



cia hering

✕ HERING ✕ HERINGKIDS ✕ HERINGINTIMATES D S A R M

Earnings
Release

2021

Blumenau, August 05th, 2021. The Company information, unless otherwise indicated, is based on consolidated figures in thousands of reais, according to the International Accounting Standards (IFRS). All comparisons refer to the same period of 2020 (2Q20), except when otherwise indicated.

Highlights of the Quarter

- Gross Revenue in 2Q21 was R\$ 405.6 million, 185,0% growth vs 2Q20;
- E-commerce growth of 40.8%, representing 14.2% of sales in the domestic market;
- Gross Margin of 42.3% - pre-pandemic level - with growth of 2120 b.p.;
- Current EBITDA of R\$ 35.5 million, increase of R\$77million vs 2Q20;
- ROIC expansion by 140 b.p. to 15.1%;
- Total cash position of R\$ 201.8 million with net cash of R\$ 106.0 million.

Digital Sales

- **28% growth** in platform traffic and **49%** in new customers on the website;
- **11.5%** of sales generated from the CRM platform;
- **37% of sales** through Omnichannel modalities and **2.5 days reduction** in delivery time;
- APP with a **46.3% growth in number of users** vs 1Q21;

Physical Retail

- Stores closed for 22 days in April, in the main cities;
- **Whatsapp Smart Sales** with sales **240.1%** higher vs 1Q21;
- **Own Store** Indicators: 18% expansion in the average ticket and 22% in the average price, vs 2Q20;
- **38 new stores** in the process of opening with acceleration of the Mega Store project;
- CRM Digital Seller with a conversion rate of 3.9% and an average ticket 15% above that of other Cia channels.

Client

- 10.5 million registered customers (14.7% growth vs. the previous year);
- Excellent reputation in "Redame Aqui";
- Frequency and Average Expense of the multichannel customer of **2.2x** and **2.3x** higher than the single channel, respectively;
- 93% SLA in all service channels;
- Consolidated NPS of 78, growth of 2 points vs 2Q20.

Brands

- Hering brand with sales growth of 198.5% vs 2Q20;
- Hering Intimates with growth of 153.6% vs 2Q20;
- Dzarm sales up 168.9% vs. 2T20;
- Hering Basic T-shirt is now carbon negative - it offsets twice its own carbon footprint.

Message from Management



Message From Management

For the second quarter of 2021, we remain confident while focused on measurable deliverables and the advancement of our brand platform. We expanded our portfolio, concluded value chain projects, significantly enhanced our efforts towards ESG, and consolidated our customer relationships. These are the reasons for our existence and purpose.

Each of our 10 million customers is treated individually as human beings. Our customers are the principal agents of this strategy blending operational excellence, multichannel acceleration, and digitalization of the industry. We maintain growth through brand development, digital, and physical expansions. Innovation, sustainability, cultural evolution, and digital transformation are our key drivers.

Focused on the value chain in 2Q21, we completed strategic sourcing projects and reviewed planning for sales & operations (S&OP) by redesigning collection cycles. This initiative combines data intelligence applied to the industry and ensures greater predictability for our partners and effective delivery terms. In addition, we launched a new sales system for the multi-brand channel to facilitate the schedule of B2B orders.

In 2Q21 we saw an increasing trend of consumption upturn with results similar to 2019 (pre-pandemic). To reach former levels, we invested in new channels and strengthening our brands. Hering's intimate apparel portfolio already posted 106% growth since 2Q20. From the channel's viewpoint, we upheld an accelerated pace of 41% online sales in comparison to the same period of last year. This result reflects the integration of the entire chain of our stores and franchises with the omnichannel ecosystem, aimed at offering a "phygital" experience. The megastore format is one of the best examples of how this experience can be potentialized.

For Cia. Hering, megastores are drivers of development, and from a revenue perspective they also best represent the brand. Overall, all megastore indicators are positive. With greater interactions between products and services, customers tend to spend more time at the store which results in greater satisfaction and conversions. This format, which already generated positive results, recently gained newfound status inside one of Brazil's main shopping malls. In May, a megastore was launched at Morumbi shopping mall in the city of São Paulo. Since opening, the megastore has performed very well with 42% growth since conversion.

Message From Management

Megastores are a one-stop shop with clothing options for adults, children, and babies. Convenience has been interwoven into the shopping experience with smart fitting rooms which allow the customer to remotely communicate with the salesperson. In addition, customers can access curatorship content, in-store mobile check-out, and the showroom which accepts online orders if any product is not available within the physical stores. These units include a smart wardrobe for those who prefer to shop online and pick up products in-store without requiring any salesperson assistance. Basic t-shirt customizations can also be made on our e-Commerce site. Megastores operate as a strategic distribution point to increase express deliveries (made on the same day for the customer of the same primary region).

The evolution of our business correlates directly with innovation applied to new channels, products, and processes. To enhance project innovation, we participated in a retail startup acceleration program with 190+ startups enrolled to date. 15 finalists were selected for the program estimated to conclude by February 2022.

Historically at Cia. Hering, growth and innovation are anchored by sustainability. It would not be possible to sustain our future and planet otherwise. Thus in 2020, we improved our climate crisis analyses and participation in the solution seeking agenda. We conducted our annual inventory, built an action plan detailing the reduction and neutralization of greenhouse gas emissions with carbon credit solutions, the application of PLC (product's life cycle analysis), and training sessions with the production chain.

This quarter we delivered and advanced our goal of neutralizing greenhouse gas emissions by two years (from our own operations and franchises). Known as Scope 1, 2, and 3 in the GHG Protocol measurement, we are becoming a neutral carbon company. In addition, Hering's brand icon, the basic t-shirt, is now a carbon-negative product, which offsets twice its carbon footprint. Both operations were executed through a partnership with MOSS: one of the largest global carbon credit platforms. Together, these initiatives total in 2021, 9.8 million trees preserved in the Amazon by the Fortaleza Ituxi Farm project, which occupies 150,000 hectares, in an area of great deforestation pressure in the city of Lábrea (AM). At the same time the local community has access to nature, can work with extraction activities, and offer bioeconomy products. The social impact promoted by these projects is one of the assumptions in the creation of forest carbon credit.

Cia. Hering does not solely rely upon carbon credit as a sustainability strategy. All governance related to this topic can be found in the annual report published this quarter.

A new chapter of our successful history unfolds while remaining compliant with the Grupo Soma merger. In July, CADE (the Brazilian antitrust authority) approved the transaction, which

Message From Management

shall be ratified at the shareholders meeting. This marks a transformational step for these two companies and Brazil's retail industry which rely on its largest brand platform. The benefits of this merger include learning converge, talent development, culture integration, and indicators directly related to business. With 11+ brands in the portfolio, the new composition of the group will reach a wider addressable market of women from A, B, and C classes, aged between 25 and 40 years. This target market is the driving force behind Brazil's fashion consumption. This strategy already adopted by Cia. Hering will gain traction with value chain development, an optimized digital journey, and a higher addressable market. Our shareholders will certainly benefit from high quality and greater efficiency.

Consolidated

Highlights



Consolidated Highlights

Consolidated Highlights

R\$ Thousand	2Q21	2Q20	VAR. 2Q21 2Q20	1S21	1S20	VAR. 1S21 1S20
Gross Revenue	405,557	142,284	185.0%	738,926	465,929	58.6%
Domestic Market	395,362	140,738	180.9%	720,382	457,300	57.5%
Foreign Market	10,195	1,546	559.4%	18,544	8,629	114.9%
Net Revenue	353,199	118,824	197.2%	638,280	390,936	63.3%
Gross Profit	149,452	25,084	495.8%	259,429	134,443	93.0%
Gross Margin	42.3%	21.1%	2120 b.p.	40.6%	34.4%	620 b.p.
Net Income	7,074	126,850	-94.4%	26,832	131,893	-79.7%
Net Margin	2.0%	106.8%	-10480 b.p.	4.2%	33.7%	-2950 b.p.
EBITDA	21,832	73,362	-70.2%	36,149	84,744	(57.34%)
EBITDA Margin	6.2%	61.7%	-5550 b.p.	5.7%	21.7%	-1600 b.p.
EBITDA, current	35,492	(41,417)	n.a.	46,305	(26,458)	n.a.
EBITDA Margin, current	10.0%	(34.86%)	4490 b.p.	7.3%	(6.77%)	1410 b.p.
ROIC (a)	15.1%	13.7%	140 b.p.	15.1%	13.7%	140 b.p.
SSS¹	58.1%	-3.6%	6170 b.p.	2.5%	-18.7%	2120 b.p.

