

Cia.Hering

X HERING X HERINGKIDS D Z A R M



EARNINGS RESULTS 2Q20



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.



FINANCIAL PERFORMANCE



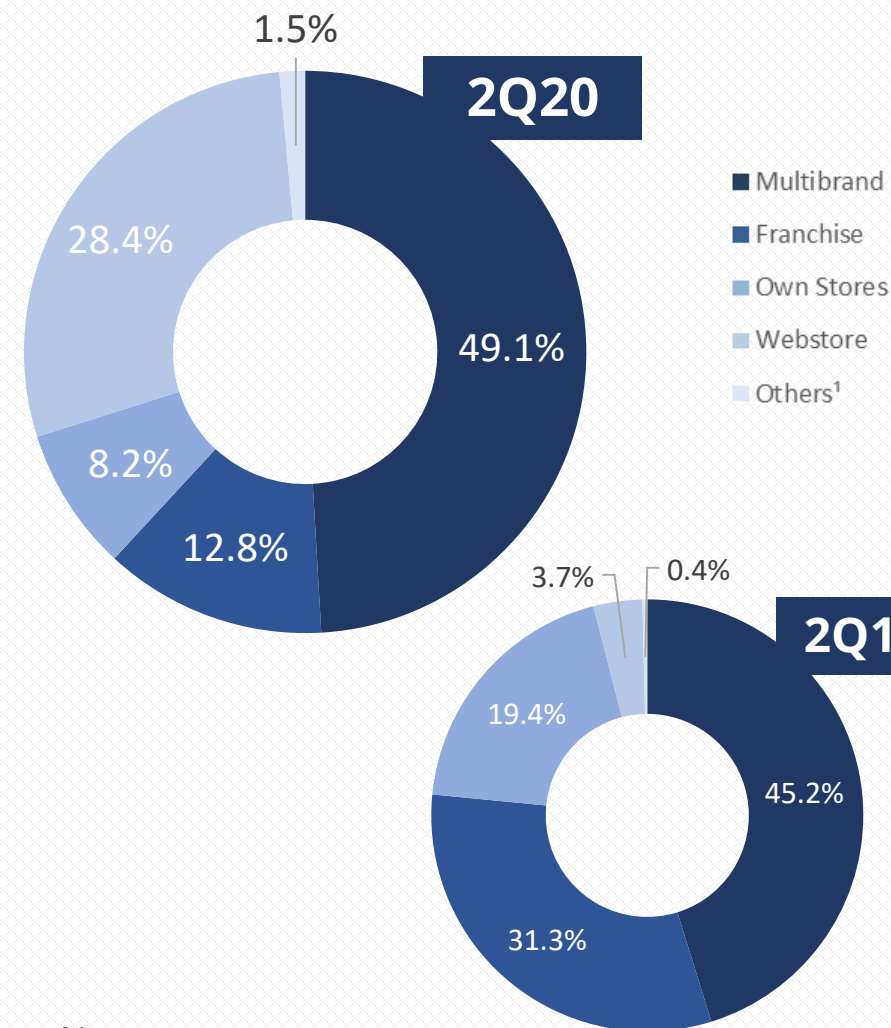


GROSS REVENUE

Per Brand (R\$ Million)

	2Q20	2Q19	Var.	1S20	1S19	Var.
Cia.Hering	142,284	422,225	-66.3%	465,929	860,083	-45.8%
HERING HERINGKIDS	123,253	365,428	-66.3%	400,061	746,249	-46.4%
D Z A R M	8,563	19,688	-56.5%	28,571	37,904	-24.6%
Others²	8,922	27,373	-67.4%	28,668	56,258	-49.0%
Foreign Market	1,546	9,736	-84.1%	8,629	19,672	-56.1%

Per Channel (%)



¹ It considers the sale of second line items and leftovers.

