

A close-up photograph of two people embracing. The person on the left is wearing a light blue t-shirt, and the person on the right is wearing a pink t-shirt. Their hands are visible, resting on each other's arms and chests. The background is a soft, out-of-focus mix of the two colors.

Cia.Hering

✕ HERING ✕ HERINGKIDS ✕ HERINGINTIMATES D Z A R M

EARNINGS RELEASE

3Q20

Financial Data

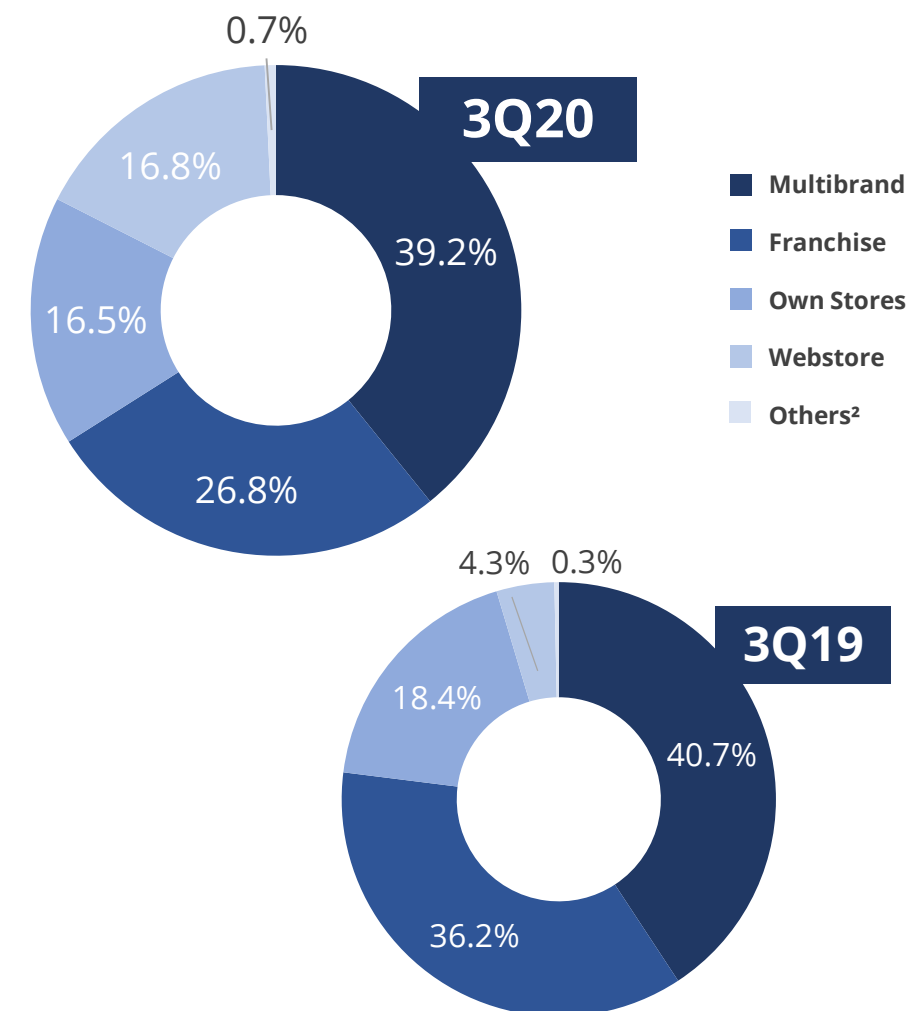


Gross Revenue

Per Brand (R\$ thousand)

	3Q20	3Q19	Var.	9M20	9M19	Var.
Cia.Hering	303,127	452,620	-33.0%	769,055	1,312,703	-41.4%
HERING	229,006	327,007	-30.0%	573,907	966,137	-40.6%
HERINGKIDS	38,906	66,502	-41.5%	94,066	173,622	-45.8%
D Z A R M	14,586	20,177	-27.7%	43,156	58,079	-25.7%
Outras¹	13,958	28,696	-51.4%	42,626	84,955	-49.8%
Mercado Externo	6,671	10,238	-34.8%	15,300	29,910	-48.8%

Per Channel (%)