(a) Last 12 months..

¹ Concept only considers Open Stores for the entire month and only Hering Network (Hering + Hering Kids)

Values in the table above include the effects of IFRS16.

Sales Performance

Gross Revenue - R\$ Thousand	2Q21	2Q20	VAR. 2Q21 2Q20	1S21	1S20	VAR. 1S21 1S20
Gross Revenue	405,557	142,284	185.0%	738,926	465,929	58.6%
Domestic Market	395,362	140,738	180.9%	720,382	457,300	57.5%
Foreign Market	10,195	1,546	559.4%	18,544	8,629	114.9%
Domestic Market Gross Revenue	395,362	140,738	180.9%	720,382	457,300	57.5%
Hering	367,881	123,253	198.5%	669,877	400,061	67.4%
Dzarm	23,028	8,563	168.9%	45,187	28,571	58.2%
Others ¹	4,453	8,922	-50.1%	5,318	28,668	-81.4%

Domestic Market Share	2Q21	2Q20	VAR. 2Q21 2Q20	1S21	1S20	VAR. 1S21 1S20
Multibrand	147,094	69,081	112.9%	267,713	209,733	27.6%
Franchise	118,675	17,992	559.6%	222,284	112,761	97.1%
Stores	68,171	11,615	486.9%	110,694	70,058	58.0%
Omnicommerce	56,292	39,983	40.8%	110,586	60,636	82.4%
Others ¹	5,130	2,067	148.2%	9,105	4,112	121.4%
Total	395,362	140,738	180.9%	720,382	457,300	57.5%
Multibrand	37.2%	49.1%	-1190 b.p.	37.2%	45.9%	-870 b.p.
Franchise	30.0%	12.8%	1720 b.p.	30.9%	24.6%	630 b.p.
Stores	17.2%	8.2%	900 b.p.	15.4%	15.3%	10 b.p.
Omnicommerce	14.2%	28.4%	-1420 b.p.	15.3%	13.3%	200 b.p.
Others ¹	1.4%	1.5%	-10 b.p.	1.2%	0.9%	30 b.p.
Total	100.0%	100.0%	-	100.0%	100.0%	-

¹ Considers the sale of second-tier items and leftovers

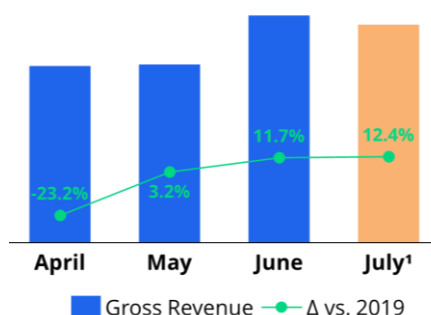
Operational DATA



Performance in the Quarter

Gross Revenue for the quarter reached R\$ 405.6 million, 185.0% up on 2Q20, mainly due to lower restrictions related to COVID and the gradual resumption of consumption. Compared to 2Q19, Gross Revenue decreased by 3.9%, mainly because Sell-in sales to the Multibrand and Franchise channels were impacted by the challenges of supplying winter products due to the closing of 22 days in the industrial parks, and logistics in Goiás at the end of 1Q21, in addition to the discontinuation of the PUC brand, which, in 2Q19, had revenue of R\$21.3 million. The estimated impact on the Company's revenue due to restrictions of the supply chain was R\$ 53,2 million in the quarter.

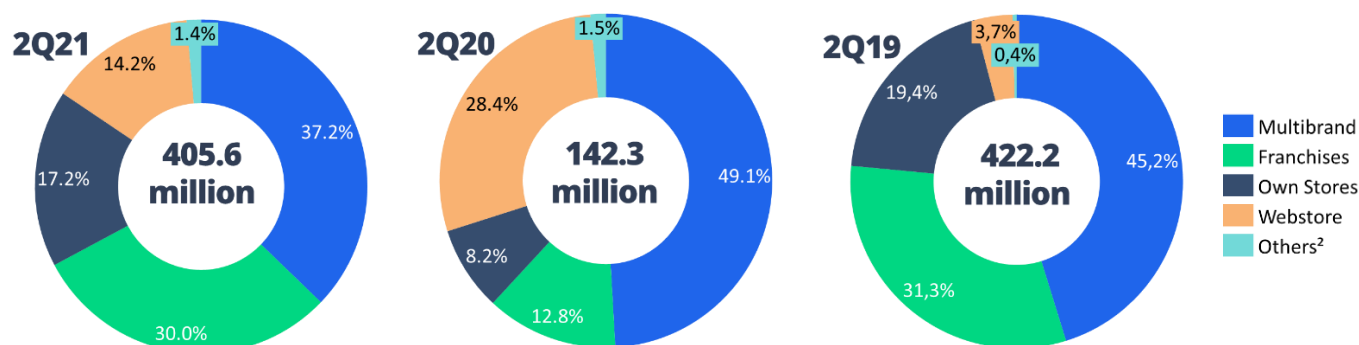
Gross Revenue Evolution



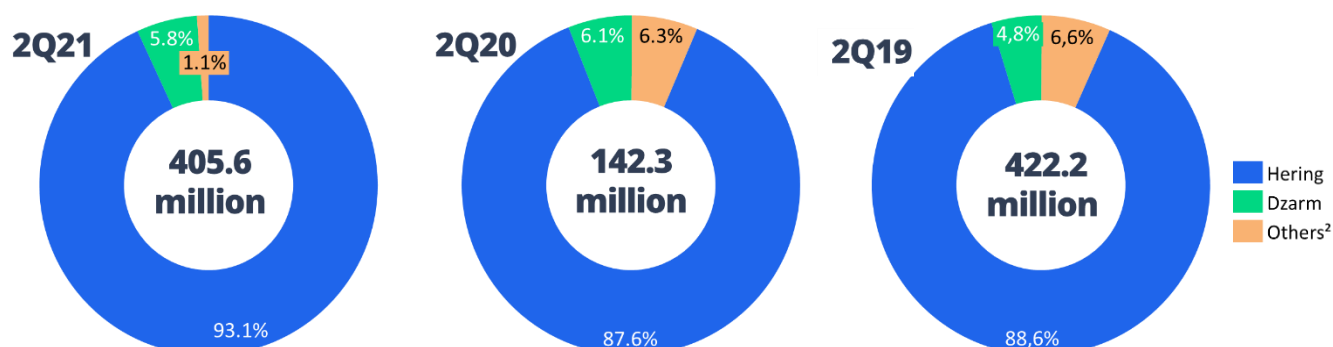
It is important to highlight the month-to-month performance within the quarter, showing an evolution after the month of April, which was impacted by the closing of stores, with a great impact on the main cities that reached 22 days closed in the month and had 10% of the industry operations closed. It is worth noting that the months of May and June combined, showed growth of 7.8% (vs. 2019), and the month of July showed growth of 12% vs. 2019. In 2Q21, the Same Store Sales indicator was 58.1% compared to the same period of the previous year and 3.7% versus 2Q19.

E-commerce, in turn, following the positive trend of previous periods, grew by 40.8% vs 2Q20 and 273.1% vs 2Q19, reaching a penetration of 14.2% of sales, an increase of 1050 b.p. in relation to 2019.

