# Earnings Presentation

## 4Q24 and 2024

AZZAS
2154

**1.** Message from the CEO

**2.** Highlights

**3.** Business Unit's Performance

**4.** Financial Performance

**5.** Q&A

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# *2024*

- ✓ **A transformational year for Brazilian fashion.** The merger creates a giant with a diversified and unparalleled portfolio in a R$71.8 billion addressable market.

- ✓ **Preserving brand autonomy to ensure leadership remains focused on customer satisfaction, driving sales growth.** We increased pro forma gross revenue by 12.2% in 3Q24 vs. 3Q23 and accelerated to 15.1% in 4Q24 vs. 4Q23. Of our four business units, three grew above 17.0% in 4Q24, highlighting the strength of our diversified portfolio (brands, channels, and products) and our solid execution.

- ✓ **Acceleration of the turnaround in the Democratic Apparel unit.** We delivered strong growth (+17.6% in 4Q24 vs. 4Q23), including double-digit sell-in. The gross revenue of sell-in channels (franchises and multi-brand retailers) grew 11.8% vs. 4Q23, with the multi-brand channel reporting the highest growth (+14.9%). The unit's total growth accelerated from 13.1% in 3Q24 to 17.6% in 4Q24.

- ✓ **The Women's Apparel unit grew by an impressive 22.9% in 4Q24, with strong performance from Farm in Brazil and international operations (+19.7% in USD).**

- ✓ **We successfully completed a seamless management transition in the Men's Apparel unit.** The BU achieved +20.7% vs. 4Q23, with a standout sell-in performance (+38.0%). All brands posted double-digit growth, and SSS reached 20.0%. Reserva Go, the footwear line implemented using the group's expertise, is expanding rapidly: in multi-brand retailers, its sales have surpassed Reserva, and in franchises, it already accounts for 25% of total sales.

- ✓ **We integrated financial areas, initiated revenue synergy implementation, mapped cost synergies, and advanced in prioritizing our brand portfolio by discontinuing low-profit, low-return operations.**

- ✓ **A solid budgeting process, with the structuring of a robust FP&A department that meticulously conducted a structured budgeting process for 2025.**

# *2025*

1) **The priority for 2025 will be optimizing capital allocation, focusing on initiatives with the best returns to maximize cash generation.**

2) **Footwear & Accessories** – Focus on: 1) Resuming growth to historical levels;(2) Reducing corporate fixed expenses, with an emphasis on increasing profitability;(3) Advancing tests for a new Arezzo store concept (mega), aiming to: lower personnel occupancy costs relative to net revenue, offer a broader mix by better segmenting the Arezzo brand assortment into fashion, basics, sneakers, workwear, and bags; and(4) Resuming Schutz's growth.

3) **Women's Apparel** – focus on Farm: (1) Expanding B2B channels, supported by the implementation of the new multi-brand GTM;(2) Improving the store supply model with a higher in-season responsiveness rate; and(3) Consolidating the megastore project within franchises (the new Shopping Ibirapuera model has accumulated 55% revenue growth, revenue per m² exceeding R$ 35,000/year, and an IRR close to 50%).

4) **Democratic Apparel -** (1) Expanding B2B channels, supported by the implementation of the new multi-brand GTM;(2) Improving the store supply model with a higher in-season responsiveness rate; and(3) Consolidating the megastore project within franchises (the new Shopping Ibirapuera model has accumulated 55% revenue growth, revenue per m² exceeding R$ 35,000/year, and an IRR close to 50%).

5) **Men's Apparel** – (1) Reducing working capital;(2) Optimizing technology investments;(3) Expanding Reserva with a greater share in franchised stores; in company-owned stores, 2025 expansion will be limited to the selective enlargement of a few Casa Reserva units;(4) Discontinuing three brands in Q1 2025; and(5) Improving SG&A efficiency and profitability.

6) **Operational Efficiency**- focus on reducing corporate expenses, creating the CSC, and simplifying internal processes while prioritizing profitability.