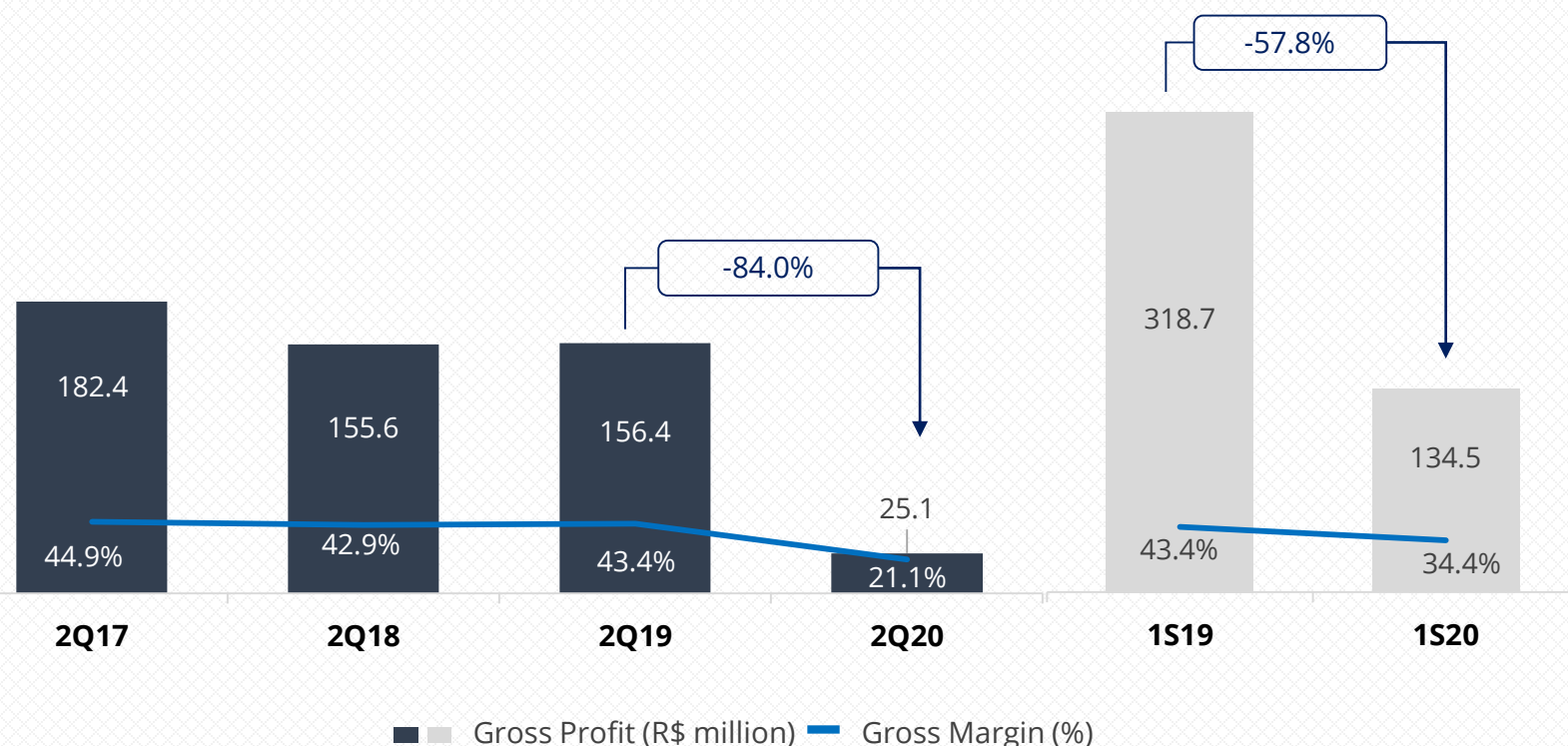
² It considers the sale of second line items, leftovers, and PUC brand revenue, whose closure was announced in 1Q20.