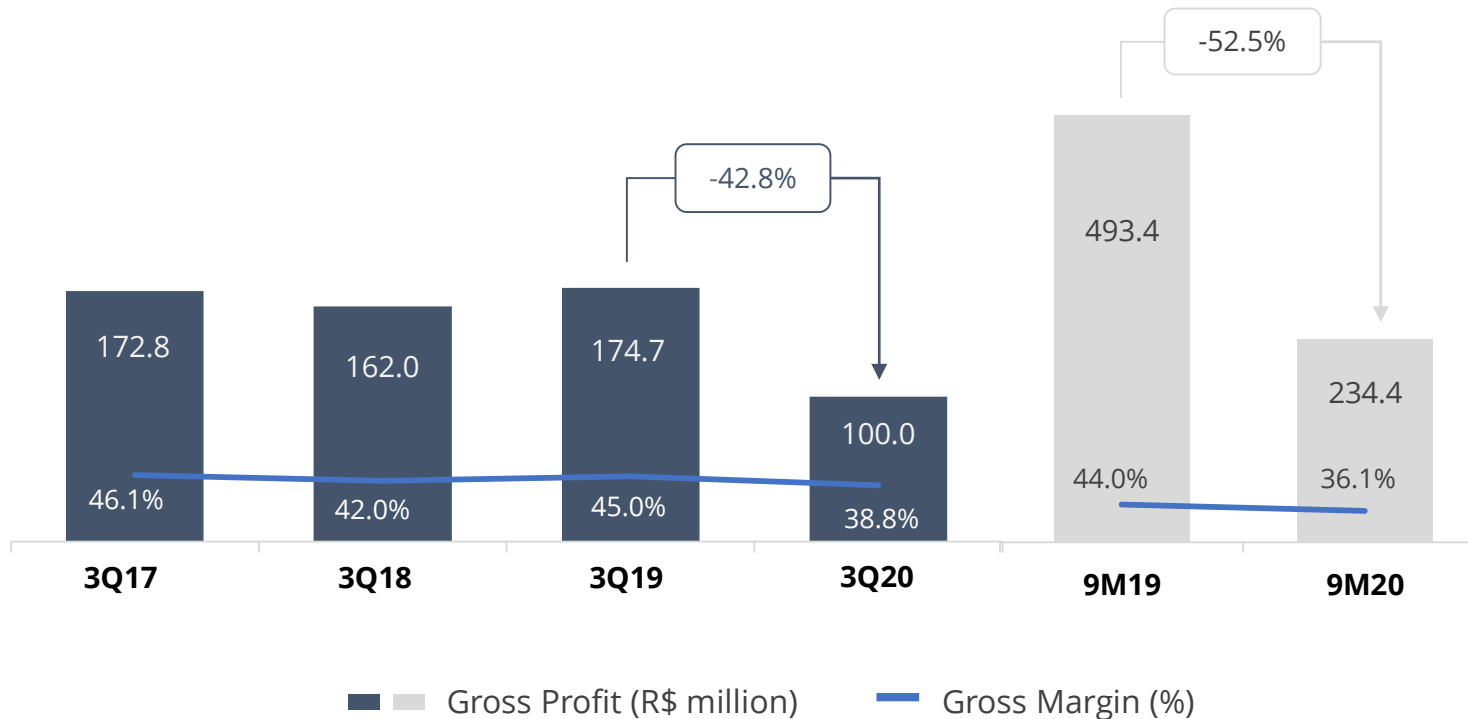


¹ It considers the sale of second line items, leftovers and PUC brand revenue, whose closure was announced in 1Q20.

² It considers the sale of second line items and leftovers.

Gross Profit and Gross Margin

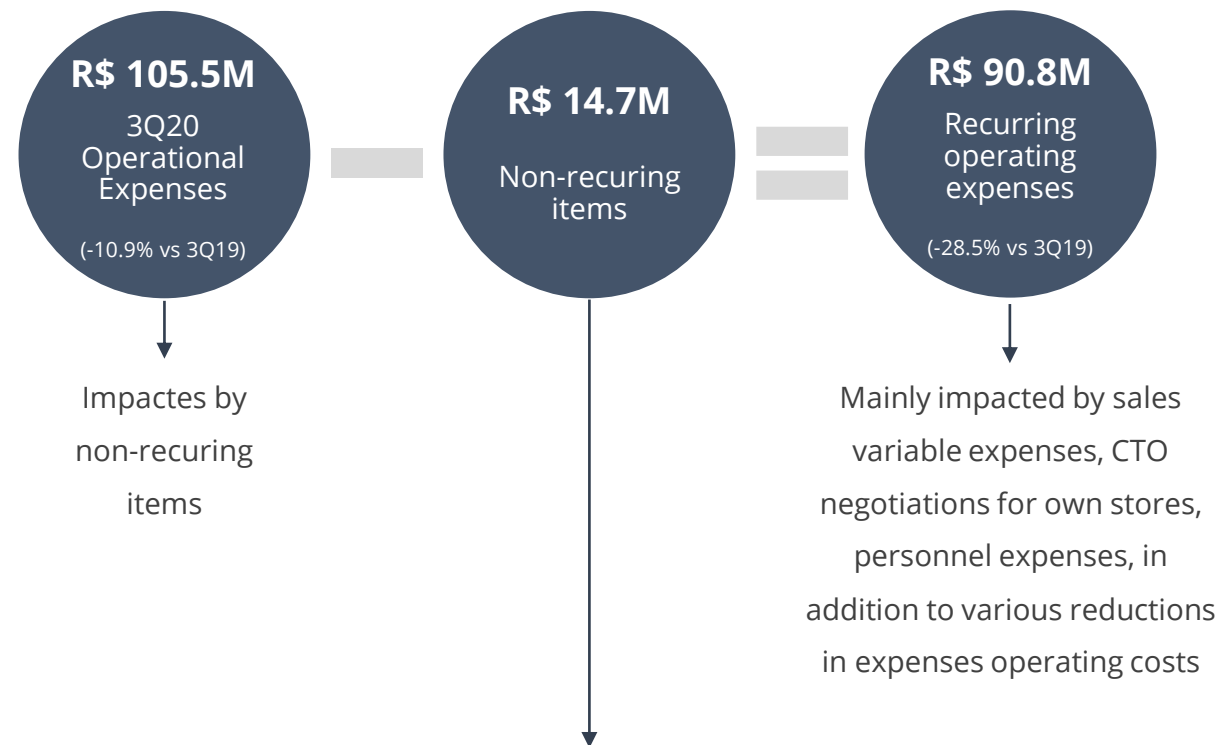
- ❖ The Company's Gross Profit reached R\$ 100.0 million in 3Q20. Consequently, the Gross Margin reached 38,8% in the period.



- ❖ Gross Margin contraction of 620 bps in 3Q20 compared to 3Q19, mainly influenced by:

- 310 bps: lower dilution of fixed costs due to lower sales, despite the 17.3% cost reduction effort.
- 310 bps: lower participation of existing collections due to the cancellation of the summer collection, despite the higher margin and share of the sell-out sale.

Operational Expenses



Non-recurring items - R\$ Thousand	3Q20	3Q19	9M20	9M19
Temporary tax credits ¹	(3,854)	13,277	146,490	-
Restructuring indemnities ²	(8,235)	(8,406)	(24,248)	(19,190)
Industry suitability ³	(2,647)	3,664	(10,419)	-
Other non-recurring events	-	-	(15,357)	-
Total non-recurring items	(14,736)	8,535	96,466	(19,190)

