

Lojas Renner S.A | 1Q25 Conference Call Transcription

Carla Sffair: Good morning everyone, we shall start the Lojas Renner S.A. conference call. I have here with me Fabio Faccio, CEO, and Daniel Santos, CFO.

Before I hand over to them, I would like to inform that this videoconference is being recorded and translated simultaneously into English. The presentation will be presented in Portuguese, for those following us in English, it is available in the chat and on the IR website. Questions from journalists should be directed to our press office at (11) 3165-9586.

Before continuing, I would like to clarify that any statements regarding business prospects, operational and financial projections and goals are near forecast and assumptions based on currently available information and are not performance guarantees as they depend on circumstances that may or may not take place.

During the Q&A session, questions can be asked only by audio. With that, I hand the floor over to Fabio.

Fabio Faccio: Good morning, and thank you, everyone, for joining us. I am pleased to share Lojas Renner S.A.'s first quarter 2025 results, as well as some insights for the future.

This quarter, Renner's strategic initiatives that have been developed in recent years have already benefited our results. Retail operations grew by 12% compared to the previous year. Apparel sales in particular increased by 13.5%. Additionally, our gross margin increased by 0.6 percentage points compared to the same period last year.

This marks the fifth consecutive quarter of expenses dilution, a 1.3 percentage point decrease in expenses relative to net revenue. And we know that we still have opportunities ahead. Part of this performance already reflects the gradual efficiency gain of our business model, which began in the third quarter of 2024 and continues to gain traction.

The steps we've taken at Realize in the last months have also boosted the performance of our financial institution, which grew approximately seven times compared to the same period last year — even excluding the positive impacts of the new Central Bank regulations. This increase was the result of further reductions in losses with decreased portfolio risk, along with team evolution and improvements in our credit granting tools. During the quarter Realize also continued to drive growth at our retail business.

The execution of the Buyback Program reaffirms our commitment to creating value for our shareholders. In February, we announced an 18-month buyback program - and we have already executed 62% of the program. We intend to complete the entire program on schedule as we believe that investing in the purchase of our shares is one of the best investments at this time.

Our sustained focus on our retail and financial service business has resulted in a 65% increase in earnings per share and a 1.9 percentage point increase in return on invested capital (ROIC) over the last 12 months. We expect continued evolution of our Company's EBITDA, earnings per share, and ROIC in the coming months.

I want to talk about where we currently are and where we are going. If we imagine Renner as a large ship, what we've done in recent years is replace its engines while still sailing.

We streamline fashion execution, incorporate AI in trend capture, communication with our customers, further integrate our supplier network. We have also integrated on and off inventory in a 100% SKU fulfillment system.

We invested in in-store technology, expanded into new cities and accelerated digital. At the same time, we adjusted Realize to continue in its role of leveraging retail through loyalty and credit.

The focus of such an investment cycle has not been on immediate gains, but rather on preparing our crew and our ship to undertake safer, longer, and more efficient voyages for many years to come. Our current model empowers us for a long cycle of growth, with profitability and efficiency.

When replacing a ship's engines, long periods of testing and adaptation are necessary before gradually accelerating to reach maximum speed and performance.

What differentiates us in the market today is that our model is already more adherent to new consumption habits, allowing us to grow in an integrated and flexible way. It is important to remember that our percentage growth happens on a high nominal basis, so our growth occurs in other dimensions, both top line and value generation.

Even so, with our investments, we now have the potential to resume average growth similar to our best historical periods on a much higher nominal basis. The testing period, which ended in 1H24, was longer than we expected.

Now, we are at the beginning of the full performance potential, and we estimate to reach it between the end of 2026 and the beginning of 2027.

Our focus is to accelerate the reaping of benefits, and our expectation is to grow consistently and profitably for the next few years, without the need for new relevant investments in infrastructure. We are sailing in that direction.

Thank you again for your attention, and I now hand over to Daniel.

Daniel Santos: Thank you Fabio and good morning to all. Now, let's speak about grow.

In 1Q25, we achieved 12% growth in retail revenue, with sales of apparel reaching 13.5% growth. Sales were driven by higher volumes of transactions and pieces sold, result of a greater flow of customers, and a more appropriate collection to our client's profile.

This growth was also the result of a higher average price, composed of a better mix, with better quality inventory as a result of reduced inventories and price adjustments.

As for the price adjustment, we started a gradual adjustment, passing through part of the cost effect – a movement that will continue throughout the year. These price adjustments have been made carefully, by monitoring of the market and the performance of the products, with a focus on the positioning of our brands, and did not affect customers' perception and purchase intent, which brings us confidence as to the price dynamics for the rest of the year, which should be close to inflation.

Our digital channel achieved 15% growth, once again gaining share and with improved profitability. We have improved the search tools and product display by core trend, which favored assertiveness of customer navigation and conversion.

