

# C&A DAY 2024

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Explain the fundamentals of **C&A's performance improvement** through 2023

Introduce the assets and capabilities that will drive C&A Brasil to recover its brightness and value in the coming years

Introduce the levers for growth and for creating value in the next 3 years





# Agenda





IIIII .....

# Agenda

11:15 h Product Journey Coffee break



C&A Pay as a sales and relationship tool

Levi Fonseca Financial Services Director Growth that is sustained by its people, culture, and ESG practices

11:55 h

plus size

Carolina Borghesi VP, People, Culture, and ESG 12:10 h The second of seco

A new cycle of growth based on financial discipline

Laurence Gomes CFO and IRO



Paulo Correa CEO

IN BY DESTRUCTION AND LEAD

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#### Marcos Grasso Chair of the Board of Directors

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# Opportunities outweigh the challenges

C<sup>&</sup>A



# The Board an engaged, experienced, and independent Board

**Peter Furukawa** Financial Services Committee



Performance Strategy People Culture

Governance



# Drive C&A's brightness and value



# C&A's Transformation Journey

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Paulo Correa, CEO



# Purpose

Impact people so they become what they want to be through fashion.



# A fashion retailer dating back 183 years!

With democratic fashion, innovation, the ability to reinvent itself, and superior resilience



1841

Clemens & August 1976

C&A Brasil almost 50 years \_\_\_\_2019

**C&A Brasil** 

IPO



### Recap of the Fashion Tech IPO 2019 strategy









#### Potential for 150 new stores and new formats

- 57 New Stores
- 13 ACE double-door stores
- Expand Beauty
- MRB Concept Store







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- 13 ACE double-door stores
- Expand Beauty
- MRB Concept Store





More modern distribution model

- New DC
- Push&Pull 38%
- WMS
- Sorter
  - RFID
  - Sourcing speed







#### Potential for 150 new stores and new formats

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Digitization

 $\langle \langle \rangle \langle \rangle$ 

#### Digital Transformation

- Tech
  - Infrastructure
  - Cyber
  - Applications
- OMNI
- Al
- WhatsApp Sales
- Minha C&A (My C&A):
- Way of working
  Test & Learn
  - Agility





Potential for 150 new stores and new formats

- 57 New Stores
- 13 ACE double-door stores
- Expand Beauty
- MRB Concept Store

Supply 🕢

More modern distribution model

- New DC
- Push&Pull 38%
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- Sourcing speed

Digital Transformation

• Tech

Infrastructure

Digitization

( ) ( )

- Cyber
- Applications

• OMNI

- Al
- WhatsApp Sales
- Minha C&A (My C&A):
- Way of working
  Test & Learn
  - •Agility

Increased credit offering

Credit 🕢

- Buy -back the credit operation
- SCD
- C&A pay
- Digital
- Facial Biometrics



## **C&A continuously transforming itself**



More connected to our customers



### More connected to our customers

Sales driven by improved knowledge of our customers

"I consider the price to be fair. It's C&A, you know it's good quality, that it will last, you can trust it."

"I love how easy it is to use C&A Pay, it's very quick and simple"

"There is no question that C&A is where I find the most beautiful clothes **that look just like me!**"



## **C&A continuously transforming itself**



More connected to our customers 2 More accurate collections



More accurate collections

2



#### **Reinforced development teams**

Fashion for a range of occasions

Program for increasing value perception

**Product Development technology** 

Multiplicity of tests

Integrated supply chain

Diverse and frequent customer surveys

# **C&A continuously transforming itself**



our customers



# **C&A continuously transforming itself**



More connected to our customers 2 More accurate collections

3 Power House analytics C&A pay facilitating the customer journey



### 4 C&A Pay facilitating the customer journey





Fully digital Relationship Fast, intuitive experience



# **C&A continuously transforming itself**









# **C&A continuously transforming itself**





## **6** Culture and performance



Values

More customer: the customer is everything.

More product: we love fashion and products.