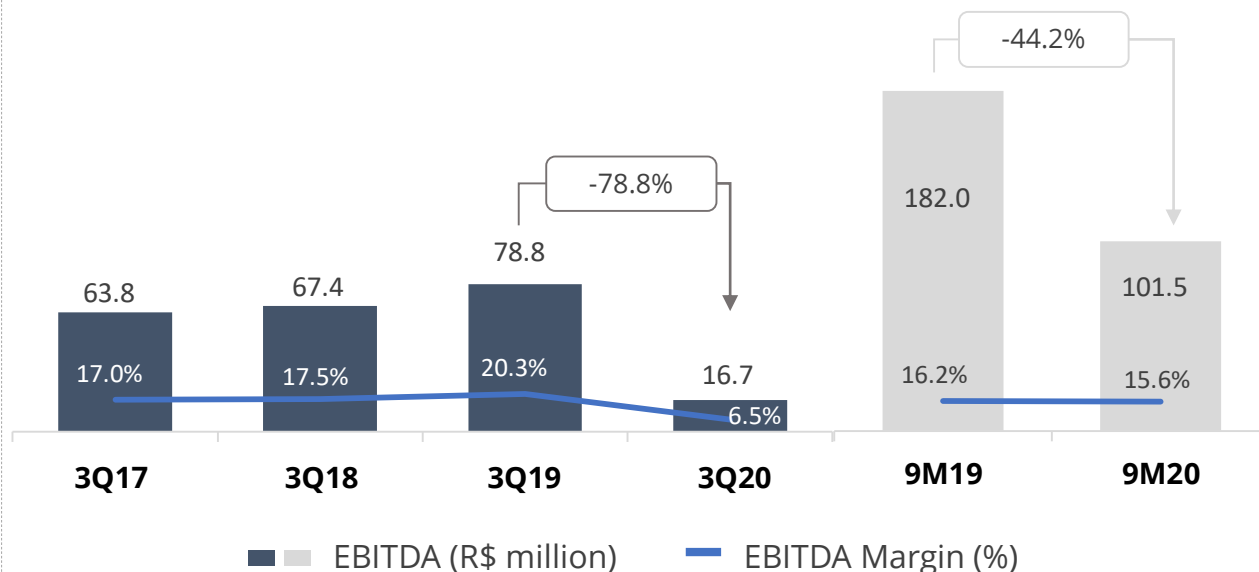
¹ Includes attorney fees

² Includes labor and commercial representatives' compensation

³ Includes provision for losses of fixed assets of the industrial operation of RN and Daia

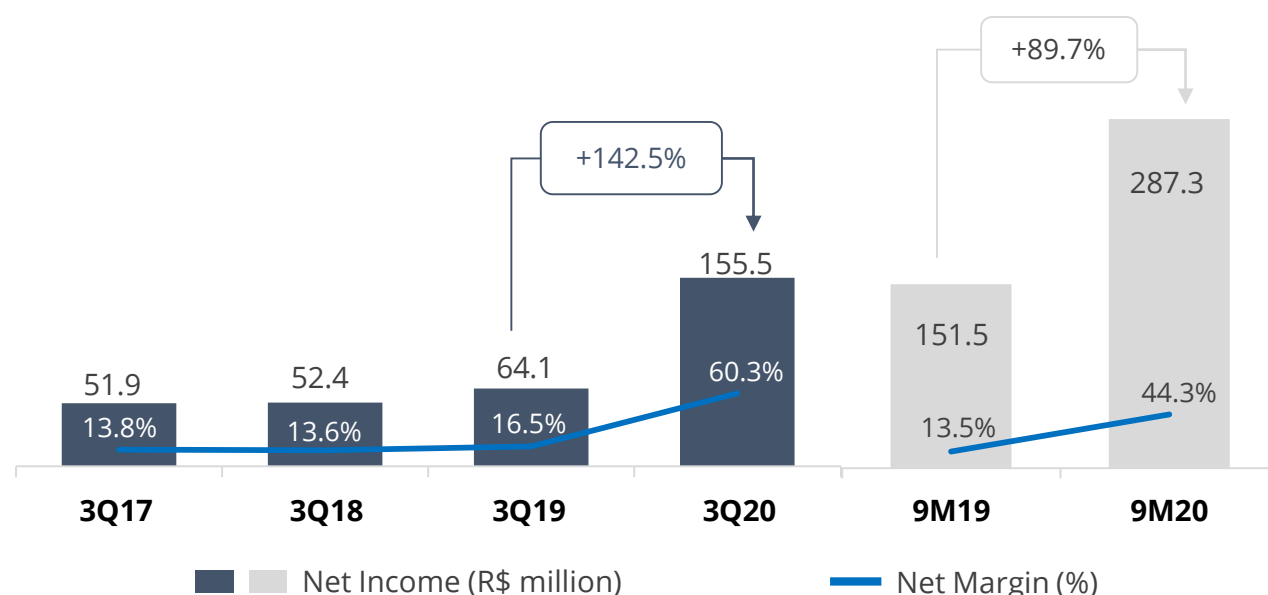
EBITDA

- ❖ EBITDA reached R\$ 16.7 million, and excluding non-recurring effects, the Company's current EBITDA was R\$ 31.5 million and a margin of 12.2% in 3Q20.



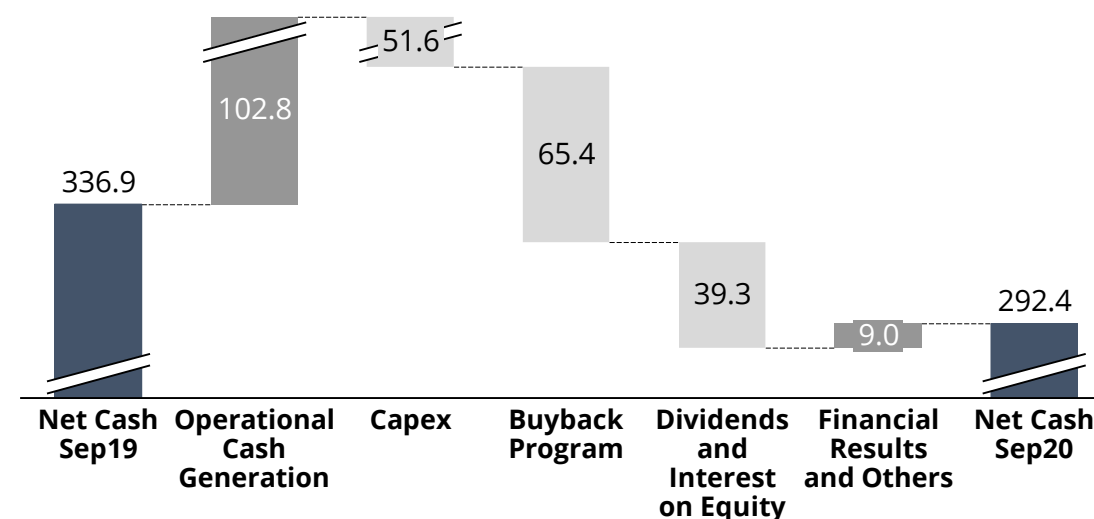
Net Income and Margin

- ❖ Net income in the quarter totaled R\$ 155.5 million, an increase of 142.5% vs 3Q19.
- ❖ Action of tax credits in the amount of R\$ 178.3 million¹, generating financial income of R\$ 72.2 million for interest and income tax credit of R\$ 106.1 million.