About Q2: we continue to see good consumption dynamics so far and we have good expectations for the quarter. Our 2024 comparison base is weaker, due to the impact of climate extremes and floods and the largest supply lead times in the final phase of stabilization of SP CD. At the time, these effects impacted us by about 500-600 bps versus the market performance. This year, temperatures are normalized and we have evolved in our supply and fulfillment.

We know that the 2nd half of the year, depending on the macro scenario, could bring greater challenges for household consumption, where our basis of comparison is stronger than that of the 1H. But we remain confident that the business model, more flexible, agile and precise will allow us to follow a path of competitive growth, with market gains share.

We continue to advance in gross margin even in a cost scenario inflation, high interest rates and exchange rate pressure. We closed Q1 with a healthy gross margin of 55.1%, 0.6p.p. greater than 1Q24. Apparel Gross Margin grew 0.2p.p., reaching 56.2%, even with the impact negative 0.3p.p. of PVA.

This performance was possible thanks to efficient inventory management, agility and flexibility in capturing trends and developing collections and by gaining in precision and agility in store supplying fulfillment. These actions allowed us to reach the lowest markdowns levels in the last 10 years.

We ended the quarter with a 13% increase in the financial volume of inventories, due to both higher acquisition costs and larger volumes purchased to supply the Mother's Day period. For this event, we have well-stocked inventories and well prepared store teams. We also started a new marketing campaign that was activated on different channels. At Youcom, the increase of 0.8p.p. on the margin reflected better commercial and inventory management.

Camicado achieved record gross margin levels for a 1Q, with an increase of 5.4p.p., a consequence of the greater participation of own brand products, with greater differentiation and competitiveness.

As for the year, we continue to expect healthy and stable gross margins compared to the previous year. This expectation reinforces our confidence in being able to resume and even overcome pre-pandemic gross margins. However, 2025 will be a more challenging year given the level of inflation and exchange rate volatility. As for our foreign exchange exposure, our imported orders are already protected until September, below R\$6.00 which, added to the implementation of prices that occurred as expected and the gain in efficiency in inventory management gives us more peace of mind regarding gross margins in 2025.

Operating expenses grew 8.5%, a percentage lower than the expansion of 12% of Net Retail Revenue, which allowed 1.3 p.p. of leverage operational in the quarter.

General and Administrative Expenses were diluted by 0.5p.p. and growth of 7.3%. This growth reflected, in addition to inflation during the period, a greater volume of operated parts (which impacts the freight item, packaging and personnel), project expenses related

to systems, platforms and regulatory adjustments that impact personnel expenses and third-party services. These expenses were expected and will continue to weigh on us during Q2. For the second half of the year, we expect these expenses will lose relevance. In 2H25, the migration of the digital operation to the new Cabreuva DC will allow us to be more efficient in terms of expenses. We recognize that expense levels remain high, but we continue to seek and achieve efficiencies in all our operations and are confident that the investments we have made in the business will structurally allow for sales growth that outpaces expense growth.

Realize delivered another quarter with significant improvements. The result was R\$190 million, reflecting lower net losses recognized during the period, due to the improvement in the portfolio profile and the effects of resolution 4966, which impacted the timing for recognizing late interest and write-offs of overdue accounts. Excluding the effect of these changes, the result was approximately R\$95 million, still a very positive evolution, mainly due to the better quality of the portfolio.

Our credit granting model remains robust and precise, resulting in a healthy portfolio with a low-risk profile, positioning Realize very well for the current credit cycle in Brazil. Our Over 90 – 360 days (ex-regulation) closed at 13.4%, 5p.p. lower than the previous year, and our short-term delinquency rate remains at low levels. As long as an uncertain macro context persists, we will continue to offer more cautious credit, with gradual movements and focused on less risky profiles, mainly through Private Label, ensuring continuity of support for retail sales and maintaining the quality of the portfolio.

Regarding the impact of resolution 4966 on Realize's results in Q125 and on expectations for the remaining quarters of the year, I would like to review some concepts:

- The first is the Recognition of interest up to 90 days:

Previously, Realize recognized late interest for up to 60 days. Now, it will be 90 days. This benefited the interest income line by R\$50 MM. As it is already late, it requires a provision for losses according to the expected % of recoverability. This negative effect was R\$20 MM. Therefore, we have a net positive effect of R\$ 30 MM on the 1Q25 result. This effect of higher interest income and higher loss provision is a recurring effect that will be observed in every quarter.

- The second impact refers to the write-off of portfolios overdue after 540 days.

Realize used to write-off the portfolio when it reached 360 days. Now, it will be 540 days. This impact in Q125 was R\$65 MM and will only be felt in Q1 and Q225. Therefore, we will still have a positive impact in 2Q25 and no effect from Q3 onwards.

Thus, if we exclude the effects of resolution 4.966, the result Realize's operating revenue was R\$95MM. We know that portfolio indicators are also affected, depending on the portfolio outstanding to be 540 days. We will keep the 360-day indicators available in our fundamental's spreadsheet, on our website, so that you can monitor its evolution.