More team: dynamism and team work.

More inclusion: respect, ethics and diversity are non-negotiable.

More people: we have fun and we are proud to belong.



### **Results of the Transformation Cycle**

# Increased Competitiveness



## More profitable goods

Gross Margin



#### **Company profitability** EBITDA (Mn)



#### **Debt reduction** Leverage





# 2023 Recognitions



mudanca

ReCiclo completa seis anos com arrecadação de 80 toneladas de roupas usadas, uma quantidade pequena frente ao volume produzido pela gigante da moda, mas programa aponta caminhos de

Movimento ReCiclo está em 60% das lojas da C&A. Peças doadas por consumidores vão para ONGs, descarte adequado ou produção de novas peças; veja resultados

# We have made progress, but there are still **numerous** opportunities for growth...



# Be the largest and most beloved fashion brand in **Greiam**



### A new cycle of growth




#### A new cycle of growth





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### Our ambition for this new cycle

# Significant growth in apparel sales/m2





Customer annual spending

Push & Pull

**C&A Pay Penetration** 

resume

New store openings

Current store revamps

New store model





#### The customer is everything

Brand & Relationship

Enable the brand Intensify relationships with customers

Personalized messages

Increase the buying frequency

**Products &** 

Categories

#### The customer is everything

Brand & Relationship

Reinforce categories and assortment

Store granularity

Increase speed

#### The customer is everything

Products & Categories Brand & Relationship

Omni

ourney

Buying journey

New store model

Dispersion

Assisted journeys

APP

#### The customer is everything



Store performance

#### The customer is everything

Products & Categories	Omni Journeys	Brand & Relationship	Commercial Intelligence Hub	C&A pa
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Incremental sales increase More intense relationships Fluid/personalized journey

#### The customer is everything



#### The customer is everything

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Products & Categories	Omni Journeys	Brand & Relationship	Commercial Intelligence Hub	C&A pay	
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		<b>Financially solid</b>			
		Sustainable Growth	ſ		
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	AU		urris		

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#### The customer is everything

.....

	Products & Categories	Omni Journeys	Brand & Relationship	Commercial Intelligence Hub	C&A pay			
	People, Culture, & ESG							
Financially solid								



### Passionate about HER

Mariana Moraes





When the strength of a **brand** and increased proximity to the **customer** come together...



### More customers buying more often with larger average tickets



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#### a cliente no centro da nossa proposta de valor.





Our top customers make up 18% of our customer base and account for 40% of our turnover.

+ Omnichannel

Top C&A customer behavior includes:

**Own and use C&A** 

Joined C&A&VC

More diverse basket of categories

**Engaged CRM base** 





### Who is she?

- ► female, socioeconomic class BC, 30+ years of age
- 45% have been C&A customers for over 4 years
- 47% live in SP or RJ
- value versatility and comfort
- Iove fashion, but need curatorship and validation
- ► is omnichannel, but loves B&M stores
- consume fashion content as entertainment

# In addition to understanding the demographics of our customer base, we are **closer to our customers.**



#### **Smart Buying Mindset**







#### For her, every journey is an omni journey.



enjoys trying things on, and being

Would rather buy in a B&M store as she

Online is for inspiration and practicality: she surfs the channel throughout the entire









### Her tension comes from...

She loves fashion, but often feels that this universe is just "not for her".

 $\langle \Box \rangle$ 

fashion that she <u>consumes</u> (trends, anything that's "in")

### fashion that she <u>buys</u>

(functional and versatile, that does not let her down but keeps up with her)





## Our obsession

Offer our customers an individualized/personalized value proposition so each and every C&A customer feels that **C&A was made especially for her.** 

### C&A Strengths

Being part of **people's lives** . A brand for the **entire family.** Enthralling DNA and personalities **A brand that is "hot",** friendly, and close. Dominant in the categories Brazilian women love the most.



## **C&A** Strengths

By the end of 2023, C&A was at the top of the power brand ranking, with the largest share of fashion category selection.