GROSS PROFIT AND GROSS MARGIN

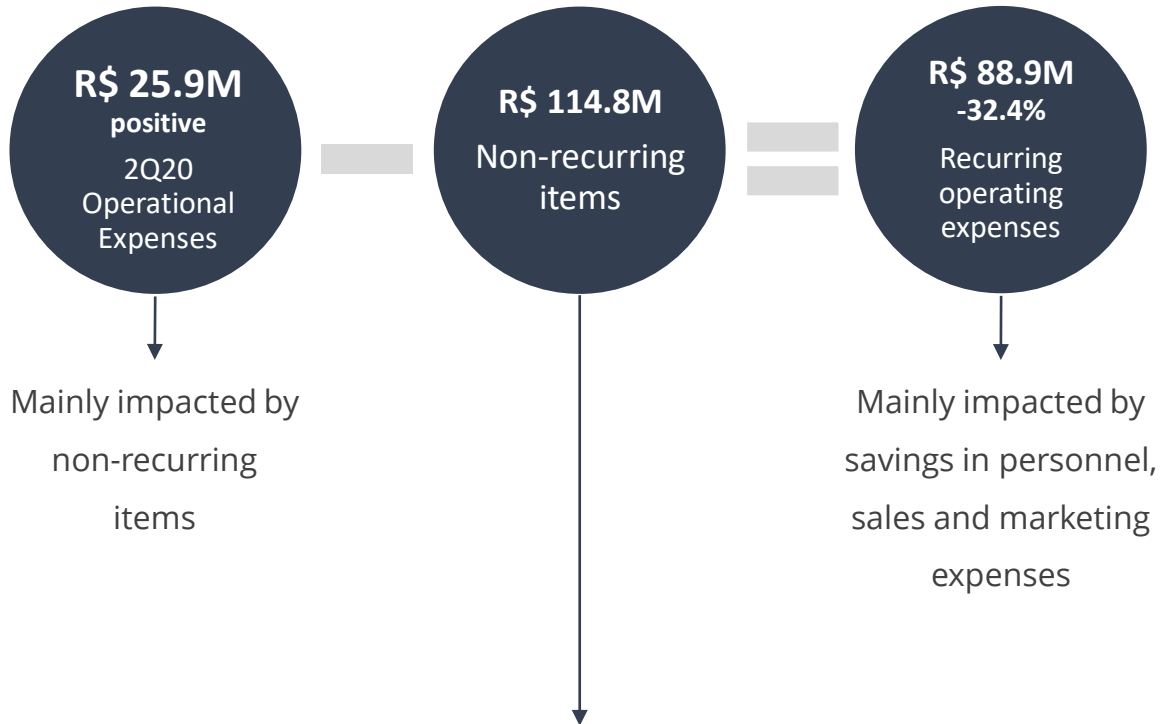


- ❖ The Company's Gross Profit reached R\$ 25.1 million in 2Q20 as a result of the lower revenue in the period.

- ❖ Gross Margin fell 2230 b.p. in 2Q20 compared to 2Q19, mainly influenced by the items shown below:



