

***Grendene***<sup>®</sup>

APIMEC meeting

March 2011



***40 years old***

# 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

History

Highlights

Corporate structure

Plants

Production

Sustainability

Footwear sector

Strategy

Products

Results

Guidance

## Mission

- To create a type of fashion that is democratic, responding rapidly to the market's needs, while generating attractive returns for the company's and its partners.

## Values

- Profit, Competitiveness, Innovation & Agility and Ethics.

# Timeline

## The beginning

**1971**

Grendene was founded. With two injection machines, 15 employees and novelty: to produce plastic packaging for wine.



# Timeline

**1975**

With diversification, was the pioneer to produce shoes with nylon as raw material.



**1978**

The launch of the *Nuar* sandal, an old dream came true.  
The following year the collection of sandals with the Melissa brand has conquered the world.



# Timeline

**1983**

The succesful collaboration between **Melissa** and greatest designers like: Jean-Paul Gaultier, Thierry Mugler, Jacqueline Jacobson and Elisabeth De Seneville.



**1986**

Launch of the **Rider** sandals line, target for the masculine public.



# Timeline

**1990/93/97**

In Ceará, the plant at **Fortaleza**, **Sobral** and **Crato**, was inaugurated.



**1994**

Launch of the **Grendha** product line, targeting the feminine public.





# Timeline

---

## The 2000's

- ❖ Launch of the ***Ipanema*** line and partnership with top model ***Gisele Bündchen***.
- ❖ ***Grendene*** started having common shares (“GRND3”) negotiated at the *Novo Mercado* of *BM&F Bovespa*.
- ❖ Opening of ***Galeria Melissa*** in São Paulo.
- ❖ In the State of Bahia, the plant at ***Teixeira de Freitas***, was inaugurated.
- ❖ ***Dividend policy*** – Grendene will distribute dividends quarterly from 2009 on.
- ❖ After thirty years making history as a fashion accessory, ***Melissa*** makes a surprise move and releases the brand’s perfume to celebrate the occasion.
- ❖ Launch of the ***Ilhabela, Zaxy, Ipanema RJ*** and ***Cartago*** brands.
- ❖ Relaunch of the ***Rider*** Brand.

# 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: 26,000

New products in 2010: 861

World presence: more than 90 countries

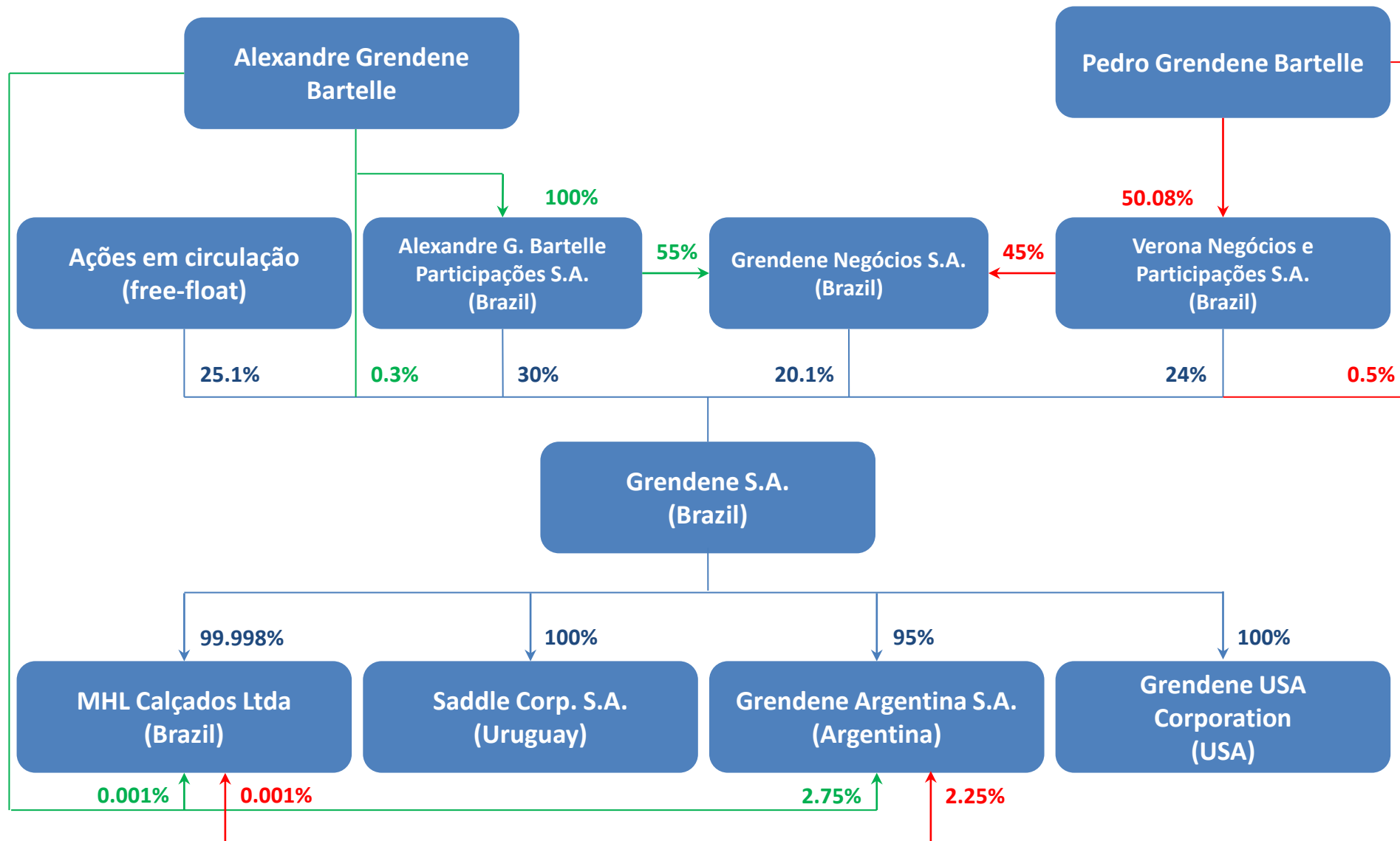
Brands with strong personality

Innovation in product, distribution and media

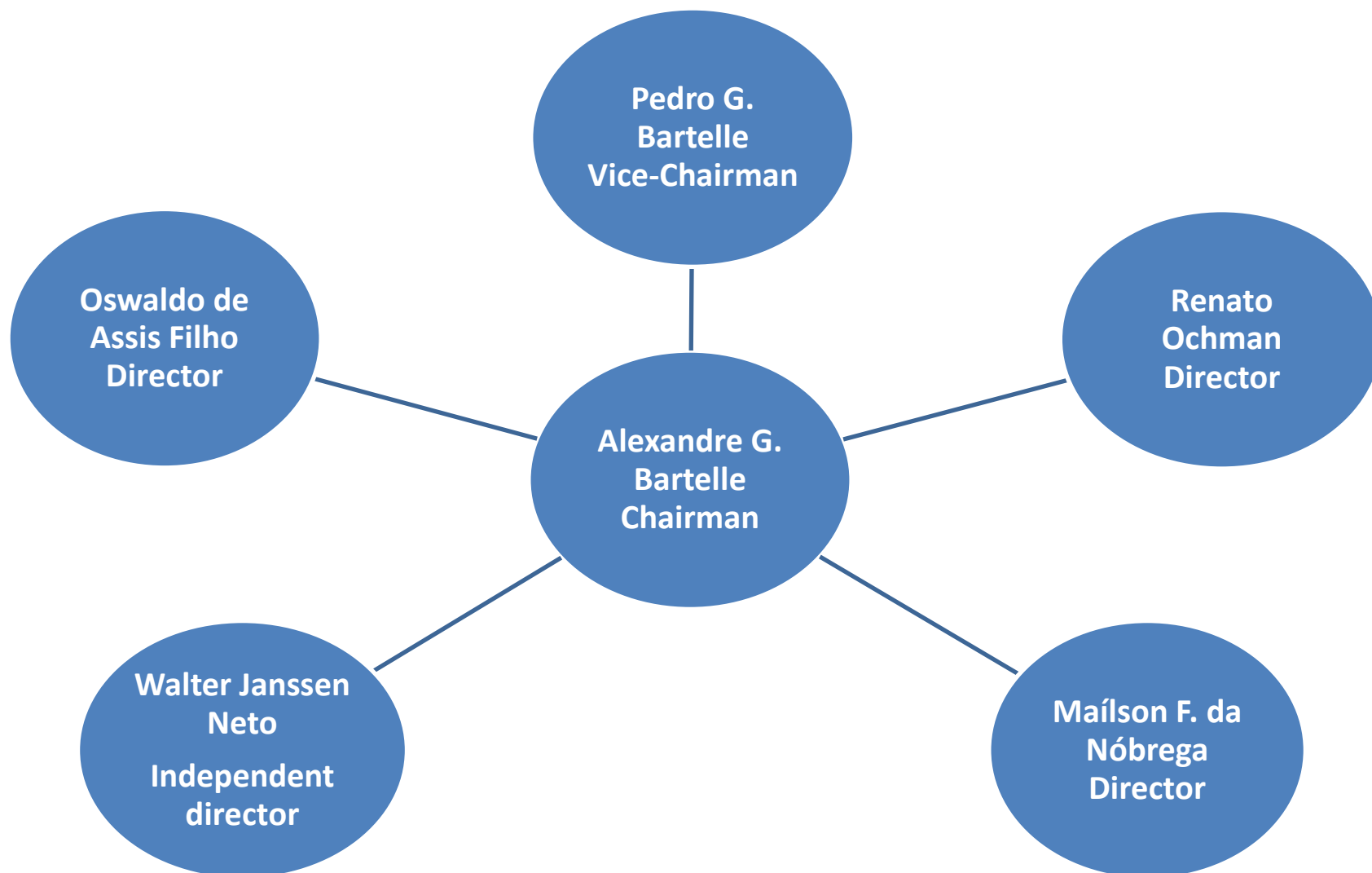
Listed on São Paulo's *Novo Mercado*; free float 25%

