Earnings results 3Q19

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Adoption of IFRS 16

Impacts on 3Q19

Balance Sheet (09/30/2019)

Right of Use – Operating lease (Asset)
+ R$ 1,591.7 million

Operating lease (Liability)
+ R$ 1,622.9 million

Income Statements

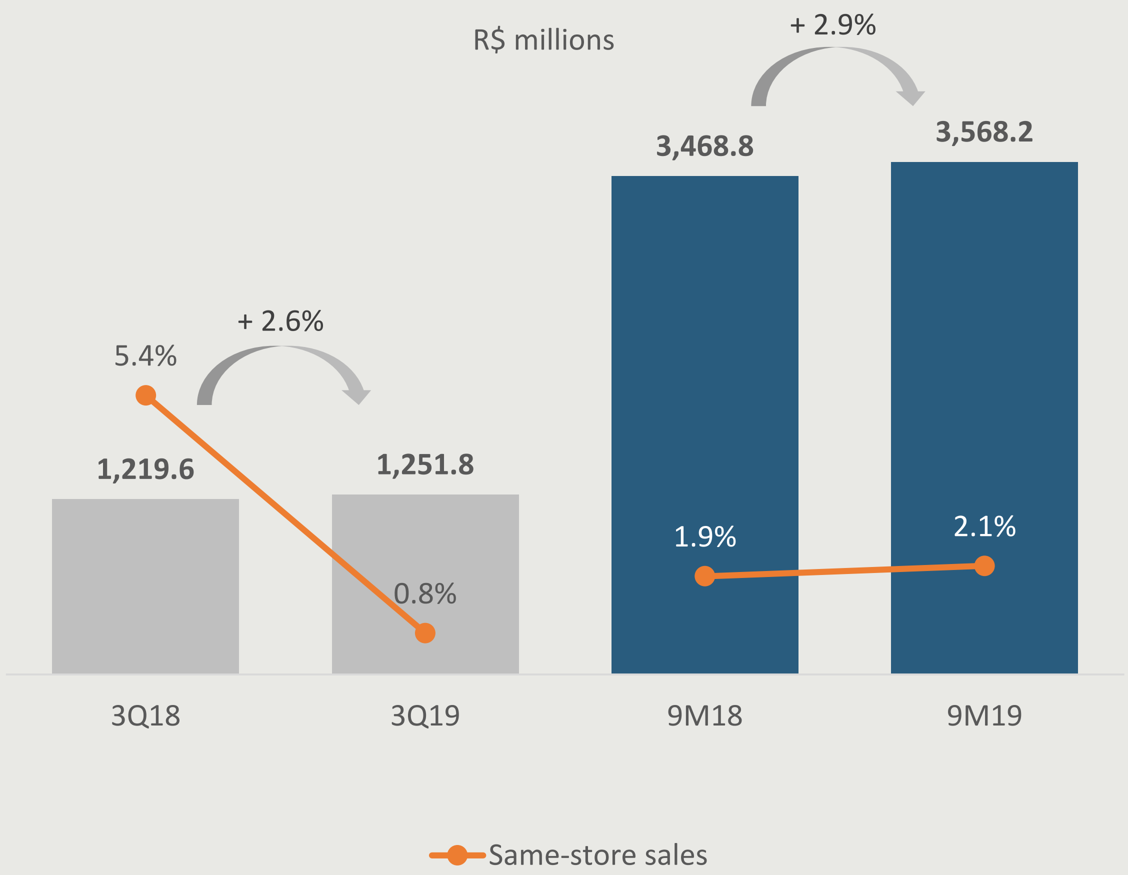
Occupancy (Operating expenses)
- R$ 81.0 million