It is important to consider the impacts of this resolution on the operating result of Q1 and Q2, avoiding extrapolating this result in the same proportions for the other quarters of the year. The effects of the changes vary depending on the behavior of the portfolio in each period.

Total EBITDA grew 55%, with a margin of 21.2% due to the improvement in the retail and financial services segments. This comparison was impacted by non-recurring items in retail (such as tax credits) and in Realize (the new regulation).

When excluding these one-offs, adjusted EBITDA grew by 56%, reaching R\$470 million, with a margin of 17%, up 4.9 percentage points compared to 1Q24. Net Income increased by 59%, reflecting this better operational performance. On a comparable basis, recurring Net Income grew 71%, reaching R\$151 million. Earnings per Share, following the 62% execution of the Buyback plan, which reduced outstanding shares by 4%, a growth of 65%. And the ROIC accumulated over 12 months, there was an evolution of 1.9p.p. reaching 13.3%.

I'll give the floor back to Carla to start the Q&A session.

Q&A session

Carla Sffair: Let's start our Q&A session. To ask questions, please raise your hand using the button, and to optimize time and accommodate as many participants as possible, we kindly request that each analyst ask only one question at a time. If you have more questions, please return to the queue for additional questions.

Our first question is from Dani Eiger from XP. How are you, Dani?

Dani Eiger, XP: Hello everyone. Good morning. Thanks for taking my question. And congratulations on the results. My question is about the gross margin dynamics. You mentioned that you are already passing on price increases and doing so gradually. We just saw the IPCA for April. And apparel actually accelerated quite a bit compared to February and March, so there might be room for you to continue this movement. Your previous communication was that you could or were planning to pass on increases below inflation; now it's more in line with inflation. Combined with a potentially better mix, these seem like positive levers for gross margin dynamics. So, my question is: how should we think about the gross margin dynamics for the year, considering these levers of price and perhaps mix? We also note a possible greater presence of your private label, primarily in cosmetics, though it's currently small. Can you elaborate on how this and other levers could drive gross margin expansion this year? Thank you.

Fabio Faccio: Thanks for the question, Dani. As you mentioned, there are several components to the gross margin. I would say that, at this moment, what we saw in the quarter – remembering that last quarter we said we could have started some price adjustments earlier; in Q4 we didn't, and I think we missed an opportunity there. Throughout the first quarter, we gradually revised some prices. On average for the quarter, our price adjustment was below inflation, as we had indicated. However, we monitor product by product, category by category, every day, to understand the correct positioning for our customer and also how the market is in competitive terms. What we've seen is that, at the end of the quarter, our pricing is very much in line with inflation. So, I think the significant gross margin growth also comes from newer inventory – I believe this is the main driver. We've managed to have quality, newer inventory coming in with a lot of collection freshness, with new products arriving all the time. A good part of this leads to a higher average price not due to price adjustments, but due to lower markdowns. We even noted that it was the lowest markdown for a first quarter in the last 10 years. This significantly boosted the gross margin, and the slightly higher-than-anticipated adjustment should also contribute moving forward.

Regarding the outlook for gross margin, it's challenging to provide a definitive figure due to several variables, including price adjustments, faster sales of new inventory, and the exchange rate, where our protection is in place, but it remains a factor. The impact of the APV, which we sometimes overlook, was a 0.3 percentage point reduction in our margin - this means our margin would have been 0.9% instead of 0.6% - and this is closely tied to the dynamics of the interest rate cycle, specifically its stabilization and any subsequent decrease. So, putting it all together, I would say our expectation is for at least a stable margin compared to last year, perhaps with a slight upside for growth.

Do you want to add anything, Daniel?

Daniel Santos: No, Fabio, I think you covered it well. And as Fabio mentioned, we have several variables. On one hand, we are hedged, as I've already mentioned, below R\$ 6,00, but it's still a higher exchange rate than the previous year. So, cost pressures still exist. There's the interest rate issue, which can, in a way, impact the PVA. We still don't know when the interest rate might shift, so currently, the best outlook is for a margin that remains at least stable, as Fabio mentioned. We will monitor how these variables develop to potentially offer a more positive perspective later.

Dani Eiger, XP: Excellent, thank you very much. Congratulations on the results again.

Fabio Faccio and Daniel Santos: Thank you, Dani.

Carla Sffair: The next question comes from Ruben Couto from Santander. How are you, Ruben?

Ruben Couto, Santander: Alright, guys. And you? Thank you for the question. Fabio, you mentioned that one of Renner's differentiators today, after all the investments and adjustments, is the company's ability to adapt to changes in customer consumption habits. I wanted to hear a little more about that. In this context, I'd like to understand your strategy and vision for the online channel: its current state and what you foresee doing differently going forward. Yesterday, Tik Tok Shop was launched here in Brazil. You have a super assertive presence on the platform. I also wanted to hear a little about how you see the potential of this new channel. But the online channel as a whole, how much of an important lever is it to achieve the growth rate you mentioned – throughout 2026 or even 2027 as a target? Thank you.

