

RESULTS 4Q20

B3: LREN3; USOTC: LRENY

LOJAS RENNER S.A.



CAMICADO

youcom

realize

VIDEO CONFERENCE

February 12, 2021

1:00 pm (Brazil) / 11:00 am (US-EST)

[Webcast in English](#)

[Webcast in Portuguese](#)

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

For the best viewing experience, it is recommended the use of Google Chrome or Firefox browsers.



Pillars of Activity

PILLAR 1 **PRESERVATION OF HEALTH AND LIVES**

- Administrative teams in home-working regime
- Temporary reduction of teams at the DCs and Call Centers
- Temporary closure of all stores in Brazil, Uruguay, and Argentina
- Promoting social distancing with safety protocols for those activities where operations were maintained
- Transportation provided for DC and Call Center teams

PILLAR 2 **PRESERVATION OF EMPLOYMENT**

- Use of vacation time
- Use of the hour bank mechanism
- Commitment not to terminate for at least 60 days
- Use of the Provisional Measure for suspending labor contracts of temporarily inactive employees
- Use of the Provisional Measure to reduce the working day and salaries by 25% for management and staff

PILLAR 3 **PRESERVATION OF FINANCIAL HEALTH**

- Reduction in Capex
- Reduction of payout to 25%
- Reduction of expenses
- Debt raising to bolster cash (R\$ 2bi)
- Revision of orders and purchase requests
- Support to suppliers by anticipating receivables
- Support for suppliers in triangulations and in access to bank credit lines
- Support for suppliers on labor, legal and tax issues

PILLAR 4 **SUPPORT TO HOSPITALS AND COMMUNITIES**

- Donation of R\$ 5.1 million and 1.7 million masks and PPEs
- Support to hospitals
- Donation to RJ health support fund
- Donation of funds to low-income communities
- Minimum income support for scavengers and seamstresses living in communities close to head office in Porto Alegre
- Partnership with Hospital A. Einstein's Eretz.bio startup incubator (inovacaodobem).com
- Distribution of masks to low-income communities

Operational Phases

PHASE 1 **SAFETY** (March to April)

- Ensure team safety
- Special attention to higher risk groups
- Reduce the velocity of the operation to the maximum
- Revise procedures, operations, processes, plans, projects, and actions in the light of the new conditions
- Revise the financial plan
- Reinforce cash position
- Increase communication with all stakeholders

PHASE 2 **BEGIN WALKING AGAIN** (April)

- Adopting measures for gradually increasing volumes
- Start online acceleration
- Begin acceleration of strategic projects for digital transformation, innovation, and sustainability
- Prepare physical stores for plan of gradual reopening adapted to the new circumstances
- Implement new procedures for preservation of health
- Resume supplying the stores in safety

PHASE 3 **BEGINNING OF THE RECOVERY** (Abril onwards)

- Continue evaluating and implementing new measures whenever necessary
- Accelerate on-line by leveraging synergy of the omni and expand inventory availability
- Begin the gradual opening of the physical stores
- Gradually resume other activities while still prioritizing home working in the management and back office areas

PHASE 4 **RESUME FLYING**

- Continue evaluating and implementing new measures whenever necessary
- Accelerate on-line by leveraging synergy of the omni and expand inventory availability in full
- Operate with all the physical stores and expand
- Gradually resume other activities while still prioritizing home working in the management and back office areas

Digital Transformation – Status of Initiatives



DIGITAL SALES

- Growth of 126% in 2020
- Represents 12.3% of sales
- Customer traffic: 134% higher in 2020, more than half being via the app
- Active customers more than doubled in 2020
- New customers: growth of more than 160%, representing 70% of the total base and more than 50% of digital sales
- App Downloads: 205% greater in the year, setting a new installation record in November
- Improvements in the Virtual Fitting Room, in addition in customization of browsing
- New features for registration, order tracking, exchanges and returns, bringing more autonomy and flexibility
- Additional forms of payment with the approval of PIX and other alternatives for instantaneous payments



CUSTOMER SINGLE-VIEW

- Analysis and transformation of integrated data
- Points of customer 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
- 80% 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
- 100% of basic items allocation digitalized
- Allocation of 6% of Youcom items through AI and pilots being prepared in Camicado
- Use of AI to sales forecasts
- 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: about 30 thousand orders executed since the beginning of the year
- Self checkout: self-service cashier desks with 12% participation of sales
- Pague Digital available in all stores with +200 thousand operations in 2020
- Sales via Whatsapp: available in more than 80 stores with a 150 thousand customers attended
- Social sales (Minha Sacola): +17 thousand affiliated, with +95 thousand items sold
- Ship from Store: 20% of sales attended with store inventories. Enabled in all stores, concentrating shipping from +180 units (~ 40 stores operating round the clock to attend online orders on Black Friday)
- Fashion Delivery: pilot project at Renner and Ashua stores with a high level of conversion, using AI for deciding target public and product selection
- Infinite Aisle: 40% of online orders attended with items which are exclusive to the store
- Fashion Machine: vending machine pilot operation at a subway station in the city of São Paulo
- New omni DC: construction work going according to schedule