Depreciation and amortization (Operating expenses)
+ R$ 72.8 million

Interest on leasing (Finance expenses)
+ R$ 17.9 million

Net income
- R$ 6.3 million

Net Revenue



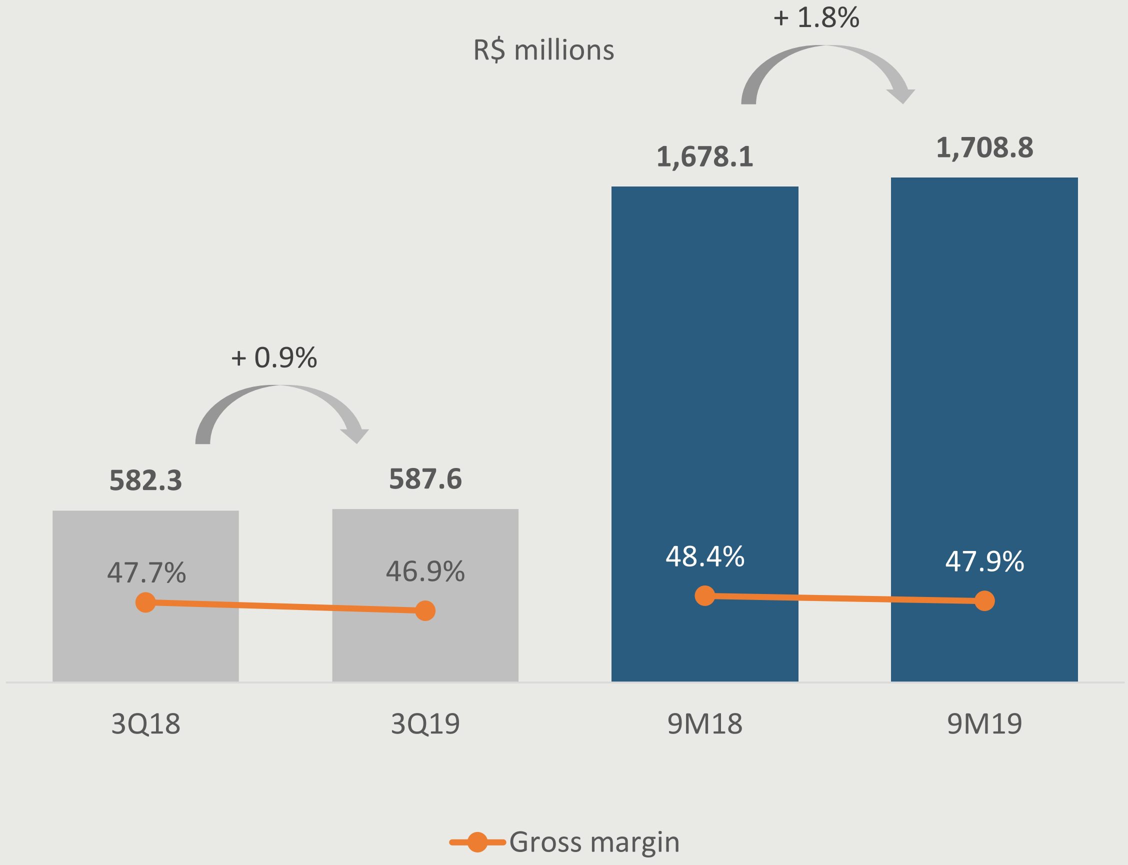
Variation 3Q

- Gross sales increased 4.3%:
  - Average ticket increase due to the higher number of pieces per ticket
  - Growth of e-commerce
  - Store openings
- Better acceptance of apparel collection
- Fashiontronics sales below mainly due to the end of "Lei do Bem"
- Net revenue grew 2.6%, due to the impact of the end of "Lei do Bem"
- Same-store grew 0.8%