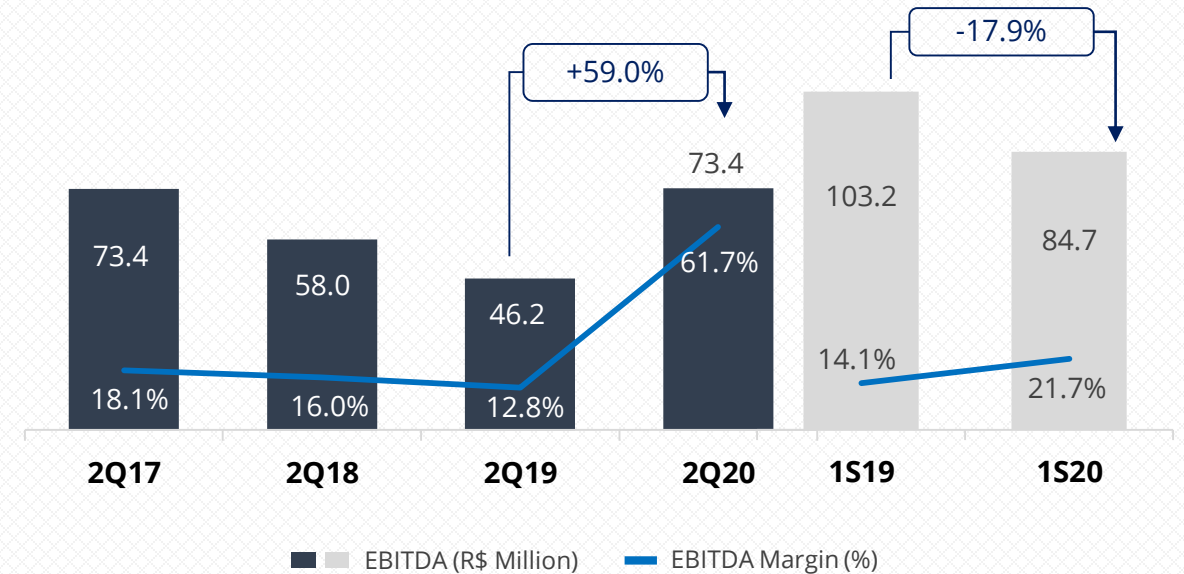
OPERATIONAL EXPENSES



Non-recurring items - R\$ THOUSAND	2Q20	2Q19	1S20	1S19
PIS and COFINS judicial credit	150,344	8,533	150,344	8,533
Compensation from restructuring	(12,436)	(9,193)	(16,013)	(10,784)
Resizing of RN Plant and closure of PUC	(7,772)	-	(7,772)	-
Other exceptional items	(15,357)	-	(15,357)	-
Total non-recurring items	114,779	(660)	111,202	(2,251)

EBITDA

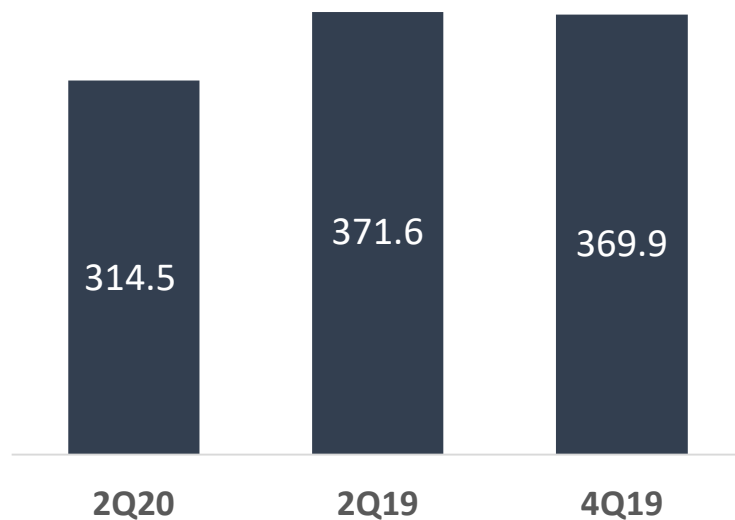
- ❖ EBITDA increased 59.2% vs. 2Q19, due to non-recurring items and a reduction in operating expenses.



- ❖ Excluding these effects, the Company's recurring EBITDA would be negative by R\$ 41.4 million in 2Q20, 188.5% below 2Q19.

NET CASH

- ❖ The Company ended the 2Q with net cash of R\$ 314.5 million.
- ❖ At the end of 1Q20, the Company obtained a financial loan, in the total amount of R\$ 120.1 million and R\$ 80 million in April.



CASH FLOW

- ❖ Timely cash management by the Company stands out, including a focus on working capital management and re-prioritization of investments.

Cash Flow - Consolidated (R\$ thousand)	2Q20	2Q19	VAR. 2Q20 2Q19	1S20	1S19	VAR. 1S20 1S19
EBITDA	73,362	46,153	27,209	84,744	103,187	(18,443)
No cash items	(136,520)	6,087	(142,607)	(124,281)	13,056	(137,337)
Lease Effect	(8,265)	(7,025)	(1,240)	(16,405)	(13,885)	(2,520)
AVP (Adjustment to Present Value) - Clients and Suppliers	1,516	3,505	(1,989)	6,286	8,521	(2,235)
Current Income tax and Social Contribution	(26,558)	-	(26,558)	(26,558)	228	(26,786)
Working Capital Capex	42,916	(20,163)	63,079	53,574	(1,242)	54,816
Accounts receivable from clients	76,202	(2,588)	78,790	171,031	39,709	131,322
Inventories	9,192	(29,901)	39,093	(62,154)	(68,243)	6,089
Accounts payable to suppliers	(112,424)	14,044	(126,468)	(76,440)	36,362	(112,802)
Taxes payable	34,591	2,696	31,895	15,045	(8,265)	23,310
Others	35,355	(4,414)	39,769	6,092	(805)	6,897
CapEx	(4,850)	(9,215)	4,365	(9,798)	(18,489)	8,691
Free Cash Flow	(58,399)	19,342	(77,741)	(32,438)	91,376	(123,814)