REALIZE

- New features in the cards section of the Renner app
- Improvements in the client experience for transforming the payment process and making it more digital, fluid, faster and secure
- Cashback program was expanded on important business dates (Brazil Week campaign, Black Friday and Children's Day)
- New edition of the "Tudo no Meu Estilo" campaign, with more than 200 thousand participants and thousands of customers awarded with personalized experiences
- "Meu Cartão" partners platform was launched in the app with discounts of up to 50% on more than 200 brands

Highlights in the Period – 4Q20

Consolidated Information (R\$ MM)	4Q20	4Q19	Var.	2020	2019	Var.
Net Revenue from Merchandise Sales	2,919.6	2,873.1	1.6%	6,660.6	8,474.7	-21.4%
Growth in Same Store Sales	-0.8%	6.2%	-	-23.9%	8.7%	-
Gross Profit from Merchandise Sales	1,570.3	1,666.0	-5.7%	3,459.3	4,767.4	-27.4%
Gross Margin from Retailing Operation	53.8%	58.0%	-4.2p.p.	51.9%	56.3%	-4.4p.p.
Operating Expenses (SG&A) ¹	(868.2)	(771.7)	12.5%	(2,608.9)	(2,736.8)	-4.7%
SG&A as a % of Net Revenue from Merchandise Sales	29.7%	26.9%	2.8p.p.	39.2%	32.3%	6.9p.p.
Ajusted EBITDA from Retailing Operation	557.1	757.9	-26.5%	1,108.5	1,561.8	-29.0%
Ajusted EBITDA Margin from Retailing Operation	19.1%	26.4%	-7.3p.p.	16.6%	18.4%	-1.8p.p.
Financial Products Result	59.6	99.4	-40.0%	81.9	391.4	-79.1%
Ajusted Total EBITDA (Retail + Financial Products) - Includes Leasing ²	616.7	857.3	-28.1%	1,190.4	1,953.2	-39.1%
Ajusted Total EBITDA Margin - Includes Leasing ²	21.1%	29.8%	-8.7p.p.	17.9%	23.0%	-5.1p.p.
Ajusted Total EBITDA (Retail + Financial Products) - Excludes Leasing ³	737.1	964.6	-23.6%	1,661.2	2,388.8	-30.5%
Ajusted Total EBITDA Margin - Excludes Leasing ³	25.2%	33.6%	-8.3p.p.	24.9%	28.2%	-3.2p.p.
Net Income	354.0	512.8	-31.0%	1,096.3	1,086.2	0.9%
Net Margin	12.1%	17.8%	-5.7p.p.	16.5%	12.8%	3.7p.p.
ROIC LTM	15.9%	21.3%	-5.4p.p.	15.9%	21.3%	-5.4p.p.

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

² Total Adjusted EBITDA with the impact of Depreciation and Lease Financial Expenses. For the purposes of comparability with preceding periods, the Company is now reporting EBITDA also adjusted for Depreciation and Financial Expenses relative to the adoption of IFRS 16, given the similarity with cash flows in the leasing agreements.

³ Total Adjusted EBITDA without the impact of Depreciation and Lease Financial Expenses with respect to the adoption of IFRS 16.