Variation 9M

- Gross sales increased 4.3%
- Net revenue grew 2.9%, and same-store 2.1%

Gross Profit and Gross Margin



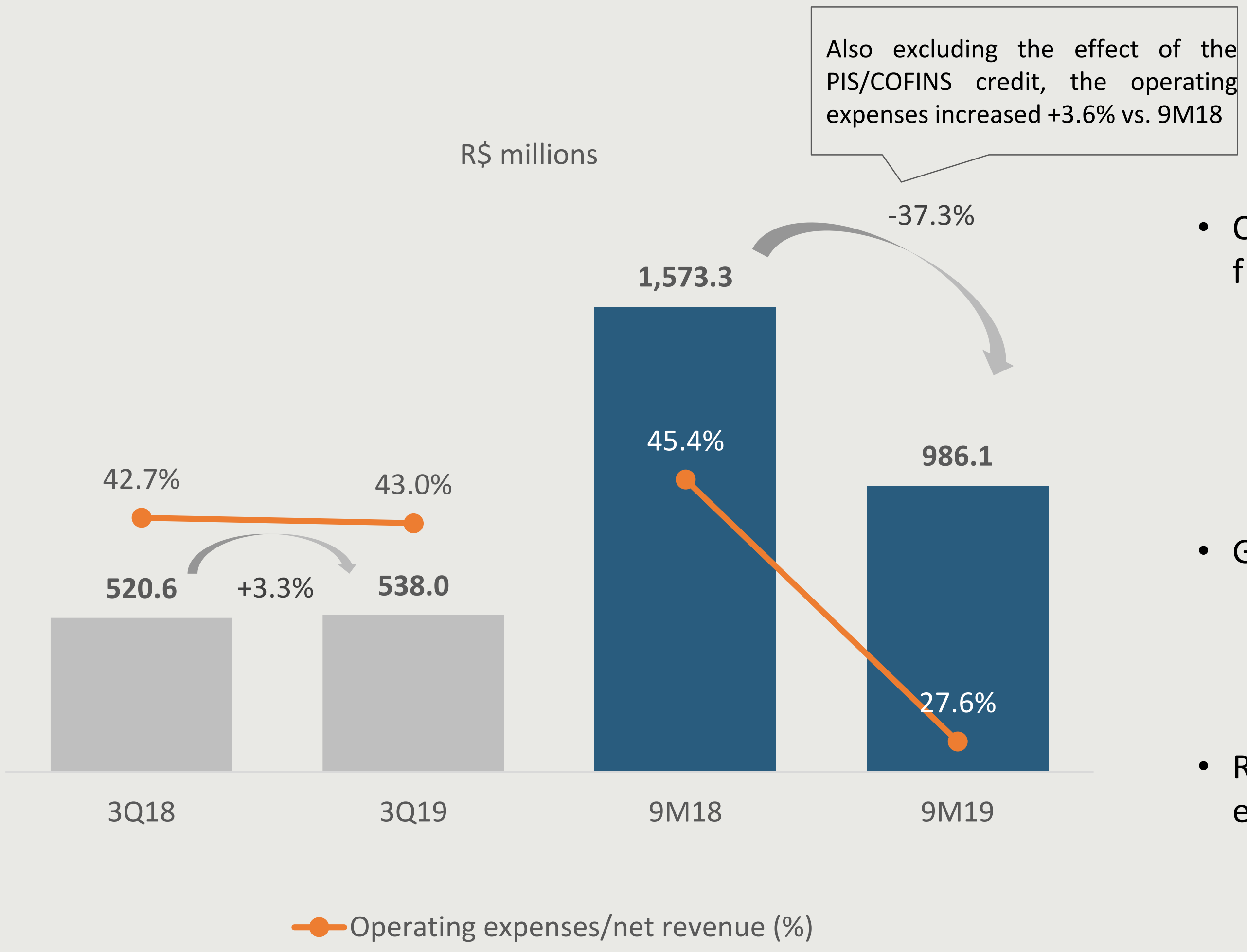
Variation 3Q

- Increase in apparel gross margin was offset by fashiontronics whose margin fell due to:
    - Increased tax burden associated with the end of the "Lei do Bem"
    - More promotional environment
- Lower benefit of the hedge operations on imported products in comparison to 3Q18
- Consequently gross margin dropped 80bps

Variation 9M

- Gross margin fell 50bps

Operating Expenses Pro Forma (ex. IFRS 16)



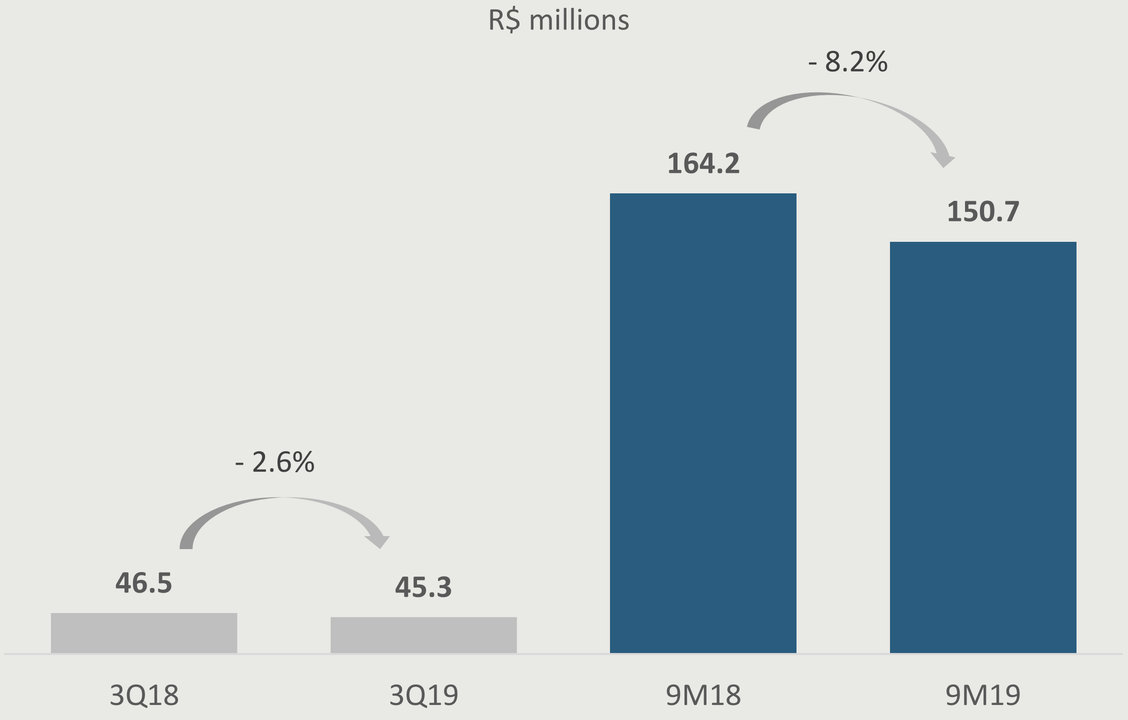
Variation 3Q

- Operating expenses increased 3.3% in the pro forma concept, with
  - Selling: +7.5% (pro forma)
    - 7 more stores in operation
    - Royalties expenses in 2018 were concentrated in 4Q
- General and Administrative: -4.7% (pro forma)
  - Reversal of provisions for tax contingencies

Variation 9M

- Recognition of the tax credit related to the exclusion of ICMS from the PIS/COFINS tax bases