Cash Flow

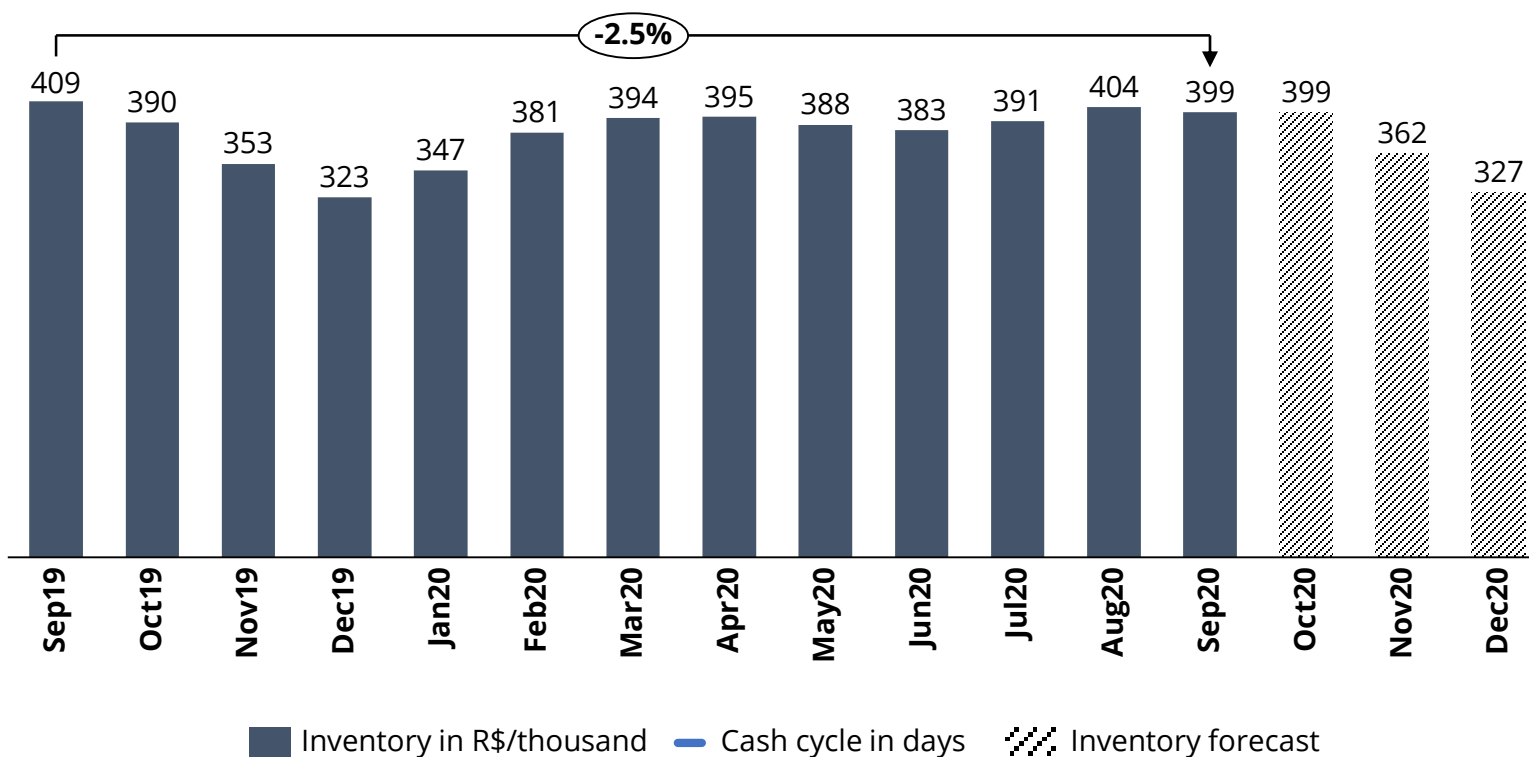
- ❖ In 3Q20, Cia. Hering had free cash flow of R\$ 22.6 million, R\$ 0.5 million below 3Q19, despite the lower operating result.
- ❖ Active cash management including a focus on working capital management and re-prioritizing investments, which guarantees a comfortable liquidity position.



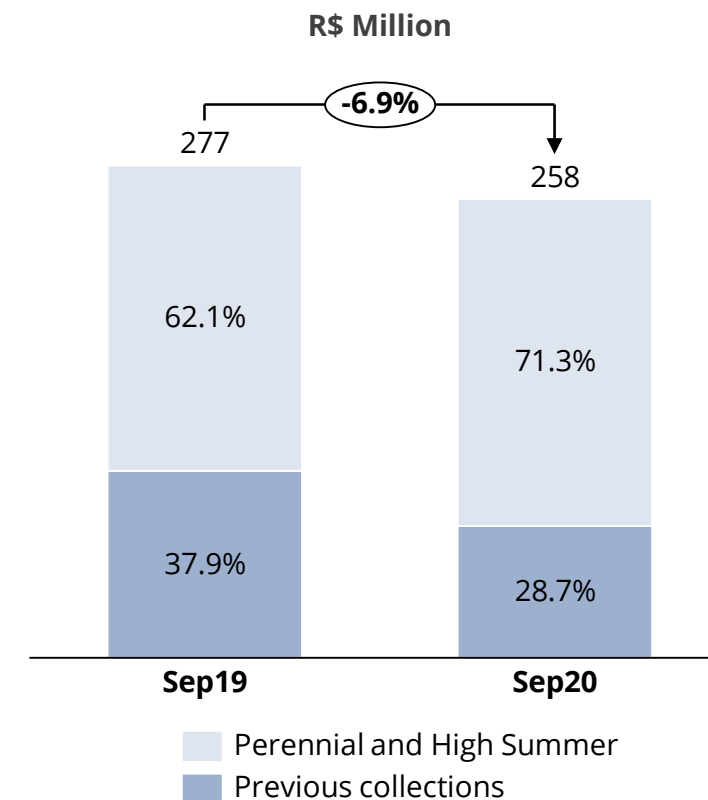
¹ Not yet audited. The total impact of the presumed ICMS credits is R\$ 178.3 million, which net of PIS/COFINS, fees and if excluding the 34% income tax only on monetary restatement (R\$ 42.9 million), would be R\$ 156.2 million.