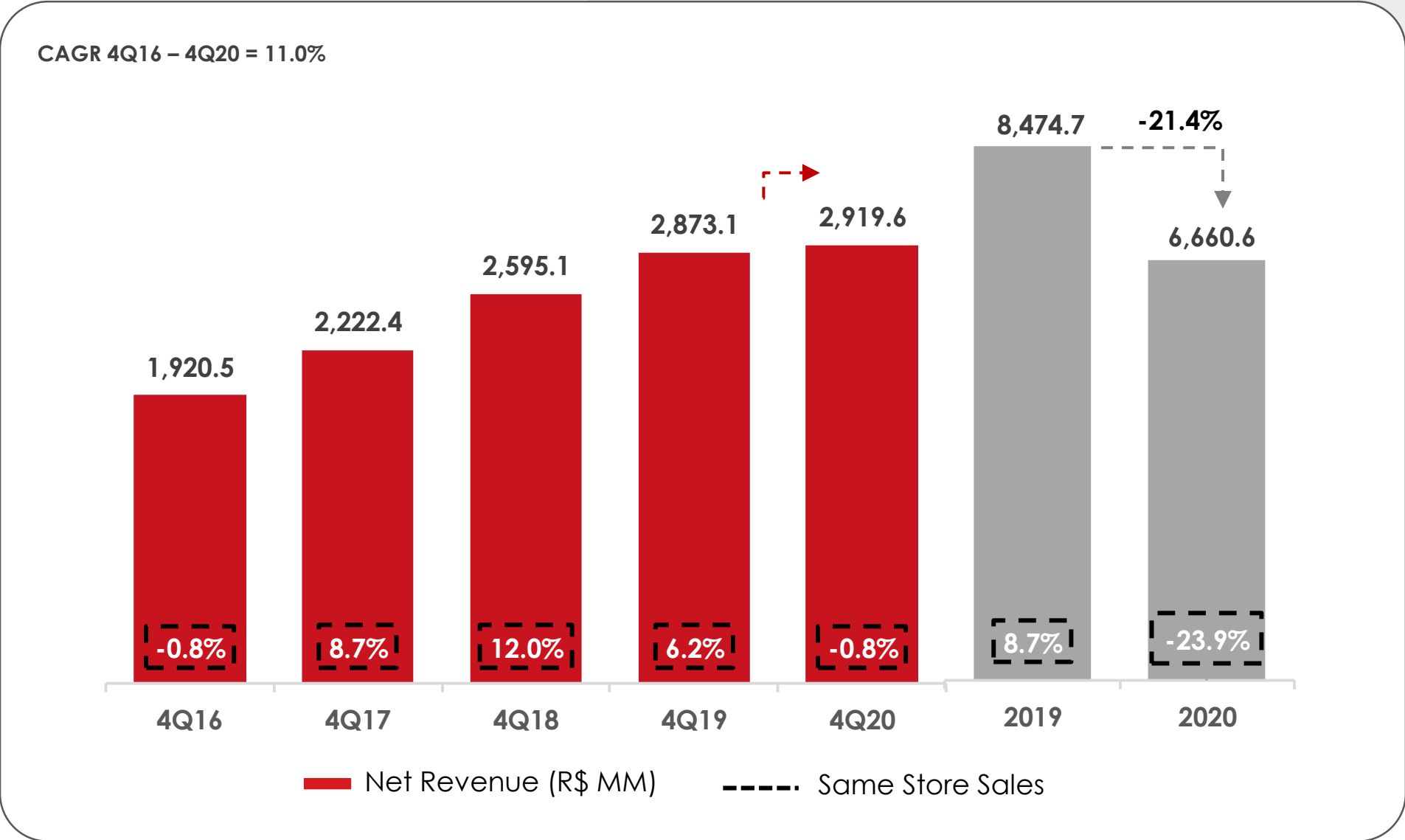
* The Company was successful in its legal action to exclude ICMS from the PIS and Cofins calculation base. As a result, a tax credit of R\$ 784.6 million (R\$ 742.5 million net of lawyers' fees) was booked to Other Operating Income with respect to the principal amount as well as a further R\$ 587.7 million (R\$ 560.4 million net of taxes) with respect to interest on this amount and booked to the Financial Result. The updated total amount was R\$ 1,372.3 million with a net effect of R\$ 1,059.7 million on Net Income. Details in note 10.