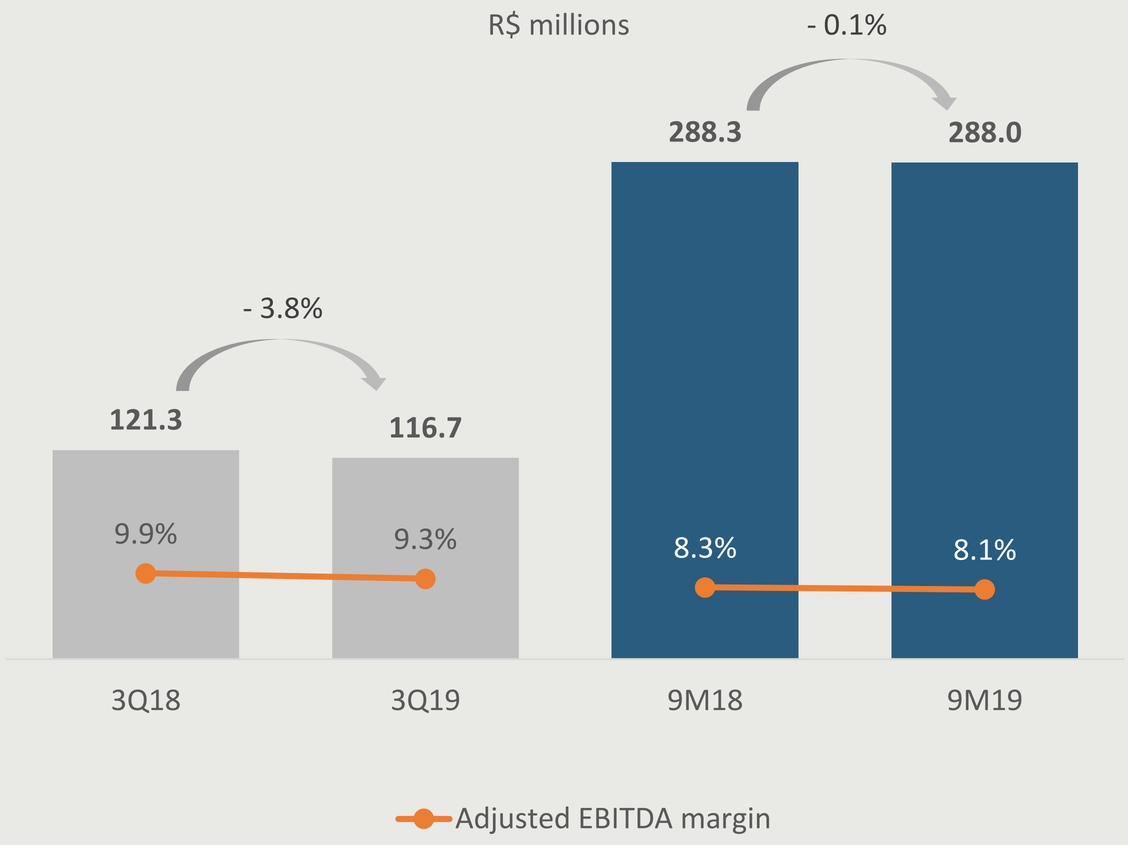
Financial Services Partnership



Variation 3Q

- Reduction of interest income mainly due to the decline in the share of the partnership cards
- Purchases using the partnership cards accounted for 20.8% of the merchandise sales, 110bps lower than 3Q18

