

LOJAS RENNER S.A.



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B3: LREN3; USOTC: LRENY

3Q20 RESULTS

VIDEO CONFERENCE

November 06, 2020

1:00 p.m. (Brazil) / 11:00 a.m. (US-EST)

[Webcast in English](#)

[Webcast in Portuguese](#)

The video conference will be held via webcast in Portuguese with simultaneous translation in English.



Highlights in the Period – 3Q20

Consolidated Information (R\$ MM)	3Q20	3Q19	Var.	9M20	9M19	Var.
Net Revenue from Merchandise Sales	1,651.2	1,931.9	-14.5%	3,741.0	5,601.6	-33.2%
Growth in Same Store Sales	-17.2%	8.3%	-	-35.8%	9.9%	-
Gross Profit from Merchandise Sales	788.2	1,049.9	-24.9%	1,888.9	3,101.4	-39.1%
Gross Margin from Retailing Operation	47.7%	54.3%	-6.6p.p.	50.5%	55.4%	-4.9p.p.
Operating Expenses (SG&A) ¹	(653.9)	(677.4)	-3.5%	(1,740.7)	(1,965.1)	-11.4%
SG&A as a % of Net Revenue from Merchandise Sales	39.6%	35.1%	4.5p.p.	46.5%	35.1%	11.4p.p.
Ajusted EBITDA from Retailing Operation	12.9	251.5	-94.9%	551.5	803.9	-31.4%
Ajusted EBITDA Margin from Retailing Operation	0.8%	13.0%	-12.2p.p.	14.7%	14.4%	0.3p.p.
Financial Products Result	(51.2)	103.2	-149.6%	22.3	292.0	-92.4%
Ajusted Total EBITDA (Retail + Financial Products)	(38.2)	354.8	-110.8%	573.8	1,095.9	-47.6%
Ajusted Total EBITDA Margin	-2.3%	18.4%	-20.7p.p.	15.3%	19.6%	-4.3p.p.
Net Income	(82.9)	186.7	-144.4%	742.3	573.4	29.4%
Net Margin	-5.0%	9.7%	-14.7p.p.	19.8%	10.2%	9.6p.p.
ROIC LTM	19.9%	20.8%	-0.9p.p.	19.9%	20.8%	-0.9p.p.

¹ To facilitate analysis, Depreciation and Amortization expenses including Lease Depreciation have been excluded from the above table.

* For the purposes of comparability, the Company now reports EBITDA also adjusted for Depreciation and Financial Expenses relative to the adoption of IFRS 16 since the cash flows originating from the leasing agreements are similar. Excluding this adjustment, Retail and Total EBITDA would have amounted R\$ 138.5 and R\$ 87.3 million, respectively.