Solid capital structure, strong cash flow

# Shareholder Structure



# Board of Directors



# Executive board of directors

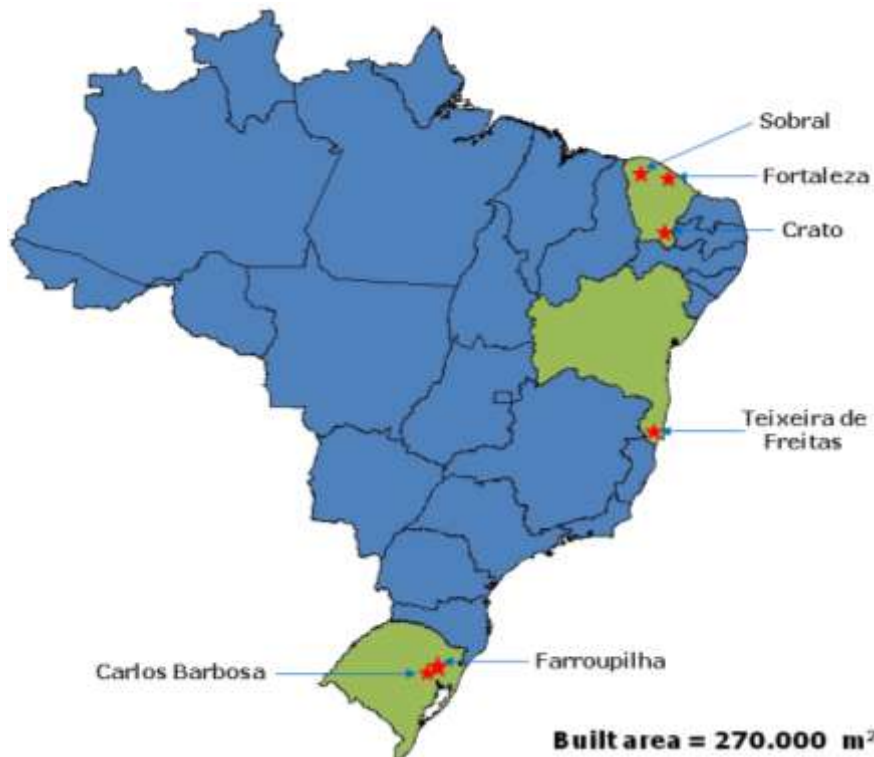


# Plants



# Location of industrial plants

## Brazil



### Plants

Farroupilha / RS – 2 units

Fortaleza / CE – 2 units

Sobral / CE – 7 units

Crato / CE – 1 unit

Teixeira de Freitas / BA – 1 unit

### Farroupilha

Directors / R&D / MKT / Sales / Exports  
/ Finance / Supplies / Plants

Carlos Barbosa

Molds



# Industrial plants



Sobral / CE

Installed capacity:  
200,000,000 pairs / year



Farroupilha / RS



Carlos Barbosa / RS



Fortaleza / CE



Crato / CE



Teixeira de  
Freitas/BA



# Productive process

**VERTICALIZATION = AGILITY**



PVC Formulation

Design

Moulds

R&D

# Sustainability



# Our challenge

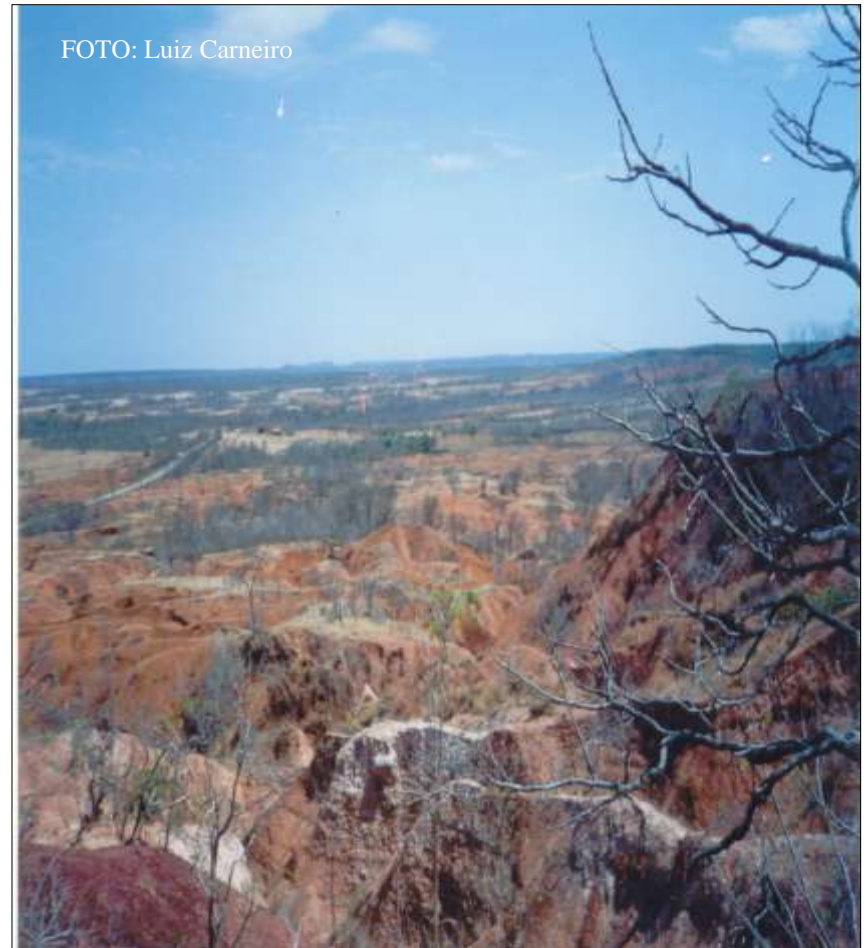
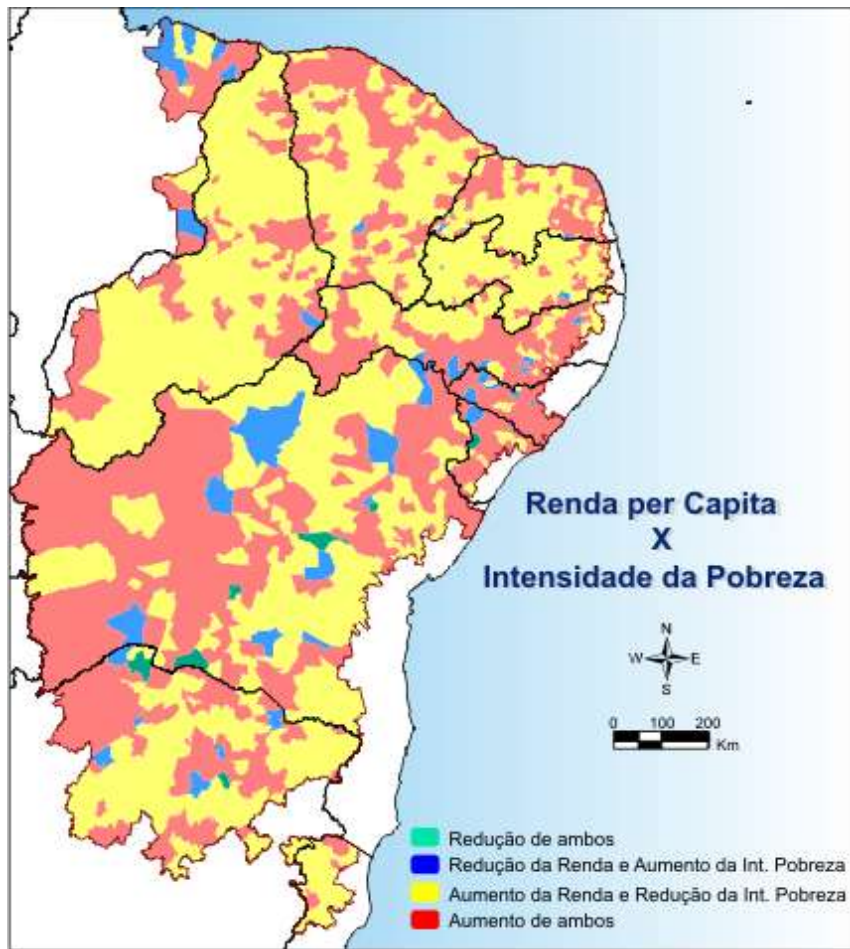




# The landscape



# Low income



# Poverty





Inefficient energy  
use



No sanitation



# Desertification



# Erosion





# Climate problems



# Our response





# Social responsibility



Providing employment and income

# Social responsibility



Healthy food



# Social responsibility



Training

# Social responsibility



Over the  
years  
Grendene has  
helped to put  
on the shoes  
of people.



# Social and Environmental Responsibility

PVC that is unused or damaged in the process, plus leftovers and scraps are fully reused.



Unused paints are removed from the water for reuse of the paint and the water.





# Social and Environmental Responsibility

The water is treated in a decantation lake and reused for conserving the vegetation.



The water used for watering the plants comes from reusing factory water.





# Footwear sector



# Brazil's footwear sector

## Profile

**8,094 producers** in 2009

**325,000 direct employees**

**Production:** 858 million pairs in 2010\* (814 million pairs in 2009)

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

**Apparent consumption, Brazilian domestic market:** 744 million pairs, and 3.9 pairs per capita in 2010 (717 million pairs and 3.7 pairs in 2009)

**Exports in 2010:** 143 million pairs to more than 140 countries (+12.9% vs. 2009)

**Source:**

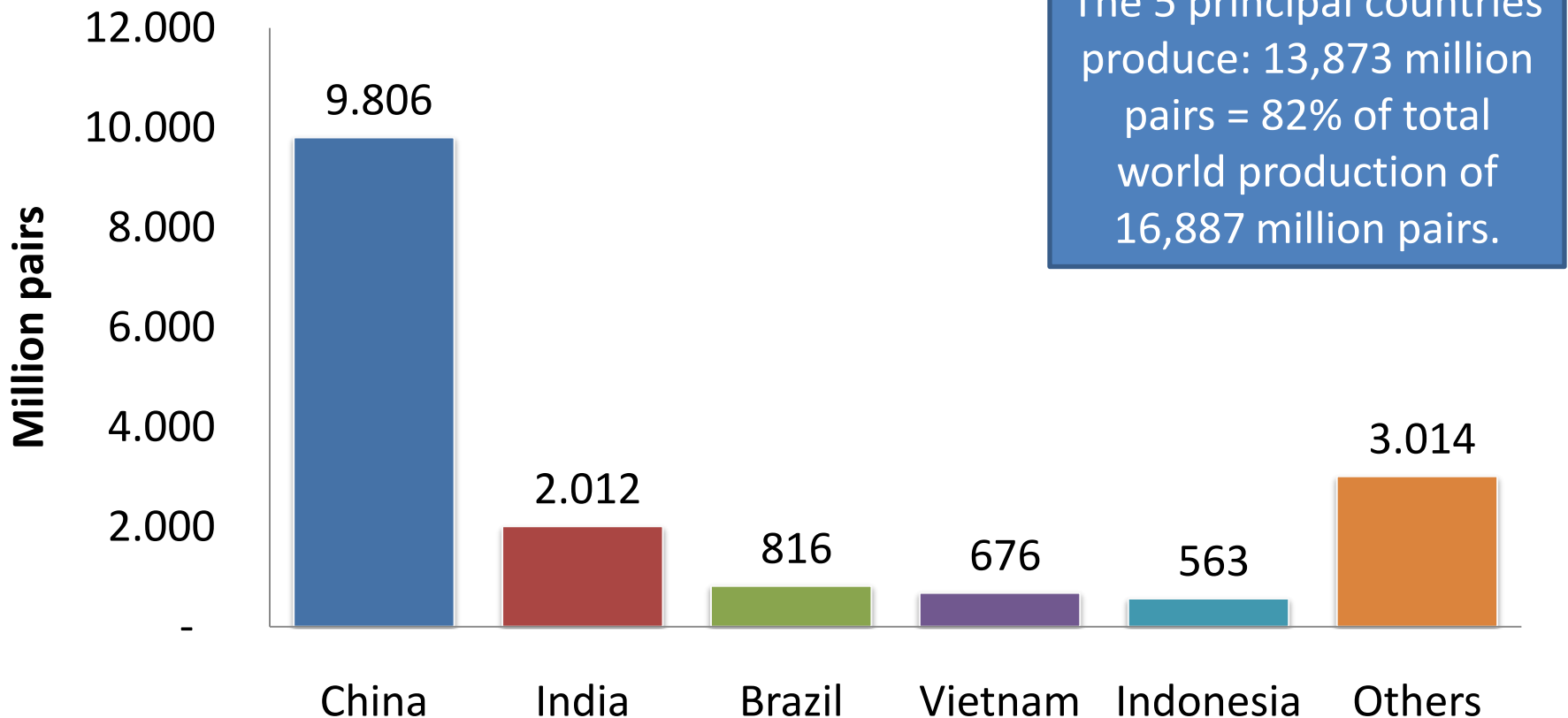
IEMI/RAIS/ABICALÇADOS/SECEX

(\*) Estimate by Abicalçados – January/2011

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

# Footwear sector

## 2008



Source: IEMI / World Shoe Review 2009 / ABICALÇADOS

# The footwear sector in Brazil

Million pairs	2006	2007	2008	2009	2010
Production	830	808	816	814	858*
Imports	19	29	39	30	29
Exports	180	177	166	127	143
Apparent consumption	669	660	689	717	744*
Per capita consumption	3.6	3.5	3.6	3.7	3.9*

