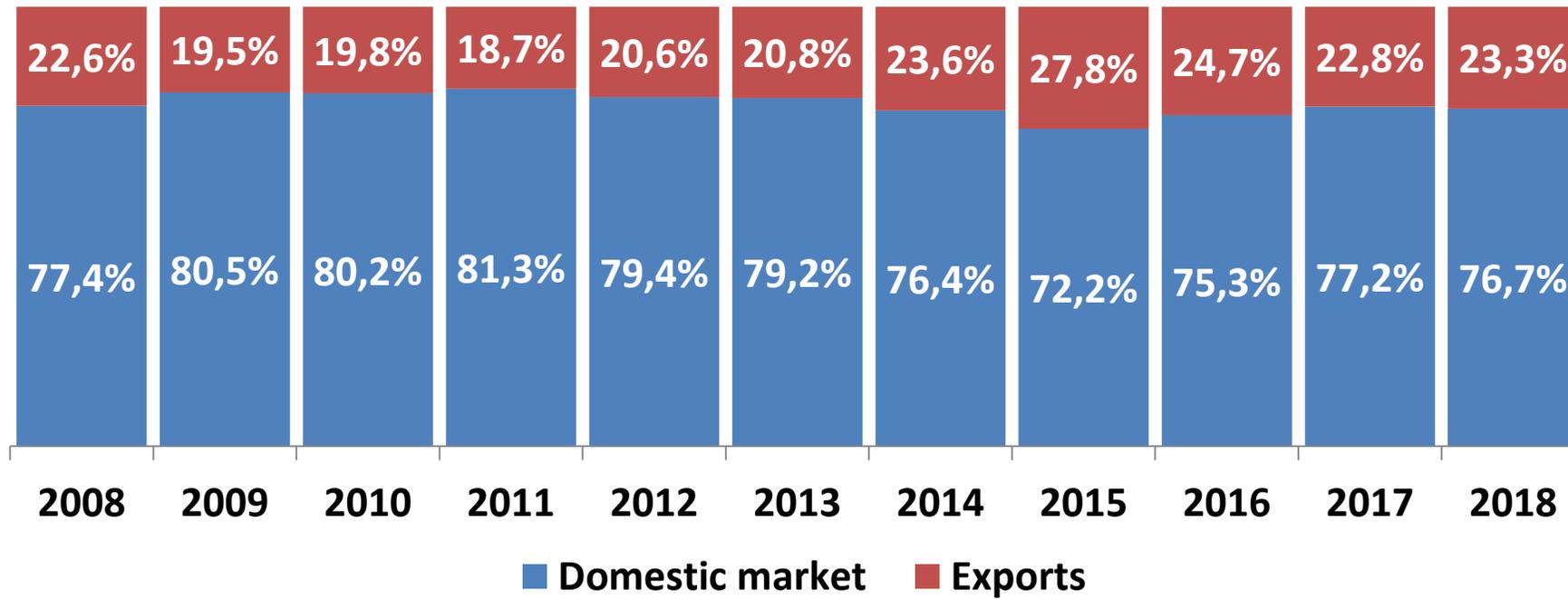
Exports

CAGR (18-08): 6.3%

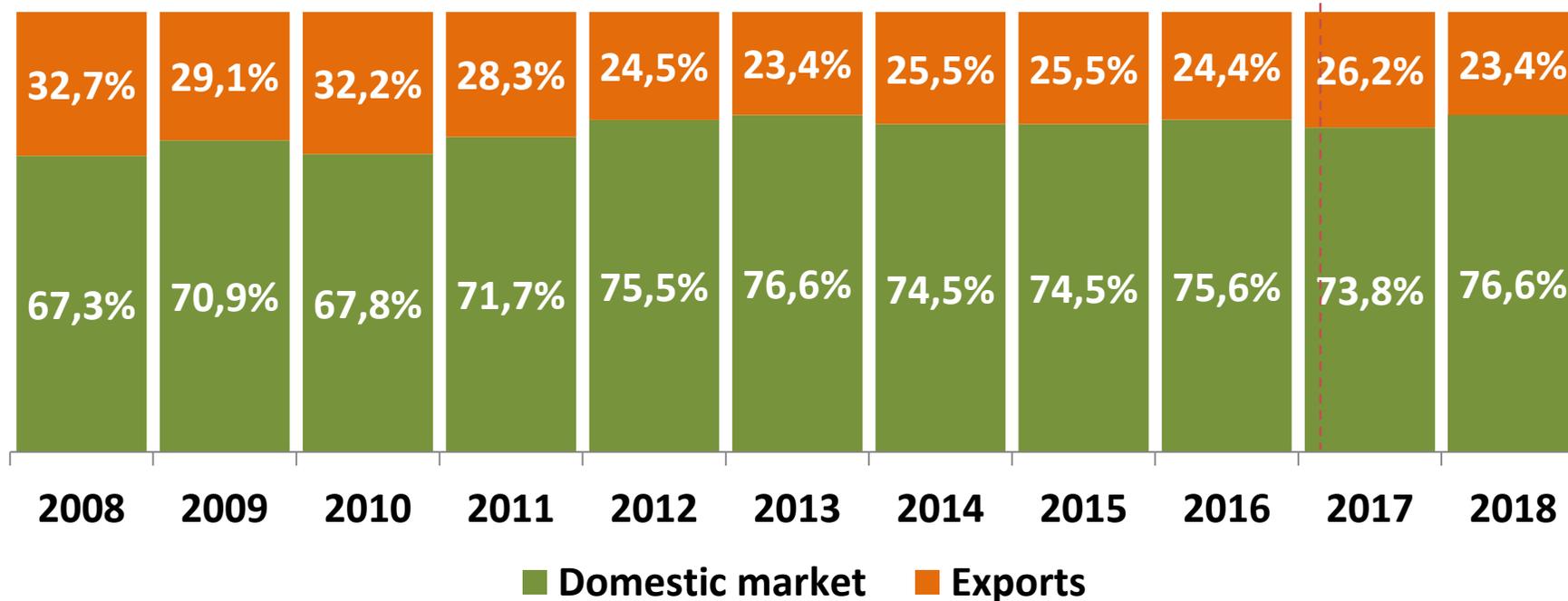
Change % (18-17): 5.8%



Gross sales revenue



Sales volume



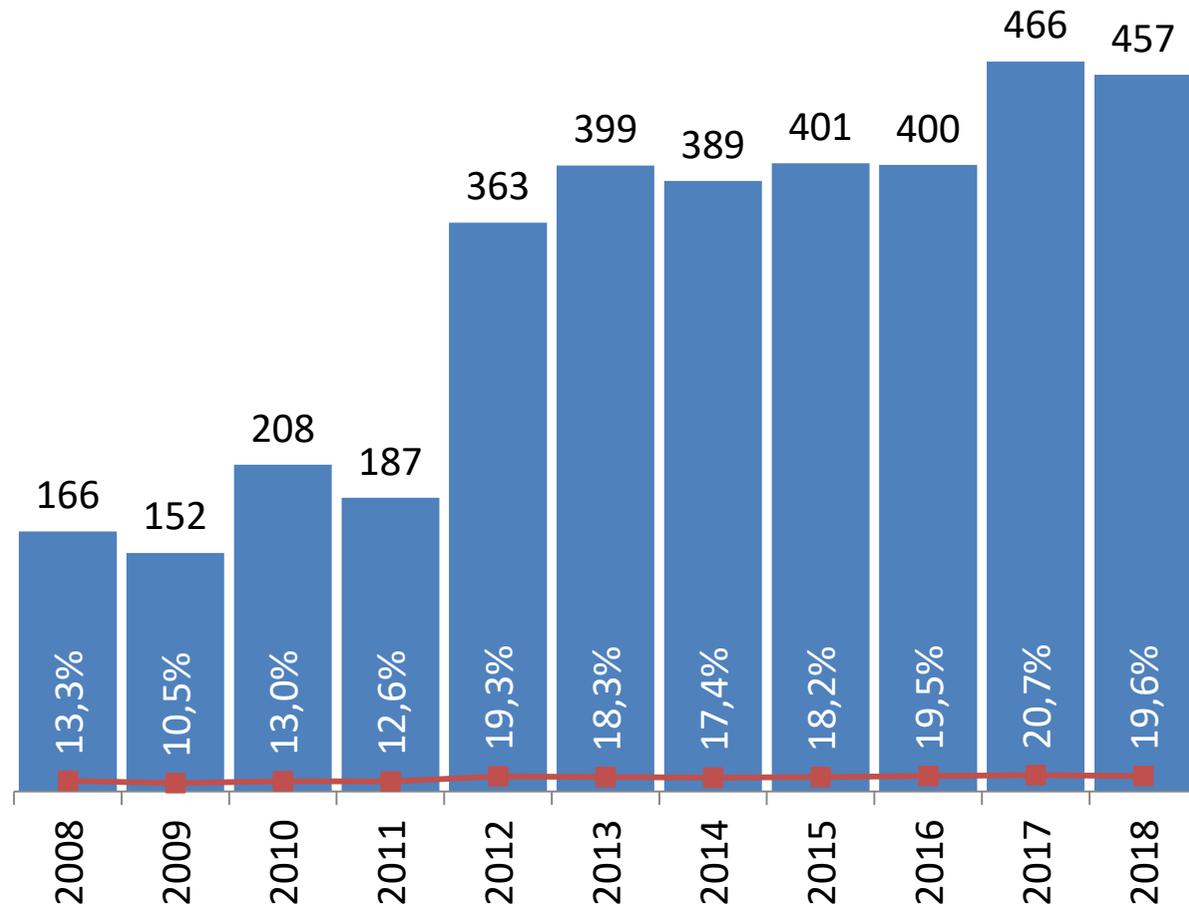
CARTAGO

EBIT/EBITDA – R\$ million

Note: CAGR 10 years