Fabio Faccio: Thank you for the question, Ruben. Regarding the online aspect you mentioned, we've invested heavily in enhancing collections, inventory granularity, and the digitalization of both our stores and the customer's digital journey. One of the significant benefits we also have when we integrate online and offline with an omni-channel operation in the back office – because we often see the investment focused on the customer, in-store pickup, other functionalities – is that having 100% integrated inventory allows us to offer 100% of that inventory to our customers. This increases the available assortment, improves delivery lead times, and reduces operational costs - the cost of online orders. So, I believe we are both more aligned with the current market situation than some competitors to better serve this online customer – in terms of journey, lead time, and product availability. But more than that, from a shareholder perspective, we're doing this profitably. If we look at recent years, before the pandemic, our online participation was 3%, and we grew to 15% - 16%. However, this growth was challenging over those years. When we achieved this growth, it diluted our results. We had a higher cost and lower online conversion rates, which

negatively impacted our results. At this point, we are prepared to grow both online and offline, both operationally and at the P&L level. If online grows significantly more than offline, it's actually positive for our results. I know this isn't the case for most operations, so we are very confident that we are prepared to grow in physical stores, generating results as we always have, and in the online channel, even generating better results than we did in physical stores. So, this is positive for us. I think it was a tough investment over the past few years, but we are happy to be prepared for this – whether from the perspective of studios, conversion rates, or cost to serve. For example, 70% of our digital sales come through our App. And our App also has a high download rate due to the services integrated for physical stores within the App as well. So, it's the total integration that works very well for our customers and our results.

Ruben Couto, Santander: I see. Thank you, Fabio.

Carla Sffair: The next question is from João Soares from Citi. How are you, João?

João Soares, Citi: Good morning. Just a couple of quick points. Firstly, on the topic of expansion. Fabio, what are your thoughts on expansion for this year? And for next year, is there room to accelerate openings a bit, in street stores, for example? I'd like to hear more about your expansion strategy.

And Daniel, you mentioned in your opening remarks about room to improve expenses. We've seen some significant work on G&A. Looking ahead, and revisiting, I know it's a recurring point here, but I'd like to understand the benefits of Cabreúva DC. We generally understand that you will, not completely close, but downsize in Rio de Janeiro DC, right? If you could expand on those opportunities, I think that would be important.

Lastly, concerning Realize, it's fair to say that the results, when excluding the effect of Resolution 4966, were above what many anticipated. What are the key drivers we should focus on for Realize's performance this year, given that the portfolio is still showing relatively low growth? How should we see Realize's performance? Thank you.

Fabio Faccio: Well, thank you, João. I'll take the first question on expansion. Daniel can address the expenses and Realize parts so we can divide it up a bit.

Regarding expansion, as we mentioned at the beginning of the year, we are quite confident in our expansion model, especially Renner in new cities, and Youcom also with significant potential. Currently, we are forecasting and estimating the opening of 10 to 15 Youcom stores for the year, 15 to 20 Renner stores, and 1 or 2 Camicado stores – also reopening Camicado locations. At the moment, it's more difficult to promise an acceleration of this pace this year because we have a whole process of finding the best locations – we are very demanding about where we open. We know the cities and markets, but we always have to find the best spot to have a good project. So, we have a much larger number of projects for the coming years. The intention is to accelerate, as the potential exists, and the performance is very good. But for this year, we should remain within the range I mentioned, with the intention of possibly signaling some acceleration.

Shall we move on to expenses, Daniel?

Daniel Santos: João, when we discuss expenses, I think the first point that's important to keep in mind – echoing some of what Fabio said in response to Ruben's question – is that the company of 2025 is different from the company of 2019. Of course, when we look at

digital penetration, it's a very clear and evident example. We had a company with 3% -2% digital penetration; today, we are operating at 16%. And to succeed in a world that is an OMNI operation – both digital and physical – we had to make a series of investments: in structures, studios, in how we can succeed in social media within this digital environment. And when we even consider the investment we made in the distribution center, part of that is also related to being successful in this OMNI world. So, it's one operation, and these were investments made that increased our expense base.

However, these investments were also made so that we could be more competitive. And this competitiveness will allow us, over time, to gain more efficiency. We know very well that the standards are high. However, we are confident that all the investments we've made, and this expense base allow us, on one hand, to continue seeking efficiency, and we will continue to do so, always having the opportunity to improve what we already do. But also, within the concept of achieving growth while generating leverage. This is what we observed throughout 2024, in the first quarter, and it's our commitment for the remaining quarters as well. We believe that 2025 will be one chapter, and 2026 will be another – a second chapter. And throughout this period, we will sequentially achieve gains in leverage.

Regarding Realize, I think that firstly, when we separated the impacts of Resolution 4966, it was to make it clear that Realize's structural performance continues to evolve positively. And we believe that Realize has the potential to continue evolving positively on a comparable basis.