**\* Estimate by Abicalçados – January/2011**

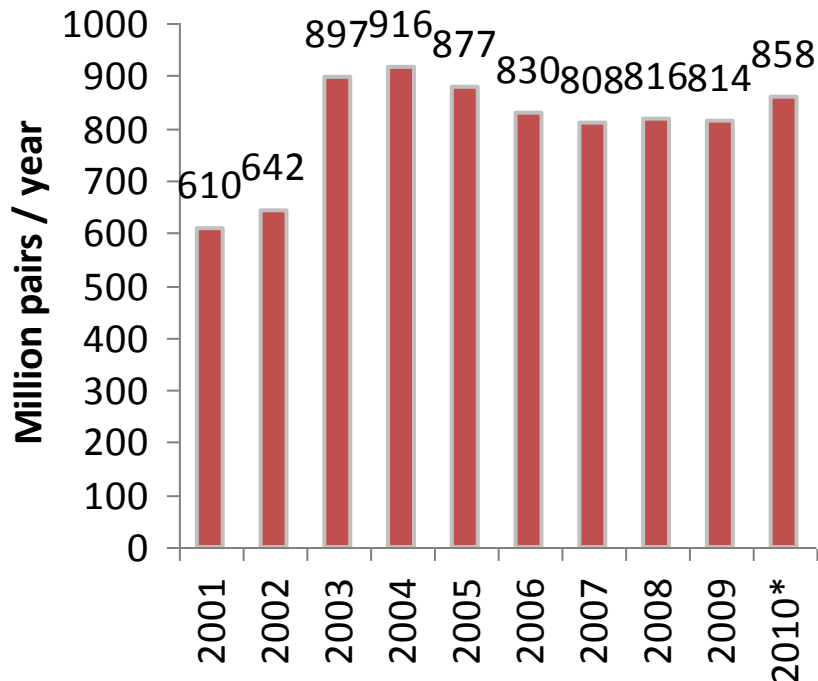
**Source: IEMI / SECEX / ABICALÇADOS**

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

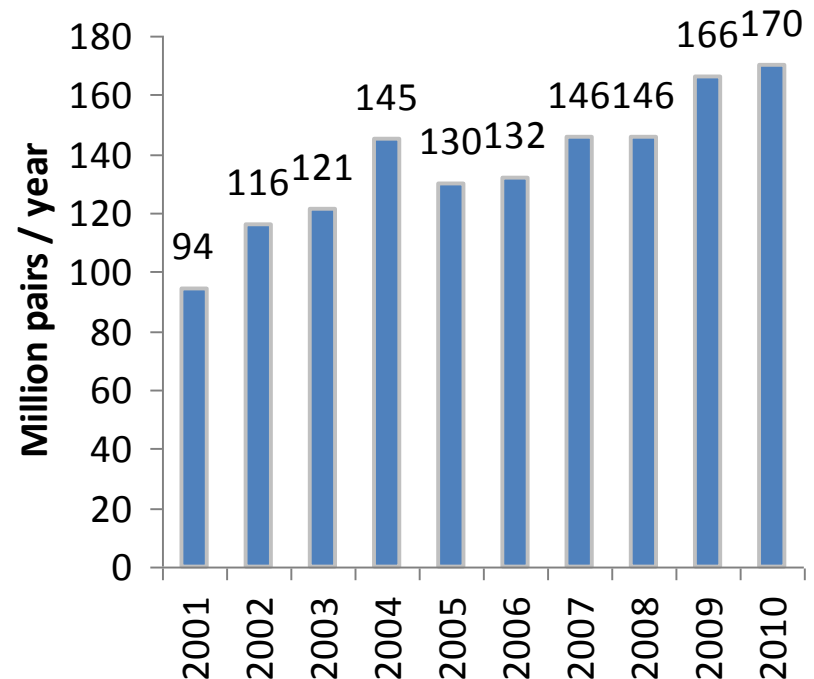
**Source: Satra 2008 /  
Abicalçados / U.S. Census  
Bureau**

# Grendene vs. Brazilian footwear sector

**Brazilian production**  
CAGR (2001/2010): 3.9%



**Grendene**  
CAGR (2001/2010): 6.7%



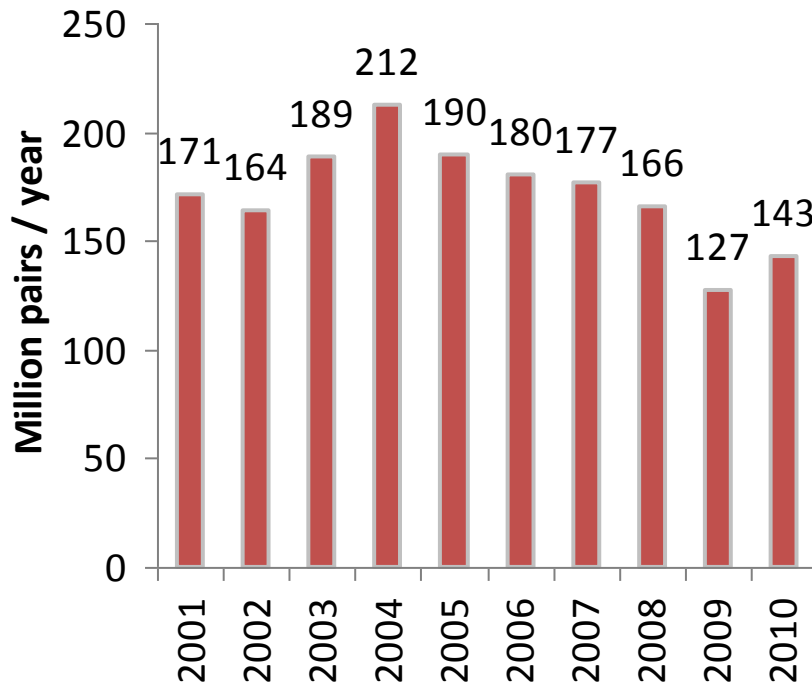
Source: Abicalçados

\* Estimate Abicalçados – Jan/2011

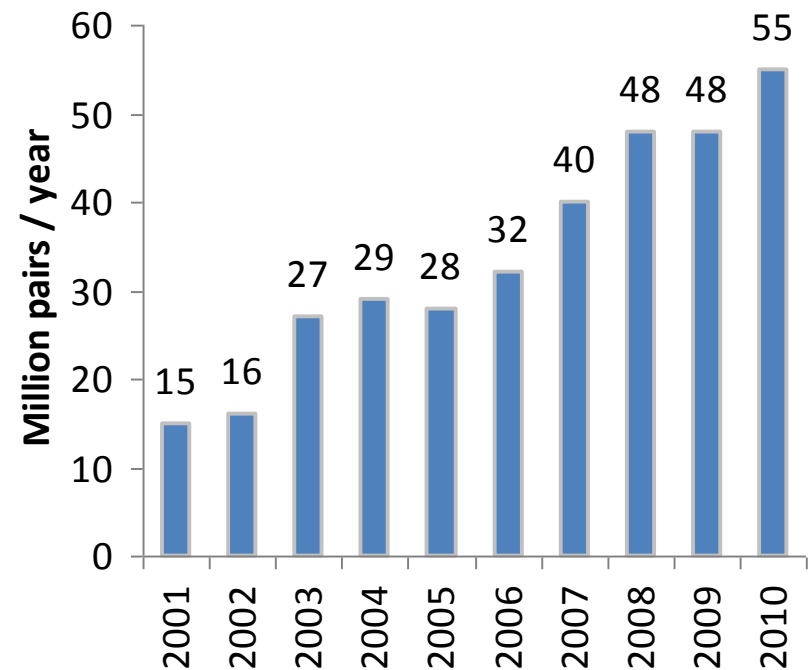
Grendene has grown faster than the Brazilian footwear industry.

# Exports: Grendene vs. Brazil

**Brazilian exports**  
**CAGR (2001/2010): (2.0%)**



**Grendene**  
**CAGR (2001/2010): 15.5%**



Source: DECEX / MDIC / ABICALÇADOS

Grendene's exports were 38.2% of total Brazilian footwear exports in 2010. (38.1% in 2009)