## Use the strength of the C&A brand to strengthen

### our ties with our customers.

She has always loved connecting to our DNA, which is passionate and full of energy, and with our personality and "way of being".









# Further **the brand.**

# Further increase the **perception of value and preference.**

Expand its presence in the media and as a whole.

**Be the** largest and most beloved fashion brand in Brazil.



### Be the largest and most beloved fashion brand in Brazil.

Keep the customer at the center of our decisions. And connect in an even more personalized way

Secure the

brand's

strength







Launched in 2018 + purchases identified C&A pay as an enabler



Customers in the program **29.7 million** 



Frequency 26% more\*



**32.2 % higher\*** 



Maintain the pace of growth (+23% vs 2022) over the years.



### Results **CRM 2023**

#### **Customer base**

+8.5% growth of the customer base

+38% unique customers approached

### +106%

interactions with CRM communications

#### **More assertive** management

new segmented journeys

+10

growth of the share of top **35%** (ideal) customers, with an LTV at least 4x larger

+4% frequency in the customer base.



#### C&A's ambition for CRM management





# Evolving relationship management model



Technology

Use of AI

Scale and automation

Hyper-personalized relationship management

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A single view of the customer across the entire organization

### Main messages

- Be the largest and most beloved fashion brand in Brazil.
- Increased presence along the customer journey, with increased store traffic, and sales per m<sup>2</sup>
- Personalized management of the customer base
- Increase customer base frequency (+ 20% in 3 years) and LTV with stronger relationship management.





# Creating products that connect with the customer

Donatti VP Commercial



### Purpose Impact people so they become what they want to be through fashion.


Continue along our **transformation journey,** which has connected us to our customers, with collections that are increasingly **versatile** driving our results.





The accuracy of our product propositions is ensured using **Test & Learn** methodology that focuses on learning customer desires on-site...





...supported by a model for collection development, and increasingly fast supply ...

Lead times of up to 60 days30%21%10021%21%202120222023

+40% turnover +3p.p. margin

C&A

\*Female Division.

# Product proposals that are increasingly personalized, given the diverse nature of consumption in Brazil...





...and organized into **innovative in-store journey** to make the customer buying experience smoother and easier .

## Category Journey

#### Middle of the store:

**Outer edges** of the store

Fashion

journey



## **Category Journey**





## **Category Journey**

#### Top Knits Area



## **Category Journey**

Sports Goods Area



## **Fashion journey**



## **Fashion journey**



## **Fashion journey**



# This strategy has delivered consistent results in the business categories where it has been implemented.



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The main **opportunities for product growth** are repositioning the female category and advancing in complementary categories.

#### **Female fashion**



Complementary categories of female goods



**Male and Kids** 



ACE



## Main messages

#### Test & Learn

We accelerate products with recognized performance

#### Speed

Stronger production chain

#### Clustering

Increasingly granular, at the store level

#### Journey

A clear journey and proposals for our customers



## **Omni Journey** Fernando Brossi VP of Operations

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### **Omni Journey | Impact on sales growth**

2024-2026 cycle

#### expected levers of the omnijourney Increase in sales/m<sup>2</sup> new store expansions 2024 2023 2025 2026



### **Omni Journey | Impact on sales growth**

2023

2024-2026 cycle

#### expected levers of the omnijourney

2024

2025

Increase in Sales/m<sup>2</sup>

new store expansions

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#### dispersion







#### **Dispersion of sales per**

#### Increased sales/m2 mortfolio of 330 stores

by region







#### **Dispersion of sales per**

#### Increased sales/m2 mortfolio of 330 stores





#### by store cluster





#### **Dispersion of sales per**

#### Increased sales/m2 mattfolio of 330 stores





#### by store cluster



#### by store (granular)





#### Smart granularization



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#### Smart granularization



Market potential - sales/m<sup>2</sup>



#### Market potential algorithm for each C&A store



Market potential - sales/m<sup>2</sup>





#### Market potential algorithm for each C&A store



Market potential - sales/m<sup>2</sup>





test	Climate	profile	store m <sup>2</sup>	growth
1	mixed	high	1800 – 2200	+37%



test	climate	profile	store m <sup>2</sup>	growth
1	mixed	high	1800 – 2200	+37%
2	warm	high	1200 – 1800	+31%