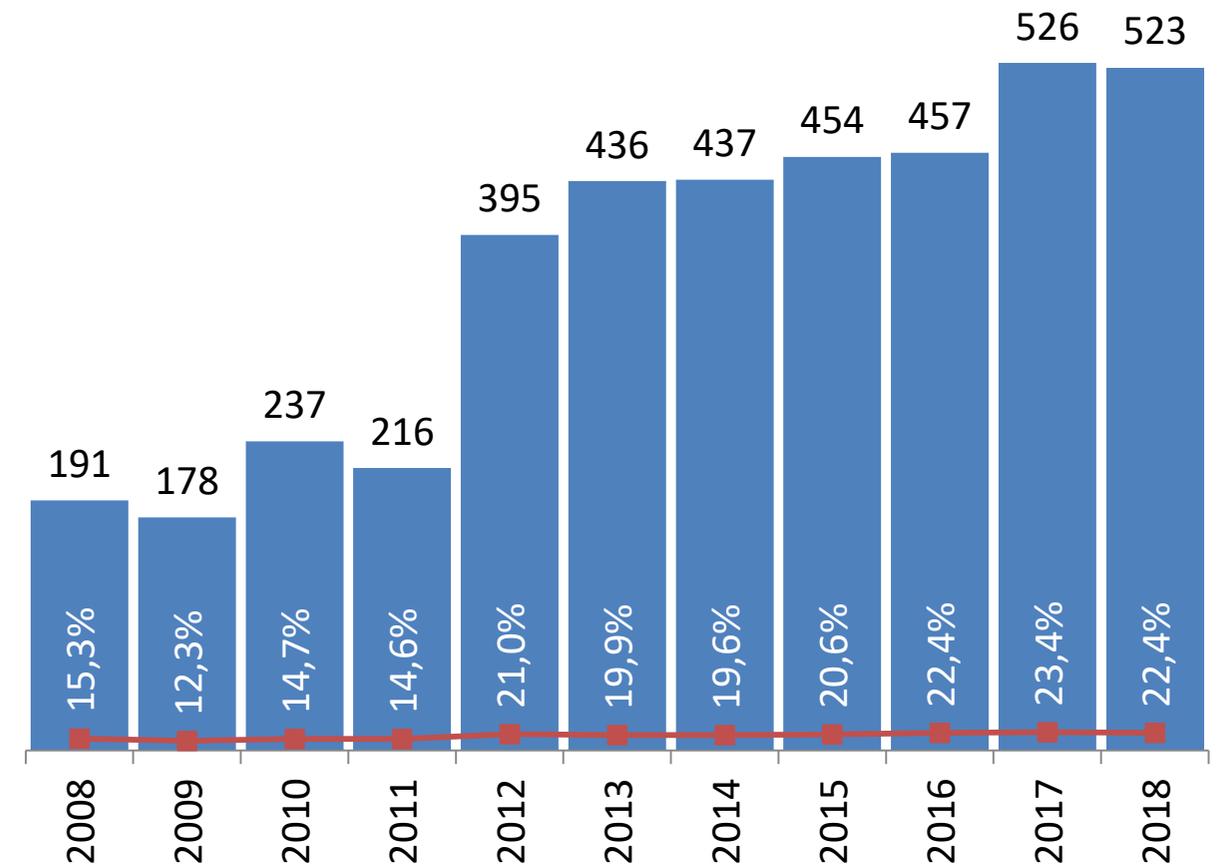
EBIT / EBIT margin
CAGR (18-08): 10.7%
Change % (18-17): (1.9%)

■ EBIT ■ EBIT margin



EBITDA / EBITDA margin
CAGR (18-08): 10.6%
Change % (18-17): (0.7%)

■ Ebitda ■ Ebitda margin



Improvement of internal processes to generate value.