Inventory

- ❖ Inventory management and control resulted in a 2.5% reduction vs. the previous year.
- ❖ Expectation of closing the year in line with 2019.

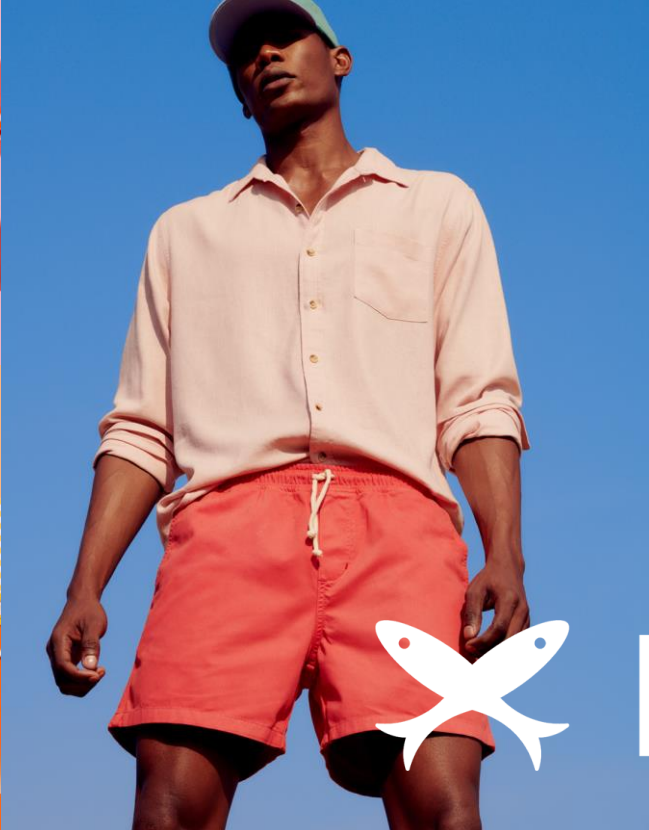


- ❖ The inventory of finished products was 6.9% lower than 3Q19, with 71.3% referring to perennial articles and High Summer collections and 28.7% to previous collections which reduced 30% vs Sep19.



Business Vision





HERING

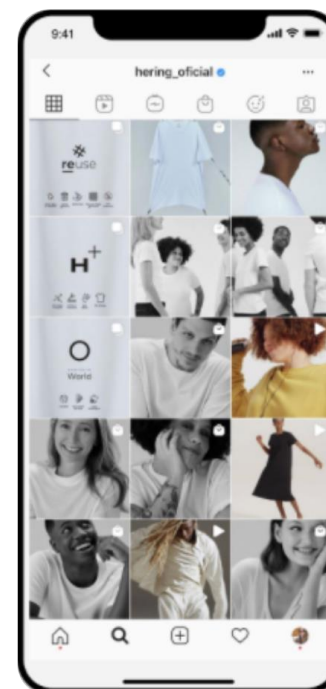
360° Experience

Expansion of contact points with the customer

WEEKLY ACTIVATIONS



PHYSICAL STORES

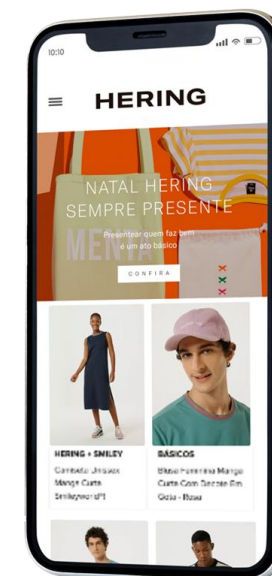


"O BÁSICO DO BRASIL"

- ↑ 55% increase in sales of basic products;
- 📶 13M range;
- 📺 9M video views;
- 📊 63M impressions;



IMPORTANT TOOL FOR TESTING BENEFITS AND SEGMENTED OFFERS, BRINGING THE MAIN PILLARS OF LOYALTY



HERING APP, the basics of the time

- 🔊 Channel with Awareness drive;
- 👤 High potential for personalization of messages and content;
- 🛒 Recommendation of products according to the profile;