Representativeness of sales by channel



Representativeness of sales by brand



¹ Results not yet audited

² Considers the sale of second-tier items and leftovers

Sell-out

E-Commerce

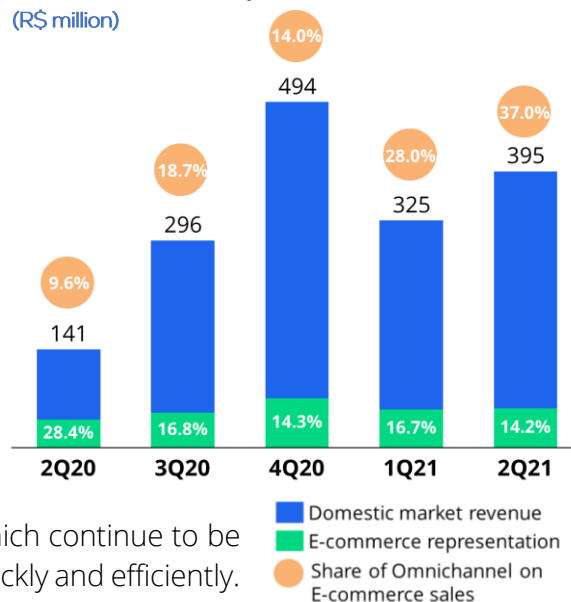
The e-commerce channel followed the trend of previous quarters, showing growth of 40.8% vs 2Q20 and 273.1% vs 2Q19. Sales reached R\$ 56.3 million, with the channel showing a traffic growth of 22.8% and 49% of customers buying for the first time on the site. It is worth mentioning the continuous evolution in the shopping experience – without friction – in addition to the increase in the capacity to offer products, assortment and various services.

Omnichannel modalities once again showed growth representing 37% of online sales in the quarter. Sales through Showrooming stand out, accounting for 13.4% of total e-commerce sales, and regional distribution hubs – which continue to be an effective resource for serving the final consumer more quickly and efficiently. In 2Q21, the 8 distribution hubs were responsible for more than 10,9k deliveries, with an average delivery time of 3.4 days, 42.4% less than those coming from the DC, with an average delivery time of 5.9 days.

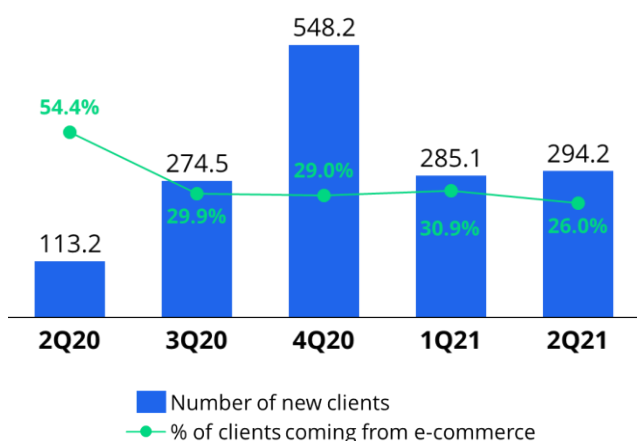
The continuous development of the multichannel customer base is also observed, which grew by 73% versus 2Q20, with more than 57% of these customers buying at least once a month, with a frequency 2.2x higher than that of the single-channel customer, in addition to of an average expense 126% higher.

In addition, the successful integration with marketplace partners continues to bring positive results since its implementation in 1Q20, and also boosted channel sales in the quarter, accounting for 13% of total e-commerce sales, a growth of 745.4% vs 2Q20.

E-commerce representation
(R\$ million)



New clients (in thousand)



E-commerce Indicators



+22.8%
traffic on
the website
vs 2Q20



11.5%
of the revenue
collected from
CRM



+46.3%
users on
Hering App
vs 1Q21



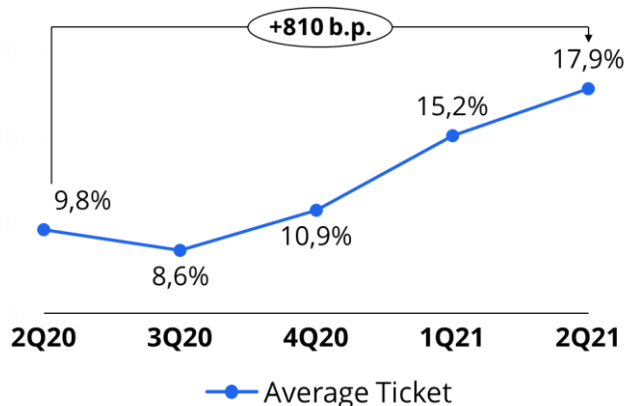
-2.5 days
on average
delivery time

Own Stores

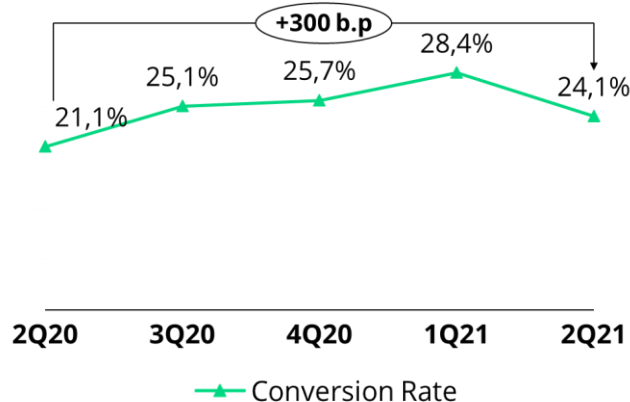
Sales in physical stores operated by the Company totaled R\$ 68.2 million, 486.9% higher than in 2Q20, this performance being driven by the reopening of stores and the reduction of circulation restrictions. When compared to 2Q19, the result was 15% lower, considering the partial suspension of operations for 22 days in the main cities (SP and MG) throughout April. It is also worth highlighting the unfavorable effect of the calendar for the month of June/21, with one weekend less than 2019.

The important evolution in operating productivity indicators stands out, with an 18% expansion in the average ticket and 22% in the average price, vs 2Q20, in addition to a conversion rate of 24.1%. The flow measured in owned stores decreased 40% vs 2Q19, mainly in stores located in commercial centers and shopping centers, which represents approximately 90% of Cia Hering's operations.

Average Ticket growth
vs. last year



Conversion rate evolution



Sell-in

The performance of the sell-in channels (franchises and multi-brands) was strongly impacted by supply challenges and the consequent postponement and cancellations of the order backlog, with R\$ 53.2 million in sell-in not served in the period beyond the closing of 22 days in the manufacturing and logistics facilities in Goiás in 1Q21 that impacted the quarter.

Franchises

In 2Q21, sales to the franchise network totaled R\$ 118.7 million, an increase of 559.6% compared to 2Q20 and 8.2% lower than 2Q19.

The supply challenges and the consequent cancellation of the portfolio were the main offenders for the performance of the sell-in channels in the quarter. However, it is worth emphasizing the Company's diligence in making the necessary adjustments to compensate for such scenarios by selling prompt delivery and prioritizing supply to the franchised networks.

In addition, we highlight the use of digital tools made available by the Company, which, together with the continuous sales effort and determination of the teams, are showing great evolution and increase in franchisee sales. The "CRM Digital Seller" platform, which offers functions for the chain of stores to contact and retain their customers, presented itself as a tool with great potential. Currently enabled in 1/3 of Hering's physical stores, in its first quarter of use, the 166k active customers brought more than 6k sales, a conversion rate of 3.9%, with an average ticket 15% above others Company's channels. There was also an evolution in sales via Whatsapp, which recorded revenues 240.1% above the previous quarter, with sales using this tool in 91% of the stores totals of the Company.

In view of this scenario, the actions that continue to be taken by the Company to ensure support to franchisees, which include a review of commercial planning, inventory management and markdowns, CRM initiatives, launch of new products, stand out. digital, training and sharing of best practices and renegotiation of the main contracts aimed at generating new sources of revenue and the preservation and sustainability of the network.