# Strategy: Break paradigms



**Melissa + Gaetano Pesce**

**Less labor-intensive**

**More capital-intensive**

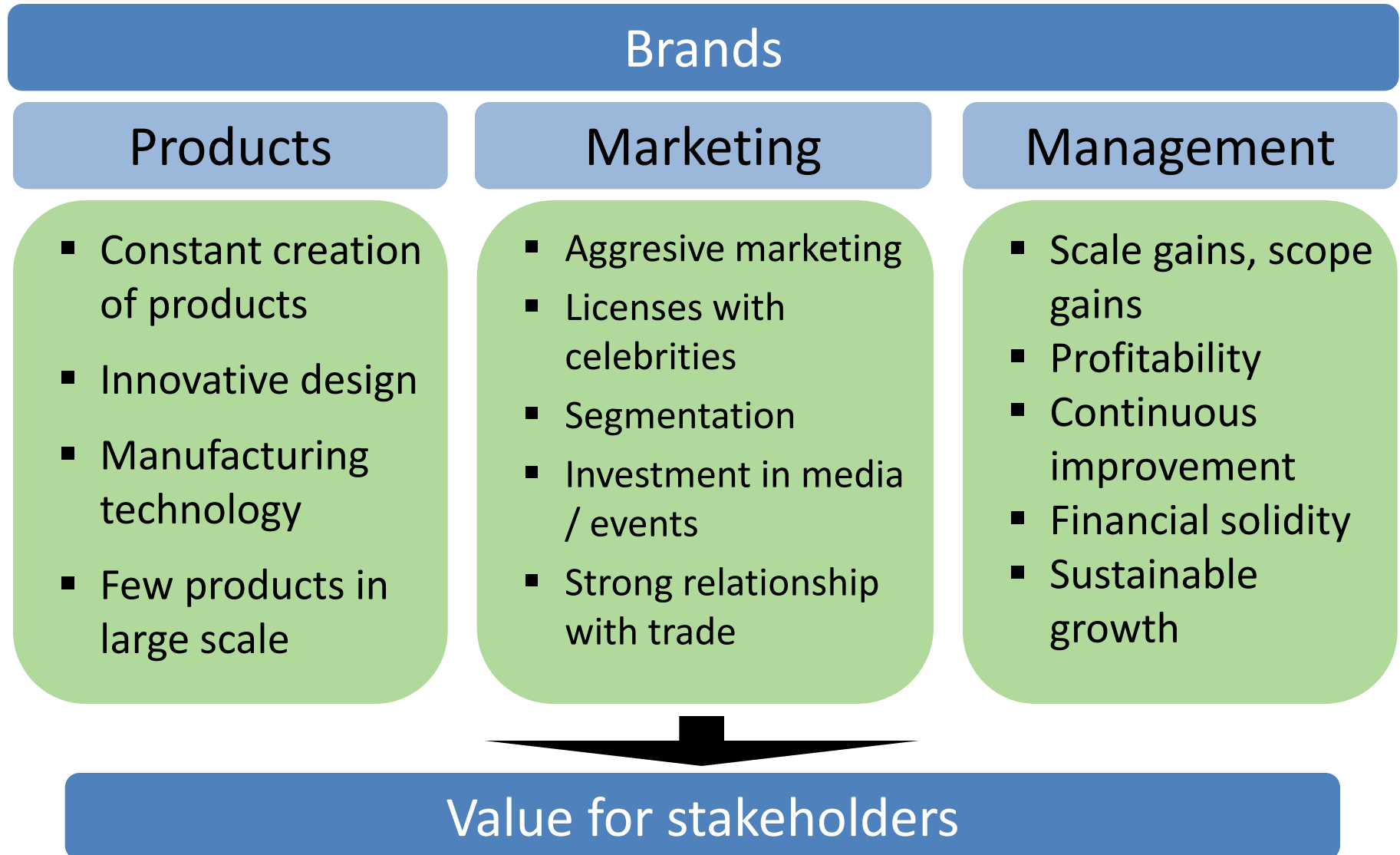
**Higher entry barriers**

**Highly marketing  
intensive**

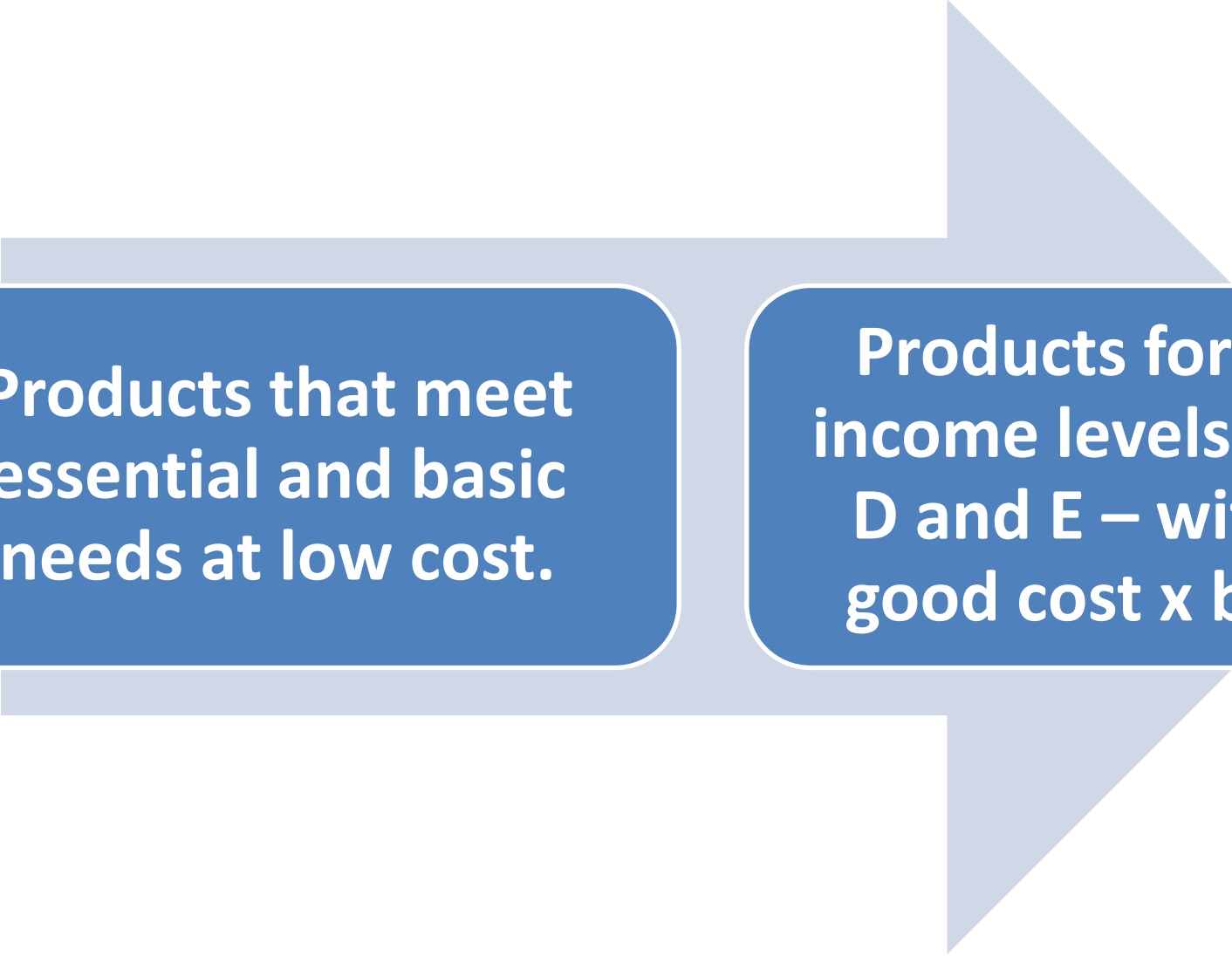
*Our expertise of more than 35 years, producing innovative footwear and generating desired brands, shows the success of our vision of the market, our strategy and our business model – and our capacity to create value for stockholders.*



# Value proposition



# Products



**Products that meet essential and basic needs at low cost.**

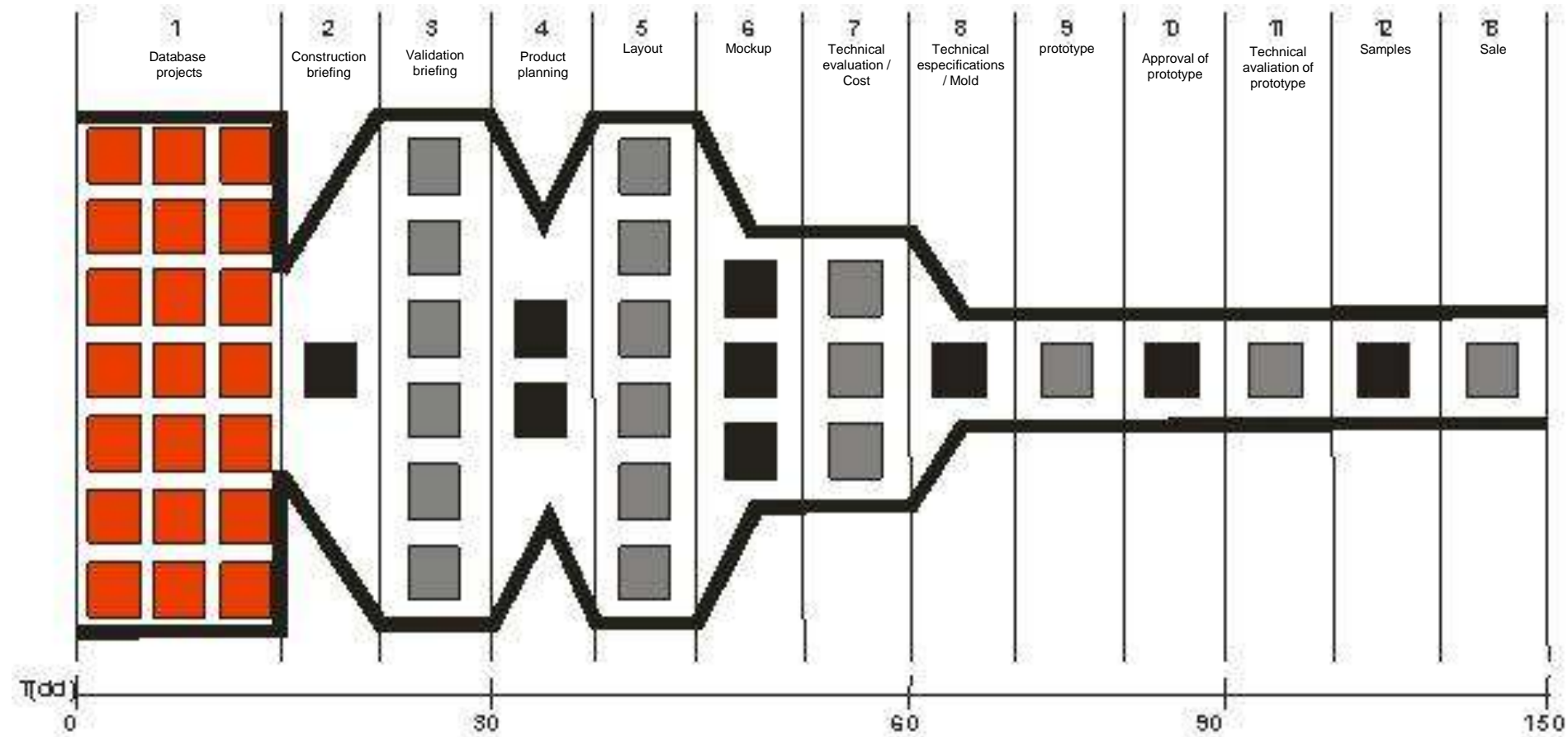
**Products for all the income levels: A, B, C, D and E – with very good cost x benefit.**