The amount of R\$ 150.3 million of the Pis and Cofins judicial credit, net of fees, which impacted EBITDA, was adjusted as non-cash items, as it will be realized in subsequent periods in accordance with the tax compensations due.



OPERATIONAL DATA

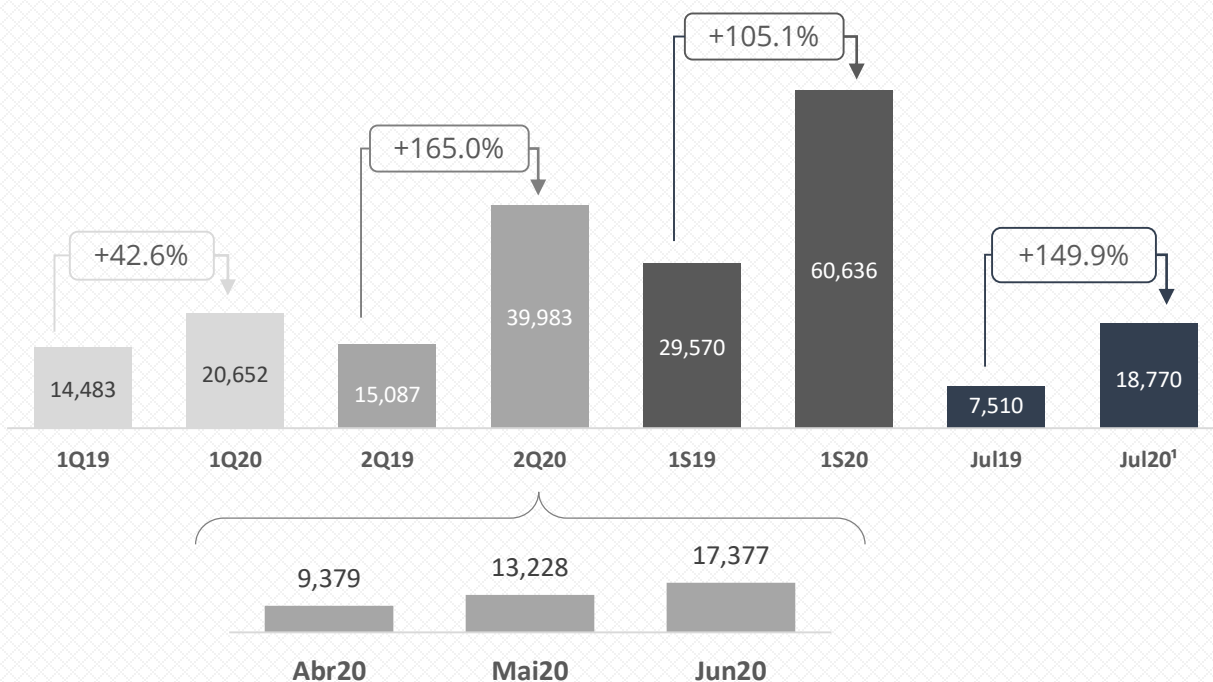


E-COMMERCE BOOST

- ❖ New level of sales in e-commerce;
- ❖ Evolution in all indicators: sales, flow and conversion;