Multibrand

Sales to the multibrand channel totaled R\$ 147.1 million in the quarter, 112.9% higher than 2Q20 and 21.1% lower than 2Q19. The channel's performance is also explained by the challenges of supplying and canceling the portfolio, partially offset by prompt delivery sales, as mentioned above. It is worth highlighting the continuous effort to develop and increase the productivity of key customers (Key-Account), which proved to be an important growth lever for the channel, representing 8.4% of the total sales of the Multibrand.

Operational Data

Within the development strategy of the B2B channel, the focus on the customer lifecycle stands out. In this sense, it is already possible to observe the focus on channel segmentation and the consequent reduction in the number of customers with an increase in the frequency and activity of orders. In 2Q21, the customer activity rate increased by 1470 b.p. compared to 2Q20, with more than 90% of customers making at least one purchase in the period.

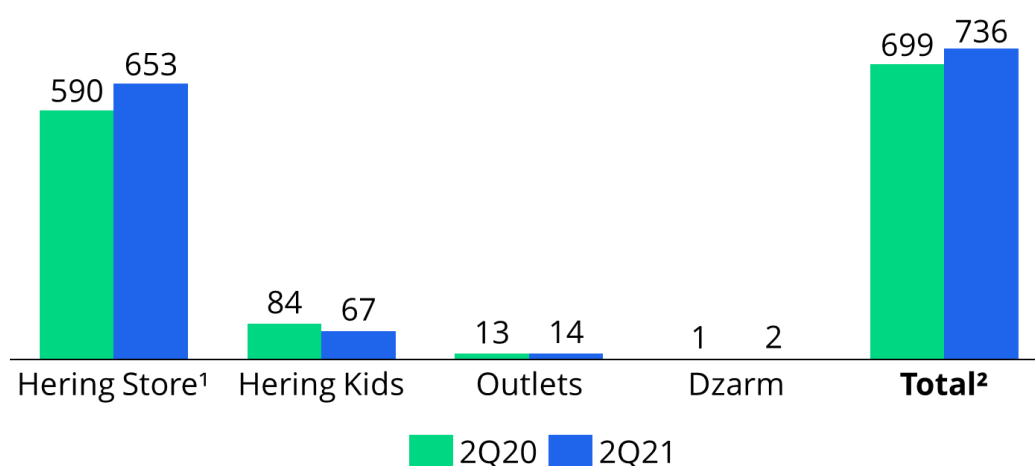
Geographic Expansion

The Company continues to evolve its management that emphasizes an integrated view of online and offline channels, translating an intuitive and frictionless journey with ease of purchase and the best experience, expanding the offer of products and services through our partners “from the Digital to the deep Brazil”.

The Company ended the quarter with 756 stores, 736 of which in Brazil and 20 in the international market. In the quarter, 5 new stores were opened and 24 were closed. In the year, 08 stores were opened and 38 are approved and are being implemented over the next few weeks, in addition to the expansion/conversion of the Mega format in 04 stores. The opening schedule is in line with the guidance already disclosed, the Company should close 2021 with 110 new stores in compact formats and conversion of 25 mega stores.

It should be noted that the Mega Store model is an important vector for growth, experience and profitability, and reinforces the integration of the on/off consumer journey. These stores showed growth in the order of 78% in sales, after their conversion.

Number of stores 2Q21 – Brazil



¹ Includes Hering Store, Light Franchise and Basic Shop

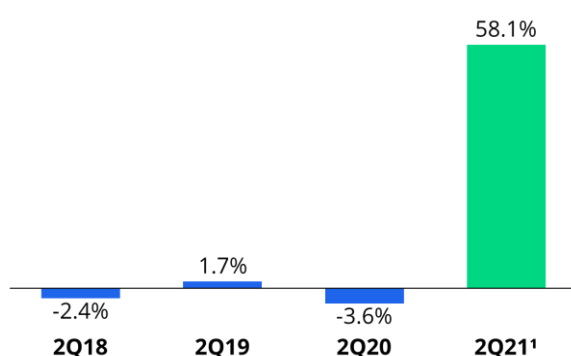
² 2Q20 total includes 11 PUC stores.

Hering Network Performance

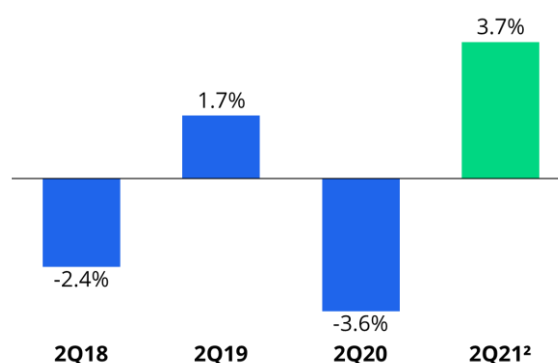
The Hering chain's total sales (sell-out) in 2Q21 reached R\$ 293.4 million, 300,1% higher than the result of 2Q20 and 16.0% lower than 2Q19. The growth of important productivity indicators should be highlighted, even when compared to 2Q19, such as: parts per service (+16.3%) and average ticket (+19.4%). Adjusted SSS, which only considers stores opened during 2Q20 and 2Q21, grew by 58.1%. When compared to 2Q19, SSS for the period grew by 3.7%.

The quarter was also marked by being the period with the highest number of recovered customers (who were inactive - for more than 12 months without making purchases), with the physical store standing out as the channel with the highest percentage of recovery purchases, representing 85%. This recovery was due to the activations of our CRM tools.

Same Store Sales – SSS (vs 2020)



Same Store Sales – SSS (vs 2019)



¹ Concept only considers Open Stores for the entire month and only Hering Network (Hering + Hering Kids)

² 2Q21 SSS considers all of the Company's brands, while previous ones consider only Hering Network (Hering + Hering Kids)

Growth in efficiency indicators vs 2Q19



+16%
Pieces per
service



+19%
Average
Ticket



24.1%
Conversion
Rate¹

¹ Only considers Own Stores

Our Brands

Cia Hering reinforces the brand strategy by developing narratives that emotionally connect with our customers and having the product as the protagonist. Developing a platform vision and focusing on digital channels, investing in experience, content and personalization to expand customer contact points and strengthen the smart choice value proposition combining design, quality, technology, comfort and price are key points in this journey.

HERING

This quarter, we had two important dates on Hering's calendar: Mother's Day and Valentine's Day. In addition to these commercial activations, the brand worked on essential fronts of its strategic planning, namely: content, sustainability and diversity.

Hering once again excelled in one of the most important commercial periods of the semester – Mother's Day. We registered 24.8 million reach and 223.1 million impressions, in addition to 87 contents included in the press. Highlights, 112% growth in searches for the brand after the campaign was publicized on the national network. The campaign had the participation of Fernanda Montenegro, Fernanda Torres and different stories of mothers under the theme “No Ritmo das Mães do Brasil”, supported by the song “Sorte”. We built a 360° communication with a commercial and content focus, in which we boost combos and pieces in “like mother, like daughter” versions.



For Valentine's Day, we explored our diversity pillar through the “Month of Love” with weekly activations of capsule collections in which we communicated different ways of loving. In the social and sustainability pillar, we supported the Fashion Revolution movement in the #NósFazemosOBásico” campaign and carried out the special action “Hering Against Hunger: what's basic for you can be essential for others”, in which, for 7 days, the sale of part of the line of basic products was 100% reverted to the NGOs CUFA and G10.

In the content pillar, Hering launched the “Hering Todo Momento” platform with fashion tips, interviews with influencers, posts about lifestyle and sustainability news. One of the fronts of the platform is organic growth and the results are already encouraging.

HERINGKIDS

For the **Hering Kids** brand, this quarter we started a new aesthetic language through colors, graphics, creativity, lightness and impact - bringing elements from the children's universe to orbit around our main focus: products. We develop playful and informative content with influencers and special guests from different segments of the children's market.

Our main products in all their categories - boy, girl, toddler and baby - reinforced the focus on basics and comfort in the collections *"Feita de Estrelas"*, *"De Outro Mundo"*, *"Básico é ser criança"*, *"Para ficar quentinho"*, *"Misture e Combine"* and *"Prontinhos para Explorar"*.