## *AREZZO*
*Shopping Recife*

*176m²*
*580 SKUs*
*Sell-out Nov–Feb: R$6.1M, with double-digit growth (+11% LY)*



## *FARM Rio*
*Rio Design Barra*

*230 m²*
*500 SKUs*
*15 new Farm Rio stores*
*12 new Farm etc. stores*



## *Hering*
*Shopping Ibirapuera*

*500 m²*
*R$35k per year*
*651 SKUs*

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# 4Q24

## Gross Revenue

R$ 4.2 B

+15.1% vs. 4Q23

## Gross Margin

Recurring

55.5%

-60 bps vs. 4Q23

## EBITDA

Recurring

R$ 443 M (pre IFRS-16)

+4.0% vs. 4Q23

EBITDA Margin

13.0%

-120 bps vs. 4Q23

## Net Income

Recurring

R$ 168.9 M

-35.8% vs. 4Q23

excluding the impacts of Law 14.789/23 , it would be R$ 241.5 million (-8.1%)

# 2024

## Gross Revenue

R$ 14.2 B

+10.8% vs. 2023

## Gross Margin

Recurring

55.1%

-10 bps vs. 2023

## EBITDA

Recurring

R$ 1,6 B (pre IFRS-16)

+4.0% vs. 2023

EBITDA Margin

13.5%

-80 bps vs. 2023

## Net Income

Recurring

R$ 590.7 M

-33.2% vs. 2023

excluding the impacts of Law 14.789/23 , it would be R$ 907.3 million (+2.7%)

Note: (1) The indicators related to the 4Q23, 2023, and 2024 results are presented on a pro forma basis, considering the combined results of Arezzo&Co and Grupo SOMA for the periods prior to the merger

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# Footwear and Acessories

Gross Revenue 4Q24
**R$ 1.3 Bi**
**+4.5%** vs. 4Q23

Gross Revenue 2024
**R$ 4.8 Bi**
**+4.8%** vs. 2023

- ✓ The Arezzo, Vans and Vicenza brands were growth highlights in 2024;
- ✓ Sell-out growth of +10.2% vs. 4Q23 and +14.3% vs. 2023;
- ✓ Double-digit growth in own stores (+14.6%) and e-commerce (+14.0%) vs. 2023;
- ✓ International revenue growth of +16.9% vs. 4Q23 and optimization of the operation in 4Q24. In 2024 it maintained its revenue level (-0.7% vs. 2023);
- ✓ The sell-in channel fell by -0.4% vs. 4Q23 and -0.7% vs. 2023;
- ✓ In 4Q24, sell-in saw a strong recovery in franchises (+7.4%) and a drop in multi-brands (-7.8%), due to the strong comparative base (+17.1%), the persistent high interest rate scenario and the Schutz turnaround;
- ✓ Positive sell-in sales figures for the winter 2025 collections.

AREZZO SCHUTZ ANACAPRI VANS BIRMAN Vicenza CAROL BASSI

# Women's Apparel

Gross Revenue 4Q24
**R$ 1.4 Bi**
**+22.9%** vs. 4Q23

Gross Revenue 2024
**R$ 4.8 Bi**
**+16.5%** vs. 2023

- ✓ The Farm brand, both in Brazil and internationally, was the standout in growth for 2024;
- ✓ Farm's international growth: +39.3% (+19.7% in USD) vs. 4Q23 and +28.4% (+17.1% in USD) vs. 2023;
- ✓ SSS (owned stores and e-commerce): +18.0% vs. 4Q23 and +10.2% vs. 2024;
- ✓ Strong sell-out performance: +20.5% vs. 4Q23 and +15.9% vs. 2023;
- ✓ Sell-in growth: +14.7% vs. 4Q23 and +4.9% vs. 2023;
- ✓ Positive outlook for sell-in sales related to Winter 2025 collections, including Animale and NV, which benefited from team restructuring in style and the implementation of calendar processes.

# Democratic Apparel

| Gross Revenue 4Q24 | Gross Revenue 2024 |
|---|---|
| **R$ 900 M** | **R$ 2.8 B** |
| **+17.6%** vs. 4Q23 | **+8.0%** vs. 2023 |

- ✓ Strong sell-in recovery in 4Q24: +11.8% vs. 4Q23 and +0.6% vs. 2023;
- ✓ Revenue growth in multibrand retailers (+14.9%) and franchises (+9.0%) vs. 4Q23;
- ✓ Sell-out growth: +24.5% vs. 4Q23 and +21.4% vs. 2023;
- ✓ E-commerce continues strong, with +54.7% growth vs. 4Q23 and +44.4% vs. 2023;
- ✓ SSS (own stores, e-commerce and franchises): +9.8% vs. 4Q23 and +8.1% vs. 2023;
- ✓ The BU closed the year with 702 stores, including 52 mega stores (+19 vs. 2023);
- ✓ Strong performance across all lines, except for the children's segment, which did not grow.