Adjusted EBITDA



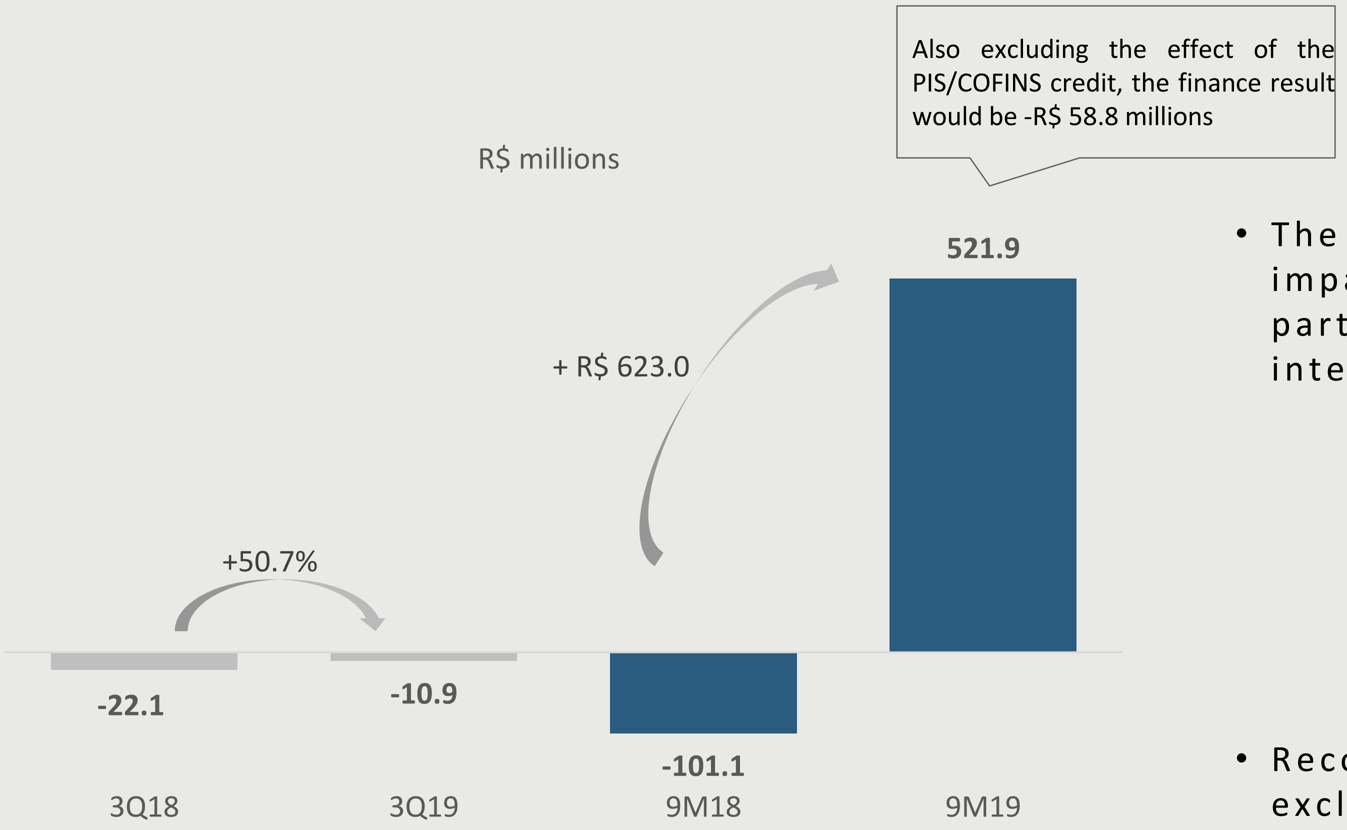
Variation 3Q

- Adjusted EBITDA margin fell 60bps, mainly impacted by the gross margin drop

Variation 9M

- Adjusted EBITDA margin fell 20bps

Finance Result Pro Forma (ex. IFRS 16)



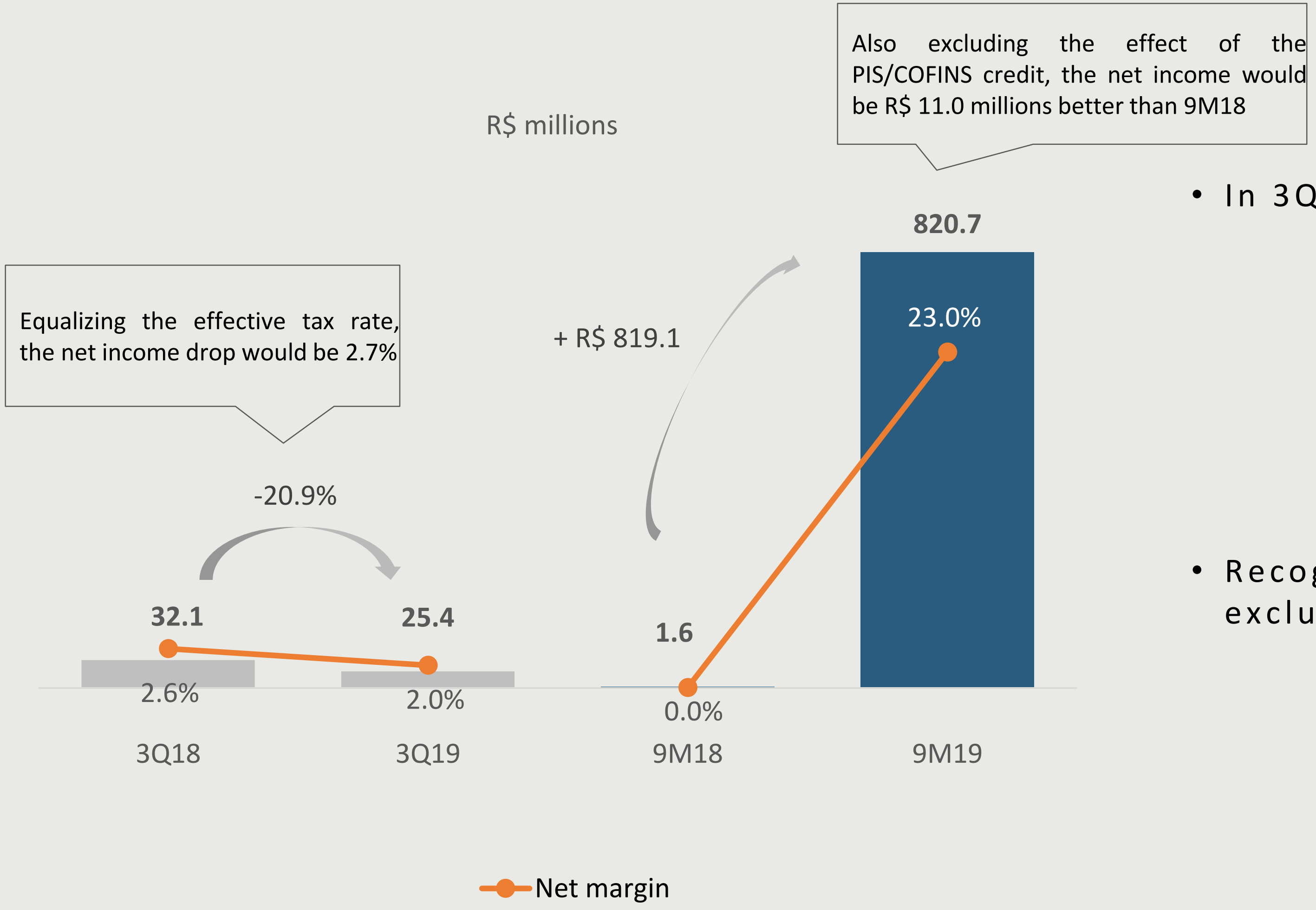
Variation 3Q

- The increase in the interest income and the lower impact from foreign exchange difference were partially offset by the higher expenses with interest on loans

Variation 9M

- Recognition of the tax credit related to the exclusion of ICMS from the PIS/COFINS tax bases