test	climate	profile	store m <sup>2</sup>	growth
1	mixed	high	1800 - 2200	+37%
2	warm	high	1200 - 1800	+31%
3	cool	concept	2200+	+26%



test	Weather	profile	store m <sup>2</sup>	growth
1	mixed	high	1800 - 2200	+37%
2	warm	high	1200 - 1800	+31%
3	cool	concept	2200+	+26%
4	mixed	рор	2200+	+30%
5	warm	рор	1200 - 1800	+24%
6	cool	super Pop	1200 -	+24%











## The journey of a fashion customer is **omnichannel**, and may start at different stages





# Map the Consumer buying journey




## **Digital journey 1:** Growth of the C&A App and integration with C&A pay

Rebuild the C&A APP, turning it into a platform based on microservices, with faster development and testing

Al to prioritize displays, enable smart searches, and make recommendations re looks





## **Digital journey 1:** Growth of the C&A App and integration with C&A pay

Rebuild the C&A APP, turning it into a platform based on microservices, with faster development and testing

AI to prioritize displays, enable smart searches, and make recommendations re looks



+10% Increased traffic/flow integrate the C&A pay and C&A Apps +15% MAU some 2.0 million on the C&A App monthly bills +8% incremental sales increase 59% we are currently migrating to be migrated

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# Map the Consumer buying journey





DAL

#### Digital journey 3: Digital services via WhatsApp

An intuitive self-service journey

supported by search technology and product recommendations

> customers may ask for human digital support at any time



+ 500 K access to the platform

**75%** of all customer journeys are fully digital

#### 25% of

customers, used assisted digital journeys

#### 17%

conversion among customers using human-assisted digital journeys



# Map the Consumer buying journey





### Pillars for increasing sales/m<sup>2</sup>















#### Morumbi Store | Current concept and proven performance

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#### Morumbi Store | Current concept and proven performance

# +14 p.p.

Incremental sales increase compared to the control

# **+5 p.p.**

Incremental increase in store profitability

# Implement tests and learnings at scale

dispersionjourneysrevamps







### **Omni Journey | Impact on sales growth**

2023

2024-2026 cycle

## Increase in Sales/m<sup>2</sup>

## New store expansions

Expected levers of the omnijourney

2024

2025



2026

#### Opportunities in new store expansions

## +120 stores mapped

Mostly in new cities and towns

+ cities with 100 to 500 thousand inhabitants

+ opportunities in larger cities



## Main messages



### New store concept

Technology to measure floor area (m2)

Conversion opportunity funnel

New customer buying behavior

New NPS tool



Dynamic Assortment

Refactoring the app

Increase (decrease) in Employee app

> Evolving Store Concept



## Main messages





We will leverage sales/m<sup>2</sup> by **addressing** granular dispersion opportunities

Power House analytics promoting faster Testing & Learning

Continuous evolution of the Omni Journey, integrated with and supported by technology and a high degree of personalization

Resume organic growth, enabled by a new store concept



## Transform through digitization

Bruno Ferreira



## **The strategy** behind the commercial Intelligence Hub

Make the decision more granular Execution at scale

مهمه



**Impact** on the Business



# To support this design, we have invested in **tech** infrastructure ever since the IPO



**3x** more data sources

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### **Commercial Intelligence Hub**

#### Power House analytics



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## **CIH - Commercial Intelligence Hub**

CIH initiatives have impacted business behavior, and further advances are expected going forward



Adjustments over the online and in-store cycle

## **2** Push & Pull and continuous management (AI)

Automated purchases of continuous goods using AI

#### **3** Product Development

Development of AI and Tech collections



Dynamic Pricing (Al) An AI system for dynamic price adjustments based on performance in both B&M stores and online.