In harmony with Hering, we present a Mother's Day collection in April. May is the Month of Play, in which, throughout the period, playful and educational activities focused on "Do It Yourself" were disseminated through 4 themes: art, music, sport and cooking.

As in Hering, the special action "Hering Against Hunger: what is basic for you, can be essential for others" was present at Kids to reinforce the Social pillar, with 100% of the sale reverted to the NGOs CUFA and G10.



HERINGINTIMATES

At **Hering Intimates**, we continued to reformulate the entire brand with new products, raw materials and collections, in addition to a greater online presence and visual merchandising. The focus is on the consumer experience, through representation and diversity in all communications.

In the new portfolio of the underwear line, comfort and technology come together to inspire pieces that highlight and value the best in each person. We guaranteed the offer of best-seller models, worked on three attributes that guide the products: cotton, reinforcing Hering's DNA, microfiber with versatility and technology, and seamless with the appeal of comfort and invisibility.

To take the message of this great news and positioning to the public in an even more assertive and integrated way, in May, a pilot project was started in selected stores. As a result, this group of stores grew 28% more than the other stores in the chain, with the Intimates line doubling its share and reaching 8% of total revenue. In addition, in 85% of the stores, the sale of Intimates represents more than double the allocated area, boosting revenue per m².



The results have already started to appear with a growth of 82% in this quarter compared to the same period in 2019. It is noteworthy that in the sell-in the offer of the new summer collection had a good adherence in the channels, growing 132% compared to the summer of 2019. For the coming months, Hering Intimates will have an ambitious growth plan, which will include an increase in the product portfolio, greater presence in stores and roll out of the pilot project. In October, we will have the major launch of the brand campaign, accompanied by the 360° marketing strategy and support for the new positioning.

DZARM

Dzarm kicked off 2Q21 with activations of the Color Me and Fall Essentials fall collections; at the end of April, it launched the Mother's Day campaign. The intrinsic connection between mother and child was the starting point for the brand's tribute; with the theme "All Love in the World". The collection included a selection of special gifts, which include different types of mothers, in addition to the Mini Me line.

In May, it launched the first exclusive collab with the Vicenza shoe brand, with pieces inspired by the authenticity and fun side of the brand's founder. Collab had an impactful fashion campaign, disseminated mainly in digital media, ensuring attraction of new followers and growth in engagement on the official Instagram channel.

The month of June was very busy with Valentine's Day and the launch of the Capsula College collection. For Valentine's Day, the theme was "I'm in love with Dzarm", with t-shirts with prints that match (in female and male models), sweatshirts, jackets, pants and dresses in the winter mood. As part of the communication strategy we invited a squad of celebrities and influencers representing the diversity of couples. The squad produced content for their own social networks, which were replicated on DZARM networks, which impacted a reach of 8 million people on Instagram.

The College collection, inspired by the 1990s and American school uniforms, brought updated shapes of vests, t-shirts, sweatshirts with lettering, biker shorts, pantaloons and cropped polo shirts. For this launch, Dzarm teamed up with Elle Brasil for the #olhaELLE challenge, where the magazine invited its audience to post photos with the hashtag on social media and compete for a spot to integrate an editorial with DZARM clothing.

In 2Q21, the brand grew 169% vs 2020, with the highlight being the Multibrand channel, which grew +210% in revenue vs 2Q20. In the e-commerce channel, growth was 21% vs 2Q20, largely driven by the high performance of Jeans and Sarja, which brought +38% and +67% respectively. Also, positive highlight for the Essentials line, which guaranteed a +195% growth in the brand's accumulated.



Financial Data



Economic and Financial Performance

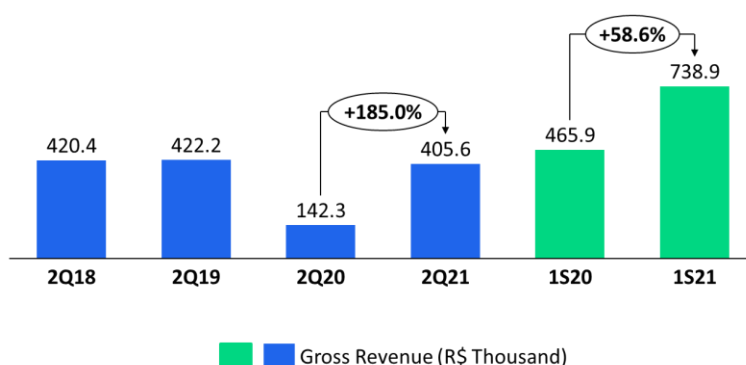
R\$ Thousand	2Q21	Part. (%)	2Q20	Part. (%)	VAR. 2Q21 2Q20	1S21	Part. (%)	1S20	Part. (%)	VAR. 1S21 1S20
Gross Revenue	405,557	114.8%	142,284	119.7%	185.0%	738,926	115.8%	465,929	119.2%	58.6%
Sales Deduction	(52,358)	-14.8%	(23,460)	-19.7%	123.2%	(100,646)	-15.8%	(74,993)	-19.2%	34.2%
Net Revenue	353,199	100.0%	118,824	100.0%	197.2%	638,280	100.0%	390,936	100.0%	63.3%
Cost of Goods Sold	(202,990)	-57.5%	(87,829)	-73.9%	131.1%	(375,746)	-58.9%	(249,451)	-63.8%	50.6%
AVP (Adjustment to Present Value)	4,436	1.3%	911	0.8%	386.9%	7,700	1.2%	4,766	1.2%	61.6%
Subvention for Expenditure	2,191	-0.6%	1,840	1.5%	19.1%	3,957	0.6%	5,659	1.4%	-30.1%
Depreciation and Amortization	(7,384)	-2.1%	(8,662)	-7.3%	-14.8%	(14,762)	-2.3%	(17,467)	-4.5%	-15.5%
Gross Profit	149,452	42.3%	25,084	21.1%	495.8%	259,429	40.6%	134,443	34.4%	93.0%
Operating Expenses	(149,322)	-42.3%	25,906	21.8%	-676.4%	(265,990)	-41.7%	(94,519)	-24.2%	181.4%
Selling Expenses	(96,801)	-27.4%	(49,121)	-41.3%	97.1%	(177,163)	-27.8%	(123,368)	-31.6%	43.6%
Loss due to non-recoverability of assets	(3,444)	-1.0%	(5,658)	-4.8%	-39.1%	(6,565)	-1.0%	(14,597)	-3.7%	-55.0%
Administrative and General Exp. and Management Remuneration	(15,601)	-4.4%	(11,301)	-9.5%	38.0%	(31,164)	-4.9%	(25,278)	-6.5%	23.3%
Depreciation and Amortization	(14,318)	-4.1%	(13,710)	-11.5%	4.4%	(27,948)	-4.4%	(27,353)	-7.0%	2.2%
Profit Sharing	(3,136)	-0.9%	-	-	-	(3,136)	-0.5%	-	-	-
Other operating Income (Expenses), net	(16,022)	-4.5%	105,696	89.0%	-115.2%	(20,014)	-3.1%	96,077	24.6%	-120.8%
Operating Income (Loss) Before Financial Results	130	-0.0%	50,990	42.9%	-99.7%	(6,561)	-1.0%	39,924	10.2%	-116.4%
Financial income	5,725	1.6%	128,716	108.3%	-95.6%	46,284	7.3%	152,912	39.1%	-69.7%
Financial expenses	(9,380)	-2.7%	(15,616)	-13.1%	-39.9%	(25,225)	-4.0%	(34,159)	-8.7%	-26.2%
Total Financial Income	(3,655)	-1.0%	113,100	95.2%	-103.2%	21,059	3.3%	118,753	30.4%	-82.3%
Operating Income (Loss) Before Interest in Subsidiaries	(3,525)	-1.0%	164,090	138.1%	-102.1%	14,498	2.3%	158,677	40.6%	-90.9%
Income and Social Contribution Taxes - Current	-	-	(26,558)	22.4%	-	-	-	(26,558)	-6.8%	-100.0%
Income and Social Contribution Taxes - Deferred	10,599	3.0%	(10,682)	-9.0%	-199.2%	12,334	1.9%	(226)	-0.1%	-5.557.5%
Net Income for the Period	7,074	2.0%	126,850	106.8%	-94.4%	26,832	4.2%	131,893	33.7%	-79.7%
Controlling shareholders	7,074	2.0%	126,850	106.8%	-94.4%	26,832	4.2%	131,893	33.7%	-79.7%
Basic earnings per share - R\$										
Controlling shareholders	0.0424		0.7836		-94.6%	0.1662		0.8147		-79.6%
EBITDA	21,832	6.2%	73,362	61.7%	-70.2%	36,149	5.7%	84,744	21.7%	(57.3%)

Values in the above table include the effects of IFRS16

Gross Revenue

The Company gross revenue reached R\$ 405.6 million in the second quarter, 185.0% higher the same period of previous year (2Q20).