# Creative process



**Melissa + Jean Paul Gaultier**

# Work flow R&D



# Media

Grendene®

# iPANEMA®



Internet  
Hot Site



Ipanema Flora Fem



FASHIONRIO



SPFW



couromoda



# Management process











Melissa Kissing



Melissa Enjoying



Melissa Talking



Melissa Believing

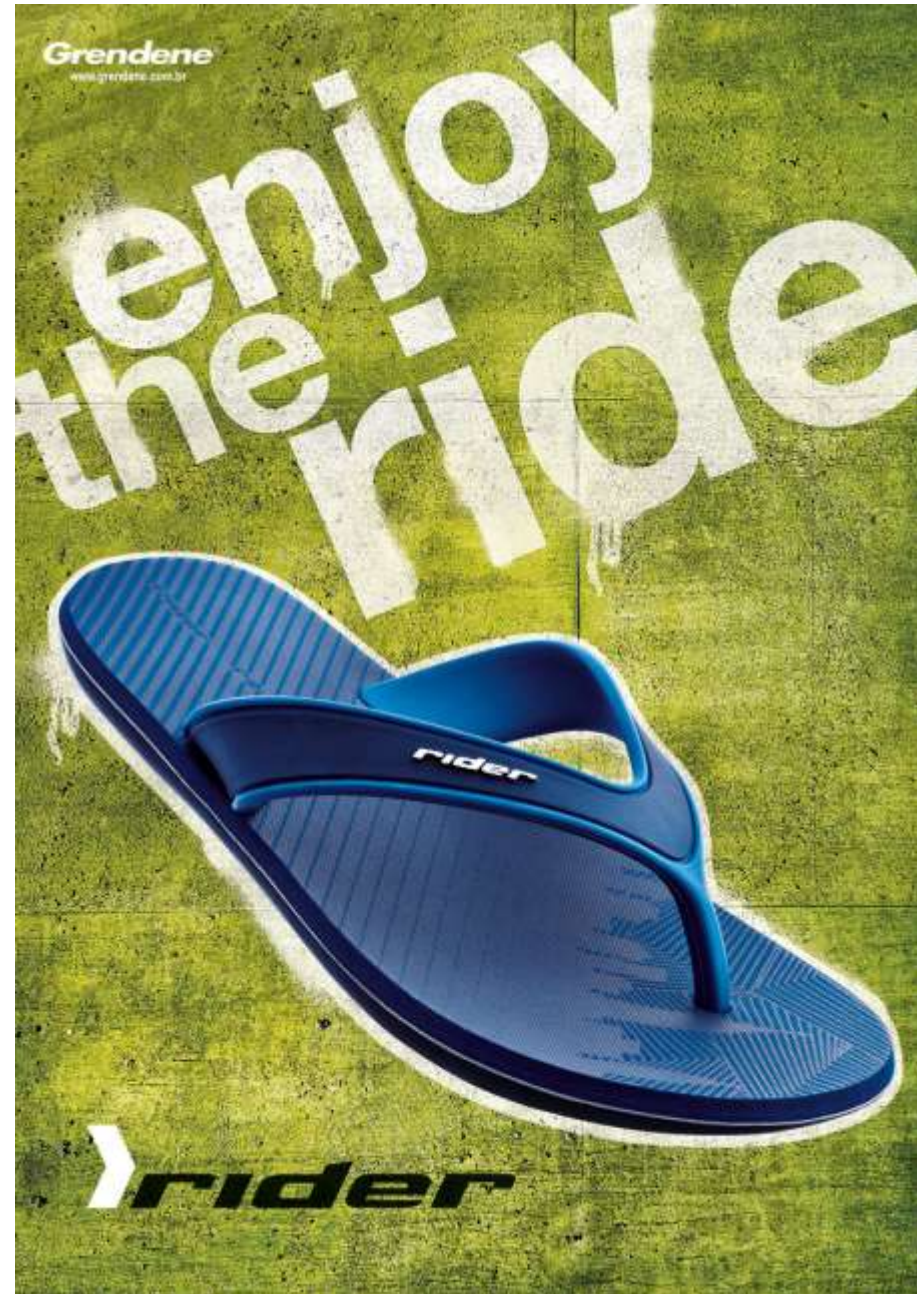
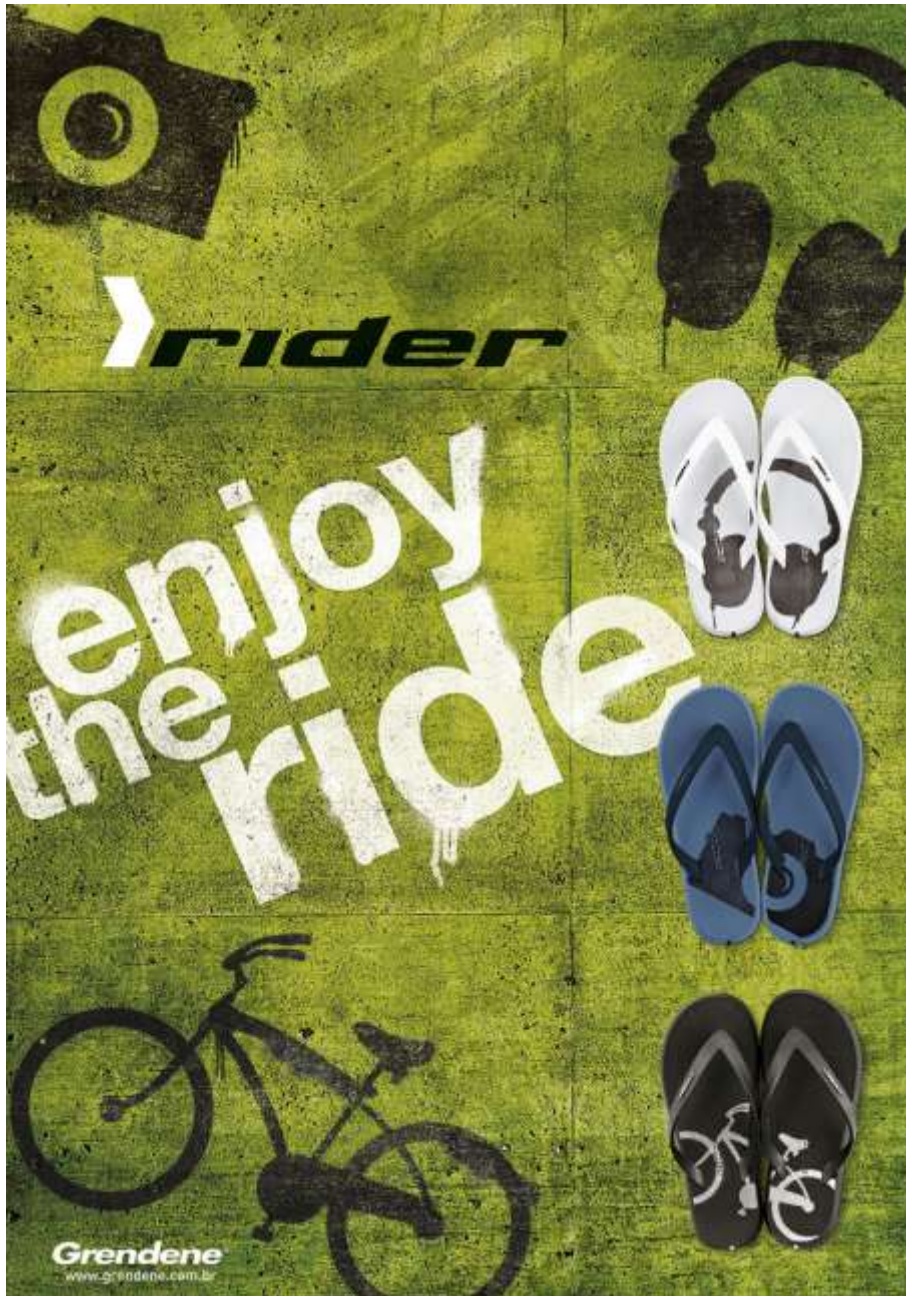


Melissa Thinking



Melissa Having









Grendha Ambar AD



Grendha Coral AD



Grendha Rose AD





Zaxy Emotion AD

Zaxy Dream AD

Zaxy Smile AD





Grendene®



Hello Kitty Show Inf



Barbie Pink Me Inf



Ben 10 Alienize Inf



Homem Aranha Urban Inf



Disney Carros Soft Baby



Disney Magia Baby



Hello Kitty Klog Baby



Backyardigans Aquarela Baby



# Main licenses





# Celebrities



Juliana Paes



Ana Hickmann



Ivete Sangalo



Claudia Leite



Carolina Dieckmann



Camila Pitanga



# Sales channels: Brazil



**Retail – Di Santinni**



**Retail – Centauro**

# Sales channels: Brazil



**Magazine – C&A**



**Self service – Carrefour**

# Sales channels: Brazil



**Select. distrib. – Doc Dog**



**Select. distrib. – Daslu**



# International sales channels



**Monastiraki - Atenas**



**Footlocker - Milão**



# International sales channels



**Fred Segal - Los Angeles**



**Jean Pierre Bua - Barcelona**

# Galeria Melissa – Concept Store



© All rights reserved

**Rua Oscar Freire, 827, São Paulo, SP**

## Results (in IFRS)





## Main financial and economic indicators

R\$ million	2009	2010	Change % 2009/10
Net sales revenue	1,455.8	1,604.5	10.2%
Net income	272.2	312.4	14.8%

Margins %	2009	2010	Change p.p.
Gross	38.9%	40.6%	1.7 p.p.
EBIT	10.4%	13.2%	2.8 p.p.
EBITDA	12.2%	15.0%	2.8 p.p.
Net	18.7%	19.5%	0.8 p.p.

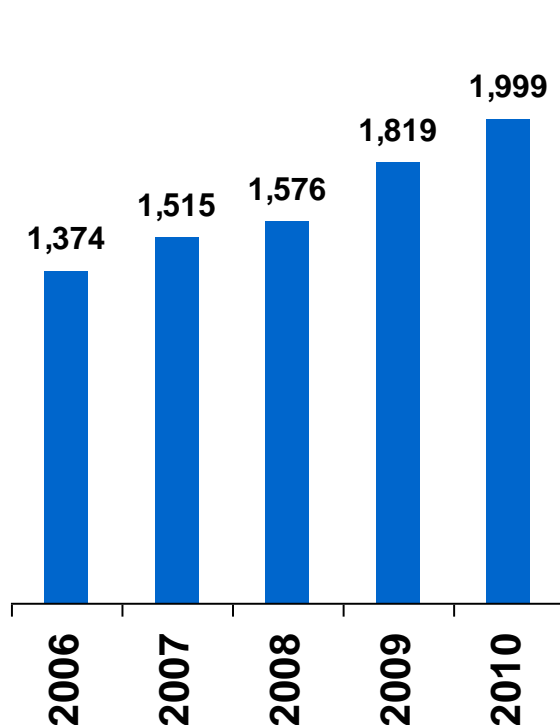
Share	2009	2010
Profit per share R\$	R\$0.9052	R\$1.0388
Share price (31/12/10) R\$	R\$9.95	R\$9.32
Book value per share R\$	R\$4.87	R\$5.57
Market cap (R\$ 1,000)	R\$2,992,164	R\$2,802,710