HERING HERINGKIDS
HERINGINTIMATES HERINGSPORTS

# Men's Apparel

Gross Revenue 4Q24
**R$ 634 M**
**+20.7%** vs. 4Q23

Gross Revenue 2024
**R$ 1.8 Bi**
**+18.4%** vs. 2023

- ✓ Sustained strong growth: sell-out (+17.0%) and sell-in (+38.0%) vs. 4Q23. In 2024, sell-out grew +19.4% and sell-in +13.1% vs. 2023;
- ✓ Solid SSS performance (owned stores, e-commerce, and franchises): +10.3% vs. 4Q23 and +10.9% vs. 2023;
- ✓ Net addition of 24 stores in the last 12 months (11 owned and 13 franchises);
- ✓ Completion of BU management transition;
- ✓ Portfolio simplification of brands.

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# FINANCIAL PERFORMANCE INDICATORS – 4T24

| | R$ Million | 4Q23 recurring (pro forma) | 4T24 recurring | Δ (%) recurring 4Q24 vs. 4Q23 |
|---|---|---|---|---|
| 1 | **Gross Revenue** | 3,667.3 | 4,221.7 | 15.1% |
| | **Net Revenue** | 3,001.3 | 3,403.9 | 13.4% |
| | **COGS** | (1,318.1) | (1,515.8) | 15.0% |
| | COGS (ex. D&A) | (1,309.1) | (1,504.5) | *14.9%* |
| | D&A | (9.0) | (11.3) | *25.6%* |
| 2 | **Gross Profit** | 1,683.2 | 1,888.1 | 12.2% |
| | *Gross Margin* | *56.1%* | *55.5%* | *-0.6 p.p.* |
| | **SG&A** | (1,310.1) | (1,525.4) | 16.4% |
| | SG&A (ex. D&A) | (1,193.5) | (1,380.2) | *15.6%* |
| | *(%) Net Revenue* | *39.8%* | *40.6%* | *0.8 p.p.* |
| | D&A | (116.6) | (145.2) | 24.5% |
| | **EBITDA** | 498.7 | 519.2 | 4.1% |
| | *EBITDA Margin* | *16.6%* | *15.3%* | *-1.4 p.p.* |
| 3 | **EBITDA (pre IFRS-16)** | 425.4 | 442.6 | 4.0% |
| | *EBITDA Margin (pre IFRS-16)* | *14.2%* | *13.0%* | *-1.2 p.p.* |
| | **EBIT** | 373.1 | 362.7 | -2.8% |
| | Financial Result | (144.7) | (156.8) | 8.4% |
| | **EBT** | 228.4 | 205.9 | -9.9% |
| | IR and CSLL | 34.5 | (37.0) | n.a. |
| | **Net Income** | 262.9 | 168.9 | -35.8% |
| | *Net Margin* | *8.8%* | *5.0%* | *-3.8 p.p.* |
| | **Net Income (ex. Law 14.789/23)** | **262.9** | **241.5** | **-8.1%** |

## 1. 15.1% Growth in Gross Revenue

Highlighted by the growth of Democratic Apparel (+17.6%), driven by B2B, Women's Apparel (+22.9%), led by the Farm brand in Brazil and abroad, and Men's Apparel (+20.7%).

