

**Grendene®**



ZAXY DOLL AD

**Grendene®**

1Q10 Results

May 13, 2010

# 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

Highlights

Footwear sector

Strategy

Results

Guidance

# Highlights

Grendene is one of the world's largest producers of footwear

Production capacity: 200 million pairs/year

Average production: 500,000 pairs/day

Employees: 30,000

New products in 2009: 632

World presence: more than 90 countries

Brands with strong personality

Innovation in product, distribution and media

Listed on São Paulo's *Novo Mercado*; free float 25.1%

Solid capital structure, strong cash flow

# Footwear sector

**> rider**  
enjoy the ride

# Brazil's Footwear Sector

## Profile

**8,094 producers** in 2009

**325,000 direct employees**

**Production:** 814 million pairs in 2009\* (816 million pairs in 2008)

World's 3<sup>rd</sup> largest producer

**Apparent consumption, Brazilian domestic market:** 717 million pairs, and 3.8 pairs per capita, in 2009 (2008: 689 million pairs, 3.6 pairs per capita/year).

**Exports:** In 2009: 126 million pairs, to more than 140 countries (23.7% less than in 2008).

### Sources:

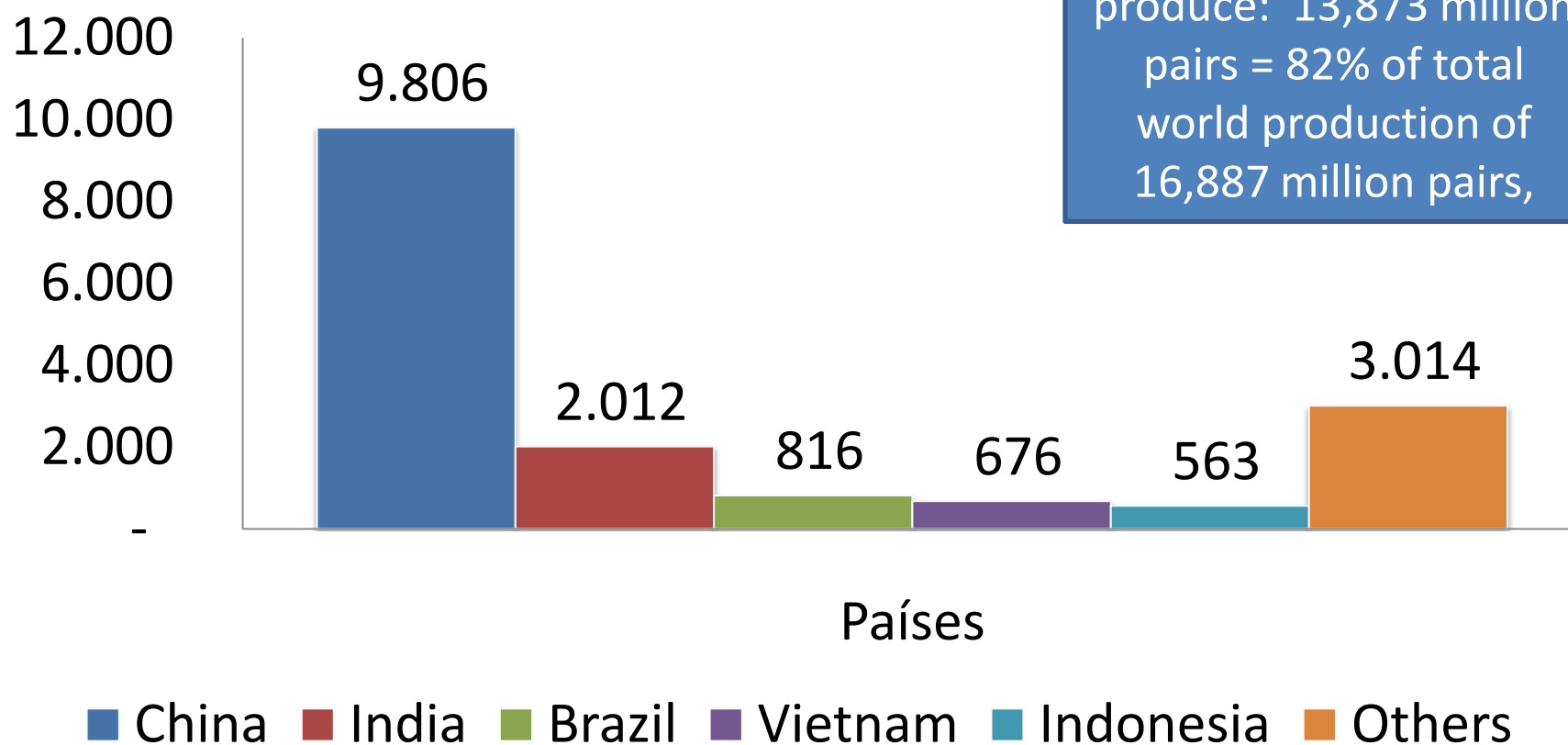
IEMI, RAIS, Abicalçados, Secex.

(\*) April, 2010: estimate by IEMI (Industrial Studies and Marketing Institute).

**The industry itself is not much more than 100 years old – companies are typically small and labor-intensive, with no entry barriers.**

# Footwear sector

**2008**



Source: IEMI / World Shoe Review 2009 / ABICALÇADOS

# The footwear sector in Brazil

Million pairs	2005	2006	2007	2008	2009*
Production	877	830	808	816	814
Imports	17	19	29	39	30
Exports	190	180	177	166	127
Apparent consumption	704	669	660	689	717
Per capita consumption	3.84	3.61	3.52	3.64	3.75

\* Production estimated by IEMI – April, 2010

Source: IEMI / SECEX / Abicalçados

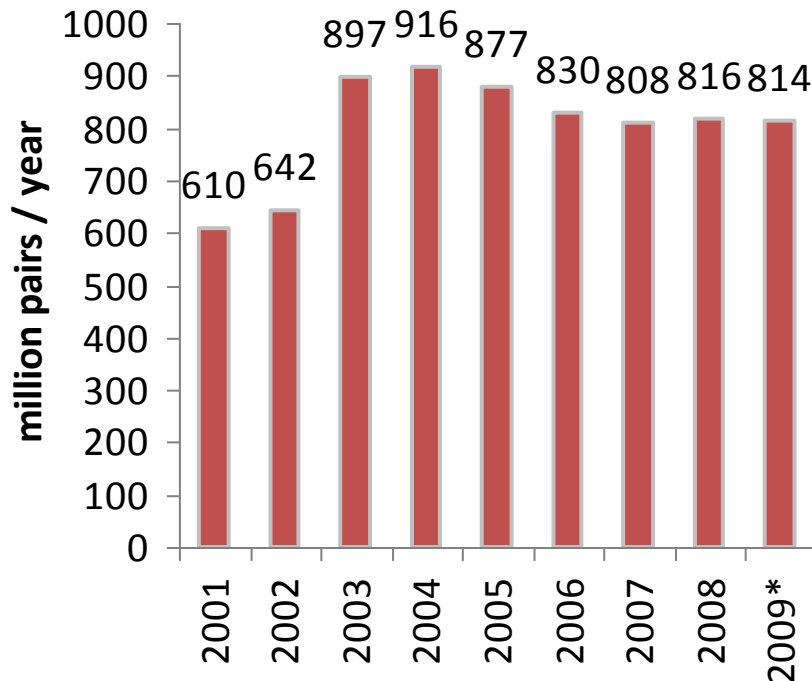
Consumption – 2007	Total	Per capita
USA	2,393	7,94
United Kindgom	451	7,42
Italy	387	6,65
France	417	6,55
Japan	707	5,55