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

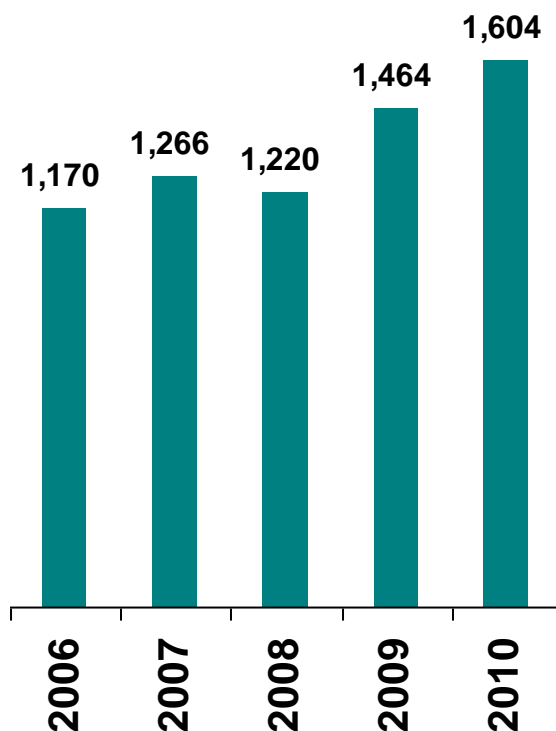
## Gross sales revenue

CAGR (2006/2010): 9.8%



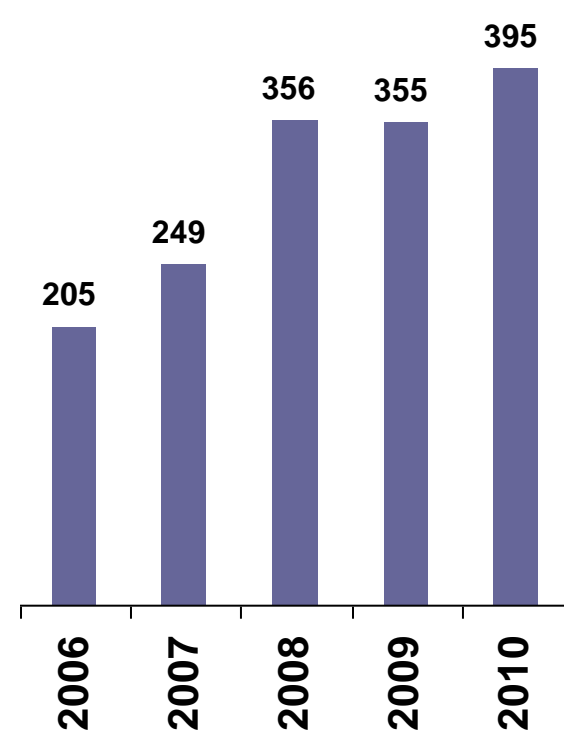
## Gross sales revenue Domestic market

CAGR (2006/2010): 8.2%



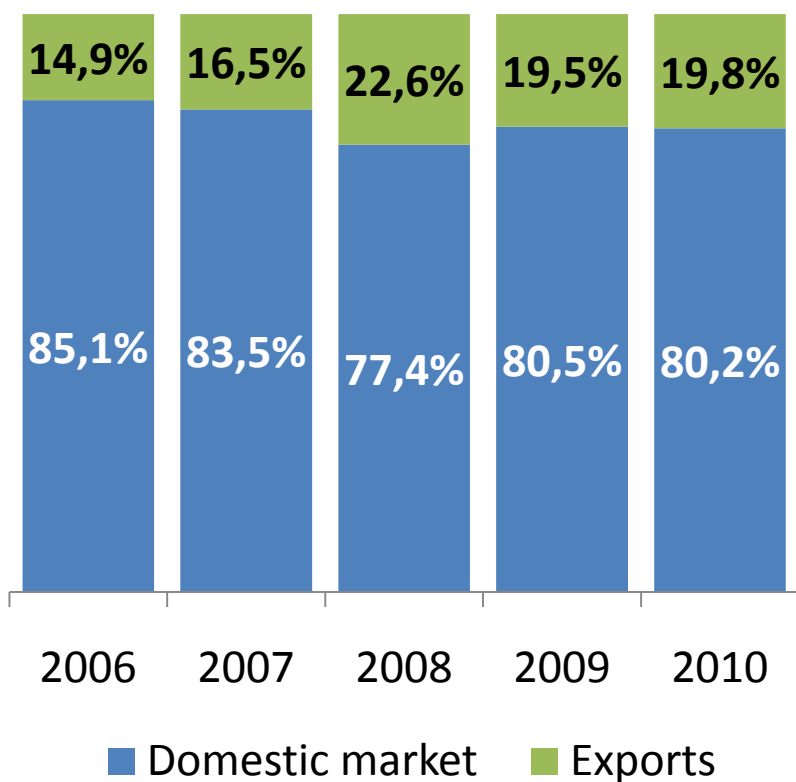
## Gross sales revenue Exports

CAGR (2006/2010): 17.9%

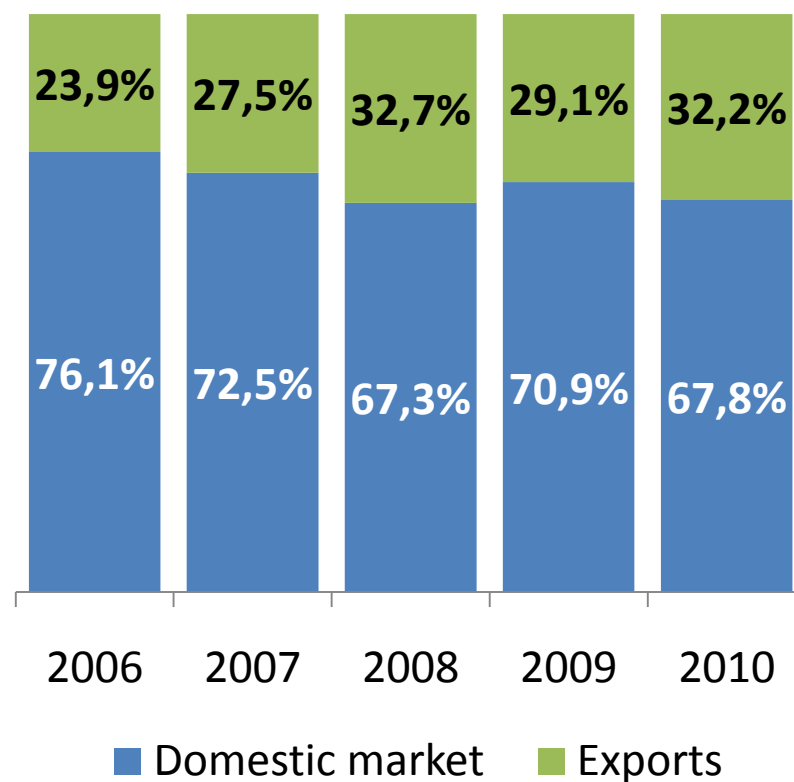


## Market %

### Gross sales revenue



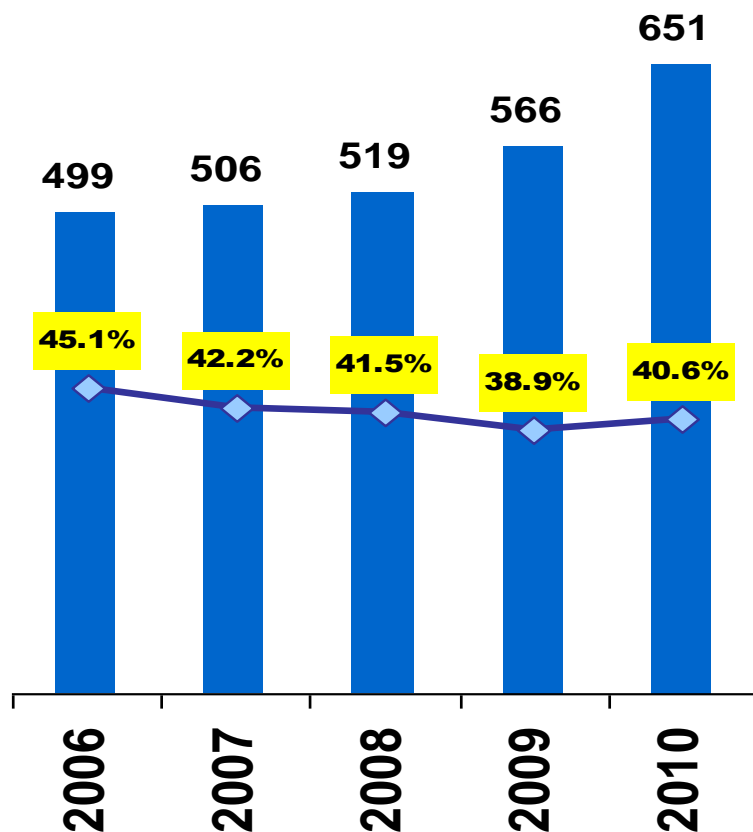
### Sales volume



# Results (IFRS) (R\$ million)

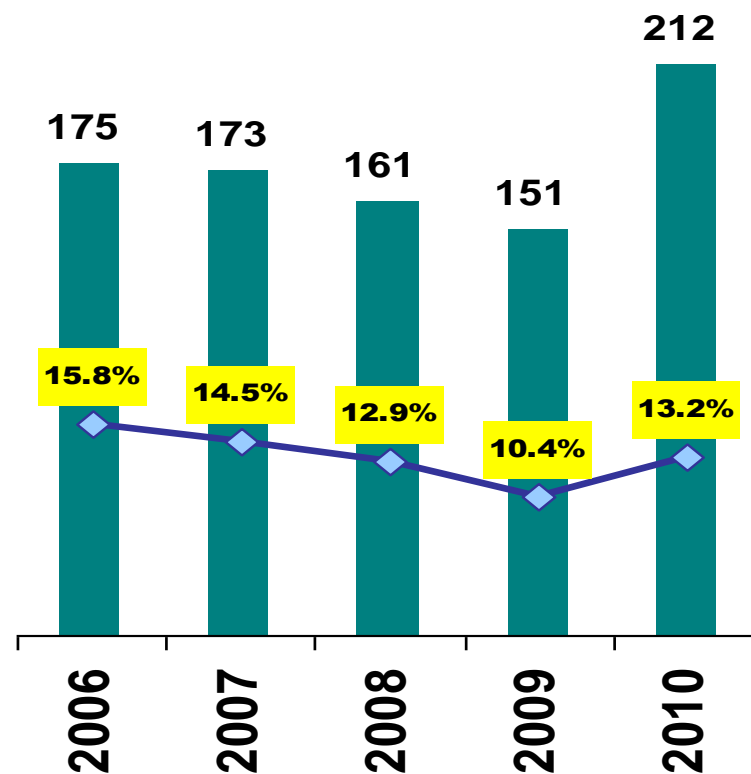
## Gross profit / Gross margin

CAGR (2006/2010): 6.9%



## EBIT / EBIT margin

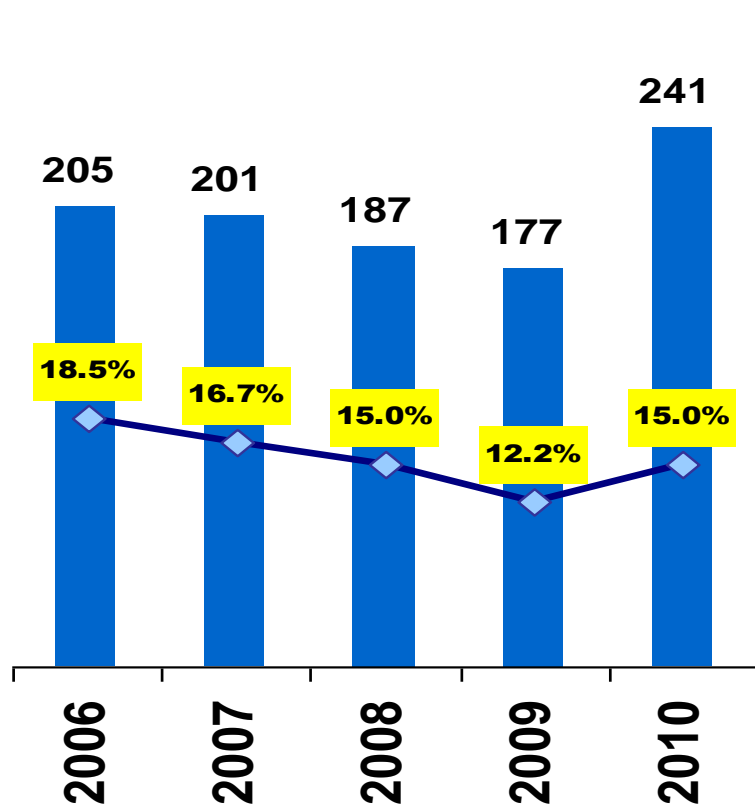
CAGR (2006/2010): 5.0%



# Results (IFRS) (R\$ million)

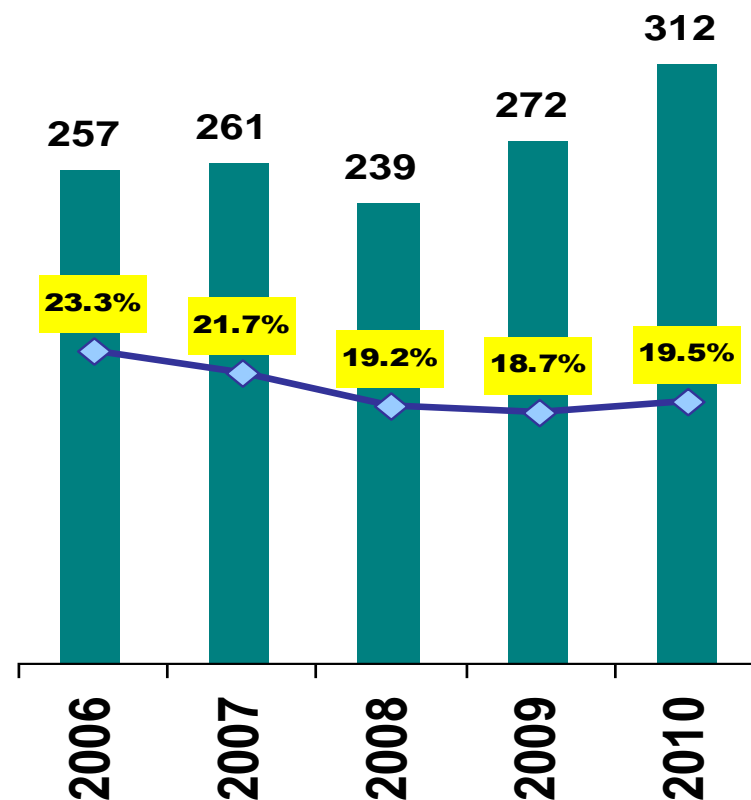
## EBITDA / EBITDA margin

CAGR (2006/2010): 4.1%



## Net income / Net margin

CAGR (2006/2010): 5.0%

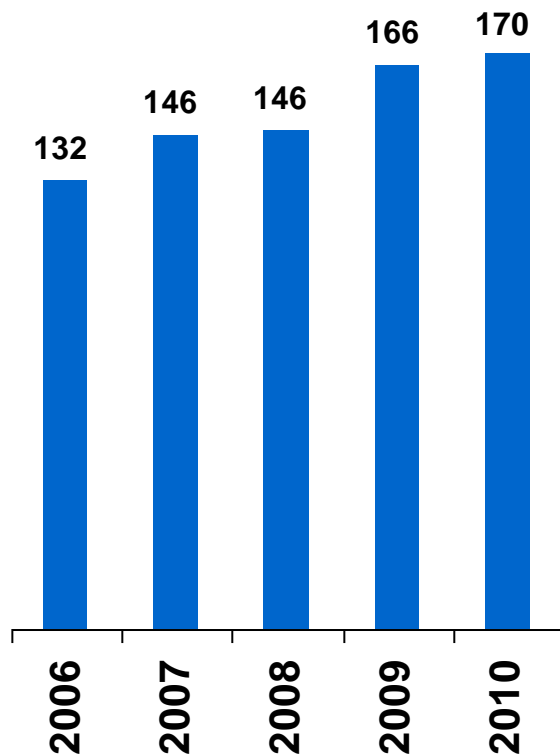




# Sales volume (Million pairs)

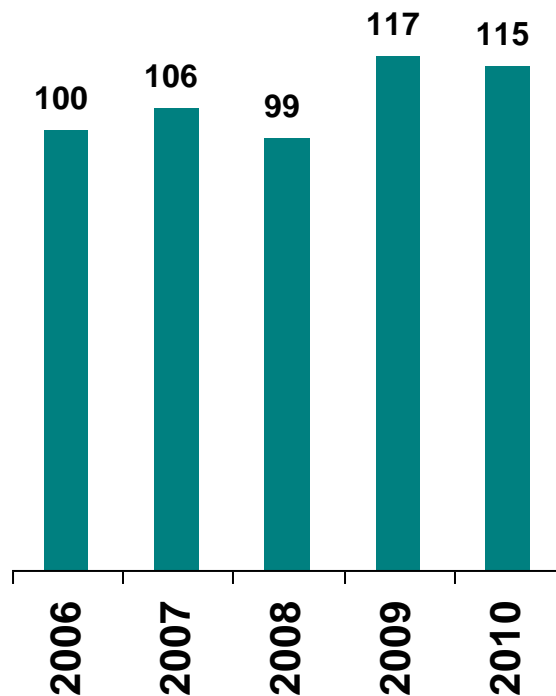
## Sales volume

CAGR (2006/2010): 6.5%



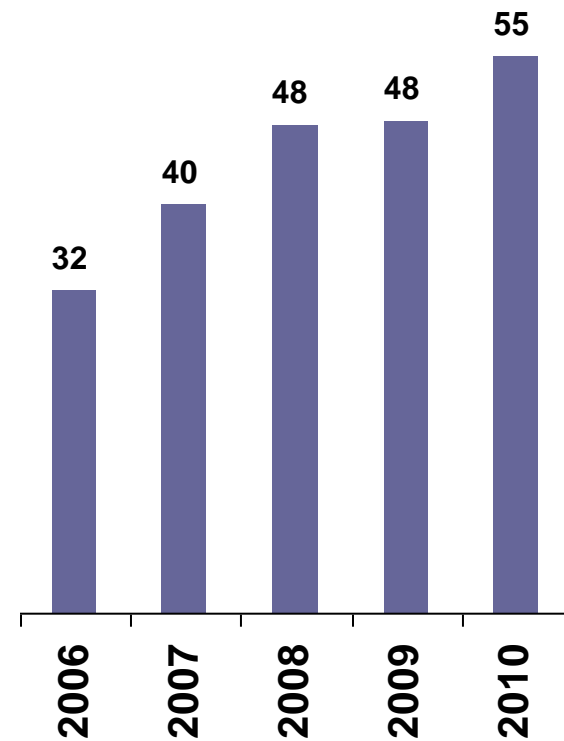
## Sales volume – Domestic market

CAGR (2006/2010): 3.4%

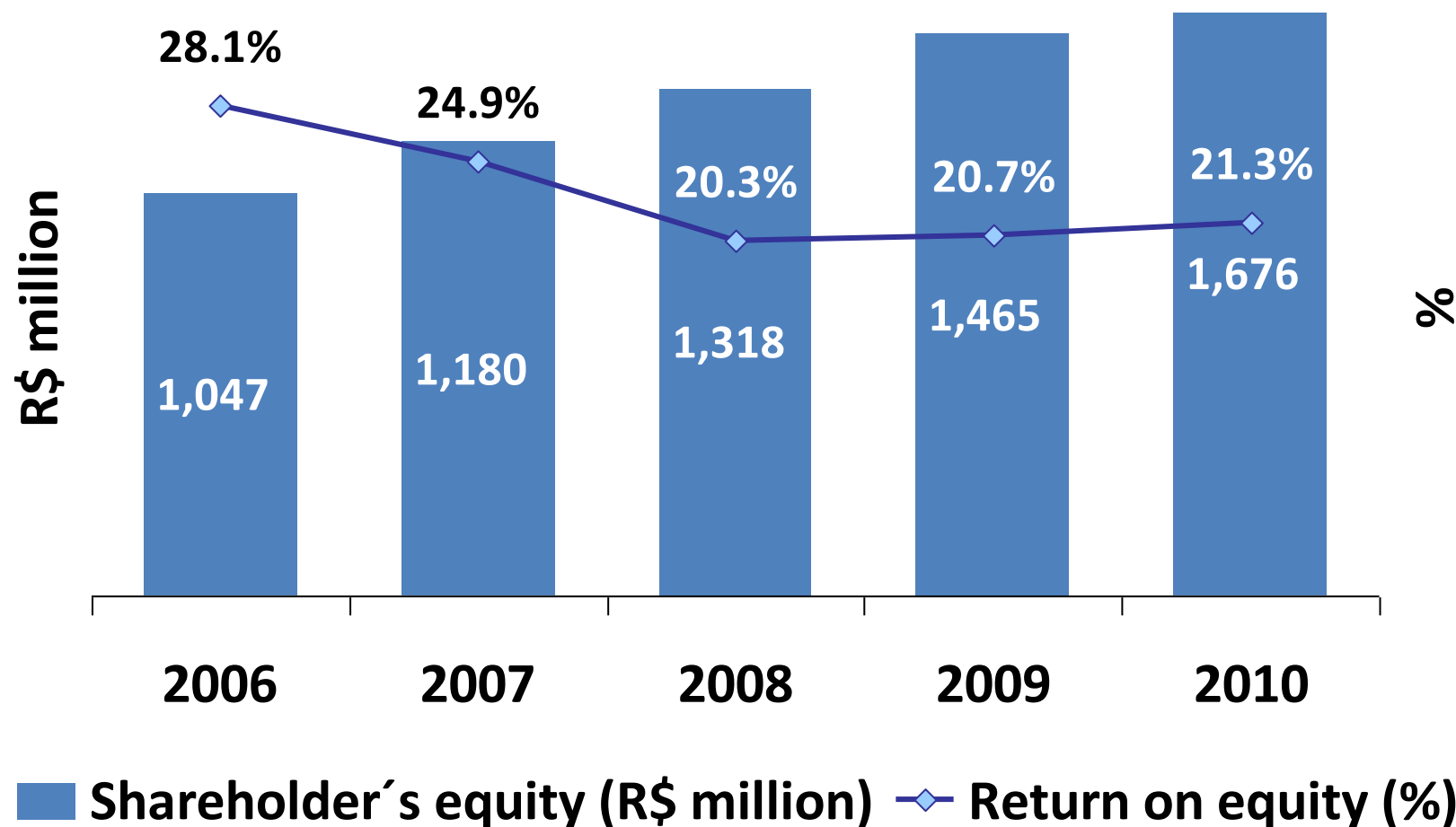


## Sales volume – Exports

CAGR (2006/2010): 14.8%



# Shareholder's equity and return on equity

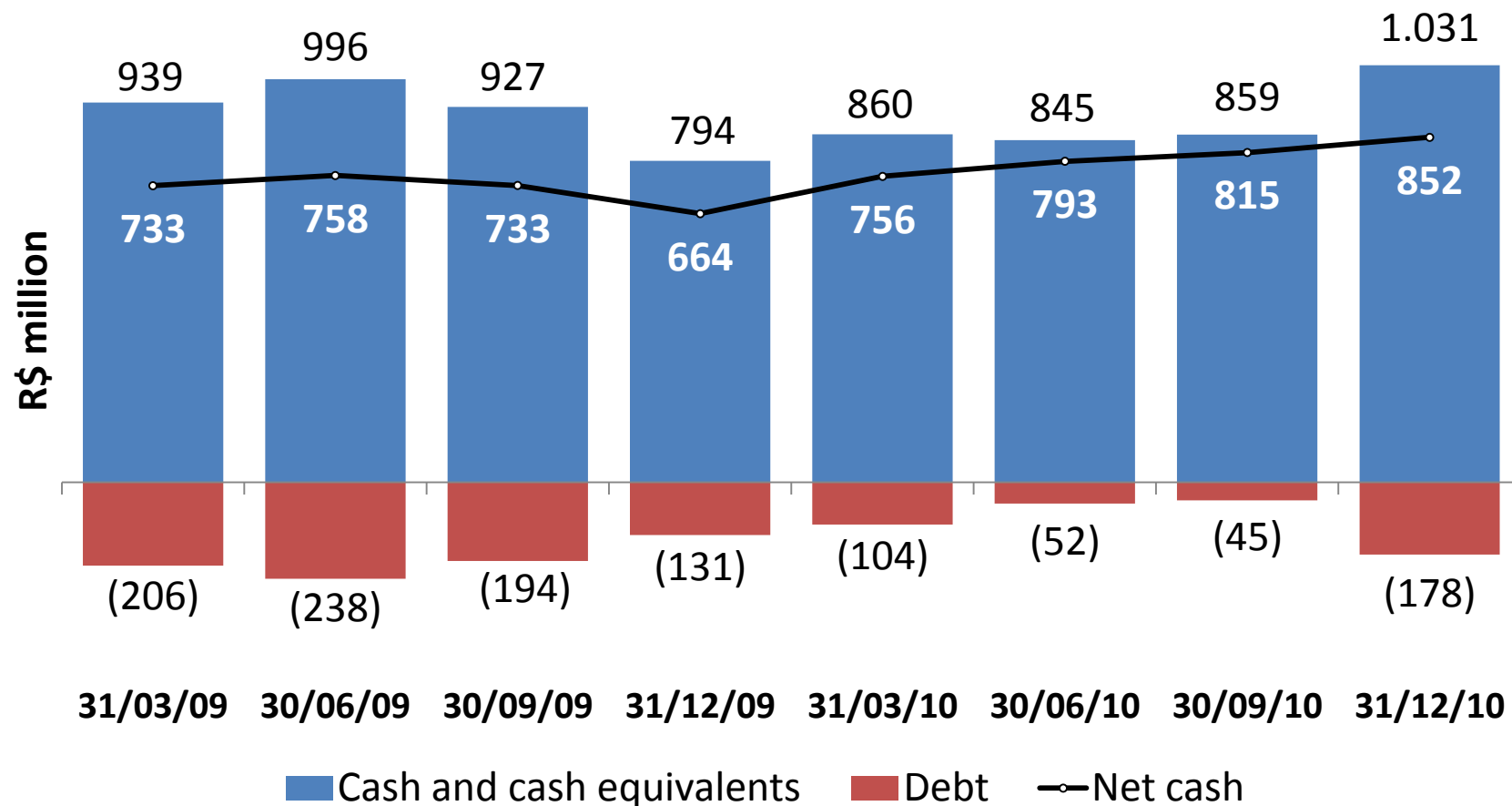


# Operational result (IFRS)

## (R\$ '000)

	2009	% V	2010	%V	%H	Marginal	%V