## 2. 12.2% Growth in Recurring Gross Profit and -60 bps Gross Margin

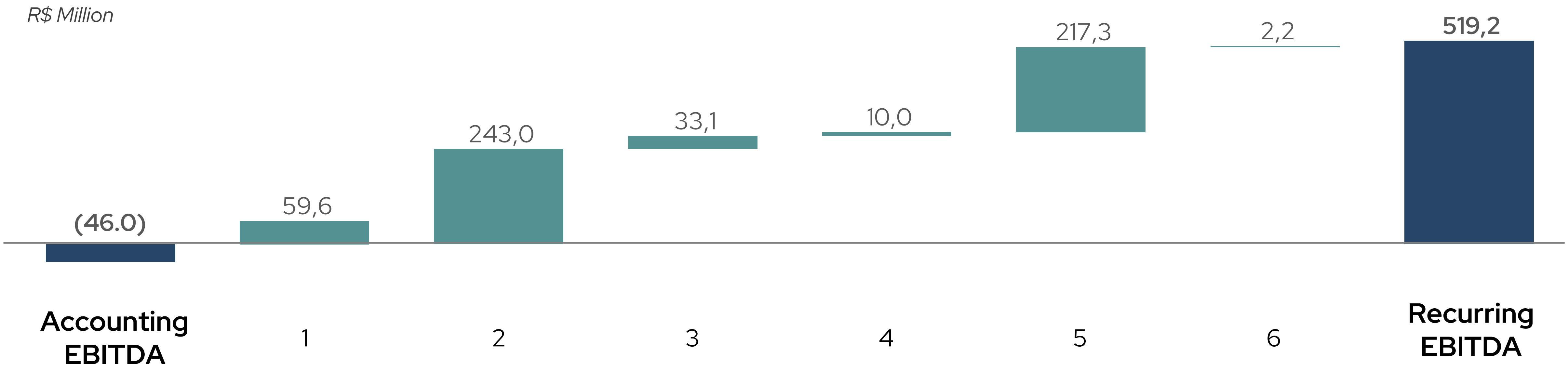
(+) Positive impact from channel mix, with a higher share of sell-out
(-) Normalization of Men's Apparel inventory
(-) Acceleration of sales of discontinued brands
(-) Lower present value adjustment for suppliers

## 3. 4,0% Growth in Recurring EBITDA and -120 bps EBITDA Margin

Increase in expenses explained by:

(-) Temporary impacts from the integration process of Men's Apparel
(-) Initial phase of footwear at Farm and Hering, with associated costs in personnel, showroom, and marketing, still without revenue contribution
(-) Investments in brands and projects for Women's Apparel
(-) Higher share of sell-out channels

# RECONCILIATION OF RECURRING EBITDA – 4Q24




**1 and 2 - Portfolio Optimization:** the simplification of the portfolio had an impact of R$ 59.6 million on COGS and R$ 243.0 million on expenses, mainly related to: (1) inventory adjustments, (2) accounting adjustments (impairment), (3) contractual penalties, and (4) severance and commission expenses. The largest impacts individually relate to the impairment of the BAW brand, followed by Troc and Dzarm. It is worth mentioning that the cash impact of the adjustments is not significant

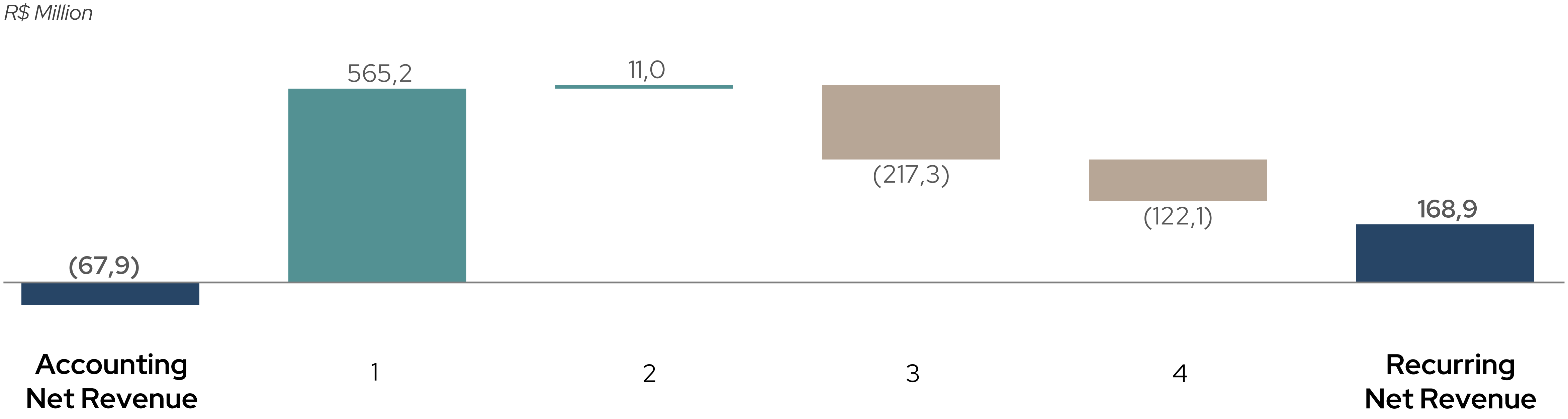
**3 - M&A Expenses:** extraordinary expenses related to the merger of Grupo Soma with Arezzo&Co