The sales performance in the sell-out channels presented an increase of 141.2% vs. 2Q20, highlight mainly for the Own Stores Channel with a growth of 486.9% due to decreasing circulation restrictions and the gradual resumption of consumption, in addition to e-commerce, which grew 40.8% vs. 2Q20. It is worth mentioning the increase in productivity indicators in own stores with an improvement in the average ticket and pieces per service, in addition to the increase in flow of digital platforms and the showrooming service.



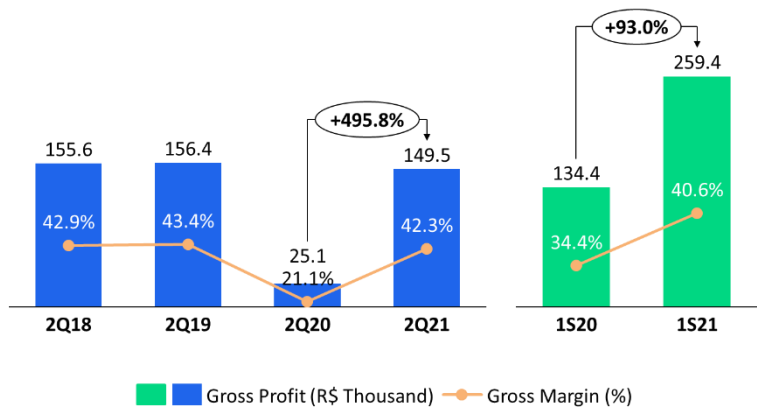
Financial Data

The performance of the sell-in channels (franchises and multi-brand) increased 203.9% vs. 2Q20, mainly influenced by the expansion of Franchise Channel, also due to decreasing circulation restrictions and the gradual resumption of consumption.

Gross Profit and Gross Margin

The Company's gross profit reached R\$ 149.5 million in 2Q21, increase of 495.8% related to 2Q20, due to higher sales in the period.

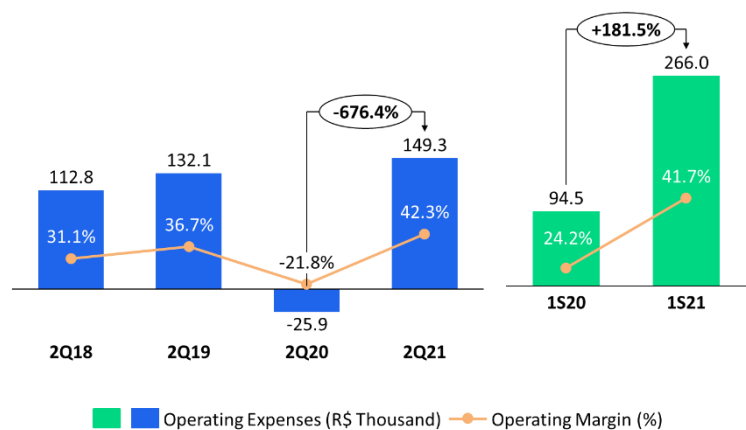
The gross margin increased 2120 b.p. vs. 2Q20 to 42.3% mainly influenced by higher operating leverage, 110 b.p. below 2Q19, pre-pandemic. It is worth mentioning that the increased pressure on the purchase of raw materials, inputs and outsourced labor was partially mitigated by the management of the factory's fixed cost.



Operational Expenses

In 2Q21 the operational expenses reached the amount of R\$ 149.3 million, compared to the revenue of R\$ 25.9 million in 2Q20, primarily for the improvement of PIS and COFINS judicial credit recognized in the same period of the previous year.

The current expenses¹ of the quarter, totaled R\$ 135.6 million, increase of 52.6% vs. 2Q20, mainly due to higher investments in performance marketing and branding campaigns, in addition to variable sales expenses and personnel expenses due to MP 936 in previous year. Compared to 2Q19, the current expenses grew 3.2% with greater investment intensity in marketing, customer service (SAC) and strengthening of strategic areas.



¹ Current Expenses exclude non-recurring items and provision for profit sharing

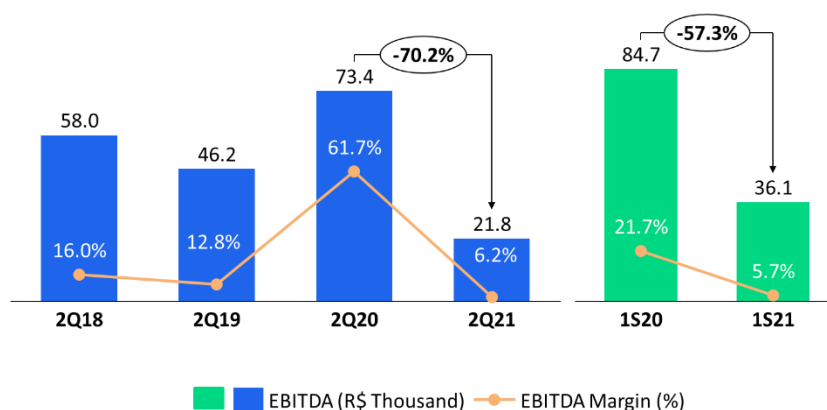
Financial Data

Non-recurring items - R\$ Thousand	2Q21	2Q20	1S21	1S20
PIS and COFINS judicial credit ¹	-	150,344	9,545	150,344
Compensation from restructuring	(2,149)	(12,436)	(2,542)	(16,013)
Resizing of RN Plant and closure of PUC	-	(7,772)	-	(7,772)
Other exceptional items	(16,103)	(15,357)	(21,751)	(15,357)
Reversal of DIFAL provision ²	7,728	-	7,728	-
Total one off items	(10,524)	114,779	(7,020)	111,202
Provision for profit sharing	(3,136)	-	(3,136)	-
Total non-recurring items	(13,660)	114,779	(10,156)	111,202

Explanatory note to the financial statement: (1) Nr. 31, (2) Nr.31.

EBITDA and EBITDA Margin

Earnings before interest, taxes, depreciation and amortization ("EBITDA") reached R\$ 21.8 million, 70.2% lower than 2Q20, essentially impacted by the improvement of PIS and COFINS judicial credit in 2Q20 and the increase in operating expenses, as mentioned above.



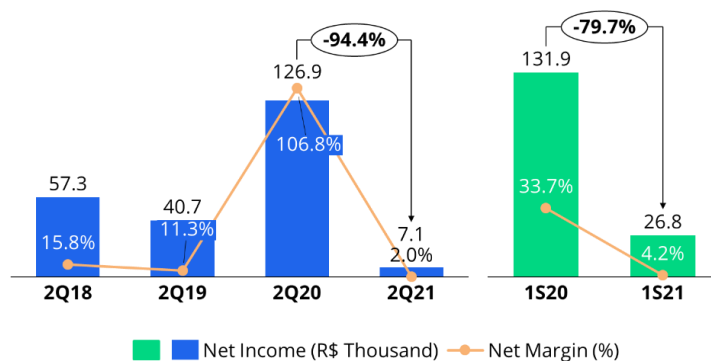
Excluding the non-recurring items and profit sharing, the EBITDA reached R\$ 35.5 million, increase of R\$77 million vs. 2Q20. Compared to 2Q19, the current EBITDA retracted 24.2% mainly impacted by lower sales and pressure on Gross Margin due to higher input inflation and product cost.