Last year, we already saw an evolution throughout the periods, so the trend is for this evolution to continue, but as you have a better comparison to last year, this improvement will gradually reduce. The effect of Resolution 4966, as I mentioned, has a recurring part that needs to be modeled, considering the evolution of the portfolio. There's another non-recurring practice, as I mentioned, that occurred in Q1 and will occur in Q2. And I believe that the details we provided allows for good modeling to be done. However, as I mentioned, regardless of 4966, we believe that we will positively evolve Realize's results over the coming quarters.

João Soares, Citi: Daniel, just to be clear, will this improvement in results come through a specific line item, thinking about cheaper funding, or is there something else we should keep in mind?

Daniel Santos: No. When we compare it to last year, we saw improvements in losses throughout the entire year, João. So, one of them is losses. We have the funding side that you mentioned, which is also important. We emphasized that because we are now handling the funding directly with Renner – through an intercompany arrangement – this provided a benefit in Q1 that was not present in the previous year and will also be seen in Q2. It will also generate a benefit in Q3, but part of that already existed last year. The same with Q4 as well, but a significant portion was also present last year. So, we will continue to observe this evolution over time. Therefore, it's a combination of the funding I just mentioned and the sequential improvement in losses, which means that by the last quarter of last year, Q4, we will likely be on more comparable footing, given that the loss base in Q4 was already very healthy.

João Soares, Citi: Ok, perfect. Thanks, guys.

Daniel Santos: Thank you, João.

Carla Sffair: The next question comes from Luis Guanais at BTG. Hey, Guanais!

Luis Guanais, BTG: Hey, Carla. Good morning. Good morning, Fabio. Good morning, Daniel. Just two questions from me. First, on the quarter's gross margin. Could you break down the impact of the exchange rate, which was a highlight for you, and the distribution center's contribution to this significant improvement?

A second question regarding credit. Could you elaborate on the demand elasticity in relation to credit offer within Realize? What did you observe in Q1, and how do you expect this elasticity to evolve throughout the year, following up on your comments, Daniel? Thank you.

Fabio Faccio: Thank you, Guanais. Thanks for the questions. Regarding gross margin, it's hard to isolate the exact impact of each factor. I'd say the primary driver is inventory quality. We're consistently offering new products and selling a larger portion of our collections at full price. When it comes to Renner and Youcom, this is the main reason for the gross margin increase. A reduced markdown, the lowest markdown in the last 10 years. So, we're selling more at full price and less marked down. That is what brings the gross margin up, in general, in Renner and Youcom. Also, the PVA impact from rising interest rates reduced our growth by 0.3 percentage points. Therefore, when we present this in the gross margin line, the true operational gain is actually greater.

When it comes to Camicado, however, the effect is different. We mentioned at the 2023 Investor Day that we were shifting towards a strong strategy to align Camicado's core business with Renner and Youcom. Our expertise lies in collection development and creating our own products. Back then, about 10% of our product mix was from our own development; now it's 80%. This is why we're seeing such significant growth. It's been happening throughout 2024, but even comparing to 2024, Camicado's gross margin saw substantial growth due to a larger share of our team's developed products, newer inventory, and reduced markdowns – the same positive effect.

Daniel, would you like to add anything on margin?

Daniel Santos: It's fine with me, Fabio, unless you'd like to comment on credit, or would you prefer I do it? Can I talk about Realize?

So, regarding the Realize question, Guanais. It's a very interesting question because if we look at Q1, our customer base is still stable compared to last year. So, effectively, we have a stable portfolio, a reasonably stable customer base. Of course, we had the originations, there is the portfolio churn, but the portfolio itself is stable.

This point you make about potential elasticity, I see that as an opportunity. And of course, this credit environment demands more caution. However, in a credit environment like this with potentially more restrictions, having the private label tool, there could indeed be an opportunity to manage this access to credit and the fact that we offer longer payment terms within our private label allows us to maintain average transaction values at similar levels for that portion of the population facing more difficulties or even enable people to shop at Renner with access to credit. I'd say we need to observe how this will evolve throughout the year. It could indeed be an opportunity. However, I am certain that in the coming years, without a doubt, it is an opportunity. Now, the extent of this elasticity, I would say, is something we will have to test. The Realize team has new credit granting tools. As the

environment allows, we will increase our originations, which I have no doubt will support retail performance – that is Realize's primary goal.

Fabio Faccio: And adding to that, Daniel, the elasticity and demand are there. We are being cautious due to the projected future scenario. We've been slightly more conservative in concession, but the demand exists. So, any point where we see a slightly safer outlook, it will certainly be a future lever for potential growth.

Luis Guanais, BTG: That's great, Fabio. Thank you, Daniel, too.

Daniel Santos: Thank you, Guanais.

Carla Sffair: The next question comes from Melissa Byun from Bank of America. How are you, Melissa?