Source: Satra 2008 /  
Abicalçados / U.S.  
Census Bureau

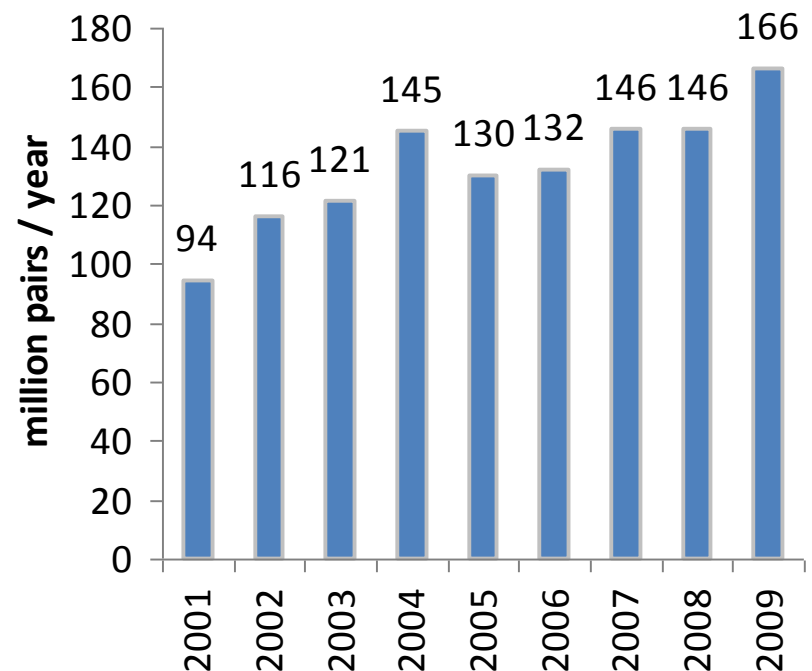


# Grendene vs, Brazilian footwear sector

**Brazilian production**  
CAGR (2009/2001): 3.7%



**Grendene**  
CAGR (2009/2001): 7.4%



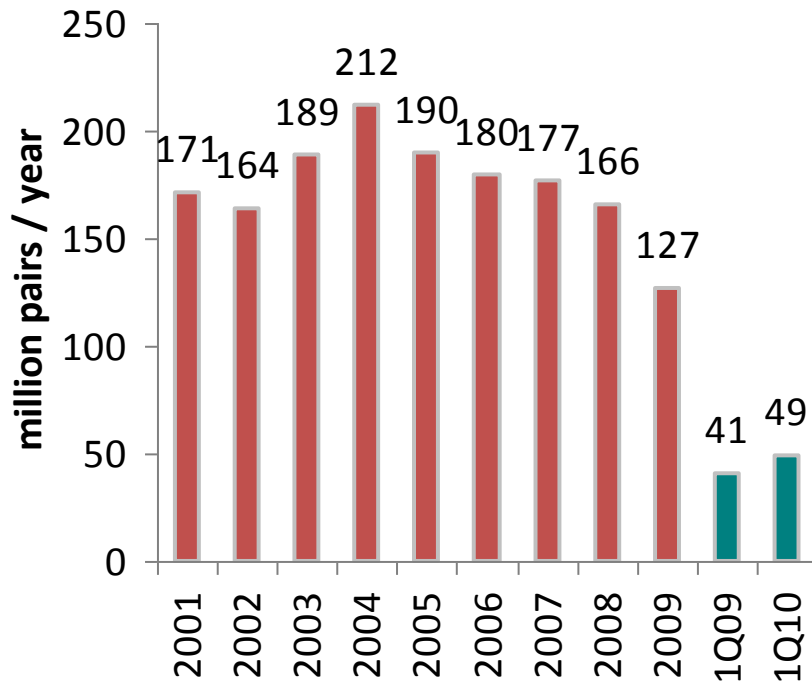
Source: IEMI / Abicalçados

\* Production estimated by IEMI – April/2010

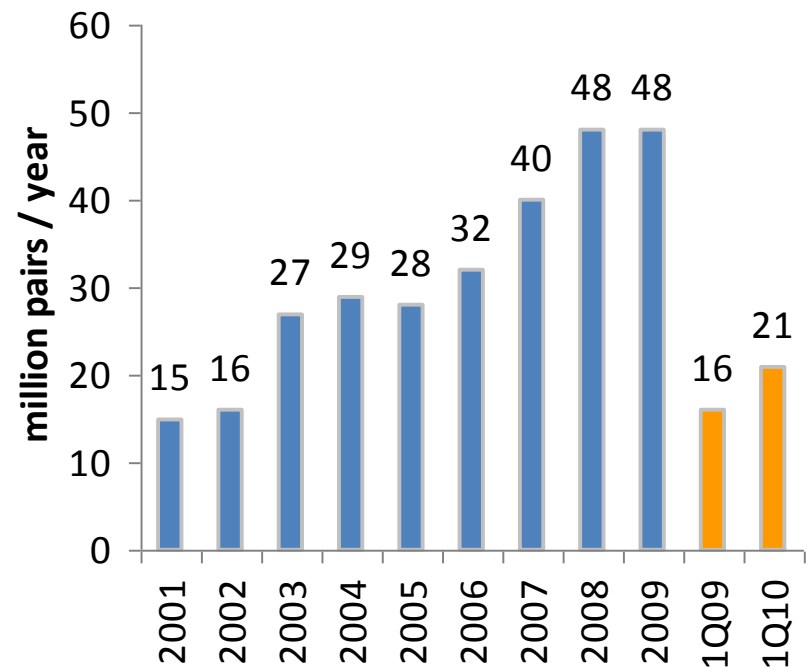
Grendene has grown faster than the Brazilian footwear industry,

# Exports: Grendene vs, Brazil

**Brazilian exports**  
**CAGR (2001-09): (3.7%)**  
**Var. (1Q09-1Q10): 21.2%**



**Grendene**  
**CAGR (2001-09): 15.7%**  
**Var. (1Q09-1Q10): 34.8%**



Source: SECEX / ABICALÇADOS

Grendene's exports were 42.9% of total Brazilian footwear exports in 1Q10, (38.6% in 1Q09)

# Strategy



A comp. coleção Gisele Bündchen, após os 30 anos do Projeto Tamar.