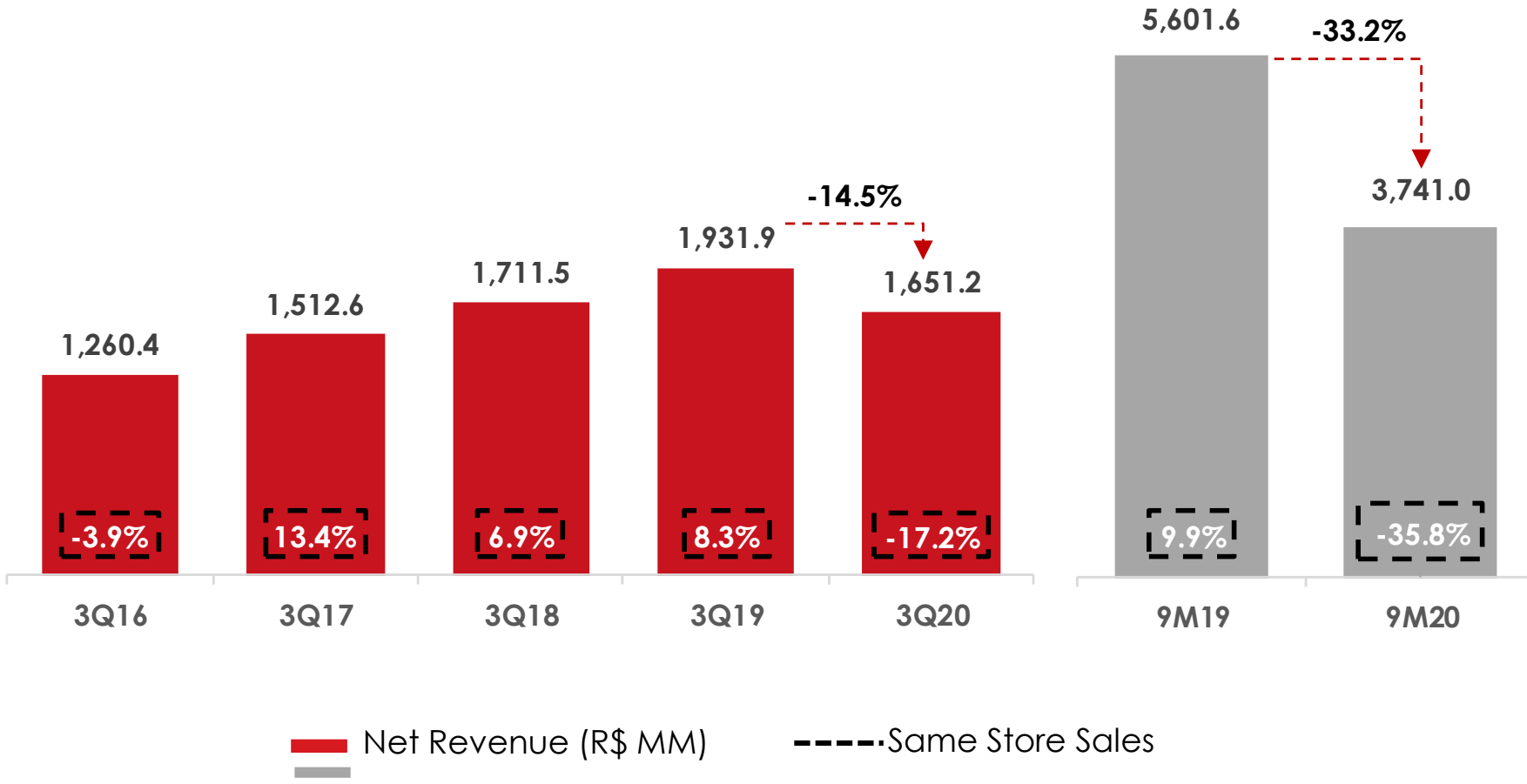
** In May, the Company was successful in its legal action to exclude ICMS from the PIS and Cofins calculation base. As a result, a tax credit of R\$ 784.6 million (R\$ 735.4 million net of lawyers' fees) was booked in 2Q20 to Other Operating Income with respect to the principal amount as well as a further R\$ 578.4 million (R\$ 553.3 million net of taxes) with respect to interest on this amount and booked to the Financial Result. The total amount was R\$ 1,363.0 million with a net effect of R\$ 1,047.9 million on Net Income.

*** The Company amended the method of calculating the discount rate of lease assets pursuant to explanatory note number 3.6.1.1 and with this, the amounts of lease depreciation and interest were amended for 2019 and 2020, without significant impact.