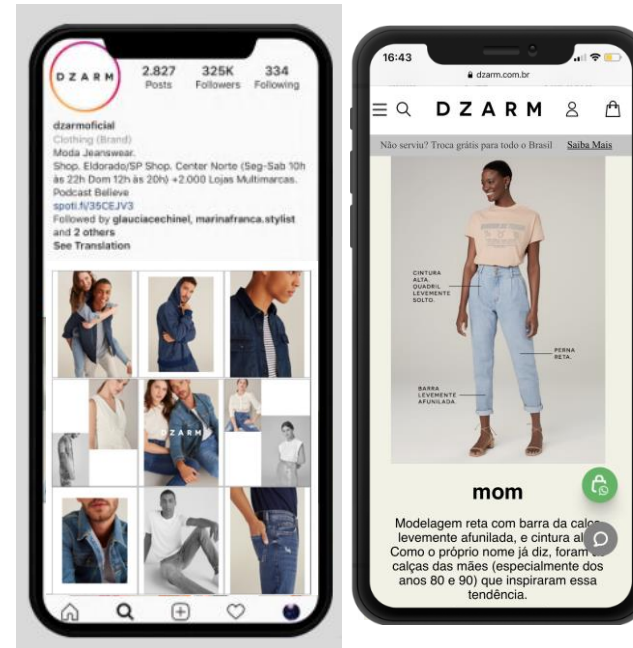
DZARM

360° Experience

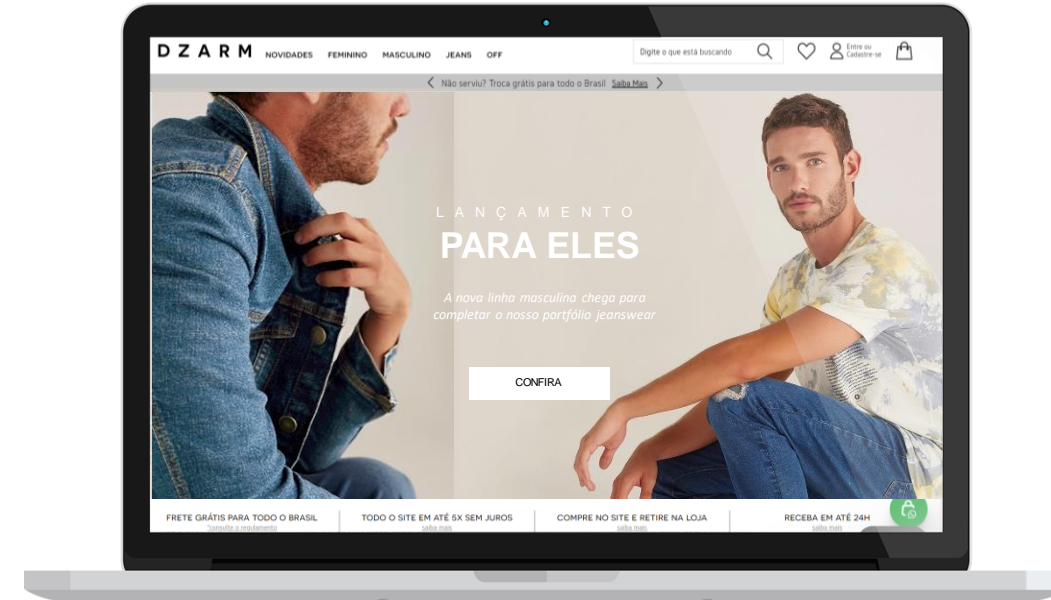
Expansion of contact points with the customer



**LAUNCH OF CENTER NORTE STORE |
NEW ARCHITECTURAL PROJECT**



**STRENGTHENING DIGITAL
EXPERIENCE
CONTENT EXPANSION**



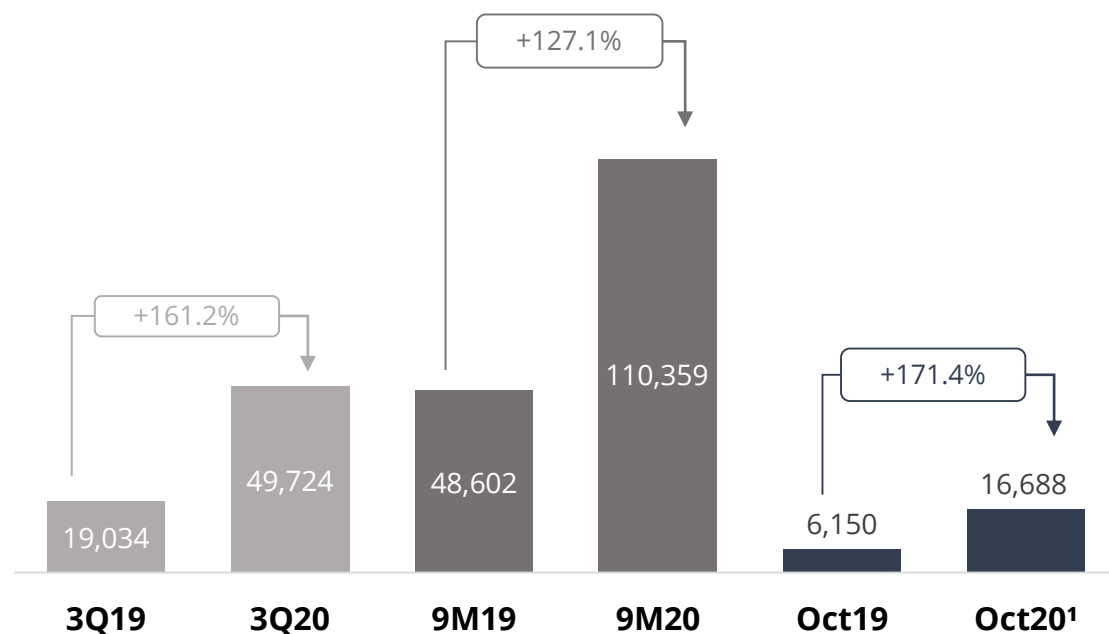
NEW WEBSITE | JOURNEY

E-commerce Boost

- ❖ The e-commerce channel continues to expand exponentially.

E-commerce Revenue

In R\$ thousand



¹ Oct20 figure not yet audited

E-commerce Indicators



1.75% conversion,
with peak of 4.27%



-1 day
on delivery vs 2Q20



45%
new customer



66% of repurchases
on the site in 3Q20

Omnichannel Indicators

E-commerce



1.6 purchases/year
R\$ 283 average spend/year

Physical store



1.7 purchases/year
R\$ 287 average spend/year

2.5x frequency
2.8x average spend



4.3 purchases/year

R\$ 805 average spend/year

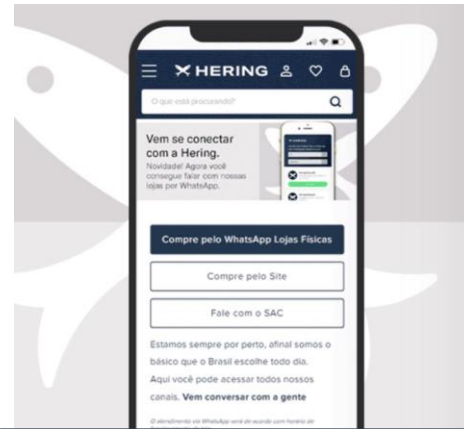
Digital Channels



Social Selling

Digital platform and commission payment

+2.000 salespeople



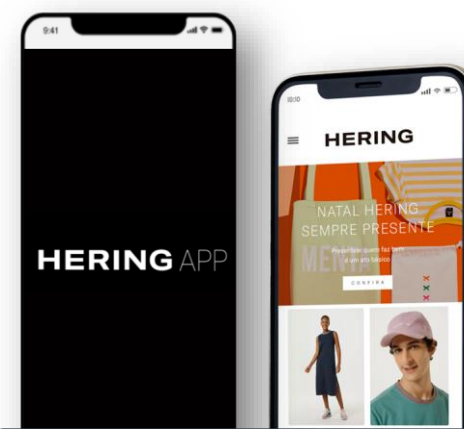
Whatsapp Smart Sales

Digital catalog with integrated stock and secure payment link

+8.000 checkouts per month

11% average conversion;
500% above e-commerce

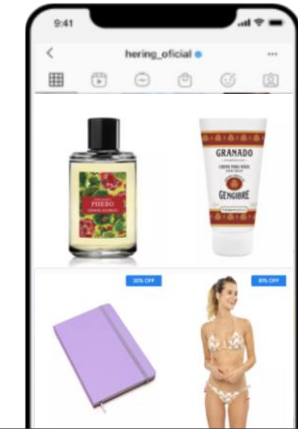
R\$ 180 average ticket, **21%** above the store