**..GISELE  
BÜNDCHEN**  
COLEÇÃO 2009 MUITA COR, MUITA VIDA.

Gisele  
Bündchen

[www.giselebundchen.com.br/sandalia](http://www.giselebundchen.com.br/sandalia)

# Strategy: Break paradigms



**Less labor-intensive**

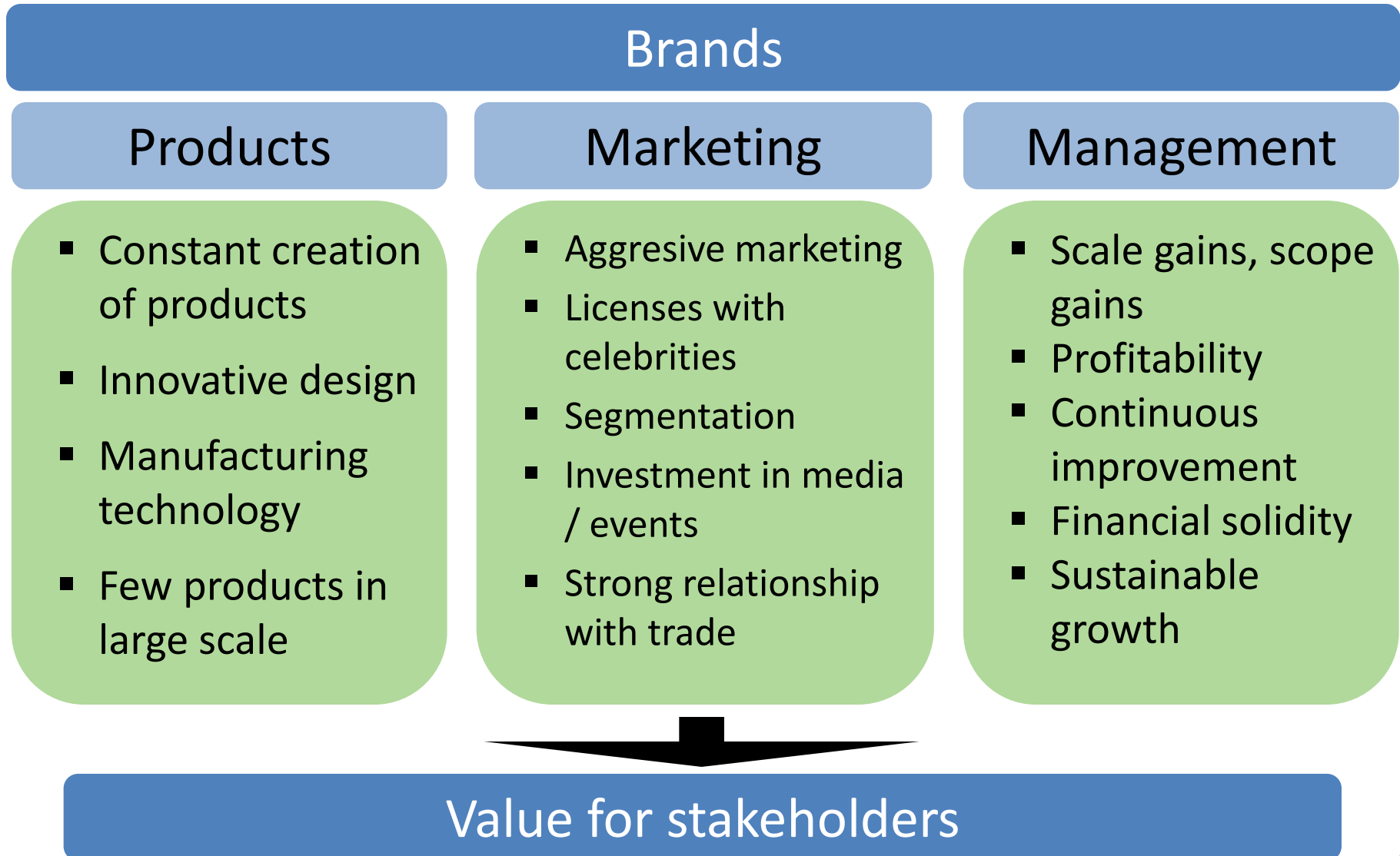
**More capital-intensive**

**Higher entry barriers**

**Highly marketing-  
intensive**

*Our expertise of more than 30 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





# Results (in IFRS)



# Main financial and economic indicators

R\$ million	1Q09	1Q10	Change , 1Q09-1Q10
Net sales revenue	305.8	374.5	22.5%
Net income	64.3	46.9	(27.0%)

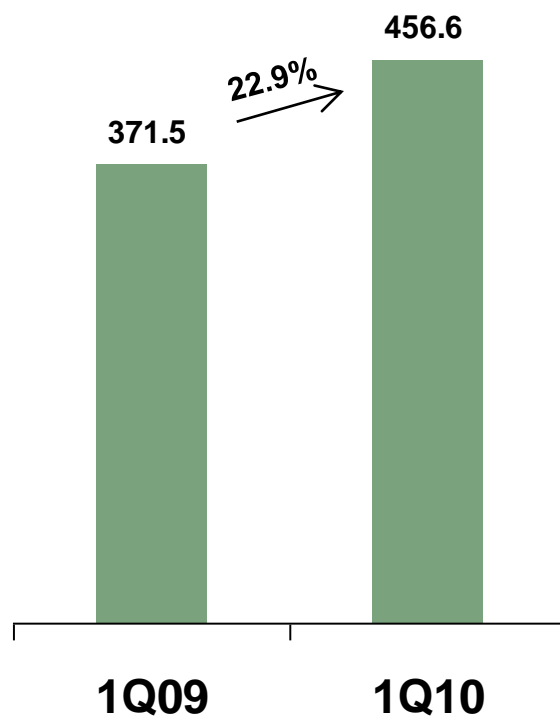
Margins %	1Q09	1Q10	Change 1Q09-1Q10, bp
Gross	37.6%	30.7%	(690 bp)
EBIT	11.8%	6.9%	(490 bp)
EBITDA	13.9%	8.7%	(520 bp)
Net	21.0%	12.5%	(850 bp)

Share	1Q09	1Q10
Profit per share R\$	0.21	0.16
Share price (31/03) R\$	3.87	9.10
Book value per share R\$	4.61	4.92
Market cap (R\$ '000)	1,160,000	2,736,000