Net Income Pro Forma



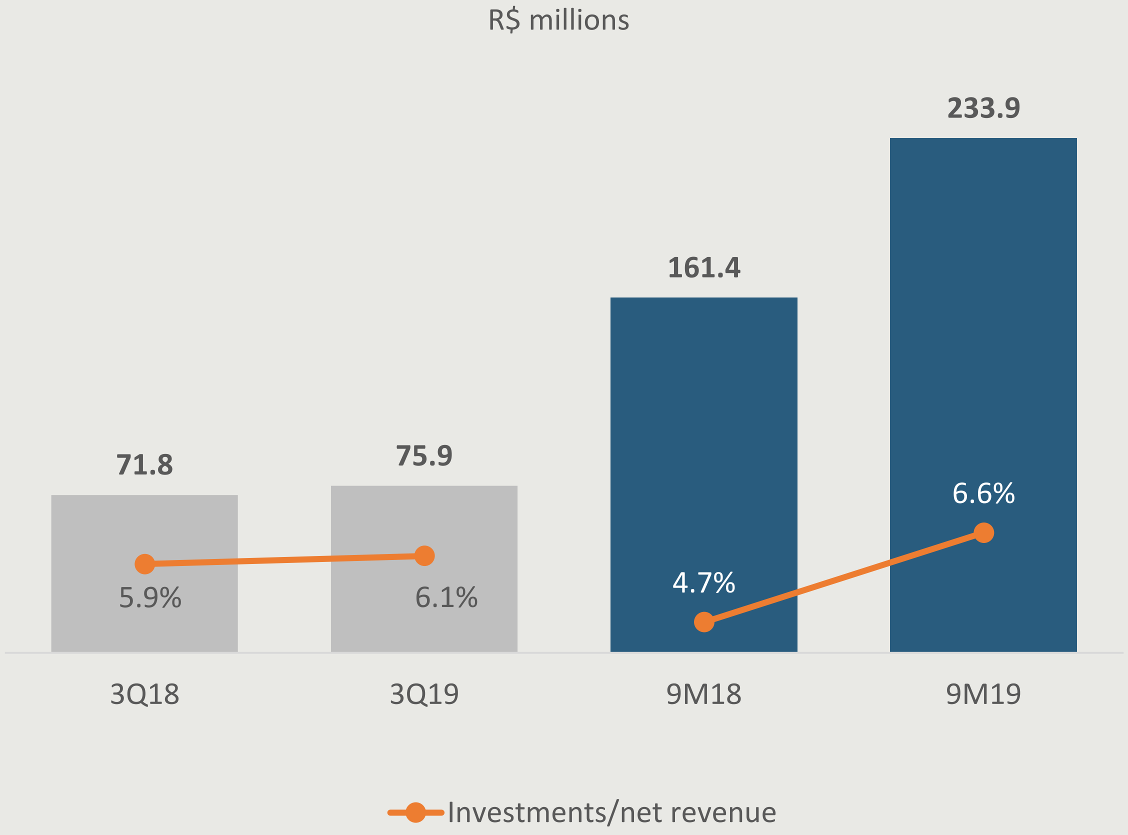
Variation 3Q

- In 3Q18 the effective tax rate was 19.1%

Variation 9M

- Recognition of the tax credit related to the exclusion of ICMS from the PIS/COFINS tax bases

Investments



Summary of Investments (in R$ millions)	9M19	9M18
New stores	40.2	11.6
Refurbishment and maintenance	109.5	90.2
Distribution centers	12.5	4.0
IT and others	71.7	55.6
Total investments	**233.9**	**161.4**

Variation 9M

- Stores
  - 6 openings
  - 73 refurbishments for CVP concept
- Distribution centers
  - Advance in supply by sku with the sorter installation
- Digital
  - Ship from Store available in 60 stores

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Webex 11/19/2019

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Why are we here today?

Immediate reaction to the feedbacks:

+ clarity

+ safety

= learning

Feedback summary after the release

Results were below expectation (weak SSS growth combined with a lower gross margin) but not necessarily very different.

.... however ....

We could have had a more effective approach when communicating with the market:

- Better level of disclosure in the release and more transparency on the call
- Breakdown between *apparel* and *fashiontronics*
- Simplicity to reconcile numbers, especially the gross margin variation
- Clarity in financial services numbers
- Release could contain the Income Statement, Balance Sheet and Cash Flow

Some of the comments were:

"Safety to buy more"

"Stock price variation was due to the lack of information in the release"

"It seems like the company doesn't want to go public"

"Will you remain a private company?"