APP

Launching in November

Loyalty



Marketplace in and out

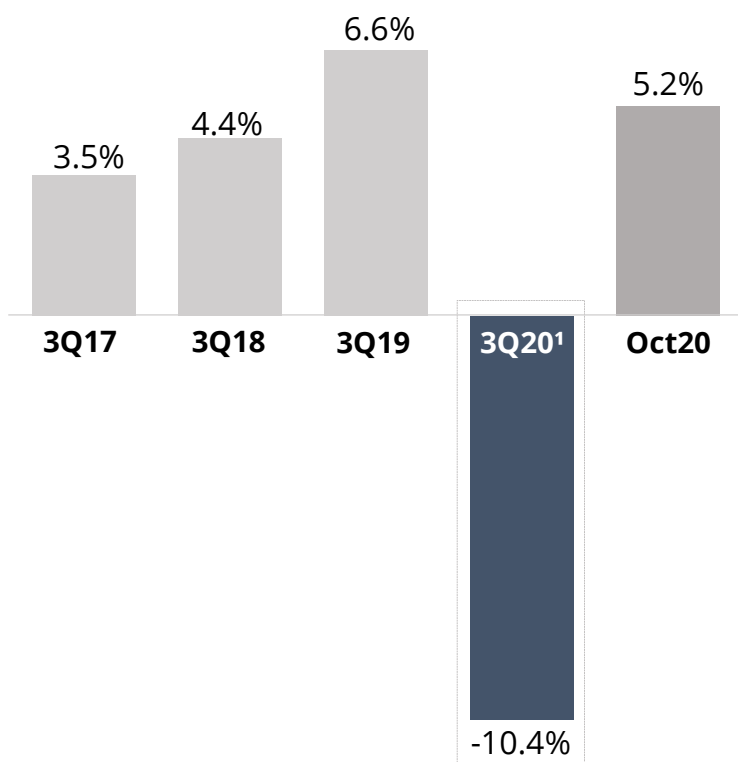
Official Store

New categories

+ 193% vs 2Q20

Hering Network Performance - Sell-out

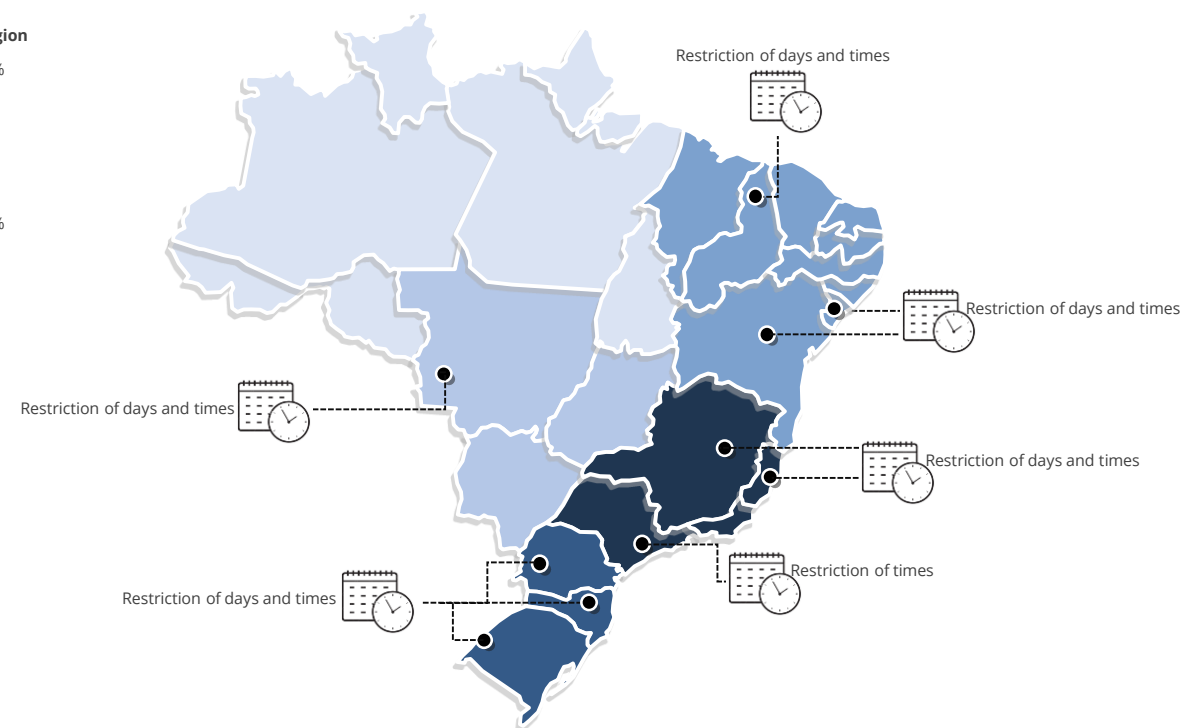
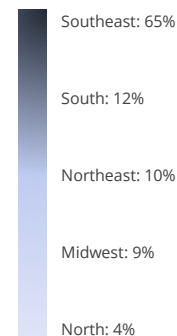
Same Store Sales



¹ Considers the opening day of the store to enter the index and excludes weekends without operation - Hering Store chain and e-commerce.

