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**AREZZO INDÚSTRIA E COMÉRCIO S.A.**

*Publicly-Held Corporation*

CNPJ/MF No. 16.590.234/0001-76

NIRE 31.300.025.91-8

**MATERIAL FACT**

**AREZZO INDÚSTRIA E COMÉRCIO S.A.** (“Company” or “Arezzo&Co”), in compliance with the terms set forth by Law No. 6.404/76, as amended, CVM Instruction No. 358, from January 3<sup>rd</sup>, 2002, as amended, and with the Listing Regulations of Novo Mercado (*Regulamento de Listagem do Novo Mercado*) of B3 S.A. - Brasil, Bolsa, Balcão (“B3”), hereby discloses to its shareholders and to the market in general what follows:

On April 7<sup>th</sup>, 2021, the Company sent to Mr. Fabio Hering a non-binding proposal for a potential business combination between Arezzo&Co and CIA. Hering (“Hering”) (the “Business Combination”).

The proposed Business Combination, attached hereto (“Proposal”), encompassed the merger of Hering’s shares, in such a manner that, by the end of the process, Hering’s shareholders would receive: (a) a total of 26,751,575 new common shares issued by Arezzo&Co, representing, on the date hereof, 21.17% of Arezzo&Co’s capital stock post dilution, assuming, therefore, a share substitution ratio (“Share Substitution Ratio”) of 0.1686 new common shares issued by Arezzo&Co for each 1 common share issued by Hering, plus (b) a cash installment in the total amount of R\$ 1,290,000,000.00 (one billion, two hundred and ninety million Brazilian Reais) (the “Cash Installment” and, jointly with the Share Substitution Ratio, the “Exchange Ratio”).

The Exchange Ratio corresponds to a 20% premium over the volume-weighted average price (VWAP) of Hering's shares traded in B3 during the ninety days period immediately prior to April 7<sup>th</sup>, 2021, and would be subject to ordinary adjustments for transactions of this scope and nature, as per mentioned in the Proposal.

The implementation of the Business Combination would be subject to the following conditions: (i) approval, by Arezzo&Co’s and Hering’s shareholders, gathered at the respective general meeting, including the exemption of the obligation to launch a tender offer



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for all outstanding shares (*OPA*) in view of the achievement of a relevant corporate stake because of the Business Combination, pursuant to and as provided for under Hering's by-laws (*poison pill*); and (ii) prior approval of the transaction by the Administrative Council of Economic Defense – CADE.

The Company made its financial (BTG Pactual and Itaú BBA) and legal advisers (Stocche Forbes Advogados) available and at Hering's disposal to negotiate the terms of the Proposal, suggesting prospective work meetings.

However, on April 14<sup>th</sup>, 2021, the Company received and was made aware of the rejection of the Proposal and to the initiation of discussions to carry out the Business Combination, as per resolved by Hering's Board of Directors.

The Company reaffirms its commitment to keep its shareholders and the market in general informed in respect to the developments of the matters addressed herein and in respect to any other matters that may be of interest.

São Paulo/SP, April 15<sup>th</sup>, 2021.

**ALINE FERREIRA PENNA PELI**

Investors Relations' Officer

São Paulo, April 7, 2021

To

**Mr. Fabio Hering**

**Re: Business Combination Proposal**

Dear Fábio,

Firstly, we would like to thank you for the time dedicated to our recent interaction and highlight how much we admire and respect the trajectory and culture of CIA HERING (“Hering”) and specially the family who built it.

We had a long conversation which was unique and special. To summarize it, we list some pillars:

- (i) the understanding of the similarities, differences and challenges of our business models concentrated in the region of Vale dos Sinos (RS) and in Vale do Itajaí (SC);
- (ii) the opportunity and moment to build great winning corporations, through excellency, synchronicity, synergy and governance – with the increase and consolidation of an addressable market;
- (iii) the organization of the Reserva Group as a great game changer for Arezzo Indústria e Comércio S.A. (“Arezzo&Co”), with all the necessary autonomy for the maintenance of the established corporate culture, essential for building the future of AR&CO (clothing and lifestyle branch of the group); and
- (iv) the desire of Arezzo&Co to combine its business with Hering, with the extraction of synergies, sharing of best practices and strong care to be addressed in the areas of people, governance, and value proposal – in such a way that the culture and the independence of Hering are maintained.

Based on our conversation, we are happy to present our non-bonding proposal for the potential business combination (“Business Combination”) between Hering and Arezzo&Co, in accordance with the following terms.

This Business Combination has the potential to unify two companies with very similar backgrounds and values – family-owned corporations, devoted to deliver top quality products and build strong and long-lasting brands that became benchmarks in the Brazilian fashion industry, seeking to provide their customers with the best experience and the best offer at the right time. In addition, Hering and Arezzo both share the same perspective regarding their socio-environmental responsibilities and the creation of jobs and income in Brazil.