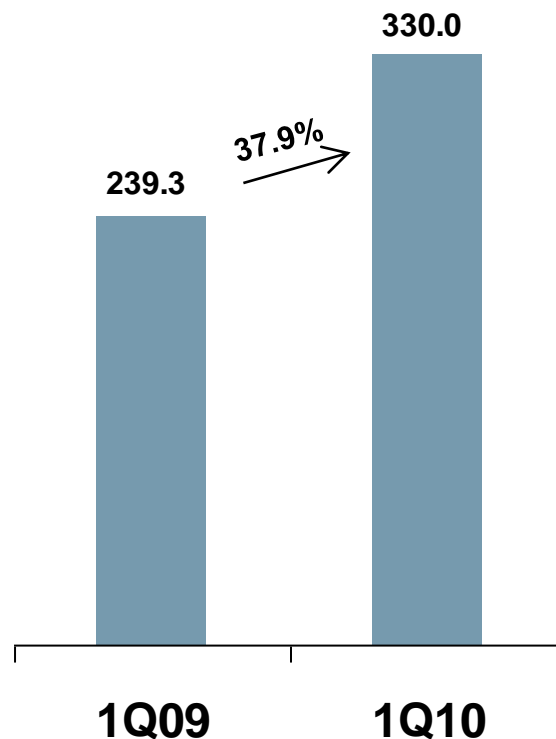


# Gross sales revenue (IFRS) (R\$ million)

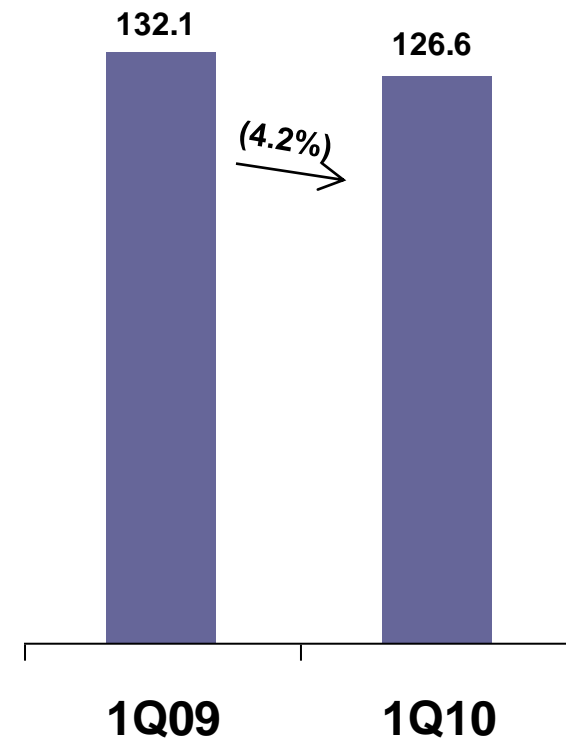
## Gross sales revenue



## Gross sales revenue Domestic



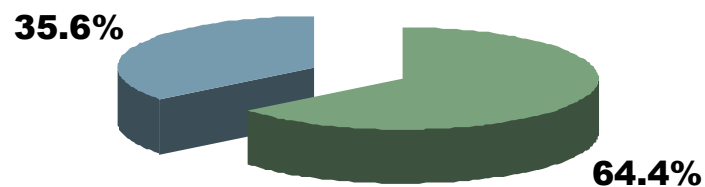
## Gross sales revenue Exports



# Market (%)

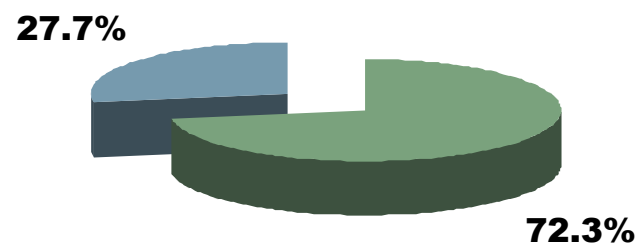
## Gross sales revenue

**1Q09**



■ Domestic market ■ Exports

**1Q10**



■ Domestic market ■ Exports