Representativeness of revenue by region and status of mall operations in 3Q20

% in revenue by region



Increased productivity of physical stores



+23%
Pieces per
service



+500 b.p.
Conversion
rate




+9%
Average ticket


Operational Performance - Sell-in


2S20 Collections Calendar


- | | JULY |
|---|---|
| | <ul style="list-style-type: none"> • Cancellation of summer collection to protect stocks • Showroom: Cycles 1 and 2 of the High-Summer Collection |
| AUGUST | |
| <ul style="list-style-type: none"> • Showroom: Cycle 3 of the High-Summer Collection | |
| SEPTEMBER | |
| | <ul style="list-style-type: none"> • Showroom: Cycle 4 of the High-Summer Collection • Sell-out: Cycle 1 of the High-Summer Collection |
| OCTOBER | |
| <ul style="list-style-type: none"> • Sell-out: Cycle 2 of the High-Summer Collection | |
| NOVEMBER | |
| | <ul style="list-style-type: none"> • Sell-out: Cycle 3 of the High-Summer Collection |
| DECEMBER | |
| <ul style="list-style-type: none"> • Sell-out: Cycle 4 of the High-Summer Collection | |

Showroom 100% Digital – High-Summer Collection

 3 sell-in events held
+6K customers served/event

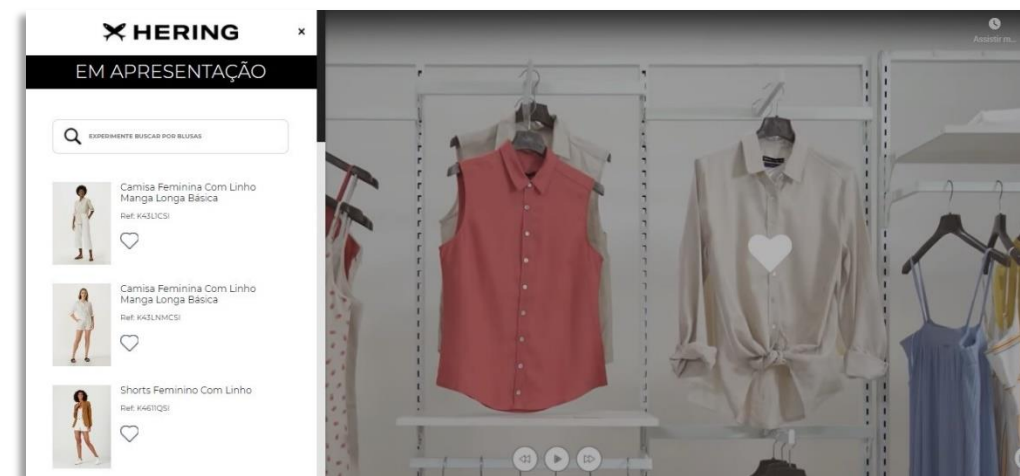
 + Content + Interaction
+ Technology + Data usage

 Average order in accordance with the budget

 High degree of customer engagement improving demand predictability

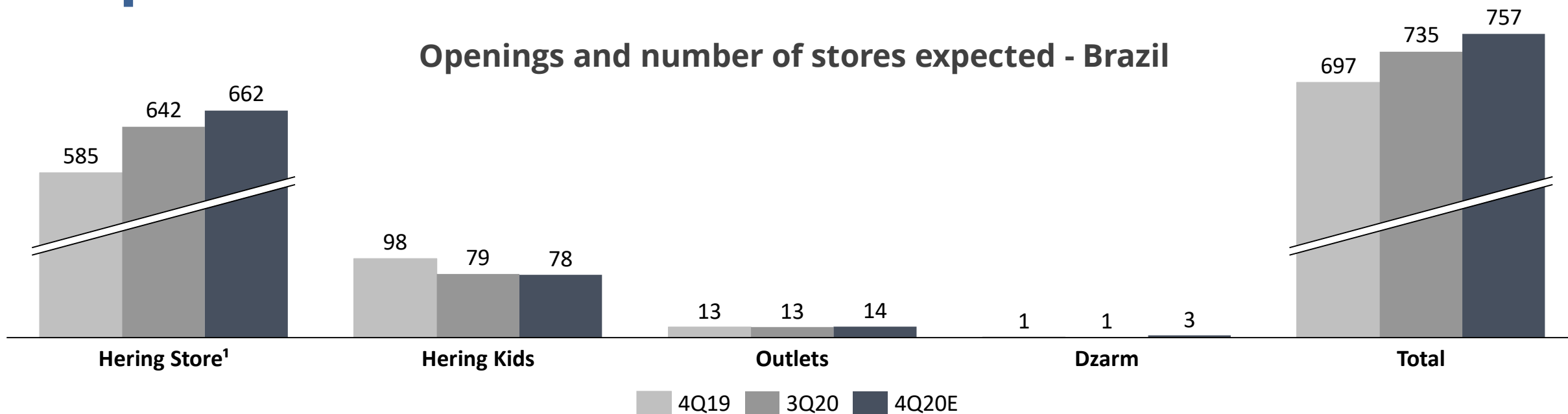
 Recommendations

 Product Review



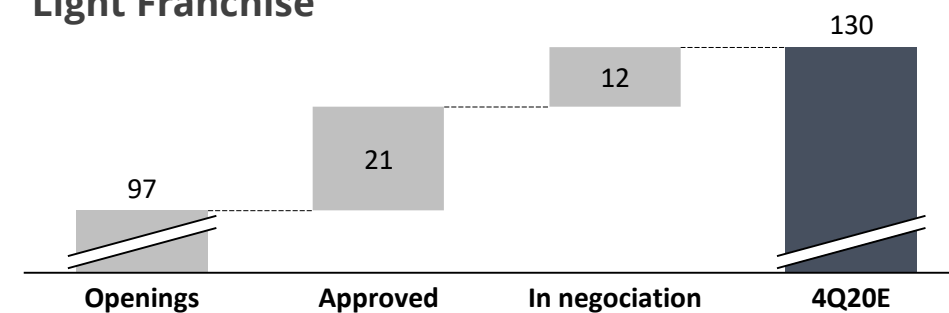
Expansion Plan

Openings and number of stores expected - Brazil



- ❖ Expansion with compact formats and the opening of 130 stores (combining Qualified Retail² conversions and new stores)
- ❖ 5 to 10 conversions from the Hering Store chain to Mega Stores (4 stores³ already approved for 4Q20)
- ❖ 2 stores of the new Dzarm concept and 1 new outlet

Expansion Plan 2020 Light Franchise



Position September/2020

¹ Includes Hering Store, Franquia Light and Basic Shop.

² Sell-out growth of 25% to 30% is estimated

³ Plaza Sul, Grand Plaza, Mooca and Anália Franco

Q&A



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Cia.Hering

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Disclaimer

This presentation contains forward-looking statements regarding the prospects of the business, estimates for operating and financial results, and those regarding Cia. Hering's growth prospects. These are merely projections and, as such, are based exclusively on the expectations of Cia. Hering management concerning the future of the business and its continued access to capital to fund the Company's business Plan. Such forward-looking statements depend, substantially, on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in Cia. Hering's filed disclosure documents and are, therefore, subject to change without prior notice.