Operating Data – Sales

Net Revenue from Merchandise Sales and Same Store Sales

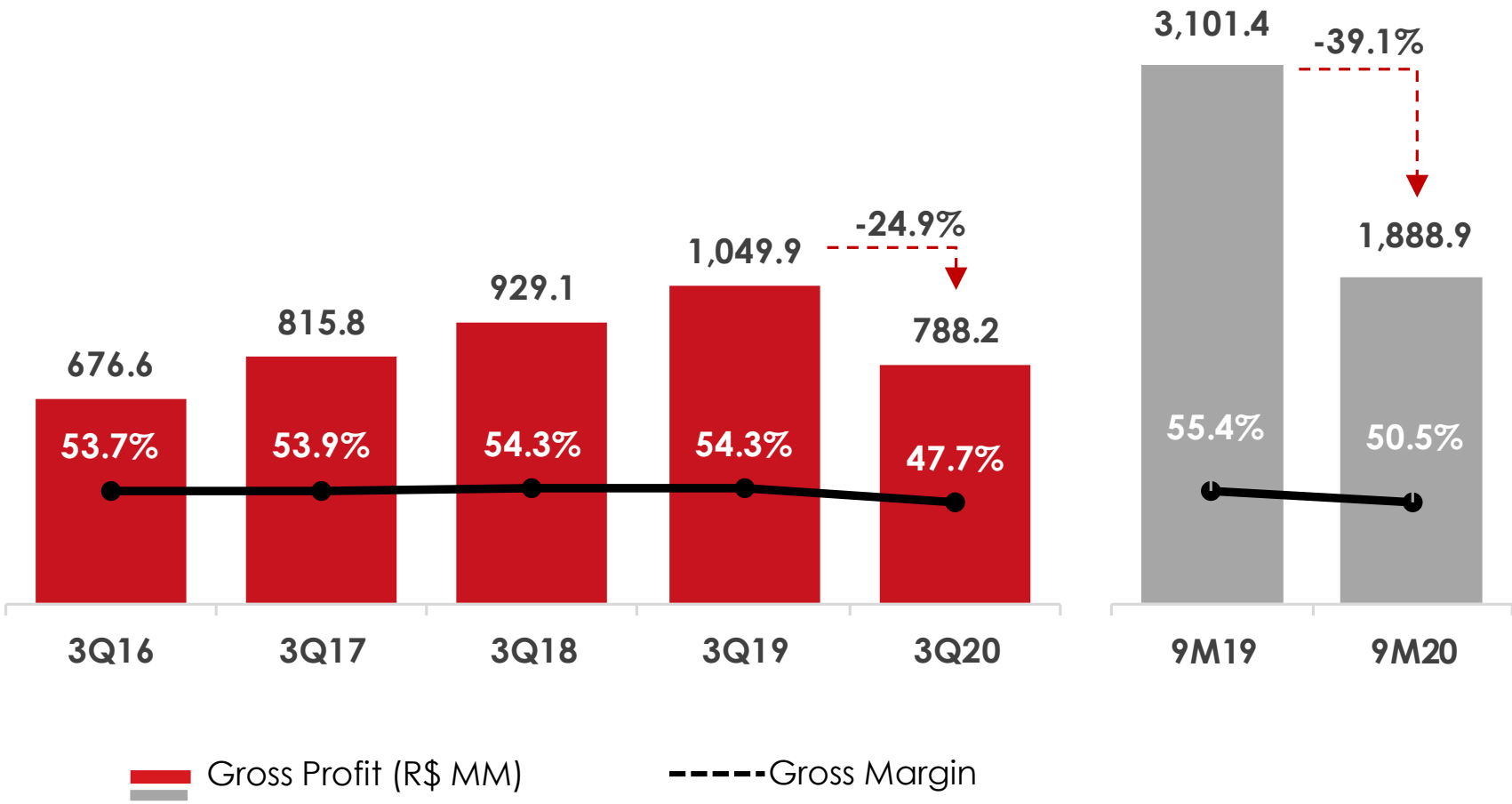
CAGR 3Q16 – 3Q20 = 7.0%



Operating Data – Gross Margin