** 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

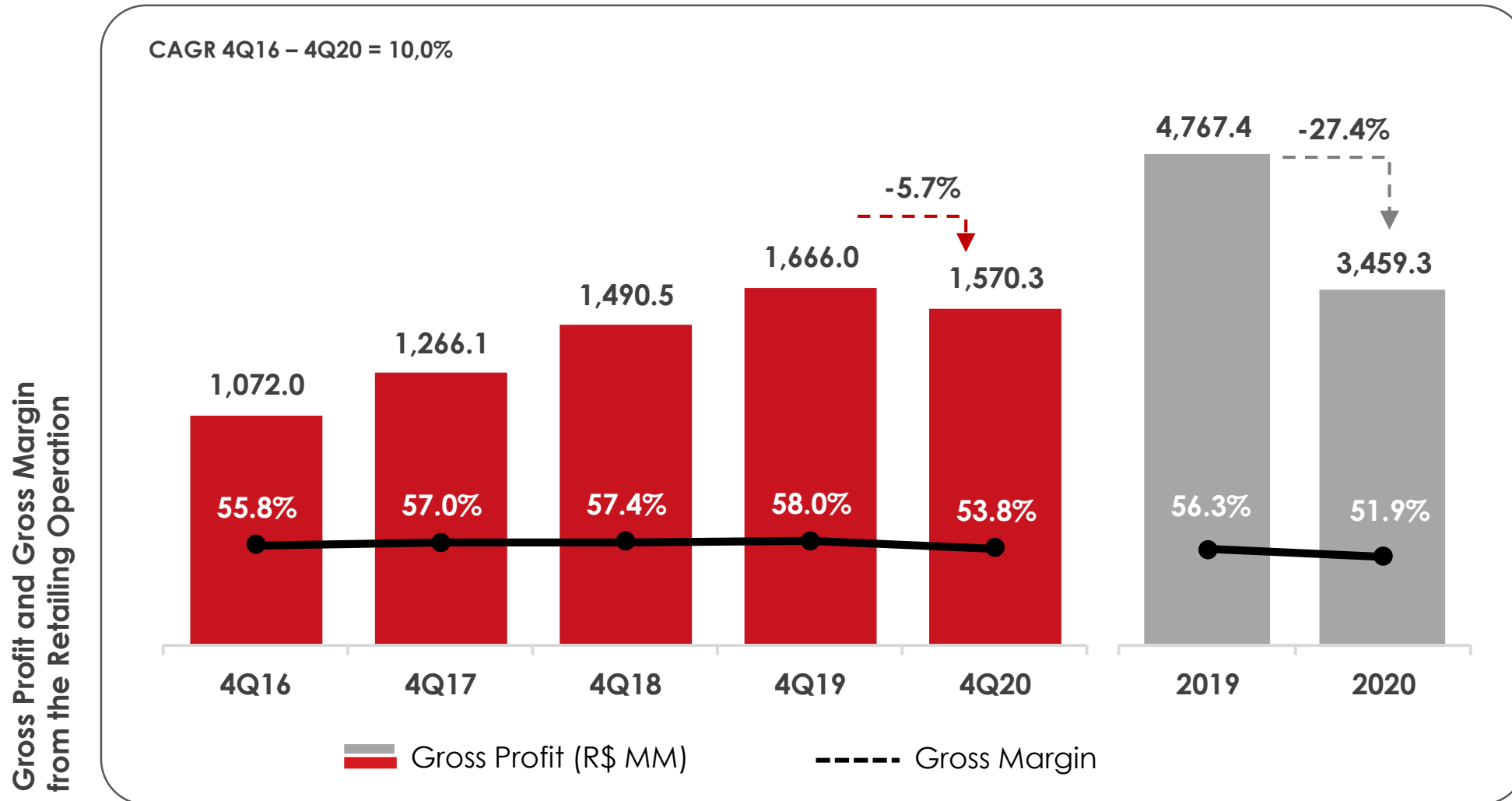
Sales

Net Revenue from Merchandise Sales and Same Store Sales



Operating Data

Gross Margin

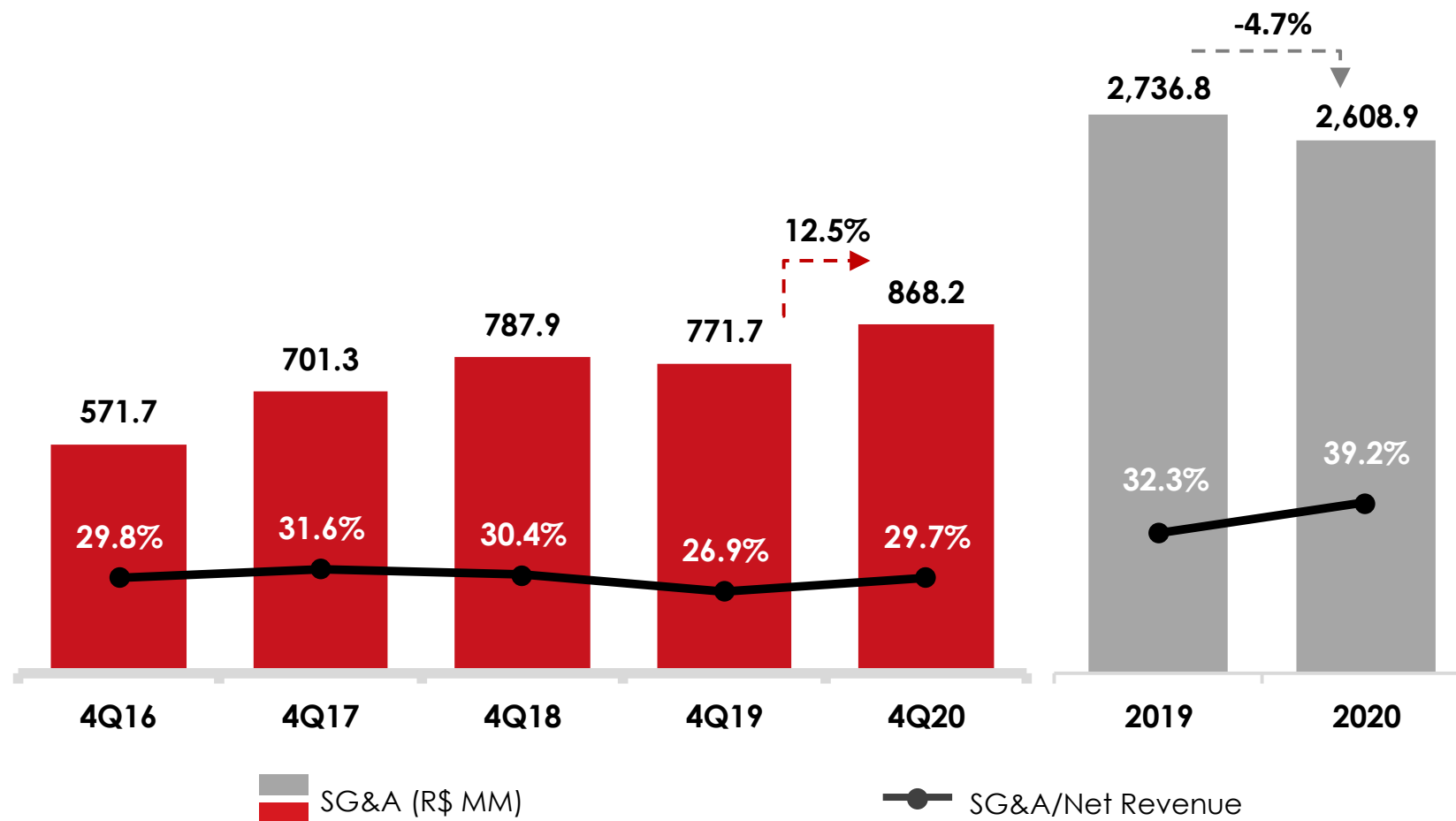


Operating Data

