

## Lojas Renner S.A | 1Q26 Conference Call Transcription

**Fabiana Oliver:** 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 addressed 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 by audio. With that, I hand the floor over to Fabio.

**Fabio Faccio (CEO):** Good morning.

First-quarter results were in line with our strategic plan and reflect the consistency of our execution. Despite a tougher comparison base versus last year, revenue increased by 4.3%, with apparel growing 5.1%.

Gross margin reached a record level for a first quarter, at 56.7% for total merchandise and 58% for apparel, representing expansions of 1.6 percentage points and 1.9 percentage points, respectively. This combination of revenue and margin growth resulted in a 7.4% increase in gross profit and 37% growth in retail EBITDA.

These results demonstrate our ability to grow with profitability across different scenarios, although we believe there is still further potential ahead. We continue to capture structural gains in our business model, with increased supply chain responsiveness, improved inventory management, a higher share of full-price sales, enhanced collection freshness, and reduced promotional activity.

Net income increased by 16%, also reaching a record for a first quarter, with earnings per share up 24%.

Another highlight was cash generation, with approximately R\$258 million in free cash flow in the quarter, traditionally the weakest period of the year, demonstrating the resilience of our model. Our cash position remains strong, ensuring flexibility to invest in growth and return capital to shareholders.

We also delivered further improvement in ROIC, which reached 15.2% over the last twelve months, up 1.9 percentage points.

During the quarter, we held our Fall/Winter collection launch event, strengthening the Renner brand. The event drove traffic to both physical stores and digital channels. In addition to increasing online engagement, we connected creativity, content, and influence, resulting in broader reach and higher engagement, while reinforcing our new positioning, "ouse ser você," further strengthening Renner's position as a fashion reference. At the event, we also had the participation of influencers, creators, and key fashion media outlets, as well as the presence of our brand ambassadors, Thaís Araújo and Sabrina Sato.

Our Mother's Day campaign also performed strongly, generating over 220% more engagement versus 2025. We would also like to highlight the performance of the athleisure category, which continues to grow at double-digit rates and still offers additional upside.

On the omnichannel front, we introduced new features such as in-store product availability by zip code. Customers can now enter their zip code to identify the nearest store where a specific product is available. This functionality helps drive traffic and conversion to physical stores, further strengthening our omnichannel strategy, where the customer ultimately chooses the channel.

The use of AI in video production has also enhanced our fashion positioning, improved customer experience, and supported higher conversion rates. Last quarter, we launched our virtual try-on feature for selected apparel items, allowing customers to take a photo and see themselves wearing the products, which enhances the experience and improves conversion. This quarter, in addition to expanding the feature to a broader assortment of apparel, we also introduced it for beauty products, enabling customers to virtually test these items on themselves.

We remain on track with our expansion plan, targeting the opening of 50 to 60 stores in 2026. We have already opened eight stores year-to-date and are confident in achieving our full-year target. It is important to note that most openings are expected to take place in the second half of the year, particularly towards year-end, following the usual rollout pace. So far, we opened two stores in the first quarter and an additional six during this quarter up to now, totaling eight stores.

In addition to new store openings, we are also carrying out renovations in key locations, as our new store model enhances customer experience, improves efficiency and conversion, and delivers above-average performance compared to the rest of the network. Within the Renner brand, we already have 74 stores operating under this new model. We continue to advance with the renovation of an additional 13 stores this year, including locations such as Shopping Eldorado, Bourbon, Pompeia, and Anália Franco, which are currently undergoing refurbishment.

Youcom and Camicado have also been outperforming the average under their new store formats, and part of our store refurbishment investments are also being directed toward these business units.

Our revenue growth guidance remains unchanged at 9–13%, with a lower contribution in the first half and a stronger second half, reflecting comparison base effects, store openings, and the completion of store refurbishments.

We started 2026 confident in our execution, business model, and ability to deliver the guidance presented at our Investor Day in 2025.

I will now hand over to Daniel.

**Daniel Santos (CFO):** Good morning, everyone.

Starting with growth, in this first quarter we delivered 4.3% retail growth and 5.1% growth in apparel, in line with our strategic plan.

This performance was impacted by non-recurring factors, mainly the temporary unavailability of certain items in the digital channel. As mentioned in our fourth quarter call, between January and February we carried out the planned transfer of inventory from the Rio de Janeiro distribution center to São Paulo, which temporarily affected the availability

of older products in the online channel, with an estimated impact of approximately one percentage point on total retail sales.

This process was completed at the end of February, and in March digital sales returned to normal levels. It is important to highlight that this final stage of inventory centralization in Cabreúva enables operational efficiency gains and enhances the customer journey.

We saw an increase in average ticket, mainly driven by a better product mix, as well as a higher number of transactions and conversion rate, which compensated for lower traffic during the period. Digital GMV grew 7.4%, reaching a 16% share of total sales.