Gross Profit and Gross Margin from the Retailing Operation

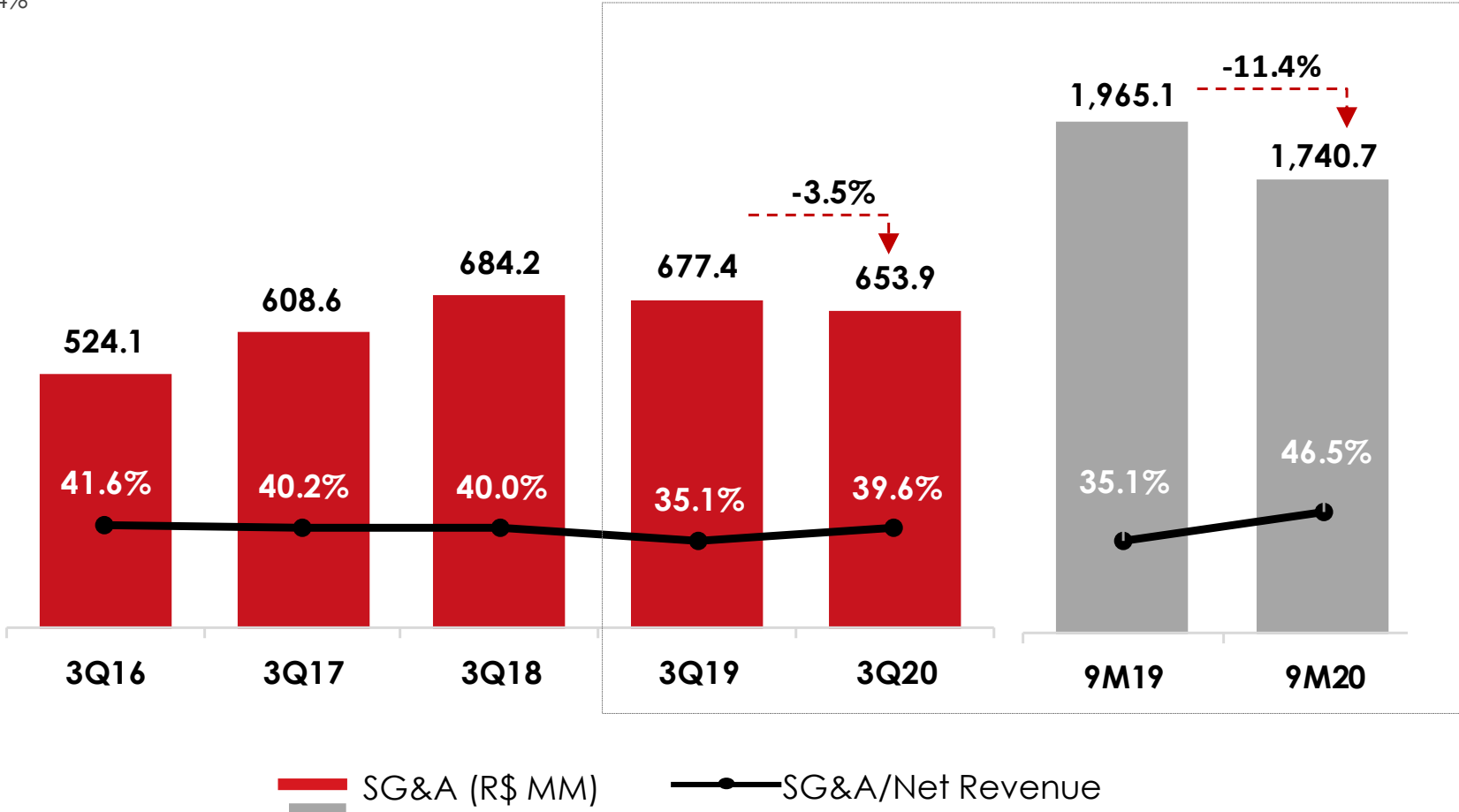
CAGR 3Q16 – 3Q20 = 3.9%



Operating Data – SG&A

Sales, General and Administrative Expenses

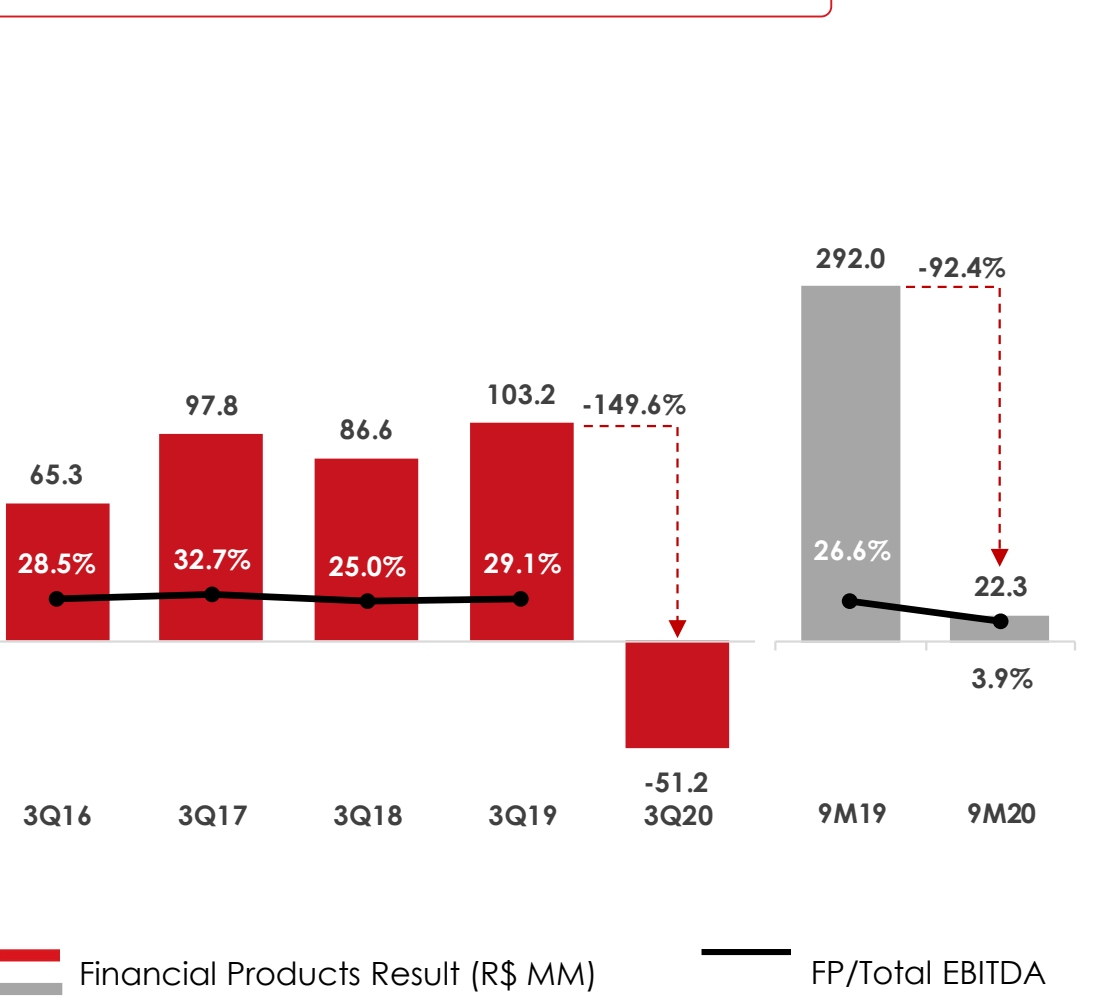