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

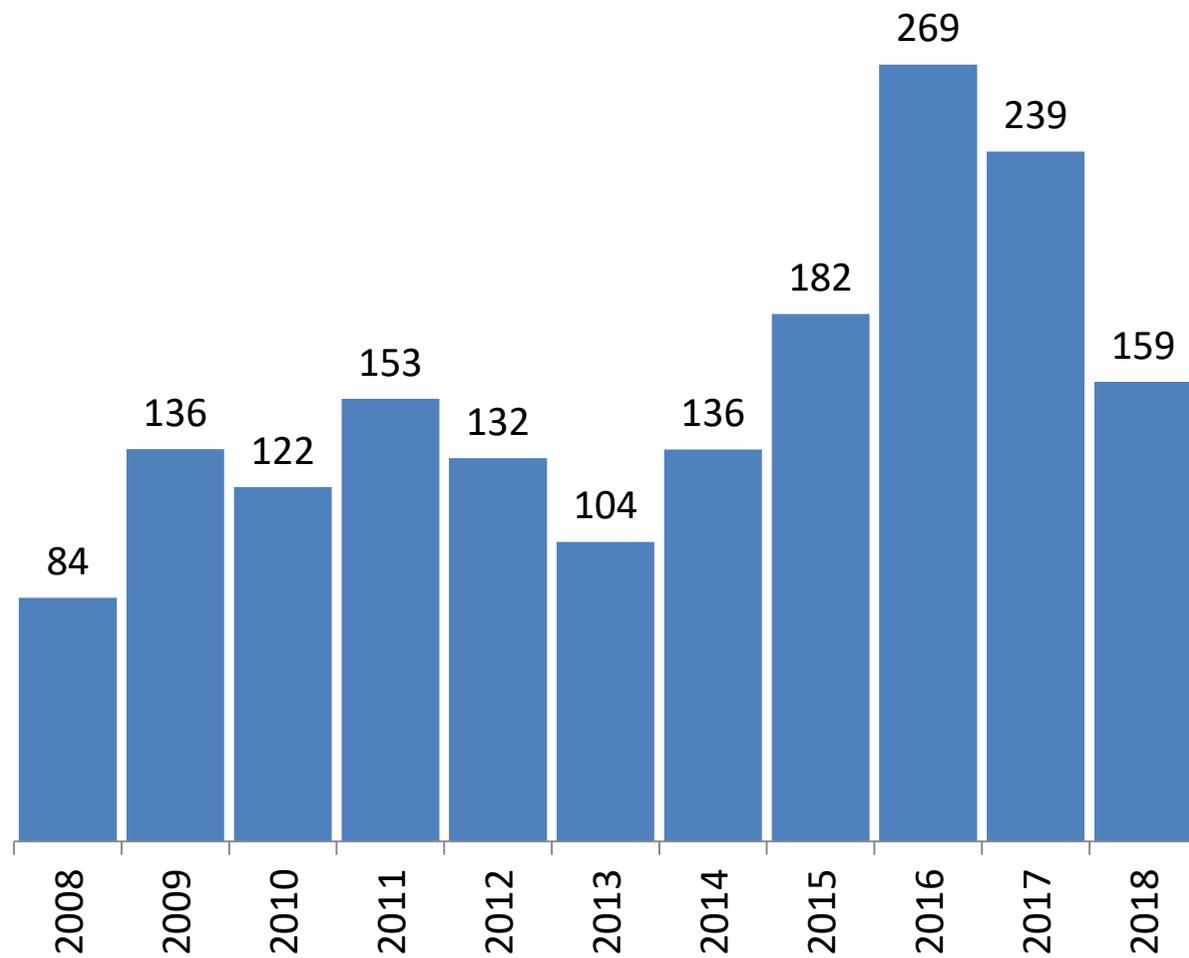


Note: CAGR 10 years

Net financial revenue (expenses)

CAGR (18-08): 6.6%

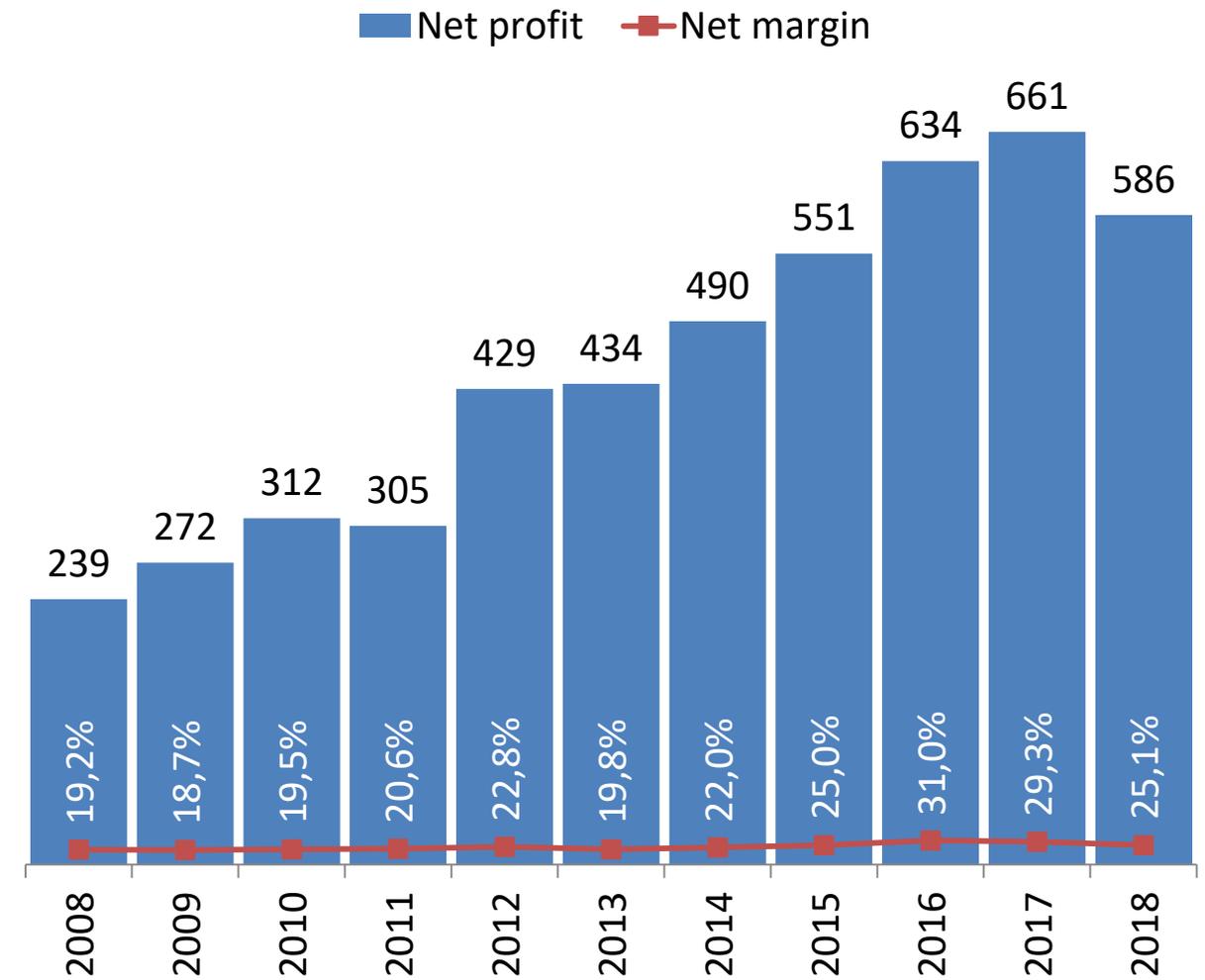
Change % (18-17): (33.4%)



Net profit

CAGR (18-08): 9.4%

Change % (18-17): (11.4%)



Production (million pairs)