Domestic market	1,464,338	100.6%	1,603,820	100.0%	9.5%	139,482	93.8%
Exports	355,024	24.4%	394,766	24.6%	11.2%	39,742	26.7%
<b>Gross sales revenue</b>	<b>1,819,362</b>	<b>125.0%</b>	<b>1,998,586</b>	<b>124.6%</b>	<b>9.9%</b>	<b>179,224</b>	<b>120.5%</b>
Sales deduction	(363,605)	(25.0%)	(394,079)	(24.6%)	8.4%	(30,474)	(20.5%)
<b>Net sales revenue</b>	<b>1,455,757</b>	<b>100.0%</b>	<b>1,604,507</b>	<b>100.0%</b>	<b>10.2%</b>	<b>148,750</b>	<b>100.0%</b>
Cost of sales	(889,711)	(61.1%)	(953,261)	(59.4%)	7.1%	(63,550)	(42.7%)
<b>Gross profit</b>	<b>566,046</b>	<b>38.9%</b>	<b>651,246</b>	<b>40.6%</b>	<b>15.1%</b>	<b>85,200</b>	<b>57.3%</b>
<b>Operating income (expenses)</b>							
Selling expenses	(356,275)	(24.5%)	(377,010)	(23.5%)	5.8%	(20,735)	(13.9%)
General & administrative expenses	(57,854)	(4.0%)	(58,938)	(3.7%)	1.9%	(1,084)	(0.7%)
Management fees	(1,123)	(0.1%)	(2,940)	(0.2%)	161.8%	(1,817)	(1.2%)
<b>EBIT</b>	<b>150,794</b>	<b>10.4%</b>	<b>212,358</b>	<b>13.2%</b>	<b>40.8%</b>	<b>61,564</b>	<b>41.4%</b>
Other operating income	3,200	0.2%	3,368	0.2%	5.3%	168	0.1%
Other operating expenses	(1,810)	(0.1%)	(7,313)	(0.5%)	304.0%	(5,503)	(3.7%)
<b>Operating result before financial revenue (expenses)</b>	<b>152,184</b>	<b>10.5%</b>	<b>208,413</b>	<b>13.0%</b>	<b>36.9%</b>	<b>56,229</b>	<b>37.8%</b>

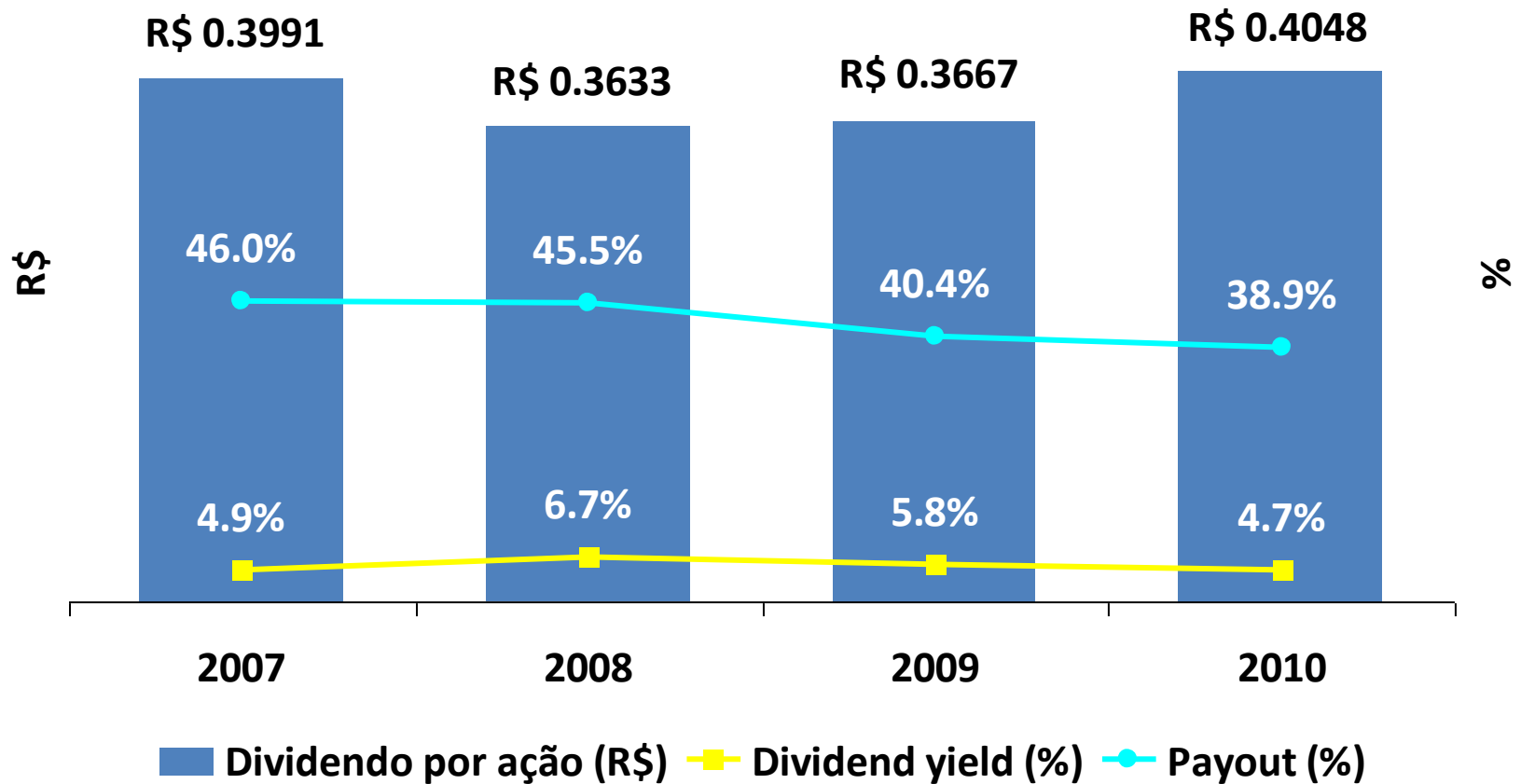
# Net cash, cash and cash equivalents and debt



Strong cash flow