Financial Data

Reconciliation of EBITDA - R\$ Thousand	2Q21	2Q20	VAR. 2Q21 2Q20	1S21	1S20	VAR. 1S21 1S20
Net Income	7,074	126,850	-94.4%	26,832	131,893	-79.7%
(-) Income and Social Contribution Tax	(10,599)	37,240	-128.5%	(12,334)	26,784	-146.0%
(-) Net Financial Income	3,655	(113,100)	-103.2%	(21,059)	(118,753)	-82.3%
(+) Depreciation and Amortization	21,702	22,372	-3.0%	42,710	44,820	-4.7%
(=) EBITDA	21,832	73,362	-70.2%	36,149	84,744	-57.3%
EBITDA Margin	6.2%	61.7%	-5550 b.p.	5.7%	21.7%	-1600 b.p.
Non-recurring items	(13,660)	114,779	-111.9%	(10,156)	111,202	-109.1%
(=) EBITDA, recurring	35,492	(41,417)	-185.7%	46,305	(26,458)	-275.0%
EBITDA Margin, recurring	10.0%	-34.9%	4490 b.p.	7.3%	-6.8%	1410 b.p.

Net Income and Net Margin

Net income in 2Q21 totaled R\$ 7.1 million, retraction of 94.4% compared to 2Q20 and reaching 2.0% of net margin, due to the decrease in net financial result, mainly influenced by the improvement of the update of PIS and COFINS credits, recognized in the second quarter of 2020.



Investments

The investments in 2Q21 totaled R\$ 16.9 million, 249.4% above 2Q20. The main projects are directly related to improvements in operational efficiency with CRM, technology, robotization (RPA) projects and e-commerce platform (B2C). It is also worth noting the stores' renovation and change of format to Mega Store, in addition, the creation of a new clothing area in the manufacturing units in São Luiz de Montes Belos and Itororó.

Financial Data

The allocation of resources was distributed in the following order:

Investments - R\$ Thousands	2Q21	2Q20	VAR. 2Q21 2Q20	1S21	1S20	VAR. 1S21 1S20
Digital transformation	8,865	4,122	115.1%	14,410	5,931	143.0%
Stores	6,210	65	9453.8%	8,436	1,557	441.8%
Industrial Plant	1,474	495	197.8%	2,074	1,756	18.1%
Others	398	168	-	1,047	554	89.0%
Total	16,947	4,850	249.4%	25,967	9,798	165.0%

Cash Flow

In 2Q21 the Company had free cash flow of R\$ 98.2 million, R\$ 39.8 million above 2Q20, due to higher investments in working capital in the operation, where there was an increase in accounts receivable from customers due to the sales growth, in addition to stock building to meet the expected demand throughout the second half of the year.

Cash Flow - Consolidated - R\$ Thousand	2Q21	2Q20	VAR. 2Q21 2Q20	1S21	1S20	VAR. 1S21 1S20
EBITDA	21,832	73,362	(51,530)	36,149	84,744	(48,595)
No cash items	(10,173)	(136,520)	126,347	(9,556)	(124,281)	114,725
Lease Effect	(7,719)	(8,265)	546	(14,986)	(16,405)	1,419
AVP (Adjustment to Present Value) - Clients and Suppliers	(1,803)	1,516	(3,319)	(2,407)	6,286	(8,693)
Current Income tax and Social Contribution	-	(26,558)	26,558	-	(26,558)	26,558
Working Capital Capex	(83,351)	42,916	(126,267)	(60,917)	53,574	(114,491)
Accounts receivable from clients	(91,335)	76,202	(167,537)	13,806	171,031	(157,225)
Inventories	(55,794)	9,192	(64,986)	(127,803)	(62,154)	(65,649)
Accounts payable to suppliers	41,533	(112,424)	153,957	66,570	(76,440)	143,010
Taxes payable	14,426	34,591	(20,165)	8,513	15,045	(6,532)
Others	7,819	35,355	(27,536)	(22,003)	6,092	(28,095)
CapEx	(16,946)	(4,850)	(12,096)	(25,966)	(9,798)	(16,168)
Free Cash Flow	(98,160)	(58,399)	(39,761)	(77,683)	(32,438)	(45,245)

Net Cash

The Company ended 2Q21 with cash of R\$ 201.8 million, and net cash of R\$ 106.0 million, primarily impacted by the settlement of debt raised in 2020, by buyback program and greater investments in working capital in the operation.

It is worth mentioning that the Company obtained a financial loan, in the amount of R\$ 100 million, in April, mainly to strengthen the liquidity, the share buyback program and strategic projects.

Financial Data

Net Cash - R\$ Thousand	2Q21	2Q20	4Q20
Cash and cash equivalents	201,827	512,527	467,842
Interest-earning bank deposits - long term	5,249	5,153	5,194
Loans and financing - short term	-	(203,149)	(207,967)
Loans and financing - long term	(101,108)	-	-
Net cash	105,968	314,531	265,069

Return on Invested Capital – ROIC

In 2Q21, the return on invested capital was 15.1%², 120 b.p. below 1Q21 and 140 b.p. above 2Q20, with an impact arising from the growth of the operating result in addition to the control of invested capital in the last 12 months, which had a reduction of 4.5%.

Return on Invested Capital (ROIC) - R\$ Thousands	2Q21	1Q21	VAR. 2Q21 2Q20	2Q20	VAR. 2Q21 2Q20
EBITDA	121,410	172,938	-29.8%	246,214	-50.7%
(-) Depretiation and Amortization	(86,722)	(87,391)	-.8%	(90,164)	-3.8%
(+) Amortization - Right of use properties ¹	(3,965)	290	-1.467.2%	236	-1.780.1%
(+) Financial Results - APV ²	(662)	2,656	-124.9%	14,068	-104.7%
(+) IR&CS - Effective rate ³	117,469	69,631	68.7%	(30,325)	-487.4%
Operating Income	147,530	158,124	-6.7%	140,029	5.4%
Fixed Assets	439,215	435,140	.9%	453,817	-3.2%
Accumulated amortization - Right of use properties ¹	54,578	55,170	-1.1%	54,993	-.8%
Working capital	485,203	477,843	1.5%	515,897	-5.9%
Average Invested Capital*	978,996	968,153	1.1%	1,024,707	-4.5%
ROIC	15.1%	16.3%	-120 b.p.	13.7%	140 b.p.

Notes to the financial statements: (1) Nr. 15; (2) Nr. 32; (3) Nr. 33

(*) Last 4 quarters average

² Excluding the effects of the transaction of business combination with Grupo Soma, ROIC would have been 15.7% in 2Q21.

Shareholders Remuneration

At the Ordinary General Meeting on 04/29/2021, the distribution of complementary dividends to the mandatory minimum for the year of 2020 was approved, in the amount of R\$ 16.6 million, corresponding to R\$ 0.1068510589 per share.

The Company's shares were traded "ex dividends" as of April 30, 2021 and the payment was made on May 26, 2021.

Buyback Program

During the second quarter of 2021 the Company repurchased the total of 2.928.600 shares, in the total amount of R\$ 61.8 million. The buyback program is effective until 08/19/2021.

Subsequent Events

On July 1, 2021, the General Superintendence of the Administrative Council for the Defense of Competition (CADE) published an order the transaction of business combination between the Company and Grupo de Moda SOMA S.A, through its subsidiary Cidade Maravilhosa Indústria e Comércio de Roupas S.A., which will fully incorporate the shares of Cia. Hering.