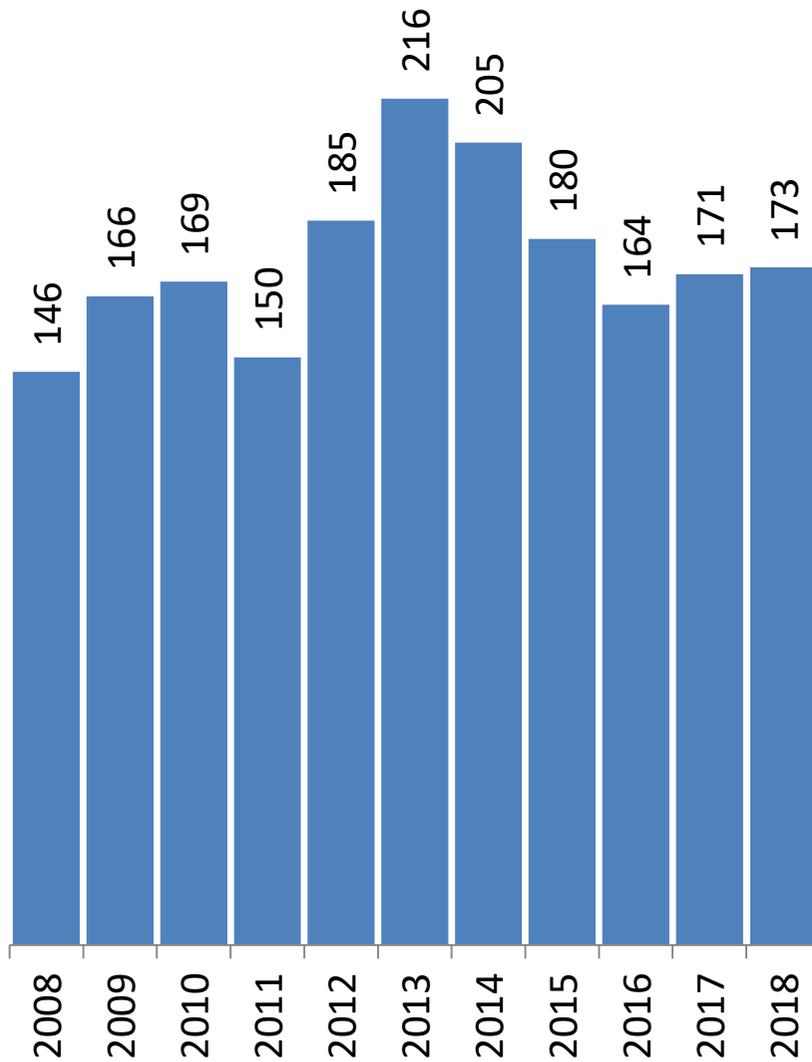
Note: CAGR 10 years

Sales volume

Total

CAGR (18-08): 1.7%

Change % (18-17): 1.0%

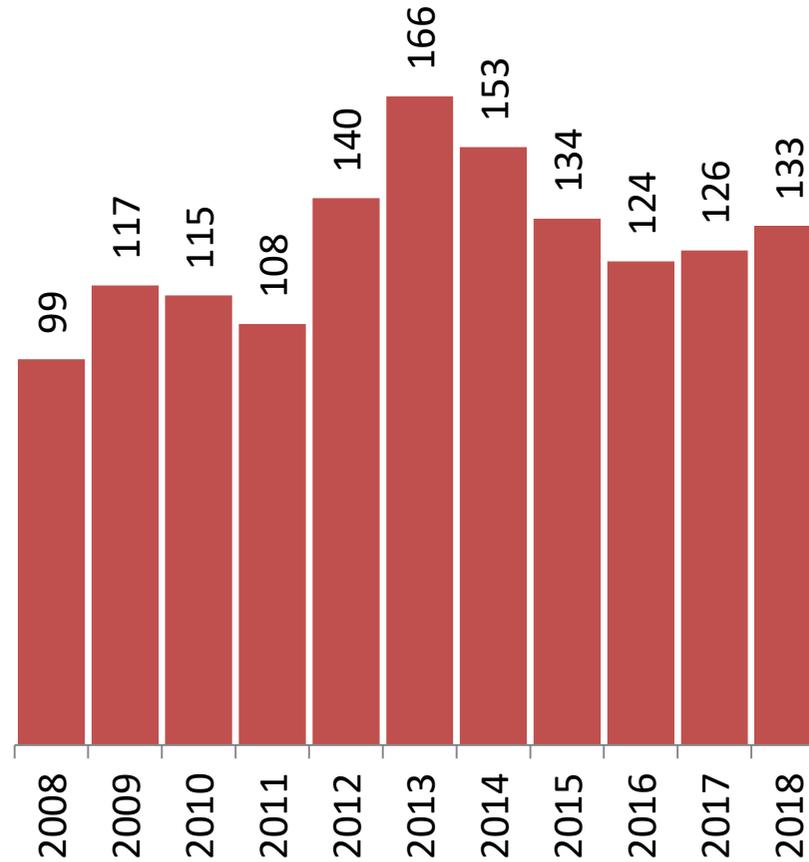


Sales volume

Domestic market

CAGR (18-08): 3.0%

Change % (18-17): 4.9%

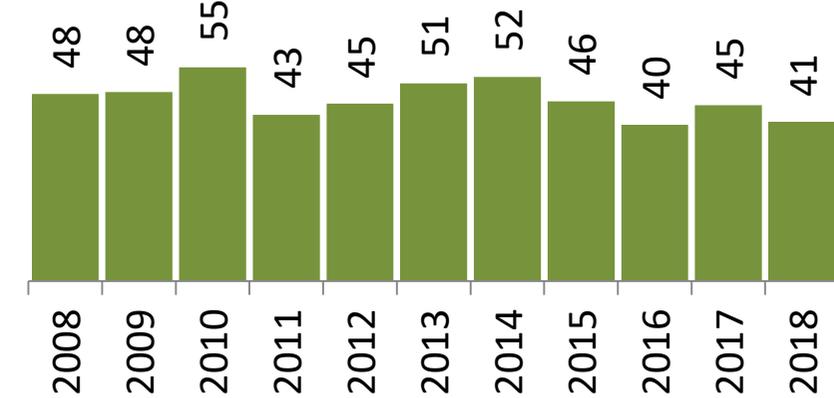


Sales volume

Exports

CAGR (18-08): (1.7%)

Change % (18-17): (9.9%)

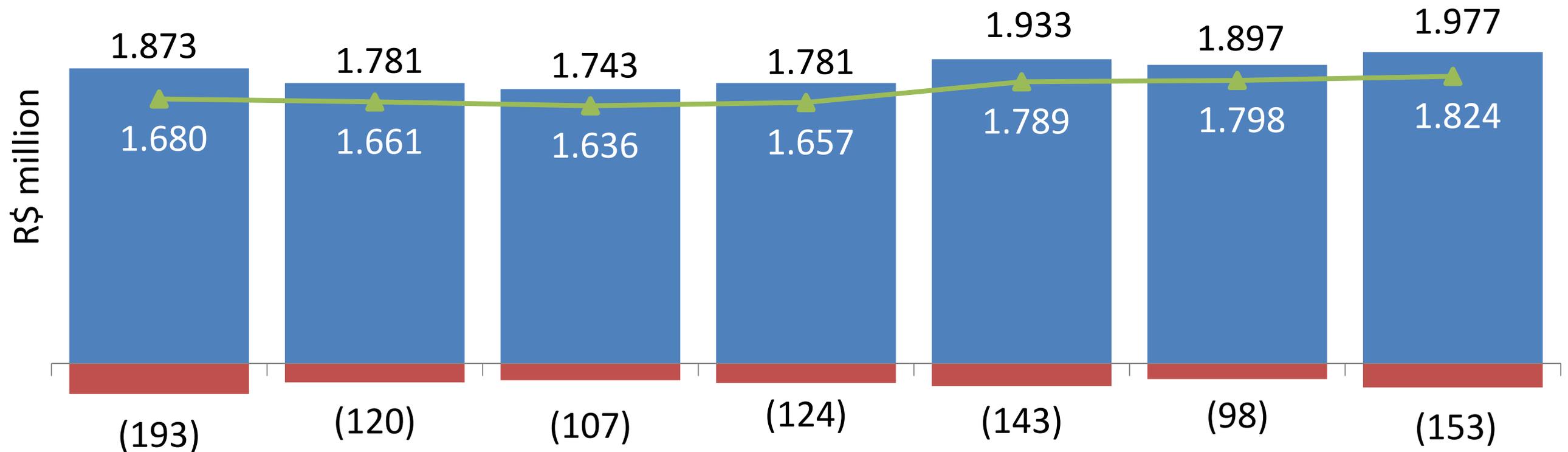


Net cash provided by operating ativities

Operating cash generation	2013	2014	2015	2016	2017	2018	Change % (18-17)	CAGR (18-09)
Profit for the year	433,540	490,244	539,311	633,955	660,903	585,530	(11.4%)	8.9%
Depreciation	36,648	47,461	53,652	57,878	60,639	65,761	8.4%	10.7%
Other	(50,204)	(78,417)	(117,261)	(215,269)	(125,916)	(88,034)	(30.1%)	2.8%
Cash generation by changes in assets and liabilities	(116,679)	25,671	(32,984)	89,907	(69,900)	(79,422)	13.6%	1.9%
Trade receivables	(82,337)	2,387	54,355	91,811	(92,385)	(89,288)	(3.4%)	(4.2%)
Inventories	(33,139)	(10,298)	(49,121)	(3,180)	(19,735)	(12,917)	(34.5%)	8.0%
Suppliers	(17,014)	(3,505)	8,616	(3,534)	(4,664)	5,390	(215.6%)	(14.5%)
Change in other assets and liabilities	15,811	37,087	(46,834)	4,810	46,884	17,393	(62.9%)	(10.8%)
Net cash provided by operating activities	303,305	484,959	442,718	566,471	525,726	483,835	(8.0%)	12.8%