SG&A

Sales, General and Administrative Expenses

CAGR 4Q16 – 4Q20 = 11.0%

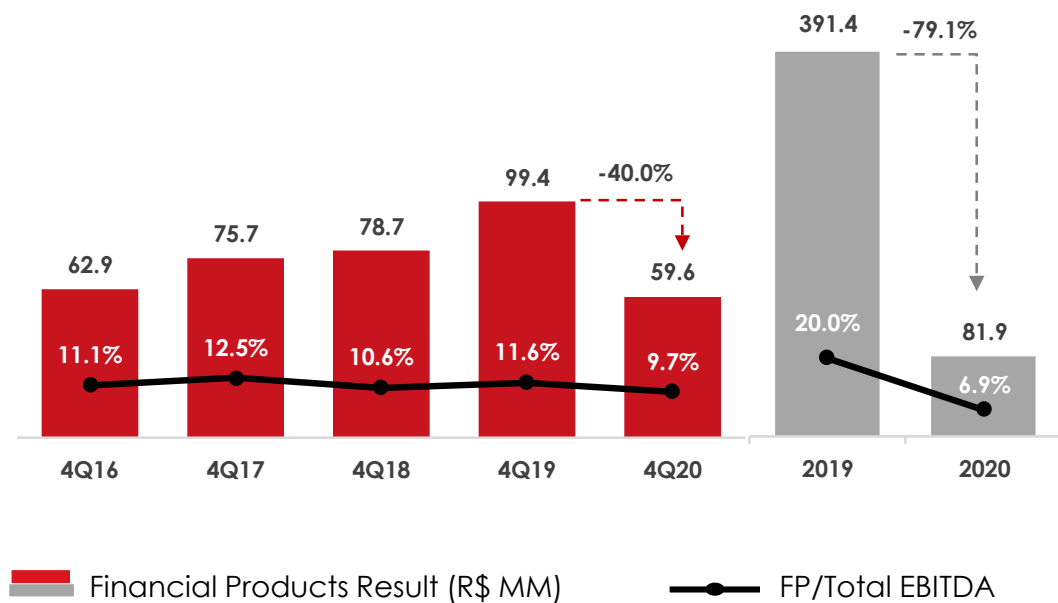


Leasing expenses, previously booked as "Occupation", as from 1Q19, are now being included in the depreciation and financial expenses lines.