As mentioned by Fabio, our revenue growth guidance for the year remains unchanged, with a lower growth trajectory in the first half and stronger performance in the second half.

Regarding gross margin, we closed the first quarter with an expansion of 1.6 percentage points in retail gross margin, reaching 56.7%, and 58% in apparel, representing a 1.9 percentage point increase versus the first quarter of last year. Both figures represent record levels for a first quarter.

This expansion was driven by a higher share of full-price sales, supported by more efficient inventory management, which allowed for lower markdown levels. It is important to note that this improvement in gross margin observed this quarter, as well as throughout 2025, is structural, resulting from improvements in our fashion execution and supply chain model, enabling more precise inventory allocation and greater responsiveness.

YouCom reported a gross margin of 61.2%, up 1.4 percentage points year-over-year, supported by a more balanced product mix and healthy inventory levels. Camicado also reported a gross margin of 55.6%, up 0.2 percentage points versus last year, driven by a better mix and a higher share of proprietary brand products.

In terms of expenses, in the first quarter operating expenses increased by 6.2%, above revenue growth, mainly due to lower sales volumes and non-recurring expenses, as detailed in our release. It is important to highlight that general and administrative expenses grew below revenue.

Regarding our efficiency initiatives, implementation will begin in the second half of the year. These initiatives will contribute to achieving the guidance announced at our Investor Day in 2025, aiming to reduce the ratio of operating expenses (excluding IFRS 16 effects) to net retail revenue by between 2.5 and 3.5 percentage points by 2030.

Turning to Realize, results on a comparable basis were stable versus the first quarter of last year when excluding the effects of Resolution 4,966. Revenue for the quarter declined by 1.2% year-over-year, mainly reflecting lower income from late payment interest.

This movement is associated with a better-quality credit portfolio, resulting from maintaining a more selective credit policy. The total portfolio decreased by 0.6%, also reflecting this more selective credit strategy. We observed a higher level of collections from current receivables, contributing to the reduction in outstanding balances.

Overdue portfolio levels declined and reflect the improved quality of the credit portfolio. Stage 3 portfolio, equivalent to over 90 days past due, stood at 14.9%, down 0.3 percentage points versus the first quarter of last year.

Regarding net income, it grew 16% and reached a record for a first quarter, reflecting better operating performance and a lower effective income tax rate compared to last year. The combination of net income growth and execution of our share buyback program resulted in a 24% increase in earnings per share.

Free cash flow totaled R\$258 million, also a record for a first quarter, supported by higher EBITDA generation and more efficient working capital management. Our financial cycle improved to 105 days, representing a reduction of 8 days versus the first quarter of last year.

It is important to highlight the relevance of cash flow generation. Traditionally, fashion retail does not generate cash in the first quarter, and this is the second consecutive year in which Renner has delivered positive cash flow in the first quarter, three times higher than the same period last year. This demonstrates the strength of our business model.

ROIC for the last twelve months increased by 1.9 percentage points, reaching 15.2%. This calculation takes into account all current and non-current assets of the company.

This continuous expansion in ROIC is supported by margin gains, higher asset turnover driven by improved inventory productivity, as well as disciplined working capital and store expansion, with incremental returns in new markets.

These drivers reinforce our confidence in the company's trajectory towards reaching our ROIC target of 20% by 2030.

## **Q&A**

Luiz Guanais (BTG)

**Question:** Could you provide more detail on the key drivers behind the gross margin expansion?

### **Answer (CEO):**

Gross margin gains are structural and reflect improvements in our business model. They are driven primarily by better fashion execution, with shorter development and production cycles, as well as stronger integration between design, systems, and the supply chain. In addition, more precise inventory allocation enabled by our distribution center has allowed us to reduce overall inventory levels and significantly decrease aged inventory, which typically carries lower margins due to markdowns. As a result, we have increased full-price sales, and margin expansion has been driven by efficiency gains rather than pricing.

Danni Eiger (XP)

**Question 1:** Is there room to reinvest margin expansion into price competitiveness?

### **Answer (CEO):**

The margin expansion we are seeing is not the result of higher prices, but rather of reduced markdown activity. Our entry price points remain competitive within our positioning. Therefore, we do not see significant room or need to reduce margins to drive additional volume. Pricing decisions are continuously monitored at the product level, ensuring that we remain competitive while preserving profitability.

**Question 2:** How is the acceptance of the Fall/Winter collection?

**Answer (CEO):**

The collection has been very well received. We have been working with more transitional items, which perform well under different weather conditions and help mitigate volatility. Both the core collection and transitional products are showing good performance. While results vary depending on temperature conditions, this is already embedded in our expectations, and we remain confident in the outlook for the second and third quarters.

Joseph Giordano (JPMorgan)

**Question 1:** What are the main levers for cost efficiency?

**Answer (CFO):**

We are focusing on reducing the operating expense ratio through a combination of disciplined cost growth and operational efficiency gains. This includes leveraging scale, improving processes, and identifying structural opportunities across the organization. These initiatives will begin to be implemented from the second half of the year, and we will provide more details as execution progresses.