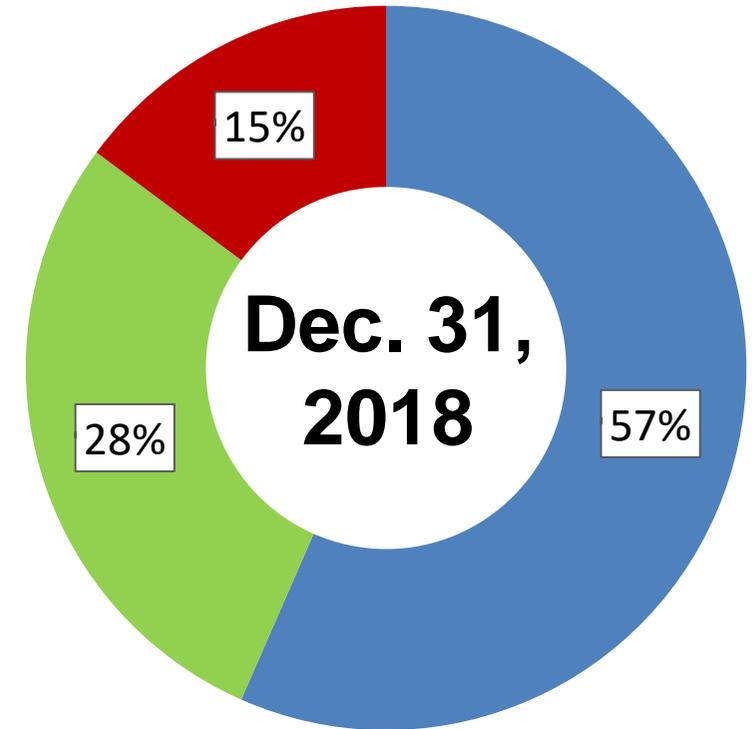
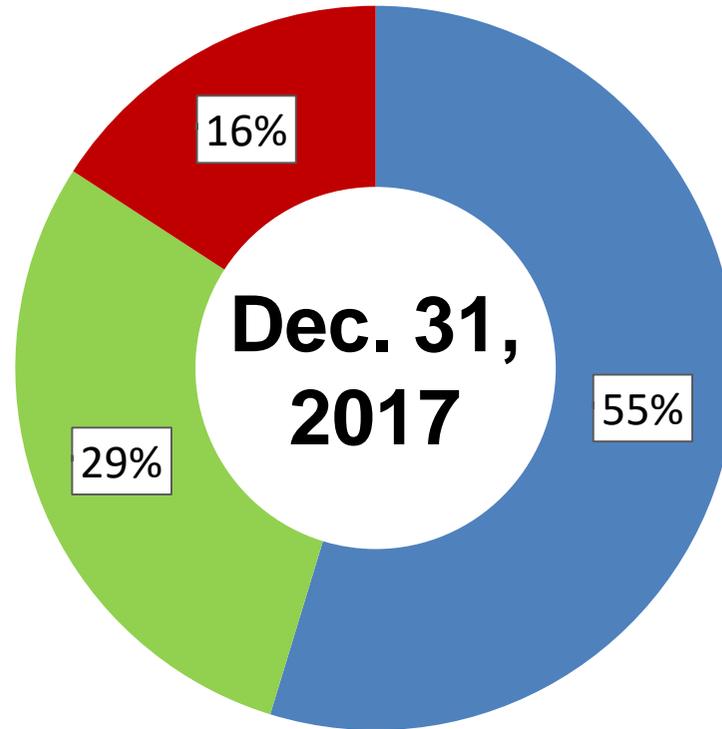
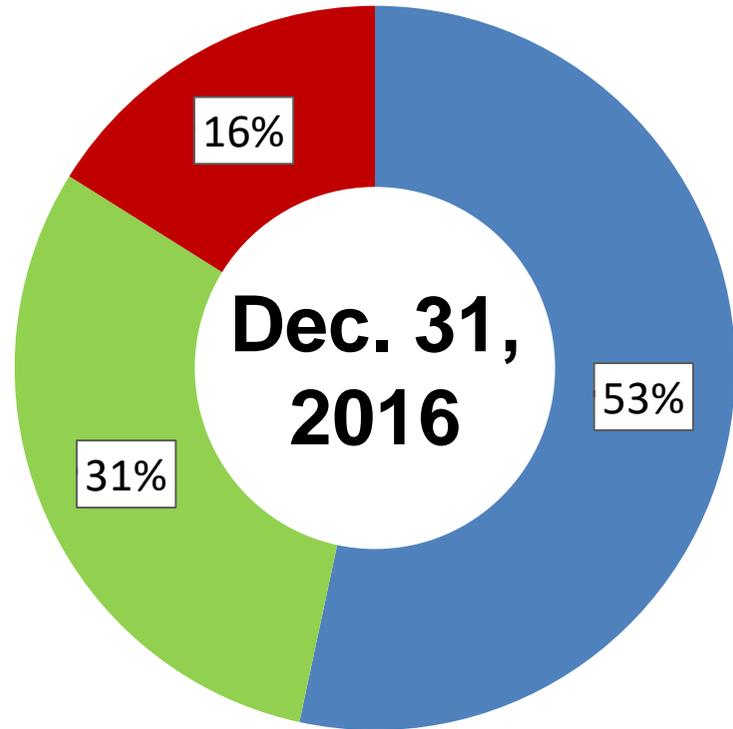
Solid capital structure and strong cash generation

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



Mar 31, 2017 Jun 30, 2017 Sep 30, 2017 Dec 31, 2017 Jun 30, 2018 Sep 30, 2018 Dec 31, 2018