**Dynamic Pricing** 



#### Summery

#### **AI and Machine Learning Algorithms**

Store-by-store models for elasticity, seasonality, and product price optimization throughout the sales cycle.

#### **Granularity and Store Operations**

fully integrated with store operations, able to execute at scale.

## Dynamic Pricing (AI)

An AI system for dynamic price adjustments based on performance in both B&M stores and online.

•25 Mn Items re-priced in 2023

> Working in stores and opline

Price increases and markdown

Optimizing the product life cycle Outlook for Significant impact on Gross

By EOY-23, inventory age had also improved: **28%** 

newer



## **2 Push & Pull - Continuous Management**

## Challenge of stockouts vs. **inventory coverage**

#### **P&P and AI Management**







#### Push & Pull: management of Gostidi Stephel Stopply and systems to manage supply and purchase continuous goods



#### **Push & Pull**

Supply systems by SKU

Granular store supply execution



**Automated** 

<del>(Al)</del>

Al systems

**Purchasing Model** 

Manage the purchase of

continuous goods

### 2 Push & Pull - Continuous Management

#### What was done?

## 37,000

Registered SKUs managed by the platform

### +23%

Increase in sales of participating goods in 2023

## **-12**p.p.

Reduce in-store size stockouts

-5 weeks

Reduce Inventory Coverage

C<sup>&</sup>AD

## Main messages

Despite the progress made, there remain many opportunities to be captured

#### **Power House analytics** as the backbone of decision-making processes in commercial development

Obsessed with **integrating processes and systems** as our main distinction



## **Product Journey**

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#### Coffee break

## **Commercial Team**



João Souza

Commercial Director -Female



Luara Proença

Senior Fashion Manager - Female



Priscila Malta

Senior Manager -Female



Camila Gadioli

Senior Manager -Female



Beatriz Signorelli

Senior Manager -Female



André Golobovante

Senior Manager -Female





# **C&A Pay as a sales and relationship tool**

Levi Fonseca Financial Services Director

#### **C&A Pay: enabling the buying journey** to capture customer loyalty





#### C&A Pay: digital first, guiding the customer experience

Pre-approved credit



Contracted in 2 minutes





Paying with a smile.



Service is 80% digital



### Share of proprietary credit

Accounts opened through 2023 Sales **R\$ 1.85 bn** 

Active Portfolio by end 2023

**R\$ 962 Mn** 



#### share of proprietary means





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# Credit governance combined with intelligence when granting credit



+ 2022

2021

**Credit Concession** 

**Maintaining limits** 

2024

**Continuously evolving models** 

2023

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# Our model allows us **to anticipate default trends**

Card Default Among Individuals in Brazil



- Real individual card defaultPratiestion Model



# Better indicators for **new baskets and the credit portfolio**





# **Credit recovery supported by data intelligence to** generate the best offer and channel

## Technology

Machine learning Omni channel 100% digital "MAIA" bot



## Personalization

Segmentation (risk/stage) Offer (discount/plan) Intensity/Channel (S) (S) (S) (S)



## More consistent **recovery of the over 60 dpd portfolios**



## **Competitive differentials in good credit management**



Unique market journey = positive selection

> 90% of all new accounts are open at the checkout at the moment of payment

Credit for pre-approved customers

Continuously evolving credit and collection models

Proactive credit management

Credit recovery based on intelligence and dialog



#### Improved credit portfolio indicators





# Main messages

### Continue to focus on growing retail

A financial services journey focused on **experience and convenience** 

Rigor and discipline in **credit** concession and recovery

Credit as 35% of sales by 2026



**Growth that is** sustained by people, culture, and ESG practices Carolina Borghesi VP, People, Culture, and ESG



# Growth sustained by

A strong culture that enables our performance Experienced and **diverse leadership**, that is passionate about what it does Management and Fashion Academia Model as performance levers

Pioneer and consolidated **ESG practices** 



# A strong culture that enables our performance





#### Values that guide our 15,000 employes and enable our growth.

More customer: the customer is everything.