**4 - ILP:** long-term incentive program (ILP).

**5 - Reclassification of IRPJ/CSLL Credits:** in 3Q24, due to a change in the accounting of ICMS benefit subsidies, IRPJ and CSLL credits were recognized in operating expenses. In 4Q24, these amounts were reclassified to IRPJ and CSLL, with no impact on net income for the quarter

**6 – Credits Adjustments:** expenses related to credit recoveries.

# RECONCILIATION OF RECURRING NET REVENUE – 4Q24




**1 - EBITDA adjustments:** detailed on the previous page.

**2 - D&A – Added value from Hering:** Impact of Fair Values CPC 15/IFRS 3 – Business Combination.

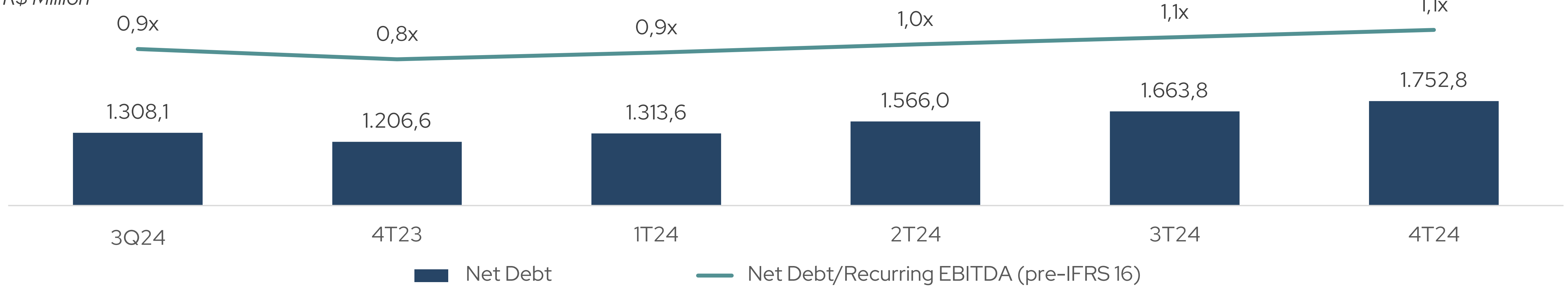
**3 - Reclassification of IRPJ and CSLL Credits:** detailed on the previous page.

**4 - Effects of Applicable Adjustments on IRPJ and CSLL (34%):** 34% x [R$ 59.6 million - Portfolio Optimization (COGS); R$ 243.0 million - Portfolio Optimization (Expenses); R$ 33.1 million - M&A Expenses; R$ 10 million - ILP; and R$ 2.2 million - Prior Period Credits].

# NET DEBT

| R$ Million | 4Q23 (pro forma) | 1Q24 (pro forma) | 2Q24 (pro forma) | 3Q24 | 4Q24 |
|---|---|---|---|---|---|
| Cash and Cash Equivalents | 1,355.5 | 1,363.7 | 1,310.8 | 766.4 | 774.5 |
| Swap contracts(1) | (59.5) | (18.3) | (52.9) | 28.7 | 127.4 |
| Gross Debt | 2,502.6 | 2,659.0 | 2,823.9 | 2,458.9 | 2,654.7 |
| Short Term | 1,854.0 | 1,123.8 | 1,222.8 | 903.1 | 1,476.5 |
| % Gross Debt | 74.1% | 42.3% | 43.3% | 36.7% | 55.6% |
| Long Term | 648.6 | 1,535.2 | 1,601.1 | 1,555.8 | 1,178.2 |
| % Gross Debt | 25.9% | 57.7% | 56.7% | 63.3% | 44.4% |
| Net Debt | 1,206.6 | 1,313.6 | 1,566.0 | 1,663.8 | 1,752.8 |
| Net Debt/recurring EBITDA (pre IFRS-16) | 0.8x | 0.9x | 1.0x | 1.1x | 1.1x |

Net Debt and Leverage
*R$ Million*




Notes: (1) Swap contracts (USD vs. CDI) accounted for in Derivative Financial Instruments.

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# Q&A

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