CAGR 3Q16 – 3Q20 = 6.4%



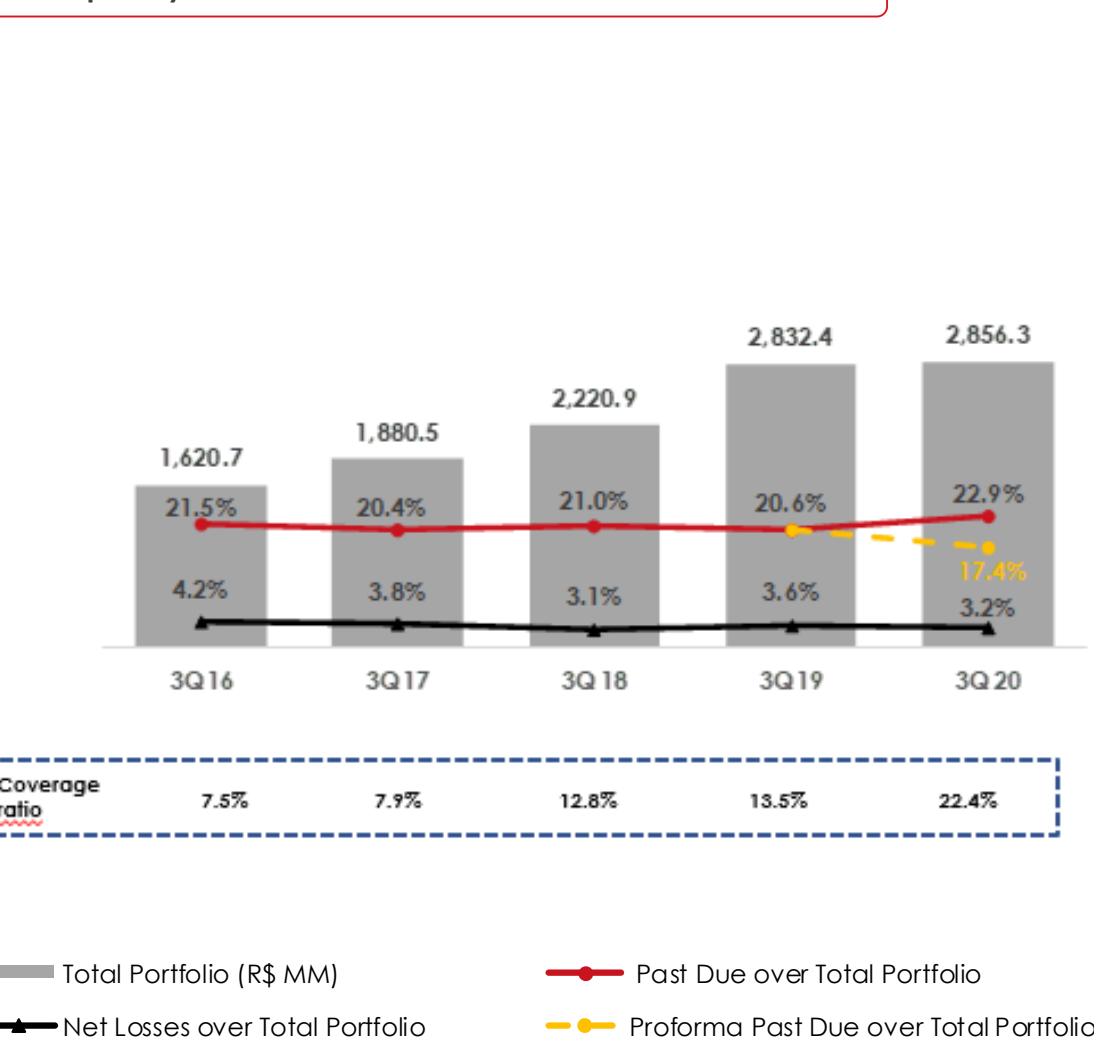
Leasing expenses, previously booked as "Occupation", as from 1Q19, are now being included in the depreciation and financial expenses lines.