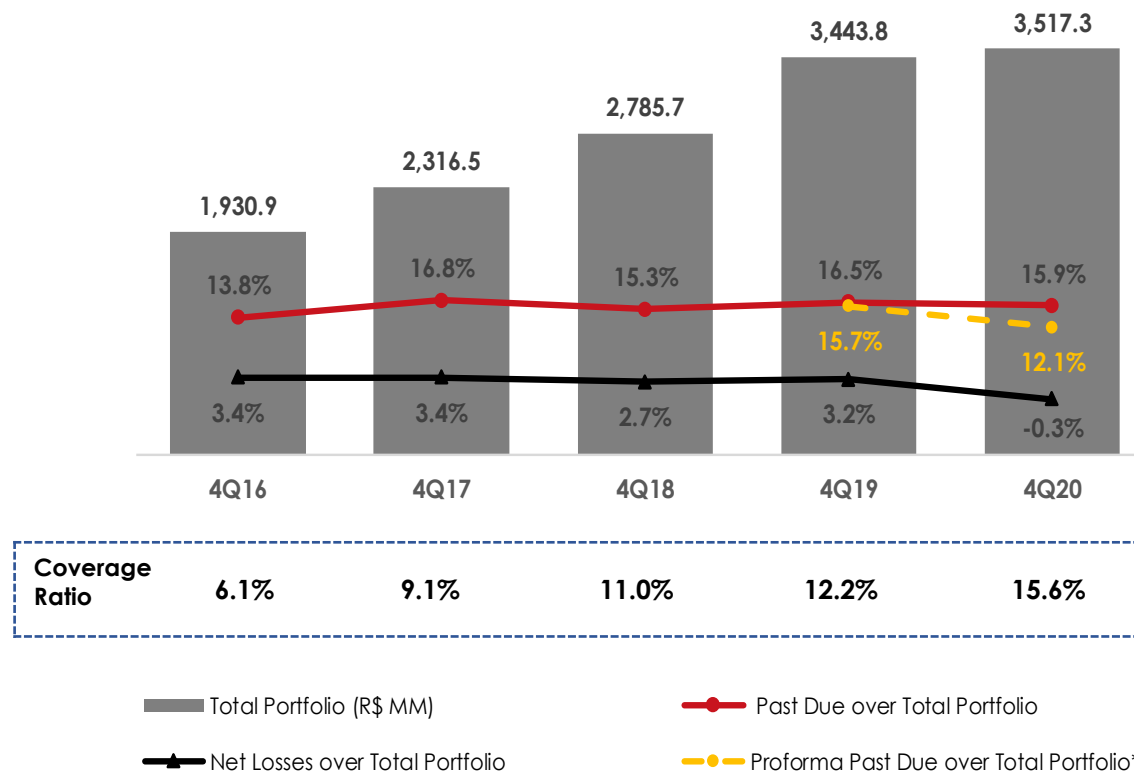
Operating Data

Financial Products Results

Financial Products Results



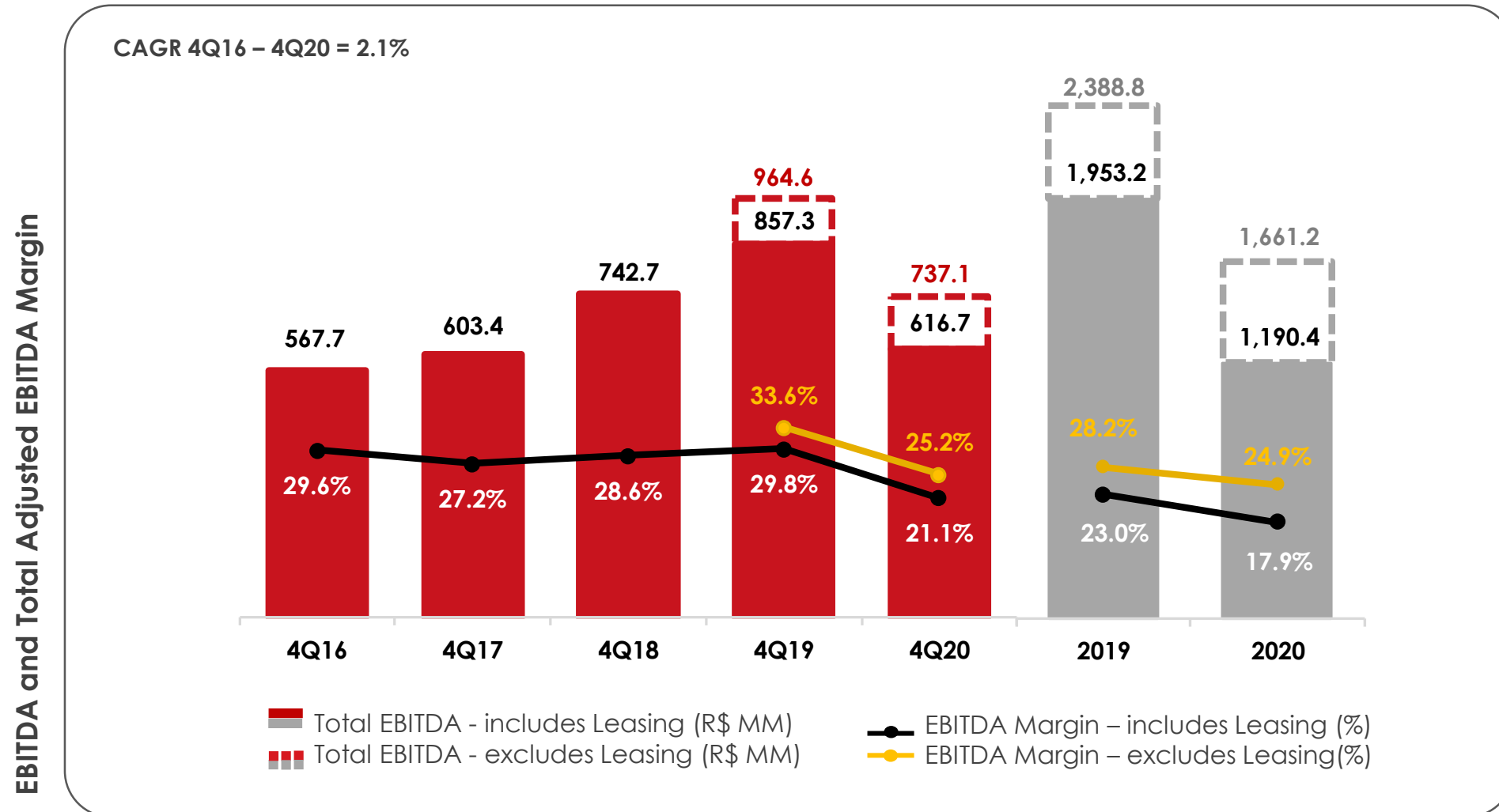
Delinquency



* For the purposes of comparability, the proforma data relates to the receivables' portfolio up to 180 days.