## Sales volume

**1Q09**



■ Domestic market ■ Exports

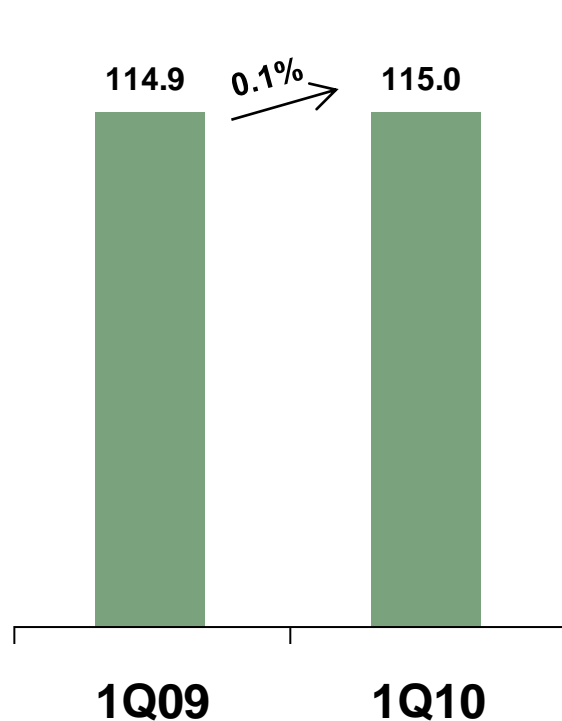
**1Q10**



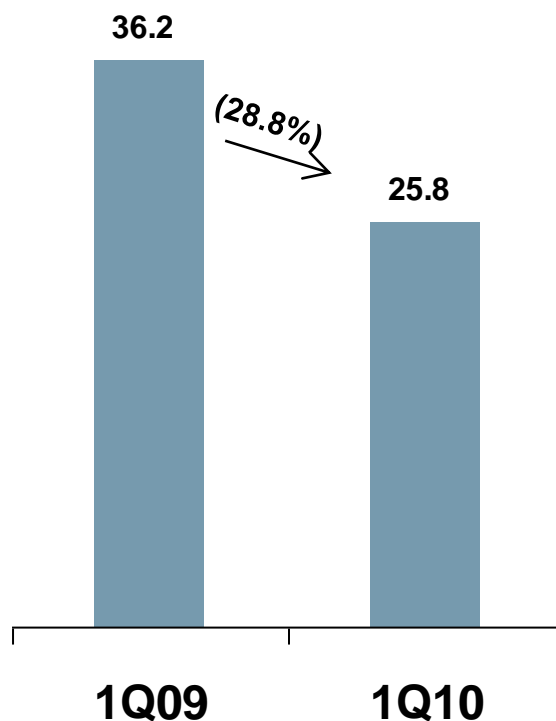
■ Domestic market ■ Exports

# Results (IFRS) (R\$ million)

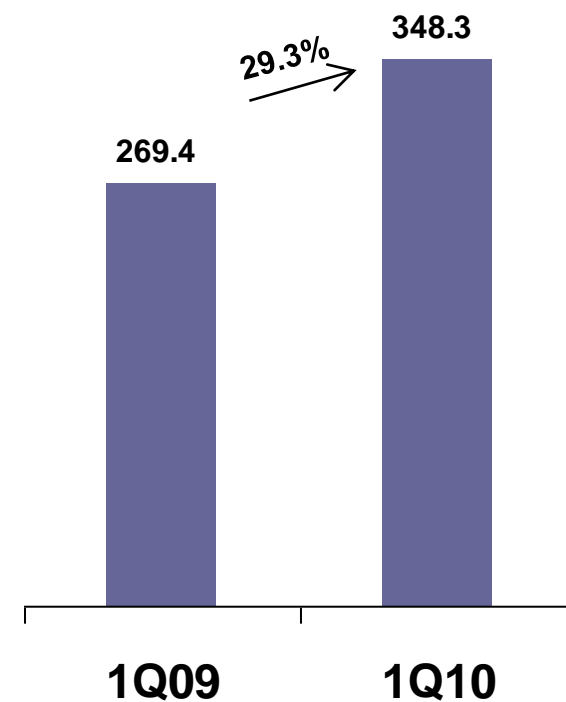
## Gross profit



## EBIT

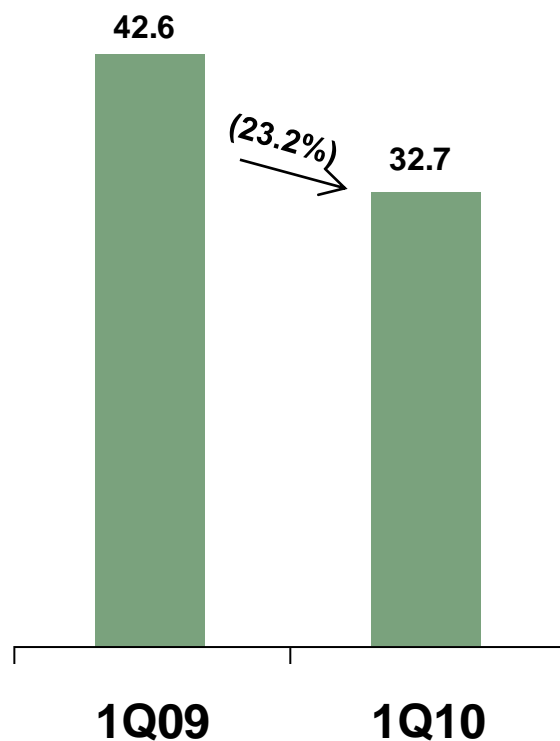


## Cost of sales + Operating expenses

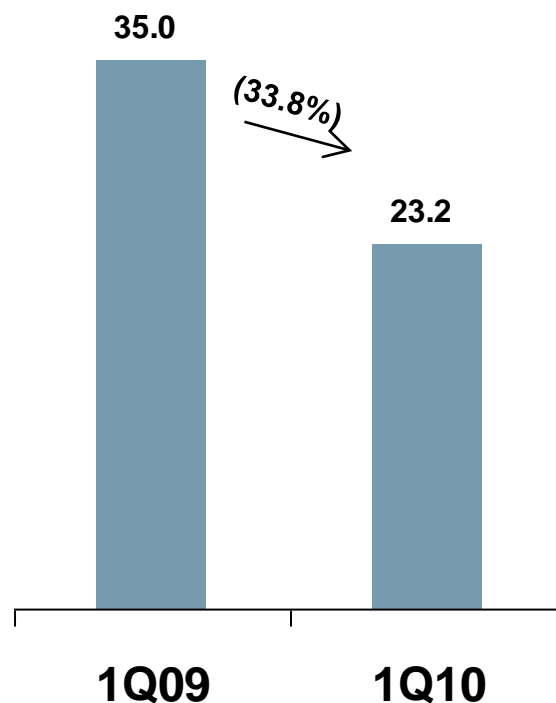