Melissa Byun, Bank of America: I'm well, thanks. Hi, Fabio, Daniel, Carla. I wanted to ask a little bit about Argentina. So, first, how much of an impact is spending by Argentine tourists having on sales in Brazil? And then how are your stores in Argentina performing and are you reassessing your growth or expansion strategy given the improved outlook?

Fabio Faccio: Thanks for the question, Melissa. Yes, I think Argentina – both our store operations there and Argentine tourism in Brazil – were positive this quarter. The recovery of the Argentine economy seems to be helping everyone. And that includes us. We saw a positive impact of roughly 0.4 percentage points on our growth from Argentine operations in Q1. So, operations are performing well. Argentine tourism in Brazil is a bit harder to calculate precisely, as we always have strong foreign tourism that occurs seasonally. This year, it was higher than usual. We estimate this increased Argentine tourism had a positive impact of 1 to 1.5 percentage points on our Q1 results.

The potential for more store expansion in Argentina is definitely there. We currently only have four stores there. We could have at least ten times that many; but we aren't prioritizing this expansion now. We are taking a more cautious approach to see if the Argentine macroeconomic and geopolitical situation continues to evolve favorably. That's another potential future lever. If we see the country continuing on a positive trajectory, within a year or two, it could become another avenue for our expansion.

Carla Sffair: The next question comes from Rodrigo Gastim from Itaú BBA. How are you, Gastim?

Rodrigo Gastim, Itau BBA: How are you, Carla? What's up, guys? Two questions from me. First, Fabio, going back to your comments on the Q2 outlook, I'd like to better understand what's actually happening. Looking at proprietary data, we're seeing an acceleration in apparel sales in Q2, you mentioned the base effect, Fabio, but I wanted to clarify two things. Firstly, could you provide some qualitative insight into how the sales dynamics in the first six weeks of Q2 are tracking against your initial forecasts? That would be helpful. And my second question is more out of curiosity. In your view, what explains the resilience of apparel at the start of the year? We've seen four or five months of strong performance in this discretionary sector. Is it macroeconomic variables like income or payroll loans? In your opinion, what has been driving apparel sales? That's the first question.

The second is to revisit the expense point, breaking it down into retail and Realize expenses. In your perception, with five, or four and a half, months of the year already gone, what's the

pace of dilution you're comfortable with for the year? Is it similar to Q1, around 1 or 1.5 points? Should we expect an acceleration throughout the year? What are your thoughts on expense dilution for the full year, looking at both Realize and retail? Those are my questions. Thanks.

Fabio Faccio: Thanks for the questions, Gastim. I'll take the first part and pass the expense question on to Daniel. So, I'd say that our expectation for Q2 – as Daniel mentioned in his opening remarks – is that we have a lower comparable base when we look at Q2 last year. We had April and May as the hottest months in Brazil's history, and we had our fall/winter collection in stores. This year, we've had very season-appropriate temperatures. So, this is certainly helping more than it did last year. Because the base is weaker, a bit weaker, we expect slightly higher growth. That was the calculation Daniel made regarding the estimated impact of both the extreme temperatures and the floods in Rio Grande do Sul that occurred in May last year, a year ago. When we adjust for these effects, as Daniel mentioned, we should have performed 500 to 600 basis points better last year. Therefore, we expect to recover some of that this year, leading to a good Q2 performance. And I think it's tracking in line with our expectations. We have a positive outlook for the quarter, and so far, it's been in line, but it's still very early to say. Today and tomorrow are the two key sales days of the quarter as we enter the Mother's Day event. The biggest sales occur today and tomorrow. We still have more than half the quarter ahead of us.

But you also asked what explains the good first quarter and also continuing performance in second quarter, in our sector. A defining feature of this sector is the lower average ticket price. So, although discretionary, it offers more accessible prices with shorter installment options. Historically, this sector experiences less impact from crises. I'd say this is a natural trend when we look at past economic downturns. We did face some negative factors like high interest rates and inflation. But there are also positives, such as available credit and good employment levels. I think these offsetting factors are helping to maintain consumption at a good level, especially for our sector and type of product.

Daniel, over to you for expenses?

Daniel Santos: Well, Gastim, our commitment is to deliver leverage every quarter of the year. Of course, when we talk about greater or lesser than the previous year, I prefer to say that we have this commitment. Part of what I explained earlier regarding the investments we've made, our ability to grow without needing to add more expenses, is what assures us that we can achieve this. And depending on how the second half's sales performance turns out, can we outperform the previous year? We can. However, we need to see how that evolution plays out in the second half. What we can confirm is that we will strive for and are confident that in every quarter, we will achieve leverage, which may vary due to increased expenses, scheduling, and also the level of growth we can achieve.

Rodrigo Gastim, Itau BBA: Excellent! Thank you, Fabio. Thank you, Daniel.

Fabio Faccio: Thank you, Gastim.