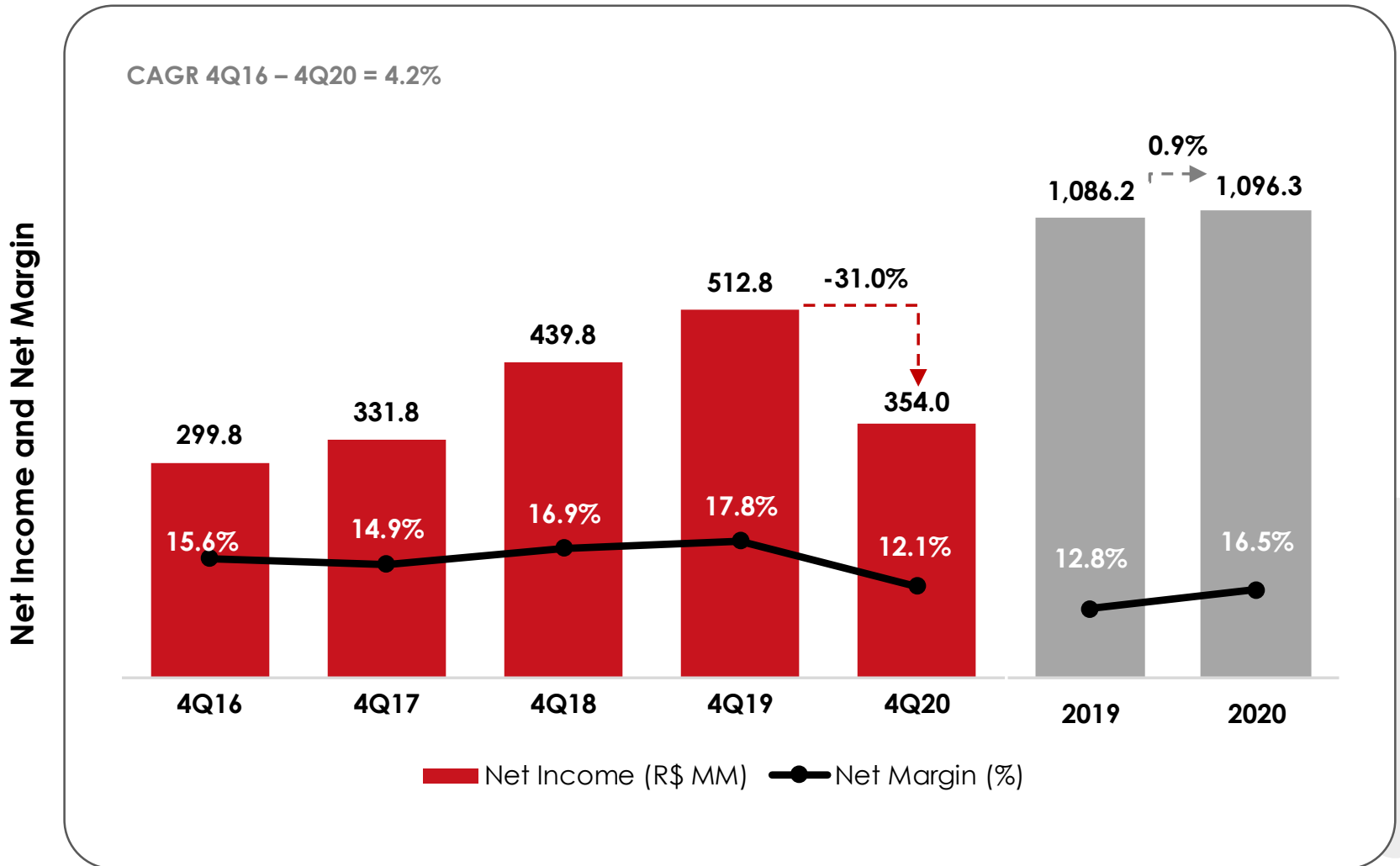
Operating Data

Total Adjusted EBITDA (includes Leasing)