Notwithstanding the foregoing, Hering and Arezzo&Co and their respective businesses are, in our vision, complementary, making the Business Combination a unique opportunity to take advantage of synergies and unlock significant value for both companies and their shareholders.

We are convinced that the Business Combination proposed herein would be very well received by our customers, employees, franchisees, industrial partners, throughout the market and by the shareholders of both companies.

## **I. Overview of Arezzo&Co**

Arezzo&Co was founded in 1972, in the City of Belo Horizonte, Minas Gerais, producing men's shoes. Soon it migrated to the female audience and developed the brand “Arezzo”, which would become reference in feminine shoes and purses in Brazil and top of mind leader of customers in the market. In February 2011, Arezzo&Co became a publicly held company, with its shares listed in the Novo Mercado of Brasil, Bolsa, Balcão (“B3”), negotiated under the ticker ARZZ3. Arezzo&Co is enrolled under the Brazilian ‘Taxpayers’ Registry (CNPJ/ME) under No. 16.590.234/0001-76, with its headquarters located at Rua Fernandes Tourinho, No. 147, Room 402, in the City of Belo Horizonte, State of Minas Gerais.

Currently, Arezzo&Co is a leader in the women's footwear retail sector in Brazil, according to the Association of Shopping Center Shopkeepers, and its brands are marketed through 762 national and international franchises and 139 own stores in Brazil and the USA, in addition to being present in more than 4,236 multi-brand stores in Brazil.

In 2020, despite the impacts of the Covid-19 pandemic, Arezzo&Co obtained an adjusted net income of R\$ 1,61 billion, adjusted EBITDA of R\$ 226,9 million and an adjusted net profit of R\$ 87,3 million. Another milestone of the year was the merger, by Arezzo&Co, of 100% of the capital stock of VamoQueVamo Empreendimentos e Participações S.A. (“Reserva”), a company that develops activities of retail trade, wholesale, industrialization and manufacture of clothing, footwear, and accessories of the brands Reserva, Reserva Go, Reserva Mini, Eva, Oficina and Reserva Ink.

The merger of Reserva falls within the scope of Arezzo&Co's strategy of complementing its businesses in clothing, fashion, and lifestyle sectors, expanding its product offering and expanding its brand portfolio.

## **II. Strategic Rationale**

We believe in the Business Combination due to the great potential of both companies.

Hering is a synonym for company, culture, and a strong, democratic brand. It is the basics of Brazil. One of the top-of-mind clothing brands in the country. Hering has a family DNA and a very strong legacy, a history that began more than 140 years ago. A company recognized by all its stakeholders, mainly by its customers, for the quality product, which is produced by its large factories in Santa Catarina, but also by its suppliers, franchisees, and investors, who have followed the company's solid performance, guided by strong cash generation and distribution of earnings over the past few years.

During all these years, Hering has remained faithful to its DNA of an integrated, vertical, and diversified business model, in addition to high operational efficiency, through the asset light model, always linked to a solid Corporate Governance and a competent team with many years of experience.

This Business Combination proposal is the result of studies and criteria analysis performed by Arezzo&Co, prepared exclusively based on public information made available to the market, and is guided by strategic and marketing fundamentals, among which we highlight:

1. **Industrial Know-How:** We believe Hering's industrial know-how will bring expressive gains to Arezzo&Co, allowing the optimization of its productive capacity,

especially with respect to the products of the brand Reserva, provided that knitted products correspond to approximately 40% of its production.

2. Scale Increase: The merger of the two companies will allow a scale gain in the purchase of raw materials, negotiations with suppliers and, possibly, better terms with shopping mall operators.

3. Digitality: We believe that Arezzo&Co has much to contribute to the promotion of Hering's culture of agility and digitality, especially considering the know-how and proprietary digital tools absorbed by Arezzo&Co by occasion of the merger of Reserva - a business where almost half of physical retail sales are influenced by their proprietary digital tools.

4. Operational Synergies: The Business Combination will allow Hering to digitize its B2B through Arezzo&Co's proprietary e-showroom tool, leverage its operations in Arezzo&Co's franchising system, and optimize its logistics processes, using the Push&Pull system, developed by Reserva, and the unification of the distribution and supply centers, considering the flexible sourcing and the efficient supply chain built by Arezzo&Co.

5. Sales Force Improvements: Reserva has tools for recruiting, selecting, and training the sales force that would bring benefits to the entire ecosystem, increasing the retention and consumer engagement of the combined company.

6. ESG: Reserva is also famous in the country for its socio-environmental sustainability history, being the only Brazilian fashion brand to have the “B Corp” (Company B) certification, granted to businesses that follow international standards of social and environmental performance, responsibility, and transparency, and could bring better practices to all brands of the combined company.

7. Gain Sharing: It is also estimated that the Business Combination will provide significant savings for the companies, considering the integration of back-office services, the cost redundancies of two publicly held companies, among other cost synergies, in addition to the potential generation of goodwill resulting from the transaction.