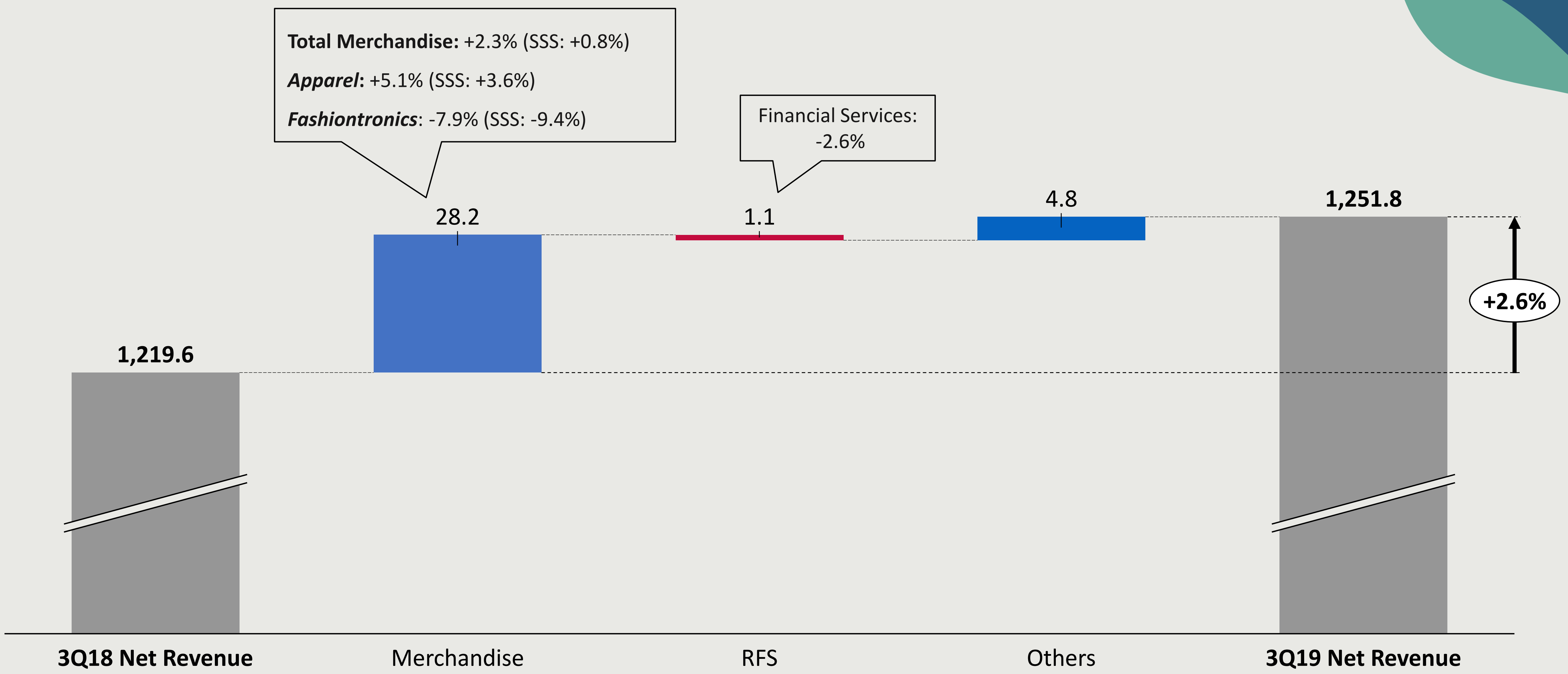
"What the company wants to be?"

"Q4 expectations were confusing"