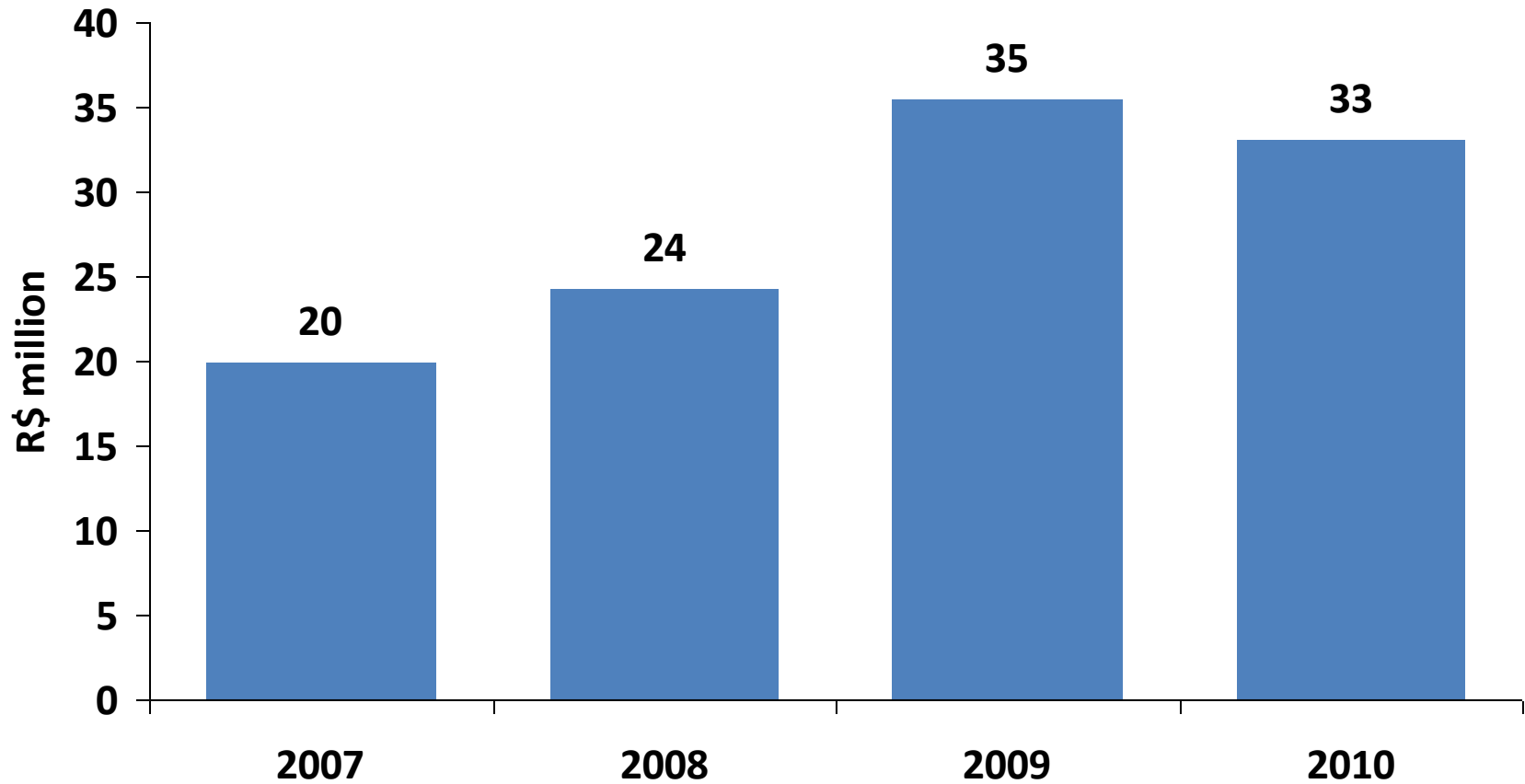


# Dividends



*Dividend yield: Profit per share divided by average value of the share in the year.*

# Low need for CAPEX



# Outlook

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



# Perspectivas



Enjoy  
the ride.

The image shows a pair of white flip-flops with black straps and a green and white patterned sole. The brand name 'rider' is visible on the sole. The background is black with a small yellow and white square in the top left corner.

## Targets for: 2009 – 2013 / 2011-2015

Growth of gross revenue at a CAGR between 8% and 12% in the five years.

Growth of net profit at a CAGR between 12 and 15% in the five years.

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

Our view is that, in this period, we may have years with greater growth than these rates, as was the case in 2009, and others with less growth, but on average we intend to meet this target.



# Thank You!

## Grendene's IR Team

### **Francisco Schmitt**

Investor Relations Officer  
schmitt@grendene.com.br  
(5554) 2109.9022



*40 years old*

## Secretary

Cátia Gastmann  
(5554) 2109.9011

## Analysts

Alexandre Vizzotto  
(5554) 2109.9036

Lenir Baretta  
(5554) 2109.9026

## Further information

Internet: <http://ri.grendene.com.br> / Email: [dri@grendene.com.br](mailto:dri@grendene.com.br)

*GRENDENE S.A.*



**7** Anos

*Selo Assiduidade*  
**APIMEC-SP**



*Prata*

**2011**