Carla Sffair: The next question comes from Joseph Giordano at JP Morgan. Hey, Joey.

Joseph Giordano, JP Morgan: Hey, guys. Good morning. Good morning, Fabio, Daniel, Carla. Thanks for taking my question. I wanted to explore the topic of store expansion and renovation a bit more. Starting with store renovations, you have a model that you were rolling

out. I wanted to understand how you're seeing the performance of these renovated stores and also what percentage of your store network is in this new concept. And what's the current same-store sales difference between these more modern stores versus the previous model?

And the second point is, looking at the expansion you mentioned, where you're expanding into smaller markets where there might be less competition. So, I wanted to understand how you see the performance of these smaller stores and also how the new supply model has helped in making these assets profitable.

And lastly, looking at Youcom, how you're significantly accelerating this expansion, I wanted to understand your strategy for street stores. I understand the mirroring of your footprint in the main malls where you're present. But I'd like to understand the opportunity in this niche and also for other brands, given the success you're achieving with this brand. Thank you.

Fabio Faccio: Thank you, Joey. I won't be able to answer everything precisely, as some of those variables are still difficult for us to quantify given the recent nature of the renovations. However, I would say we see ranges of superior performance in the renovated stores, as most of them are very recent, comparisons are often against periods when they were under renovation, making it difficult to isolate and state a definitive number for the incremental growth compared to other stores. But, I can tell you that across our estimates, the number is quite positive, which is why we are accelerating the renovation of some stores. Most importantly, we are achieving this with a lower cost per square meter for each renovation and completing them more quickly as well. So, we are being more assertive about what to change and renovate, spending less and minimizing the disruption time in each store. This results in less lost sales during the renovation period, and then we gain the incremental increase afterwards. We have been investing in this, and I believe we will finish all our key stores that need renovation this year. We invested in several last year, have many being renovated this year, and will gradually work on more afterwards. So, the performance is positive, I just can't give you a specific number.

Regarding Renner stores in smaller cities, we are also seeing positive performance, as we've been saying. This gives us more confidence to accelerate in the future. So, the performance has been positive, and the new supply model is even more important for this type of store. Our expectation is that beyond the good performance we're seeing, it will be even better going forward. This makes it the ideal time for us to accelerate. We chose to invest more capital expenditure in transforming the model, and now that it's stabilized, we are confident in investing more capital expenditure in opening more stores. It was planned this way, and it seems to be reacting well.

As for Youcom, we see significant potential for opening more stores. At Youcom, we have two key potentials, as we've said: one is to practically double the number of stores in shopping malls, as Youcom isn't yet present in most malls where Renner is, for example. So, Youcom has a significant opportunity to open new stores in existing malls. And there's also an important opportunity to expand the square footage in some existing stores that need more space and are performing well. This is very important because it helps us gain scale by diluting expenses as well.

And regarding your question about Renner-format street stores in other cities, that's a potential we see, but we still have room to double our store count within the current model. This will be a future opportunity that we can certainly leverage down the line.

Joseph Giordano, JP Morgan: Perfect. Thank you very much, Fabio.

Fabio Faccio: Thanks, Joey.

Carla Sffair: The next question comes from Andrew Ruben at Morgan Stanley. How are you, Andrew?

Andrew Ruben, Morgan Stanley: Hi! Andrew at Morgan Stanley here. Thanks very much for the question. Most have been answered, but maybe just on capital allocation. We know you have the buyback in an 18-month program, but you've already done a substantial amount of it, already. So, I'm curious how you're thinking about the timing of the remaining buyback and, going forward, how you see your capital overturn policy between perhaps dividends and if buybacks could be a more sustainable part of this approach? Thanks very much.

Daniel Santos: Thank you, Andrew. There are two points here. One is that we've already executed a good part of the program, and our goal is to complete the entire program as our reserves allow. We continue to distribute interest on equity, and given its tax advantage, it will always be our first option for distribution. And the company continues to generate strong cash flow. I think everything we've discussed regarding our model supports both profitability and capital efficiency when we consider working capital. Therefore, the company's cash generation will remain strong.

Looking ahead, as highlighted by the recent questions and as Fabio mentioned, we have expansion opportunities that will be pursued. We will have capital expenditure aimed at these expansion opportunities. And if the opportunity arises to accelerate, we will accelerate both expansions and renovation opportunities.

Even with all of this, we agree that we will still have a potential cash balance that allows us to do two things: either consider a new share buyback program, an incremental dividend distribution, or use it for a strategic investment that we deem appropriate. This is somewhat our expectation for capital management moving forward.

Andrew Ruben, Morgan Stanley: That was very helpful. Thanks again.

Fabio Faccio and Daniel Santos: Thanks, Andrew.

Carla Sffair: The next question comes from Irma Sgarz at Goldman Sachs. How are you, Irma?