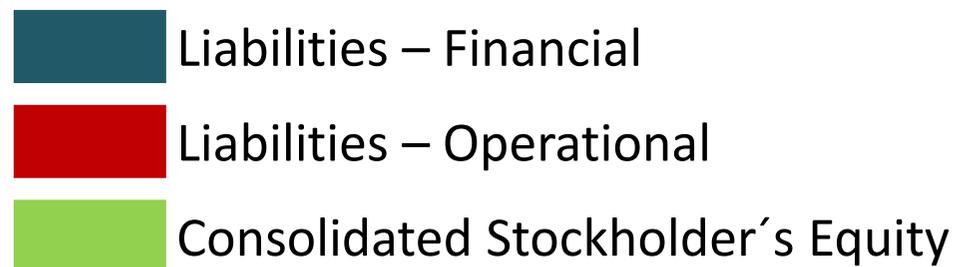
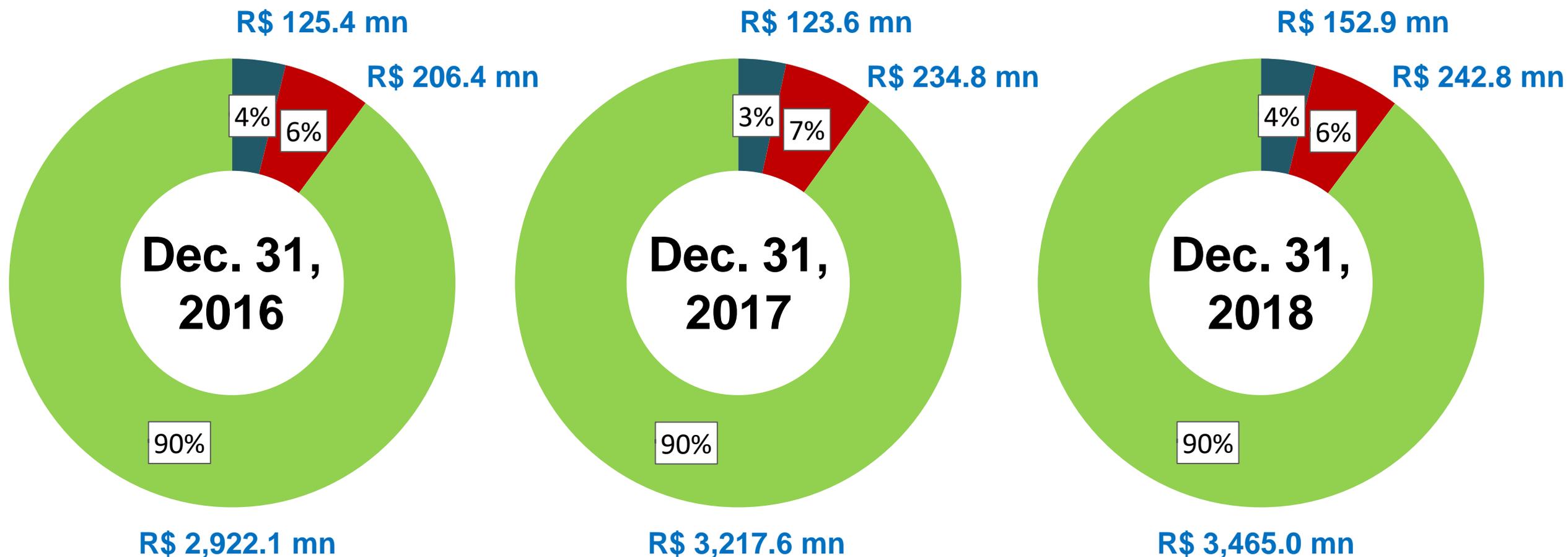
- Borrowings (short- and long-term)
- Cash and cash equivalents and financial investments (short- and long-term)
- ▲ Net cash



-  Cash and cash equivalents plus cash investments – short-term (ST) & long-term (LT)
-  Working capital (excluding Cash and cash equivalents plus cash investments – ST & LT)
-  Non-current assets

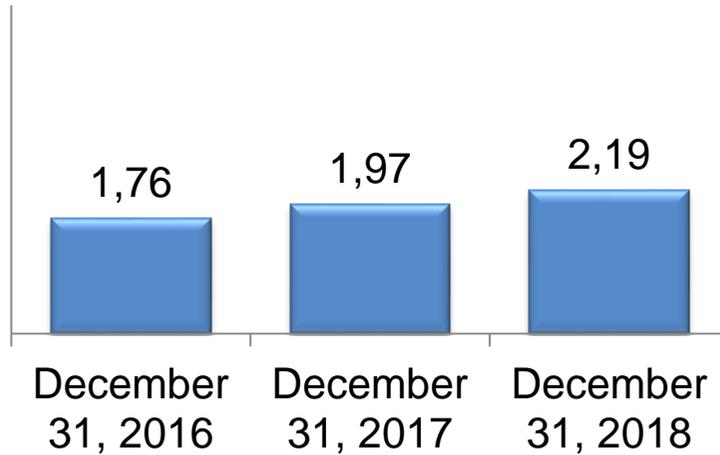
Liabilities* and Stockholder's Equity

* *Liabilities: Current + Non-current Liabilities*

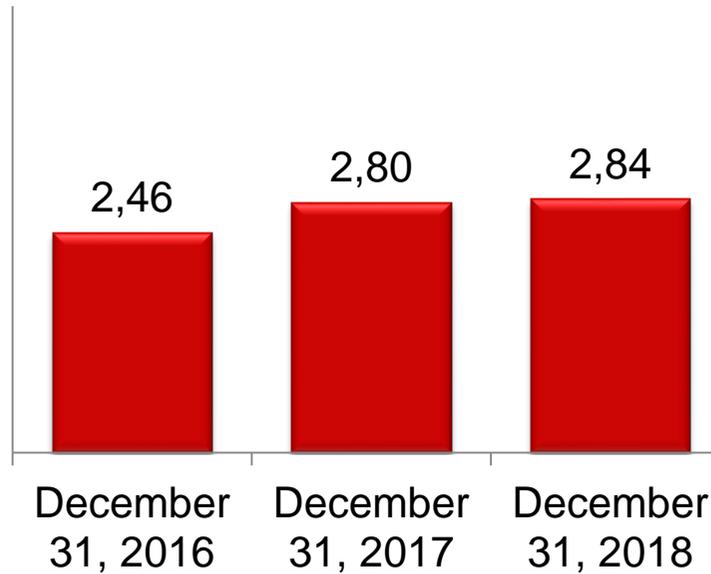


Value indicators (Accounting)

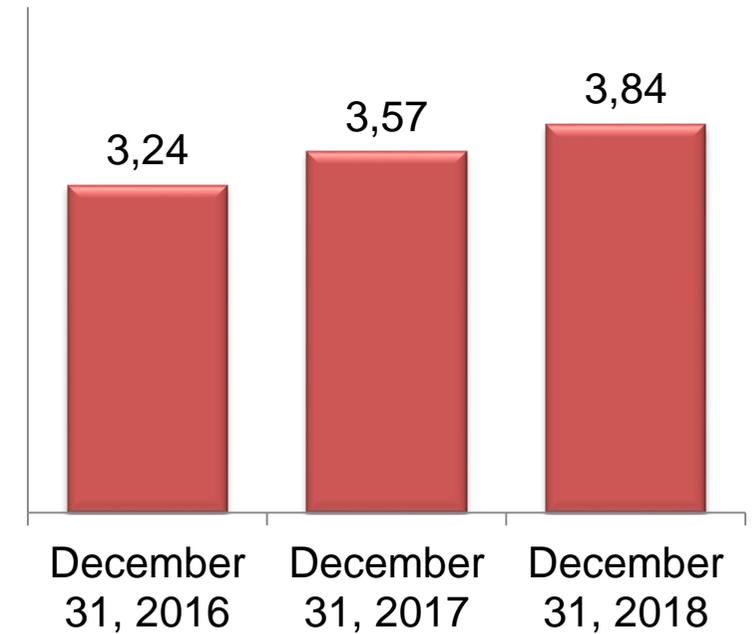
Cash and cash equivalents and financial investments per share