Operating Data – Financial Products Results

Financial Products Results



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Digital Transformation – Status of Initiatives



DIGITAL SALES

- Online channel with growth of more than 200%, despite all stores being open
- Digital sales account for 16% of total sales
- Investments in content, via Live Shops, fashion information, beauty and wellbeing tutorials
- Improvements in the shopping experience with more autonomy, payment with two cards and order tracking via push notification
- Customer traffic: +196% in 3Q20, approximately half being via the app
- New customers: +252% in 3Q20, peaking at +337% in July, being 75% of the customer base and +50% of sales
- Active customers more than doubled versus the preceding year
- Downloads of the app 273% greater in 3Q20 and participation in approximately 50% of digital sales



CUSTOMER SINGLE-VIEW

- Analysis and transformation of integrated data
- Points of contact receiving and feeding the single vision
- Increase of the base of customers integrated to the omni campaign manager
- Execution of personalized campaigns on an automated basis
- 75% of current sales with identification of the customers
- Pilots presented higher ticket and items per basket



DATA DRIVEN DECISION ON PRODUCT LIFECYCLE

- Allocation of 17% of the items data guided (AI) with no human intervention
- Allocation of 6% of Youcom items through AI and pilots being prepared in Camicado
- Use of AI to predict sales adjusted to the new scenario
- Implementation of Product Lifecycle Management: complete digitization of the development process of products and collections with 100% of domestic suppliers integrated to the system

Digital Transformation – Status of Initiatives



OMNICHANNEL

- Digital sales: 16 thousand orders executed
- Self checkout: self-service cashier desks with 12% participation of units' sales with the service and Pague Digital available in all the stores with +37 thousand operations
- Sales via Whatsapp: service available at 80 stores, with high conversion rates and average ticket
- Social sales (Minha Sacola): +15 thousand affiliated, with 65 thousand items sold
- Ship from Store: +180 units and +20% of the online sales already serviced from instore inventory
- Fashion Delivery: pilot project in operation at 17 Renner and Ashua stores using AI for deciding target public and product selection
- Infinite Aisle: items exclusive to the stores are now being made available via e-commerce
- Fashion Machine: vending machine pilot operation
- New omni DC: construction work going according to schedule



REALIZE

- New features in the cards section of the Renner app
- Increase of customer frequency with digital interaction
- CDB has raised +R\$ 100MM since June
- Relaunch of the Meu Estilo Campaign, with awards through exclusive experiences and cashback
- Offer of the co-branded Meu Cartão to new customers, available at all stores
- Structuring of the Digital Portfolio and preparations for the PIX

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All variations as well as roundings presented herein are calculated on the basis of numbers in thousands of Reais.