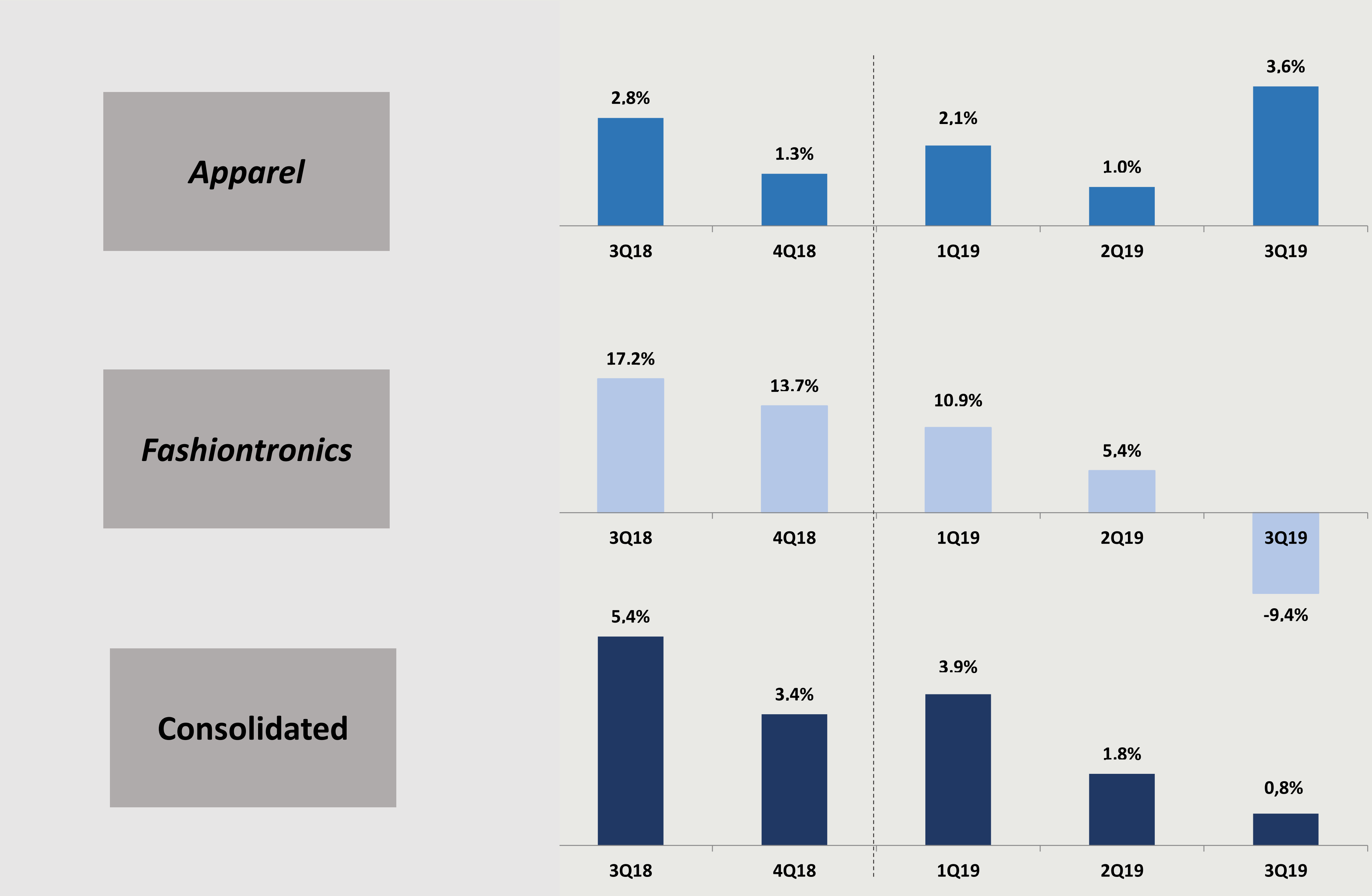
+

Clarity

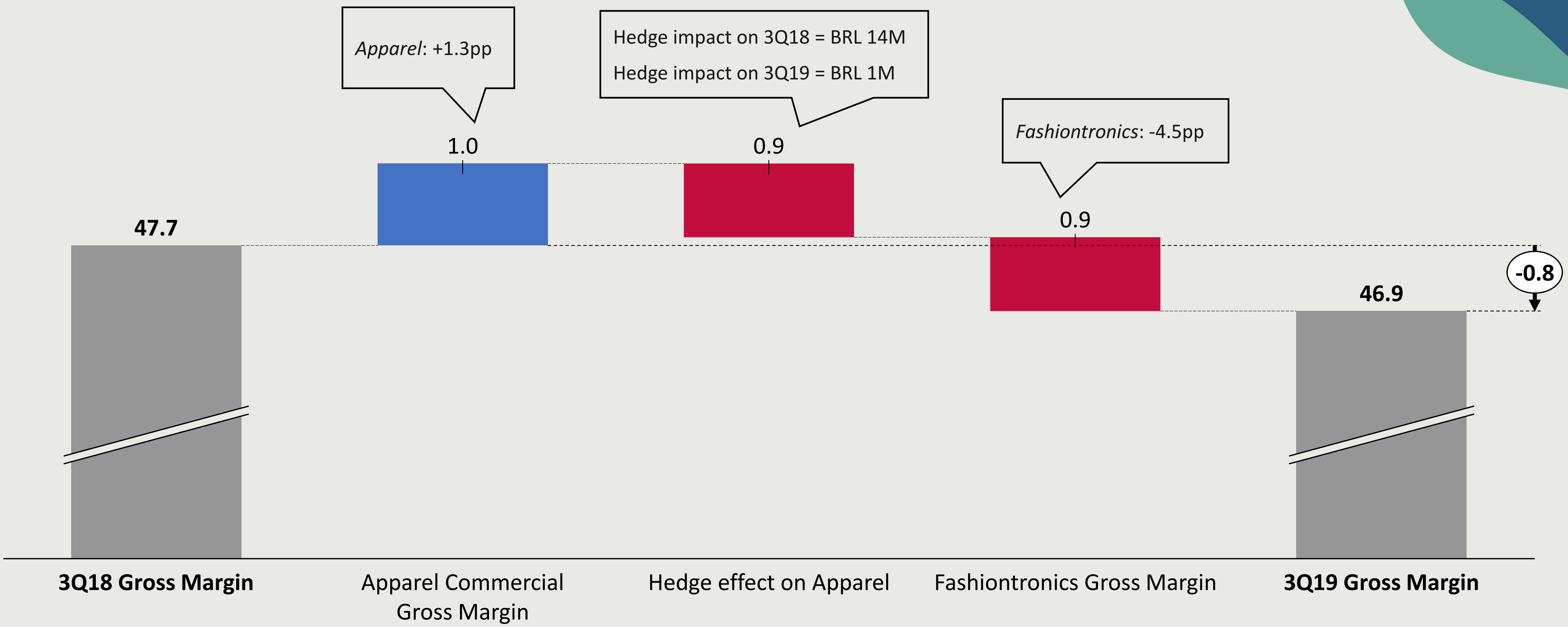
4Q19 Net revenue variation



Same store sales evolution



Gross margin variation (%)



+ Safety

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What to expect for the Q4?

Q4 is very relevant for our results

Our strengths appear more evidently in Q4

Strong commercial proposition in the categories in which we are dominant:

- Jeans
- Short bottom
- Knitting
- Swimwear

Store operations ready for the higher year-end flow

Customer experience focused on service, replenishment and check-out efficiency

Fashiontronics back to being a promoter

First 6 weeks showing improvement when compared to the last quarter

=

Learning

Incorporated learnings

- Do a better expectation management
- Stay closer to the market
- Listen more
- Improve results and communication continuously

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