E-commerce Revenue

In R\$ thousand



Main indicators²



+71%
new customer



1.91% conversion,
with peak of **3.12%**



+20K Orders
via WhatsApp



15% revenue in
Omnichannel



120% growth vs. 1Q20
Marketplace in and out



+75% sell through
Exclusive online mini
collections



-0.8 day
on delivery vs. 1Q20



29% of repurchases
on the site in 2Q20

Representativeness in revenue

~4% in the
Company's
total revenue

2019

2021

~20%
expectation

- ❖ Integration of distribution and operation centers
- ❖ Availability, assortment and showroooming enlargement
- ❖ Long tail and new categories
- ❖ Marketplace in e out
- ❖ Creation of 10 regional hubs and improvement in average delivery time
- ❖ The entire network on a Social Selling platform

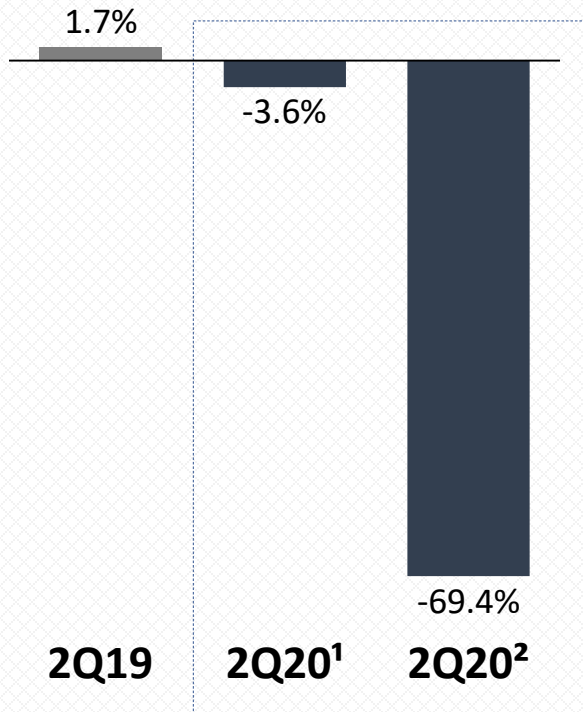
¹ Jul20 figure not yet audited

² The figures refer to 2Q20



NETWORK SELL-OUT EVOLUTION

Same Store Sales

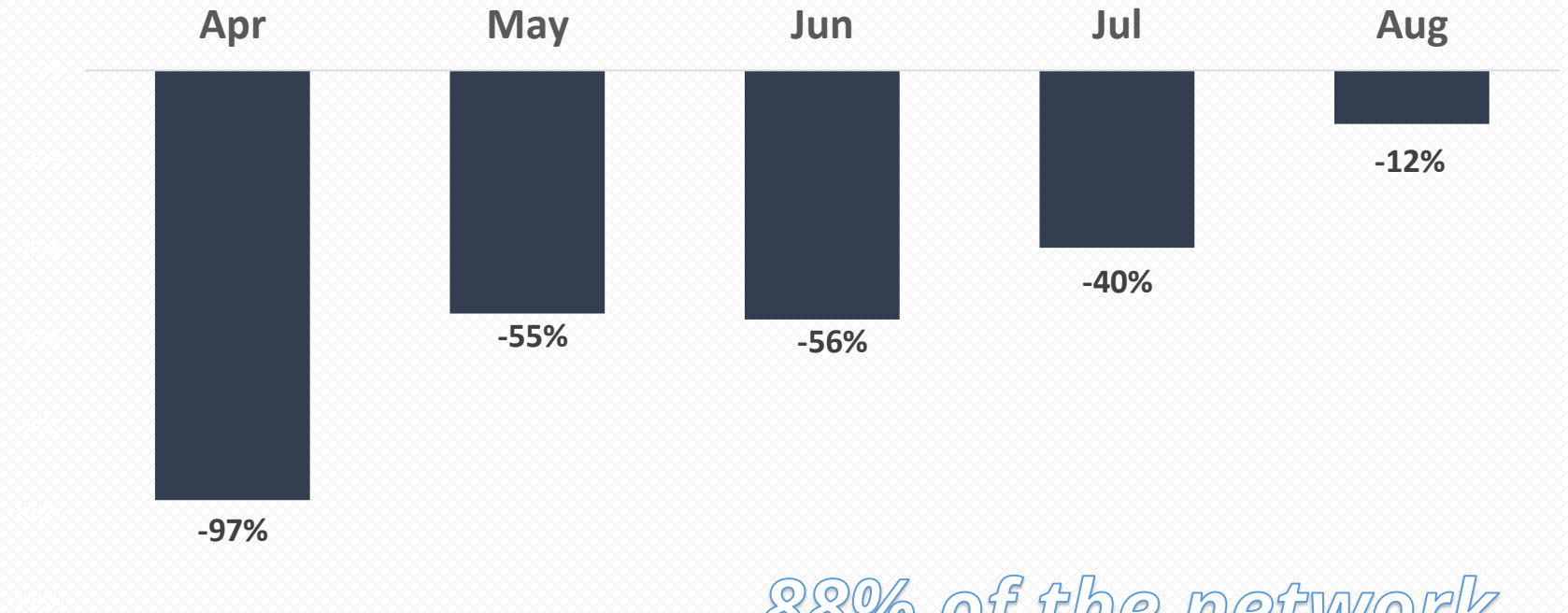


¹ Considers stores opened since the first day of April (8 stores), May (109 stores) and June (208 stores)

² Considers all stores in the chain open and closed in 2Q20

Both consider e-commerce sales

SSS³



*88% of the network