We are convinced that the exchange, by the companies, of all these methodologies, tools and strategies will bring enormous benefits to Hering, Arezzo&Co and their respective shareholders, especially at a time when the fashion industry in Brazil and in the world is going

through unprecedented transformations, with the importance of digital channels growing exponentially, day by day.

For all these reasons, we believe that the company resulting from the Business Combination will be in a much better standing than the current standing of each of the companies individually, positioning itself in a privileged way to face the challenges imposed by the transformations of the sector, and ready to become the largest fashion powerhouse in Brazil.

### **III. Structure of the Business Combination and Exchange Ratio**

The proposed Business Combination encompassed the merger of Hering's shares, in such a manner that, by the end of the process, Hering's shareholders would receive shares issued by Arezzo&Co, and the payment of an installment in cash.

Arezzo&Co proposes that Hering's shareholders receive, as a result of the transaction, (a) a total of 26,751,575 new common shares issued by Arezzo&Co, representing, on the date hereof, 21.17% of Arezzo's capital stock post dilution, assuming, therefore, a share substitution ratio ("Share Substitution Ratio") of 0.1686 new common shares issued by Arezzo&Co for each 1 common share issued by Hering, plus (b) a cash installment in the total amount of one billion, two hundred and ninety million Brazilian Reais (R\$ 1,290,000,000.00) (the "Cash Installment" and, jointly with the Share Substitution Ratio, the "Exchange Ratio").

The Exchange Ratio corresponds to a 20% premium over the volume-weighted average price (VWAP) of Hering's shares traded in B3 during the ninety days period immediately prior to the date of this proposal.

The proposed Exchange Ratio is subject to adjustments solely as a result of: (i) any earnings, including dividends and interest on equity, eventually declared by the companies before the date of the implementation of the Business Combination; (ii) any events outside the ordinary course of business of the companies that occurred as of the date hereof or that have not otherwise been disclosed to the market; and (iii) other events established and mutually agreed by the companies.

In our view, the proposed Business Combination does not need due diligence, since the companies are publicly held, with financial statements audited by first-rate independent firms, and with public documents that have been under the scrutiny of regulatory bodies, of

their shareholders, and of the market, for years. In this sense, we are ready to formalize and conclude the Business Combination in a quick and efficient manner.

#### **IV. Management and Governance after the Business Combination**

After the implementation of the Business Combination, our intention is for the current Chief Executive Officer of Hering to be appointed as member of the Board of Directors of Arezzo&Co.

With the intent of facilitating the integration process and retaining the key executives and talents of Hering after the implementation of the Business Combination, creating alignment in the integration process between the two companies, Arezzo&Co intends to offer and negotiate an attractive remuneration package for such executives, including equity based long-term incentives.

The corporate and administrative structure of the companies after the Business Combination will be designed jointly among the managements, counting on the assistance of specialized consultancy, with the objective of ensuring an efficient integration process of the activities, the retention and promotion of talents, the maximization of synergies and optimization of contributions in which Hering and Arezzo&Co shall bring to their joint activities.

#### **V. Approvals**

The implementation of the Business Combination would be subject to the following conditions: (i) approval, by Arezzo&Co's and Hering's shareholders, gathered at the respective general meeting, including the exemption of the obligation to launch a tender offer for all outstanding shares due to achievement of a relevant corporate stake because of the Business Combination, pursuant to and as provided for under Hering's by-laws (poison pill); and (ii) prior approval of the transaction by the Administrative Council of Economic Defense – CADE.

This proposal shall be valid for seven days and is subject to the non-occurrence of relevant adverse effects in the market conditions or in the business of the companies.



**VI. Next Steps**

This Business Combination proposal is of a strictly confidential nature. As publicly held companies listed in the Novo Mercado, we emphasize the need to maintain strict confidentiality of our dealings.

The carrying out of the Business Combination is the main priority of Arezzo&Co's management now.

We would like, as of now, to put ourselves at Hering's and your disposal, the Board of Officers of Arezzo&Co and all its legal and financial advisors, to aid you in the analysis of this proposal and in the best way to direct it to the management and shareholders of Hering. Arezzo&Co is ready to meet with you to present its vision of the proposed Business Combination and address its terms and conditions.

**VII. Final Considerations**

In our view, the Business Combination meets the best interests of both companies, creating value not only for the shareholders of Hering and Arezzo&Co, but also for all other stakeholders, such as employees, customers, suppliers, and franchisees.

We hope that very soon we will be able to meet again in the place and date of your preference, to deepen and discuss in greater detail the implementation of the proposed Business Combination. We are convinced that our proposal represents a unique opportunity for the permanence of our brands and businesses, with significant gains for our shareholders.

We are sure that together the two companies will be much stronger!

Sincerely yours,

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**AREZZO INDÚSTRIA E COMÉRCIO S.A.**