**Question 2:** Outlook for digital and cross-border taxation risks?

**Answer (CEO):**

We expect both physical and digital channels to grow, with digital continuing to outpace physical stores. Regarding cross-border taxation, discussions are still ongoing, and the outcome remains uncertain. There are different proposals under consideration, including tax equalization across channels. Regardless of the regulatory outcome, we believe our competitiveness has significantly improved over the last few years, both in pricing and product offering.

Eric Huang (Santander)

**Question 1:** Is there further room to reduce aged inventory?

**Answer (CEO):**

We still see room for gradual improvement. Our ability to sell newer products faster allows us to maintain lower inventory levels, reduce aged stock, and sustain higher margins. This dynamic also contributes to improved inventory turnover and continues to positively impact working capital.

**Question 2:** How should we think about capital allocation?

**Answer (CFO):**

Our priority remains investment in the business, including store expansion, renovations, and digital initiatives. After that, we focus on returning capital to shareholders. We have indicated a payout range between 50% and 80%, although this is not a strict cap. Given the strong cash generation, we may have the flexibility to accelerate share buybacks and potentially increase distributions over time.

Vinicius Strano (UBS)

**Question:** How do you see Realize evolving?

**Answer (CFO):**

Realize's current performance reflects a more selective credit policy, which has improved portfolio quality. We intend to maintain this disciplined approach and will only consider normalizing credit origination once macro conditions improve. Strategically, Realize is designed to support the retail business, primarily by increasing customer engagement, purchase frequency, and ticket size. Capital allocation will continue to prioritize the core retail operation.

João Soares (Citi)

**Question 1:** Why is credit penetration declining?

**Answer (CFO):**

The decline is mainly due to our more selective credit origination strategy. As macro conditions improve, particularly in terms of household indebtedness and delinquency levels, we expect to gradually normalize credit issuance. Additionally, new initiatives such as a new credit processing platform and product enhancements should help support future growth.

**Question 2:** How are you preparing for 2Q and weather volatility?

**Answer (CEO):**

We already anticipated a more challenging comparison base in the first half, particularly due to last year's atypical weather conditions. Our collections have become more flexible, allowing us to better adapt to demand fluctuations. As a result, our guidance remains unchanged.

**Question 3:** Impact of the distribution center transition?

**Answer (CEO):**

The impacts were planned and already incorporated into our guidance. In the short term, we had some non-recurring costs, but in the long term, the transition brings significant benefits, including improved inventory management, higher margins, better availability, and lower operating costs.

Alexandre Namioka (Morgan Stanley)

**Question 1:** What would drive the upper end of guidance?

**Answer (CEO):**

Reaching the lower end of the guidance depends primarily on our execution, which we fully control. Achieving the upper end may require more favorable external conditions. Over time, as we expand our store base and capture productivity gains, we expect to move closer to the upper end of the range.

**Question 2:** Role of social commerce?

**Answer (CEO):**

We have been testing social commerce, but it is still not a material channel for us. Our primary focus remains on our own digital ecosystem, including our website and mobile app.

Irma Sgarz (Goldman Sachs)

**Question:** View on athleisure and potential standalone formats?

**Answer (CEO):**

Athleisure continues to perform very well and is a structurally growing category. We still see significant opportunity within our current store base, where we are expanding assortment and increasing space allocation. While standalone formats could be considered in the long term, our current focus is on capturing this growth within our existing platforms.

Melissa Byun (Bank of America)

**Question 1:** Impact of the “Desenrola” program?

**Answer (CFO):**

The program has the potential to be positive, as it helps reduce household indebtedness and increases disposable income. This could support consumption, although the timing and impact remain uncertain.

**Question 2:** Performance in Argentina and competitive landscape?

**Answer (CEO):**

Our operation in Argentina is still small, with only four stores, but performance has been strong. We are not pursuing aggressive expansion at this stage, given macro uncertainties. More broadly, the apparel market continues to grow despite challenging conditions, and we believe we are well positioned to gain share.

Renan Sartorio (Safra)

**Question:** How do you see credit quality and delinquency?

**Answer (CFO):**

When combining Stage 1 and Stage 2 portfolios, credit quality remains stable compared to last year. Current movements are within normal levels given the macro environment. We remain confident in our conservative credit strategy and will only expand origination once we see improvements in household financial conditions. Our approach remains disciplined and focused on risk management.

**Closing Remarks (CEO):** To conclude, the results in the quarter, particularly margin expansion, profitability, and cash generation, reinforce the consistency of our strategy and execution.

We remain focused on unlocking the full potential of the company through sustainable growth, efficiency gains, and value creation for our shareholders. We would also like to thank our team for their dedication and our shareholders and board for their trust.

Thank you all.