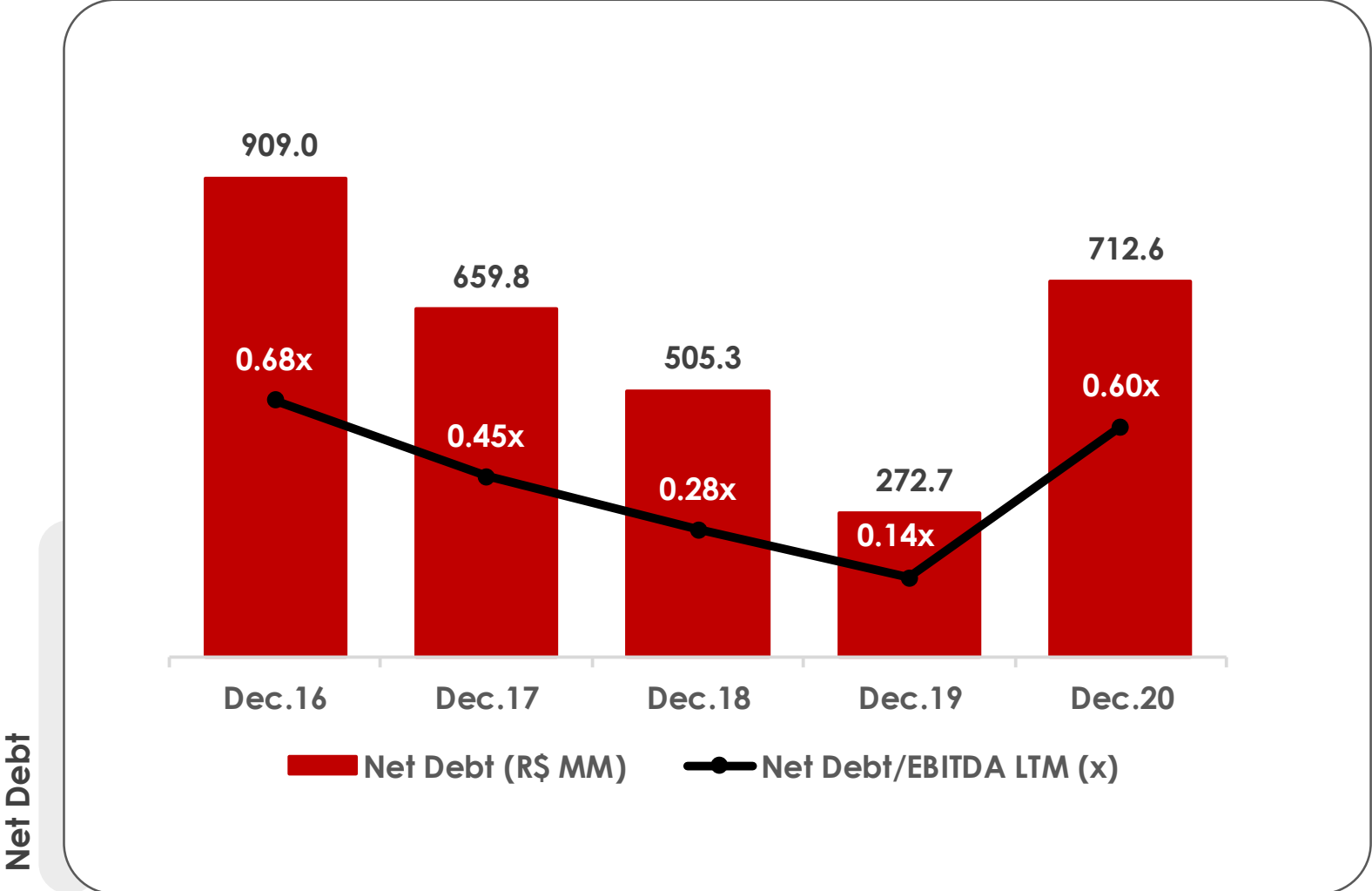
Operating Data

Net Income



Operating Data

Net Debt



Perspectives 2021

- **Capital investment – CAPEX of R\$ 1.1 billion:**

- Opening of 20-30 Renner stores, 5-10 Camicado, 5-10 Youcom and up to 5 Ashua

- Construction of the fashion and lifestyle ecosystem

- Digitization, innovation and sustainability

- **Sales:**

- Expansion and maturation of the physical stores with a gain in market share after pandemic period

- New level of online operations with Ship from Store and Infinite Aisle making strong contributions

- New customers benefiting from the omni channel offers: +assortment, +facility, +speed and +practicality

- Macro scenario is favorable to the middle class, despite oscillations in store operations

- **Gross Margin:**

- Exchange translation effect on imports

- Inflationary pressures with principal raw materials and inputs

- Higher international freight costs

Perspectives 2021

- **Operational investments – Sales, General and Administrative Expenses (OPEX):**
 - Formatting of a fashion and lifestyle ecosystem and acceleration of digitization
 - New configuration of the technology team (700 professionals)
 - Creation of the agility area for dissemination and standardization of agile methods
 - Creation of the data area (about 40 technology professionals, between engineers, scientists and others)
 - Dedicated executive to Realize, giving greater focus and specialization for the business
 - Creation of strategy and new businesses unit to give traction to the agenda of partnerships and investments
 - Structure dedicated to logistics for omni demand and last mile management
 - Reinforcement of Camicado, Youcom, Ashua and Realize teams to speed up digitization with specialization
 - Marketing to drive sales through data, customer knowledge and personalized campaigns
- **EBITDA Margin from Retailing (including leasing):**
 - Oscillations in performance due to restrictions on store operations
 - Currency and inflation effects impacting Cost of Goods Sold (COGS)
 - Higher operational expenses for construction of the ecosystem and digitization

Perspectives 2021

- **Financial Services and Products Result:**
 - Delinquency under control
 - Restoration of the credit portfolio
 - Reduced spreads for all products and services
 - Higher operational expenses for digitization of the business and enlarged product offering
 - Launch of the Digital Account and PIX
- **Total Adjusted EBITDA Margin (including leasing):**
 - Environment for retail sales remains volatile
 - Impact of digitization and construction of the ecosystem on operational expenses
 - Lower contribution from financial products and services
- **Medium- and Long-Term Perspectives:**
 - Gradual recovery in operational margins
 - Return on invested capital higher than recent past
 - Greater free cash flow generation



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