More product: we love fashion and products.

More team: dynamism and team work.

More inclusion: respect, ethics, and diversity are non-negotiable.

More people: we have fun, and we are proud to belong.



# **Constant evolution**

## + accountability + agility + performance





An executive team comprised of **50 professionals - Partners** 

# Aligned leaders who are diverse and experienced

**Aligned incentives** 

# 50% - 60%

of total compensation in the form of short and long-term incentives





experience in fashion Retail

**22%** are over 20

Age



average age







#### **Experience**



**26%** have been with the company for over 15 years have been with

**28%** were hired in the past 2 years

different and complementary visions



#### Training





leaders coming from the trainee program

## C&A leaders are **respectful and close**



C\*A

GIOVANN.

# **87.6%** engagement rate

#### Melhores Empresas Para Trabalhar™

Varejo

Great

Place

Work<sub>®</sub>

То

BRASIL 2023

#### **5th Consecutive time** in the Brasil ranking

of the best fashion companies



15,000 professionals in the Fashion Academy

## An education platform that trains and develops the team



performance levers

**300 thousand hours of training** in 2023. According to the ABTD, this is **46% over the market average**.



# **extreme care** with our relationships

customers
associates
environment
society





# **Public commitments - 2030**



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For 2024, the new Protocol SBTi climate goal is an impact of 1.5°C







#### **Volunteer Program**

+11th.	hours donate			
115	d NGOs supported			
<b>+21</b> th.	people impacted			
28%	of C&A has volunteered			

#### Entrepreneurism

+30

1,393 entrepreneurs supported

projects implemented Employability

19

professionals in partnership with SENAC and Santa Marcelina University

#### **Humanitarian Aid**

**2** Mn

Reals invested

**30**th.

items of clothing donated



# Main messages

We have the right team to support the new cycle of growth: experienced leaders who are aligned and passionate

A strong culture, management model, and Fashion Academy enable our performance

**Mature and consolidated ESG practices** 

AΥ

# A new cycle of growth based on financial discipline

Laurence Gomes CFO and IRO



# Greater discipline in **capital** allocation as of 2022



Up to 2021: Investments in company structural levers

As of 2022: more selective capital allocation



## **2023: Start capturing value from our investments**



Post IFRS 16



## **Highlights for 4Q23**



Post IFRS 16





#### Increase (decrease) in net revenue



Increase (decrease) in net revenue

...together with strong and consistent growth in gross margin







#### Lower Operating Expenses



#### Increased adjusted EBITDA margin



#### **Rigorous and granular expense control**, diligent SG&A, and increasing EBITDA margin.



#### Shorter Cash Conversion Cycle







#### Cash Conversion Cycle



<sup>1</sup>Excludes early receivables

# Working capital and CAPEX had a positive impact on cash

Increase in Adjusted Free cash flow/Capex/Total Net Revenue CAPEX / ROL







# Deleverage the balance to a level of 1.5x net debt/EBITDA

7,6



- Adjusted EBITDA (after U12M)
- Total leverage, including Bradescard
- Net debt, including Bradescard and receivables pre-payment

R\$ million

\* Does not include 1Q22 as these numbers are still impacted by the pandemic in the reference to the previous 12 months



# Main messages

Focus on **increasing sales/m<sup>2</sup>** 

# Continue to rigorously control spending

Discipline in granting C&A pay credit

Optimized working capital and CAPEX

Additional leverage reductions





# **Closing** Paulo Correa CEO





# energia C&A

#### The customer is everything

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	Products & Categories	Omni Journeys	Brand & Relationship	Commercial Intelligence Hub	C&A pay			
	People, Culture, & ESG							
	Financially solid							







# Thank you!