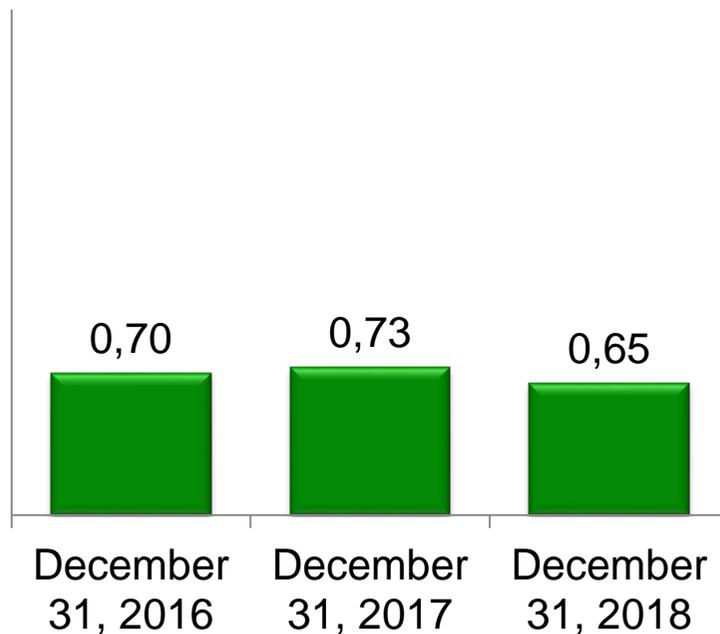
Net working capital per share



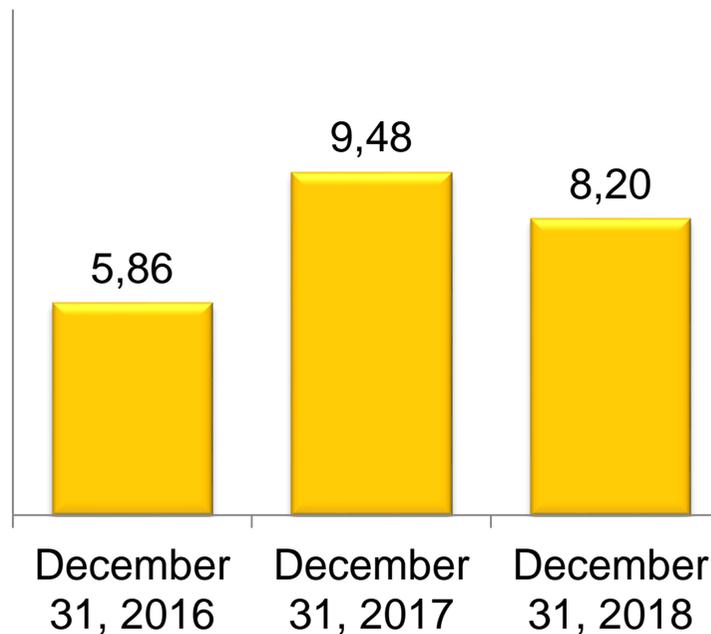
Book value per share



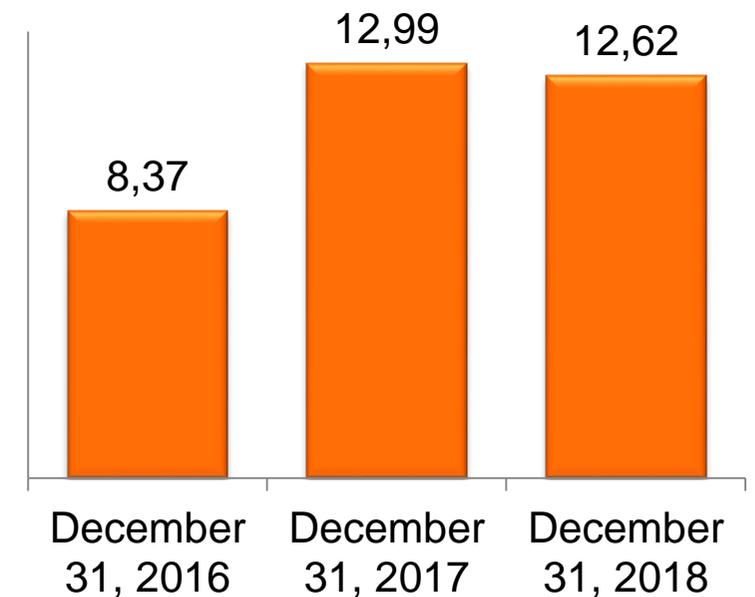
Profit per share**



Share price



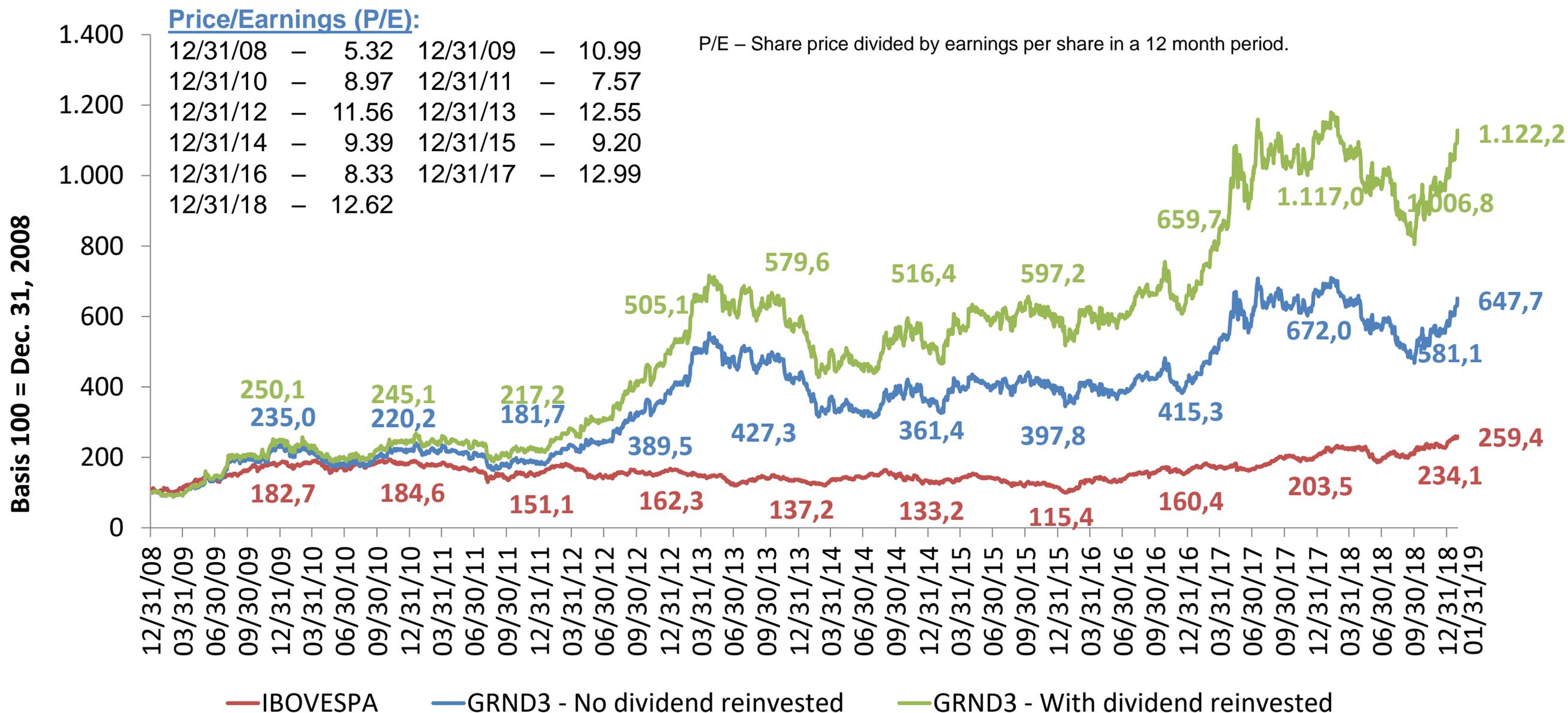
Share price / profit per share**



** last 12 months

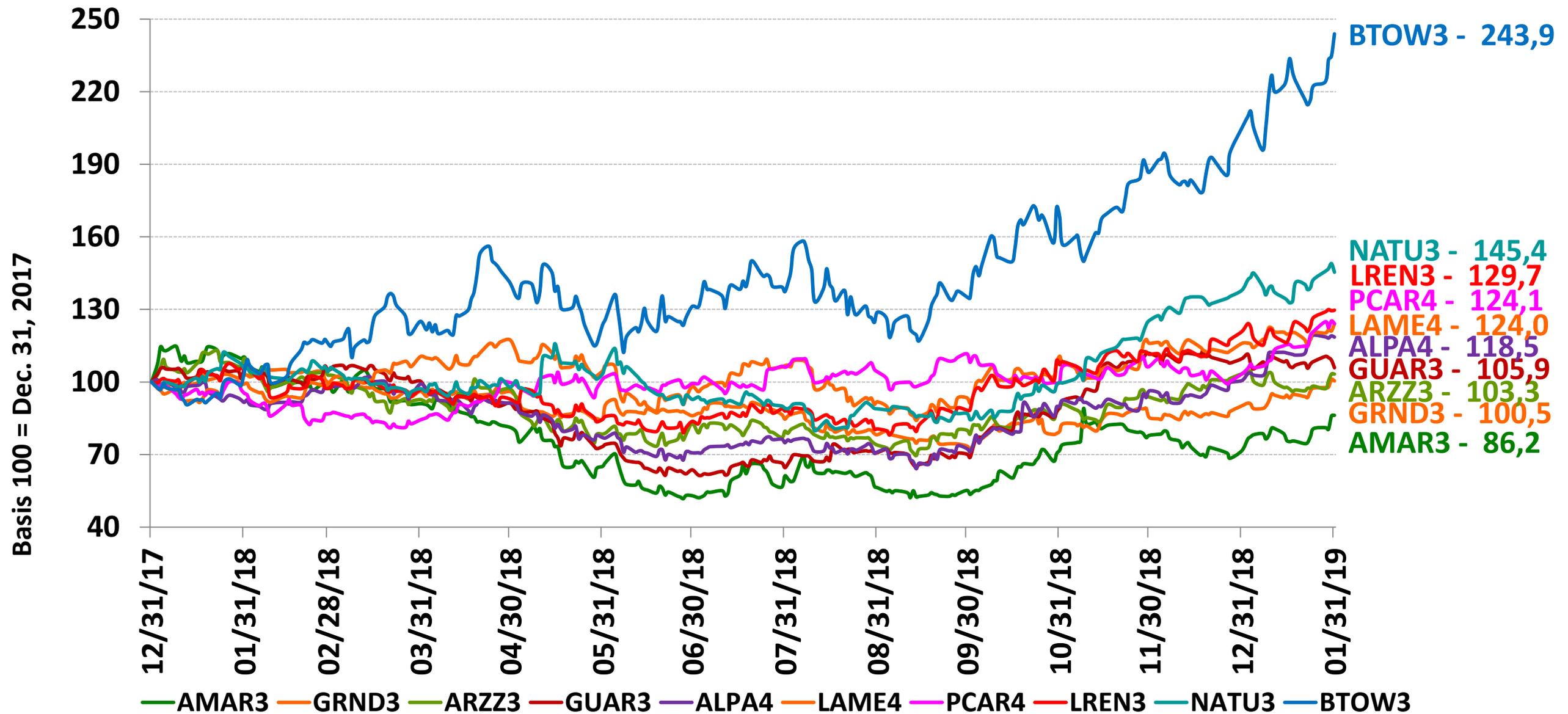
Last 52 weeks	Date	Share price	Market Capitalization	Market Capitalization – free-float
Minimum	Oct. 1, 2018	R\$ 6.59	R\$ 5.9 billion	R\$ 1.7 billion
Maximum	Feb. 8, 2018	R\$ 10.15	R\$ 9.0 billion	R\$ 2.5 billion

Evolution GRND3 x IBOVESPA – Dec. 31, 2008 up to Jan. 31, 2019



Performance of the shares of main companies in the consumption sector

Period: Dec. 31, 2017 up to Jan. 31, 2019
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

Less labor
intensive

More capital
intensive

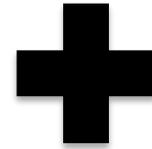
Strategy: Break
paradigms

Higher entry
barriers

Highly
marketing
intensive

Our expertise of more than 48 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.

Brands



Licenses: Cartoons characters, celebrities and successful designers

Products

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