# Results (IFRS) (R\$ million)

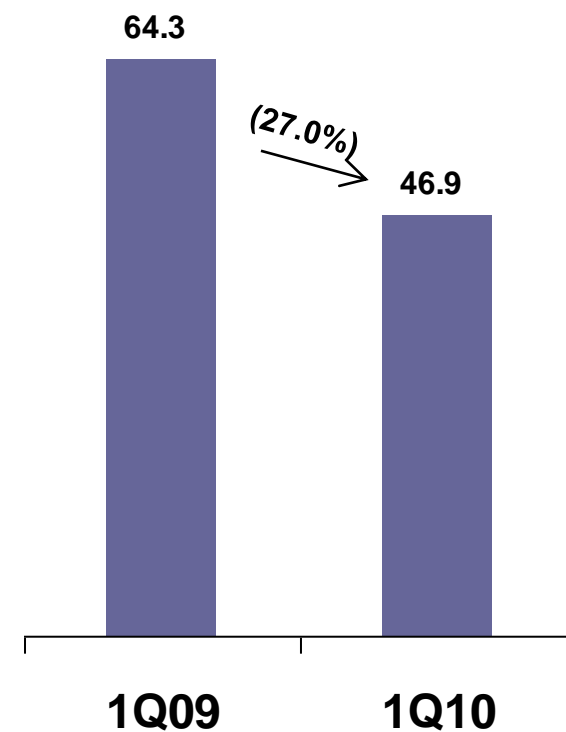
## EBITDA



## Financial result (without clients discounts)



## Net income



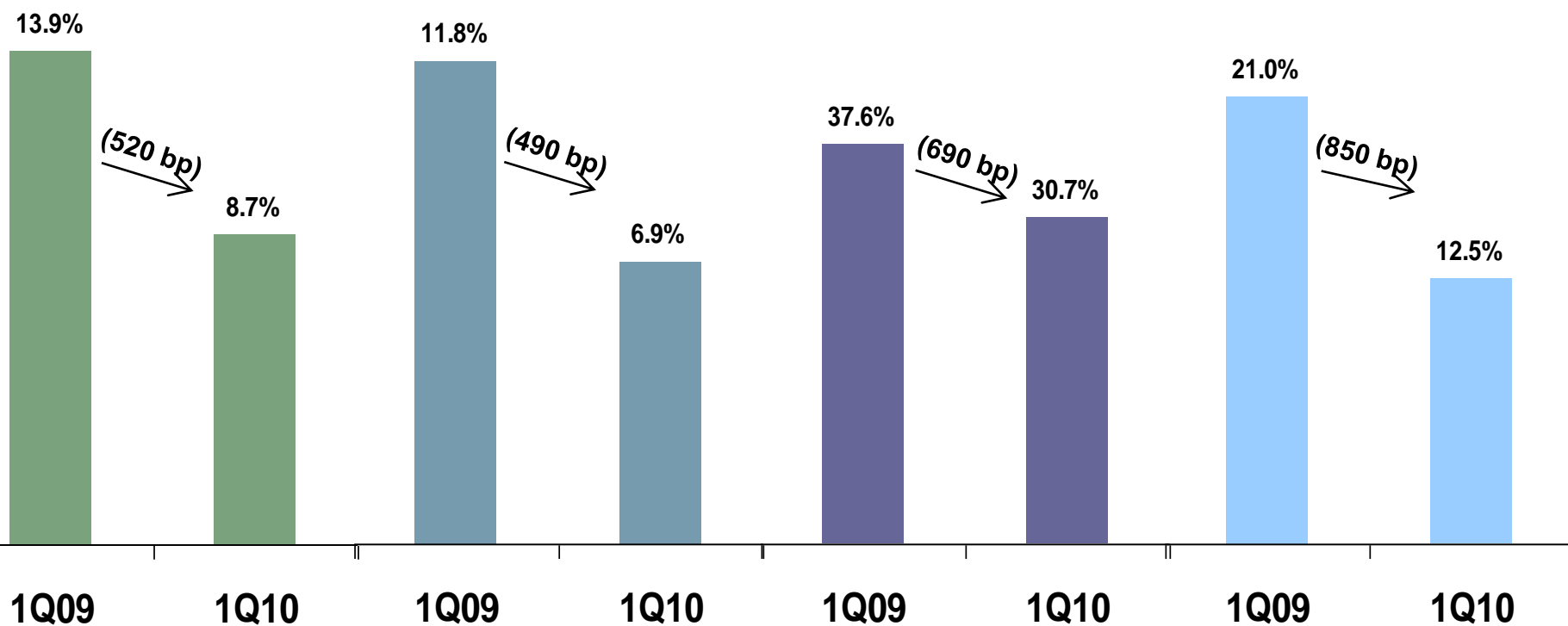
# Margins (IFRS) (%)

## EBITDA margin

## EBIT margin

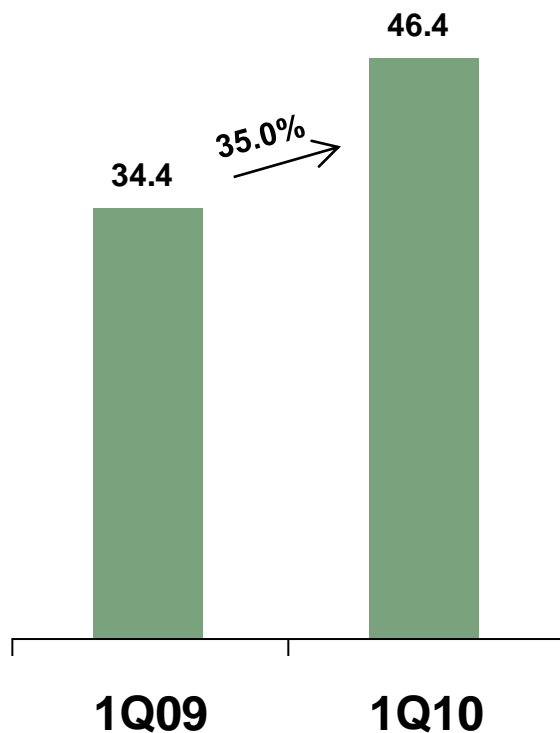
## Gross margin

## Net margin

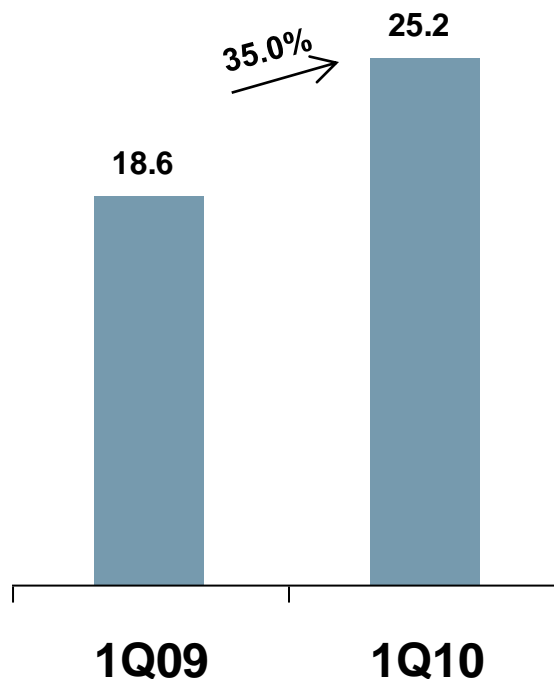


Sales volume  
(Million pairs)