Financial Statements



Balance Sheet

ASSETS - R\$ Thousand	06/30/2021	12/31/2020
Current assets	1,290,103	1,429,280
Cash and cash equivalents	201,827	467,842
Trade accounts receivable	413,886	431,802
Inventories	501,191	373,266
Recoverable taxes	158,142	140,224
Other accounts receivable	13,175	12,092
Prepaid expenses	1,882	4,054
Noncurrent assets	965,860	911,325
Long-term receivables	502,666	451,579
Interest-earning bank deposits	5,249	5,194
Notes accounts receivable	42,265	30,072
Accounts receivable	1,134	3,589
Recoverable taxes	374,746	346,261
Deferred income and social contribution taxes	79,272	66,463
Right of use	98,110	89,506
Property, plant and equipment	261,508	271,383
Intangible assets	103,576	98,857
TOTAL ASSETS	2,255,963	2,340,605

LIABILITIES AND SHAREHOLDER'S EQUITY - R\$ Thousand	06/30/2021	12/31/2020
Current liabilities	472,880	634,068
Borrowing and financing	-	207,967
Trade payables	326,271	259,701
Payroll and related taxes	49,767	35,572
Taxes and social security contributions payable	14,698	29,639
Provisions for contingencies and other provision	39,405	50,651
Interest on equity and dividends payable	843	17,614
Leases	24,563	22,753
Other liabilities	14,778	9,508
Other liabilities	2,555	663
Noncurrent liabilities	193,235	84,239
Borrowing and financing	101,108	-
Provisions for contingencies and other provision	17,038	13,890
Employee benefits	6,430	6,116
Leases	67,751	60,706
Other liabilities	908	3,527
Shareholder's equity	1,589,848	1,622,298
Capital	381,166	381,166
Capital reserve	50,949	47,542
Treasury shares	(128,735)	(66,968)
Earnings reserve	1,254,687	1,254,687
Valuation adjustments to equity	4,850	5,871
Retained earnings	26,931	-
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	2,255,963	2,340,605

Income Statement

R\$ Thousand	2Q21	2Q20	VAR. 2Q21 2Q20	1S21	1S20	VAR. 1S21 1S20
Revenues	405,557	142,284	185.0%	738,926	465,929	58.6%
Domestic Market	395,362	140,738	180.9%	720,382	457,300	57.5%
Foreign Market	10,195	1,546	559.4%	18,544	8,629	114.9%
Sales Deduction	(52,358)	(23,460)	123.2%	(100,646)	(74,993)	34.2%
Net Revenue	353,199	118,824	197.2%	638,280	390,936	63.3%
Cost of Goods Sold	(203,747)	(93,740)	117.4%	(378,851)	(256,493)	47.7%
Gross Profit	149,452	25,084	495.8%	259,429	134,443	93.0%
Operating Expenses	(149,322)	25,906	-676.4%	(265,990)	(94,519)	181.4%
Selling Expenses	(96,801)	(49,121)	97.1%	(177,163)	(123,368)	43.6%
Loss due to non-recoverability of assets	(3,444)	(5,658)	-39.1%	(6,565)	(14,597)	-55.0%
Management Remuneration	(2,238)	(1,838)	21.8%	(4,529)	(4,256)	6.4%
Administrative and General Expenses	(13,363)	(9,463)	41.2%	(26,635)	(21,022)	26.7%
Depreciation and Amortization	(21,702)	(22,372)	-3.0%	(42,710)	(44,820)	-4.7%
(-) Allocated to Cost	7,384	8,662	-14.8%	14,762	17,467	-15.5%
Profit Sharing	(3,136)	-	-	(3,136)	-	-
Other operating Income (Expenses), net	(16,022)	105,696	-115.2%	(20,014)	96,077	-120.8%
Operating income (loss) before financial result	130	50,990	-99.7%	(6,561)	39,924	-116.4%
Financial income	5,725	128,716	-95.6%	46,284	152,912	-69.7%
Financial expenses	(9,380)	(15,616)	-39.9%	(25,225)	(34,159)	-26.2%
Total financial income	(3,655)	113,100	-103.2%	21,059	118,753	-82.3%
Operating income (loss) before interest in subsidiaries	(3,525)	164,090	-102.1%	14,498	158,677	-90.9%
Income and social contribution taxes - current	-	(26,558)	-	-	(26,558)	-100.0%
Income and social contribution taxes - deferred	10,599	(10,682)	-199.2%	12,334	(226)	-5.557.5%
Net income for the period	7,074	126,850	-94.4%	26,832	131,893	-79.7%
Controlling shareholders	7,074	126,850	-94.4%	26,832	131,893	-79.7%
Basic earnings per share - R\$						
Controlling shareholders	0.0424	0.7836	-94.6%	0.1662	0.81470	-79.6%
EBITDA	21,832	73,362	-70.2%	36,149	84,744	-57.3%

Cash Flow

R\$ Thousand	2Q21	2Q20	1S21	1S20
Cash flow from operating activities				
Net income for the period	7,074	126,850	26,832	131,893
Deferred taxes	(10,599)	10,682	(12,334)	226
Monetary variation, foreign exchange, unrealized interest and discounts on leases	2,587	2,008	7,122	3,298
Depreciation and amortization	21,702	22,372	42,710	44,820
Write-off of fixed assets	1,164	1,721	3,119	1,717
Loss by reduction of recoverable amount from accounts receivable	3,444	5,658	6,565	14,597
Stock option plan	1,646	1,280	3,407	2,654
Provision (reversal) for adjustment to inventory realization value	(692)	1,546	(122)	1,520
Provisions for contingencies	342	2,235	5,148	4,041
Employee Benefits	157	148	314	298
Provision (reversal) of provision for non recoverability of fixed assets	(613)	7,772	(2,821)	7,772
ICMS credit Pis and Cofins base	-	(267,024)	(38,491)	(267,024)
DIFAL provision net reversal	(15,621)	-	(15,621)	-
Assets and liabilities variation				
Trade accounts receivable	(91,335)	76,202	13,806	171,031
Inventories	(55,794)	9,192	(127,803)	(62,154)
Recoverable taxes	(14,955)	13,354	(28,991)	9,191
Other accounts receivable	6,738	13,699	5,445	(397)
Accounts payable to suppliers	41,533	(112,424)	66,570	(76,440)
Accounts payable and provisions	16,036	8,302	1,543	(2,702)
IRPJ and CSLL	-	25,710	(226)	25,581
Tax obligations	14,426	8,881	8,739	(10,536)
Interest paid on loans and leasing	(1,297)	(1,128)	(2,600)	(2,299)
Interest paid on loans and leasing	(3,258)	-	(11,381)	-
Cash provided by operating activities	(77,315)	(42,964)	(49,070)	(2,913)
Cash flows from investing activities				
Purchase of property, plant and equipment	(6,483)	(3,397)	(8,214)	(6,430)
Purchase of intangible	(10,463)	(1,453)	(15,394)	(3,368)
Purchase of rights use assets	-	-	(2,358)	-
Cash used in investing activities	(16,946)	(4,850)	(25,966)	(9,798)
Cash flows from financing activities				
Bank deposits	(35)	(48)	(55)	(89)
Interest on equity and dividends	(16,633)	(1)	(16,771)	(10)
Acquisition of treasury shares	(61,767)	-	(61,767)	(27,602)
Lease payments	(6,422)	(4,928)	(12,386)	(11,885)
Loans taken	100,000	80,000	100,000	200,000
Loans payments	(80,000)	-	(200,000)	-
Cash used in financing activities	(64,857)	75,023	(190,979)	160,414
Increase (decrease) in cash and cash equivalents	(159,118)	27,209	(266,015)	147,703
Increase (decrease) in cash and cash equivalents	(159,118)	27,209	(266,015)	147,703
At beginning of period	360,945	485,318	467,842	364,824
At end of period	201,827	512,527	201,827	512,527



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CAPITAL MARKETS 06/30/2021

HGTX3 R\$ 34.21 per share

MARKET CAP R\$ 5.5 billion

CONFERENCE CALL

08/06/2021 – 11:00 am (BR) | 10:00 am (NY) |
03:00 pm (London)

In Portuguese – simultaneous translation to
English.

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