Marketing

- Aggressive 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®

Grendene®



Mini Melissa +
10 Corso Como



Campana



Jason Wu



ZAXY

GRENDHA



Women

Brand: Grendha and Zaxy
Licenses: Ivete Sangalo

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



Men

Brands: Rider e Cartago
Licenses: Mormaii, Marvel, NBA among others

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



Kids

**Brand: Grendene Kids
Licenses: Hello Kitty,
Disney, Hot Wheels,
Barbie among others**

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

Ipanema

Grendene®



L.
LENNY NIEMEYER



salinas

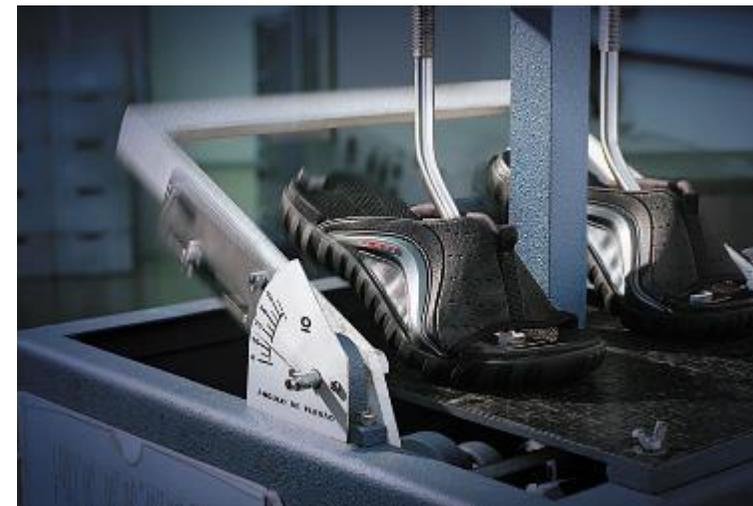
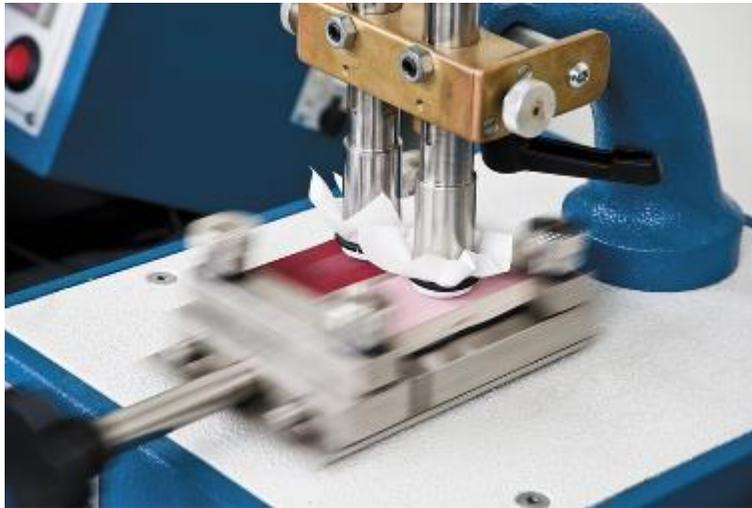


Mass Market

Brand: Ipanema
Licenses: Hello Kitty,
Disney, Hot Wheels,
Barbie entre outros

Competitors:
Alpargatas, Dupé,
Balina, Beira Rio

CAPEX – In 2019 we expect to invest around R\$100 mn.





IR Team

Francisco Schmitt

CFO & IRO

(55 54) 2109.9022

Secretary

Cátia Gastmann

(55 54) 2109.9011

Analysts

Lenir Zatti / Alexandre Vizzotto

Further information

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

Email: dri@grendene.com.br

Thank you!

Q&A