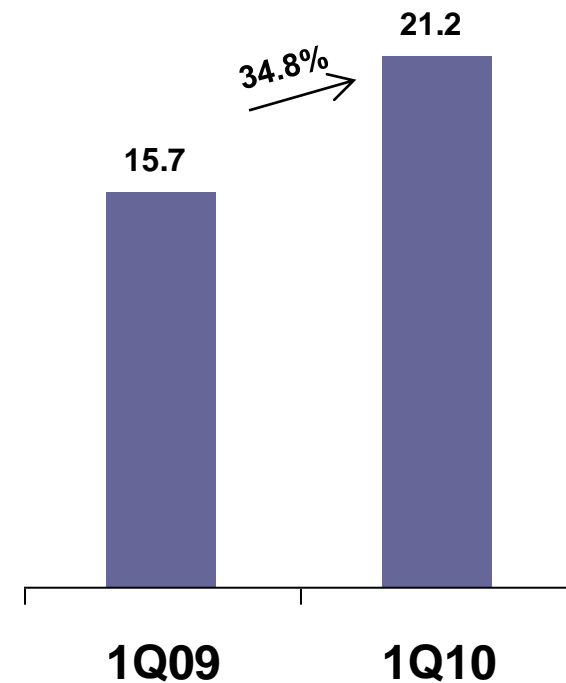
**Sales volume**



**Sales volume  
Domestic**



**Sales volume  
Exports**



# Operational result (IFRS) (R\$ '000)

	1Q09	% V	1Q10	%V	%H	Marginal	%V
Domestic market	239,329	78.3%	330,046	88.1%	37.9%	90.717	132.1%
Exports	132,133	43,2%	126,585	33.8%	(4.2%)	(5,548)	(8.1%)
<b>Gross sales revenue</b>	<b>371,462</b>	<b>121.5%</b>	<b>456,631</b>	<b>121.9%</b>	<b>22.9%</b>	<b>85,169</b>	<b>124.0%</b>
Sales deduction	(65,660)	(21.5%)	(82,146)	(21.9%)	25.1%	(16,486)	(24.0%)
<b>Net sales revenue</b>	<b>305,802</b>	<b>100.0%</b>	<b>374,485</b>	<b>100.0%</b>	<b>22.5%</b>	<b>68,683</b>	<b>100.0%</b>
Cost of sales	(190,898)	(62.4%)	(259,458)	(69.3%)	35.9%	(68.560)	(99.8%)
<b>Gross profit</b>	<b>114,904</b>	<b>37.6%</b>	<b>115.027</b>	<b>30.7%</b>	<b>0.1%</b>	<b>123</b>	<b>0.2%</b>
<b>Operating income (expenses)</b>							
Selling expenses	(66,079)	(21.6%)	(75,990)	(20.3%)	15.0%	(9.911)	(14.4%)
General and administrative expenses	(12.308)	(4.0%)	(12.941)	(3.5%)	5.1%	(633)	(0.9%)
Management fees	(281)	(0.1%)	(281)	0.1%	0.0%	0	0.0%
Other operating income	594	0.2%	838	0.2%	41.1%	244	0.4%
Other operating expenses	(387)	(0.1%)	(476)	(0.1%)	23.0%	(89)	(0.1%)
<b>Operating result before financial revenue (expenses)</b>	<b>36,443</b>	<b>11.9%</b>	<b>26,177</b>	<b>7.0%</b>	<b>(28.2%)</b>	<b>(10,266)</b>	<b>(14.9%)</b>
<b>EBIT</b>	<b>36,236</b>	<b>11.8%</b>	<b>25,815</b>	<b>6.9%</b>	<b>(28.8%)</b>	<b>(10,421)</b>	<b>(15.2%)</b>

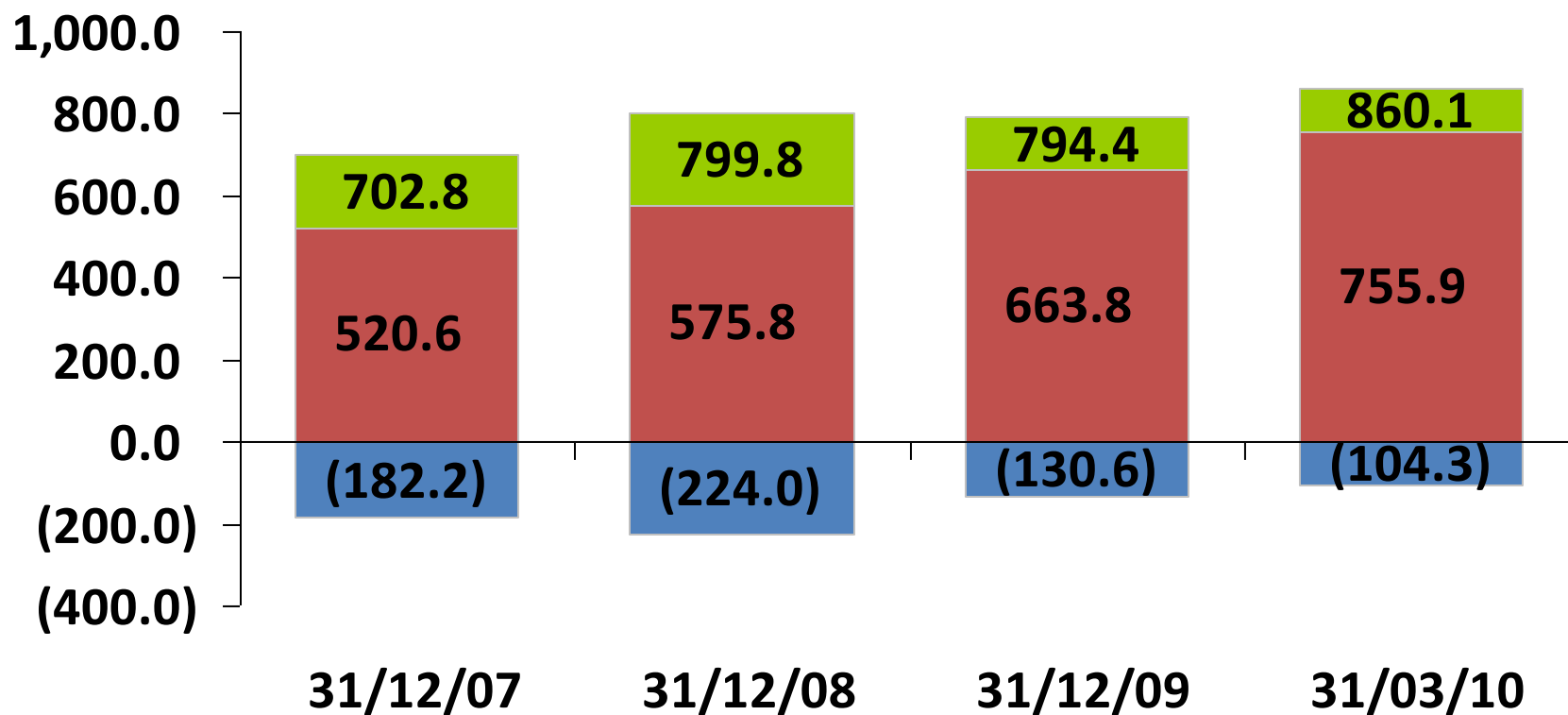
# Net cash, dividends & Capex





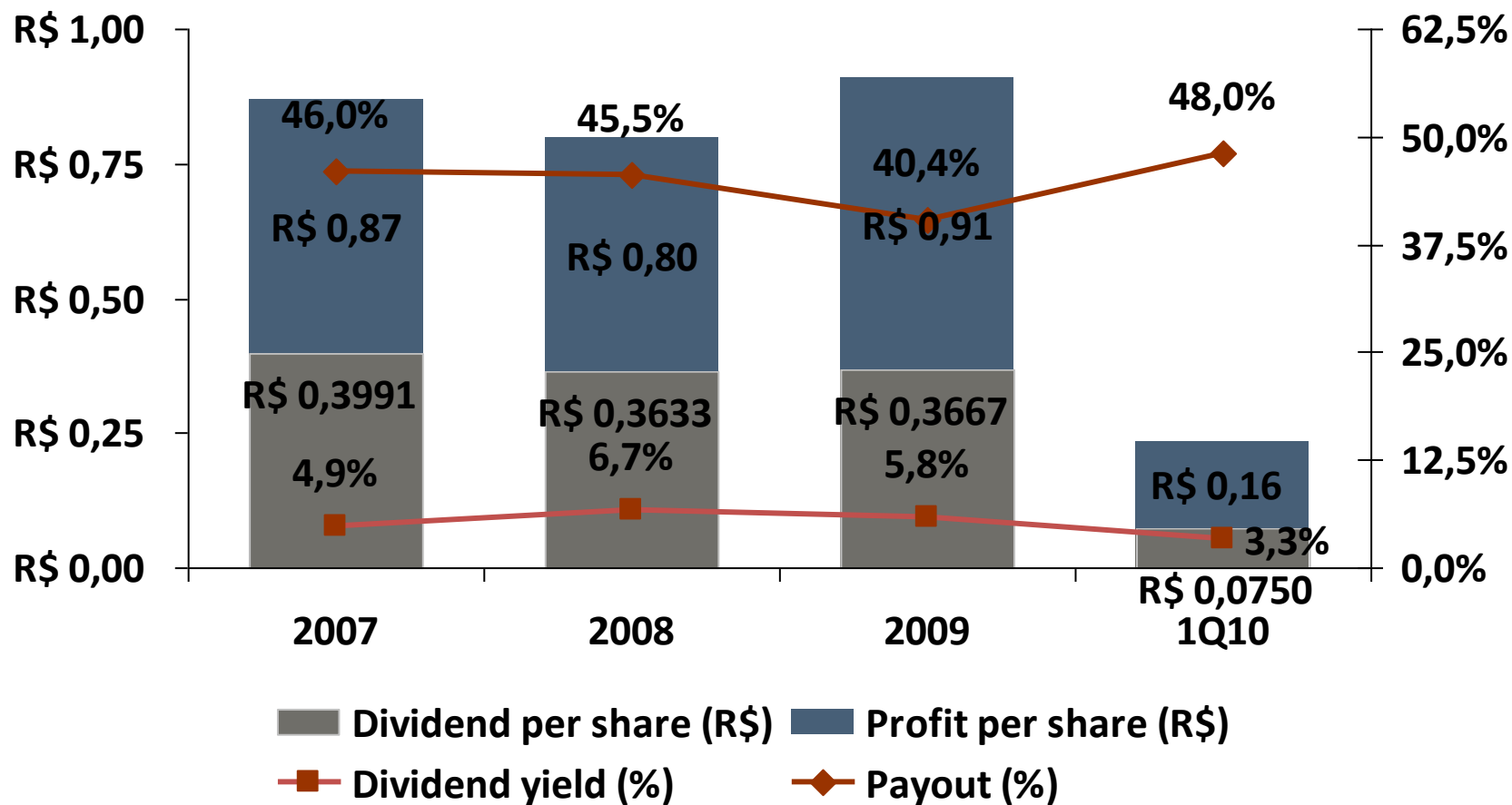
# Net cash, debt and cash and cash equivalents