Irma Sgarz, Goldman Sachs: Hey, guys. Thank you for the opportunity. I just wanted to quickly ask about Youcom. It seems you've been speaking with more confidence about this format and its results for some time now, and the growth this quarter was certainly very positive. So, I'd just like to hear a bit about what you think is working well, the total potential of this store format, and also about the incremental stores you're opening, which are slightly larger on average. I think you see opportunities to expand store sizes. So, I just wanted to touch on the Youcom topic a bit.

And just going back to a point in Realize. It's still not 100% clear to me if you think there's room for the portfolio to grow this year. Obviously, there was modest growth this quarter, around 1%, but looking at the year as a whole, do you foresee some growth there? This is also important to extend that recovery curve in the results a bit further. Thank you.

Fabio Faccio: Thank you, Irma. Well, actually, we are quite confident with Youcom. I think it's the most loved young brand in Brazil. We have "Youcom lovers," right? People love the brand and really like the products. This is a brand we are very proud of, like all our brands, but it is performing exceptionally well, showing strong growth with gains in margin and efficiency. Given the brand's maturity, with a 12-year trajectory, and the size of our customer base, we believe there's potential to offer a wider assortment. This allows us to have slightly larger stores. When you do this, you reach a new level in terms of cost per square meter and operating expense dilution. It also increases cross-sell opportunities within the store and expands possibilities for digital sales. It's a virtuous cycle when we transition to a slightly larger model, which is completely different. It's still a specialized store format, but you go from an average size of 200-250 square meters to 400-500 square meters in the new model. This brings significant gains in both sales and results. Therefore, yes, new stores have a larger format, and we also see substantial opportunities to expand existing stores. We are quite confident about Youcom and estimate that, in the future, this operation could achieve even better margins than Renner. So, the more it grows, the more it contributes to our group's overall P&L.

Regarding Realize, I would say there is demand for credit, and the potential for portfolio growth exists, but we are not pursuing that potential at this time. We prefer to be more cautious and conservative with credit granting right now. We do grant credit, but with strict criteria, given the riskier macro environment. Therefore, we don't expect growth in the credit portfolio. Instead, we expect to better utilize the available credit through the loyalty program, allowing clients to use it more effectively – even without expanding the credit base – and also generate results by reducing losses.

Daniel, would you like to add anything?

Daniel Santos: No. Perhaps the only addition, Irma, is that our portfolio includes both co-branded and private label cards. I think it's possible that by year-end, the private label portion could see slight growth while the co-branded might contract slightly. This dynamic reflects what Fabio mentioned: with increased caution, we are prioritizing private label. So, the tendency is to favor private label more, which might lead to private label growing while the other shrinks, resulting in marginal growth overall.

Irma Sgarz, Goldman Sachs: It was very clear. Thank you.

Carla Sffair: Given the time, we will take our final question now. I would like to reiterate that the Investor Relations team is available for any questions we could not answer today.

Our next and final question comes from Vinicius Strano at UBS. Hi, Vinicius.

Vinicius Strano, UBS: Hi, Carla. Good morning. Thanks for taking my question. Could you elaborate on the price and volume dynamic that contributed to sales and margins this quarter? Do you see further opportunity to increase the average ticket, through mix or price adjustments, to optimize nominal gross profit going forward? Also, could you comment on store performance, segmented by lower and higher income areas? Thank you.

Fabio Faccio: Thank you for the question, Vinicius. I would say that in the first quarter, the price and volume dynamics: 60% of the growth came from volume. The other 40% was not just price adjustments. I would attribute 60% to volume, 30% to assortment mix – newer products selling at full price with less markdown. This accounted for the other 30% of

growth. The remaining 10% came from price adjustments implemented throughout the quarter. As our price growth was previously below inflation and is now ending the quarter more aligned with it, we expect price adjustments to contribute slightly more in the second quarter, benefiting nominal gross margin.

Oh, sorry. I forgot part of your question there. What was the performance by store profile: We have observed better performance in stores located in higher-income areas, on average, these locations have shown the strongest results. However, I would say that compared to previous periods, this difference has slightly narrowed. We believe we are performing well across all stores, but better in those catering to a slightly higher-income consumer profile.

Vinicius Strano, UBS: Perfect. Thank you very much, Fabio.

Fabio Faccio and Daniel Santos: Thank you, Vinicius.

Carla Sffair: With that, we conclude our Q&A session. I will now hand it over to Fabio for his closing remarks.

Fabio Faccio: I would like to thank everyone for attending again and say that we remain confident in our growth strategy and the performance of our teams. I want to thank our teams for their dedication and our partners for their commitment to our purpose: of enchanting our customers and generating increasing value for our shareholders and stakeholders.

I would also like to add that this year is very special for us. For those who were here from the beginning, you saw a video about our 60 years. This year marks two special milestones: 20 years of Lojas Renner as the first 'Corporation' in Brazil and also 60 years of Lojas Renner S.A.

We are very happy and proud of our history, and confident that we can honor this journey even further in the coming years.

Thank you. Wishing you all a great day and Happy Mother's Day.