■ Debt ■ Net Cash ■ Cash and cash equivalents

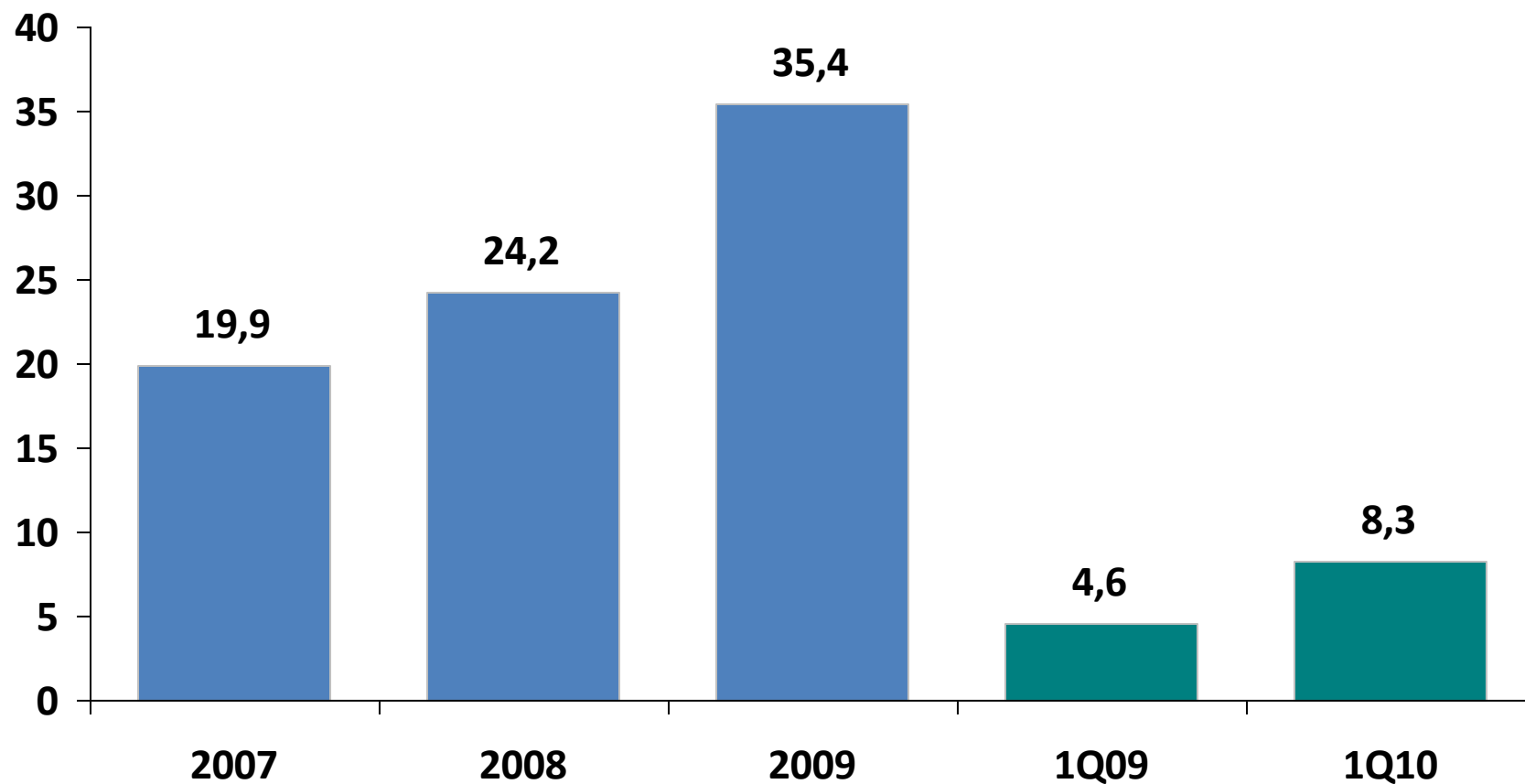


Strong cash flow

# Dividends



# Low need for CAPEX (R\$ million)



# Outlook

- **Galeria Melissa** (the brand's concept store): In the **next two years** Grendene **will open** *Galeria Melissa* in **New York, Paris** and **Tokyo**;
- **Expansion** of the production capacity of **our plants**.



# Guidance

## Targets for 2009 - 2013

Gross revenue – CAGR: 8% - 12% over the next 5 years.

Net profit – CAGR: 12% - 15% over the next 5 years.

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



To reach these targets, we will seek to grow more intensely in the external market, expecting that the Real/US\$ exchange rate will vary approximately in line with the difference of inflation between the two countries (Brazil and the US), taking as a reference point the average R\$/US\$ exchange rate in the first quarter of 2009. We emphasize that this expectation for the change in the exchange rate is for the long term (a period between five and 10 years), and not for the coming quarter.

# Thank You!

**Francisco Schmitt**

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(Press Release, Annual Report, Fact-Sheet, Financial Statements)