as of today*

³ Considers all stores opened and e-commerce sales



EXPANSION AND MULTI-CHANNEL PLAN

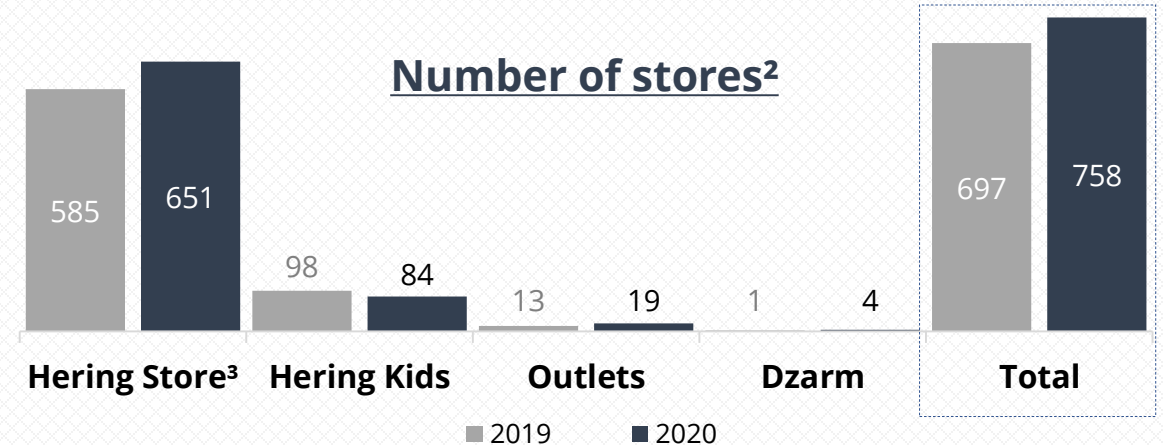
Expansion of physical retail and new sales channels

- ❖ Integrated management and expansion model between sell-in channels, optimizing resources and mitigating conflicts
- ❖ New 100% digital GTM and B2B platform
- ❖ New tools and sale digital channel to the network
- ❖ Qualified Retail conversions (growth between 25% to 30% of sell-out) and new compact stores totaling 130 openings
- ❖ 10 to 15 Hering Store into Mega Store (One Stop Shop)¹
- ❖ Growth of representativeness in Key-account customers

¹ Pilot made at Park Shopping São Caetano - store converted to large-format - One Stop Shop in Nov/19 - sales growth of 65% and significant reduction in cost per m²;

² Estimate of expansion plan for physical stores in 2020;

³ Includes Hering Store, Light Franchise and Basic Shop;



Virtual Showroom (Jul20) - High Summer Collection



+6K customers served
20% of new customer revenue



Average order in accordance with the budget



Higher productivity by online service
30% reduction in service time

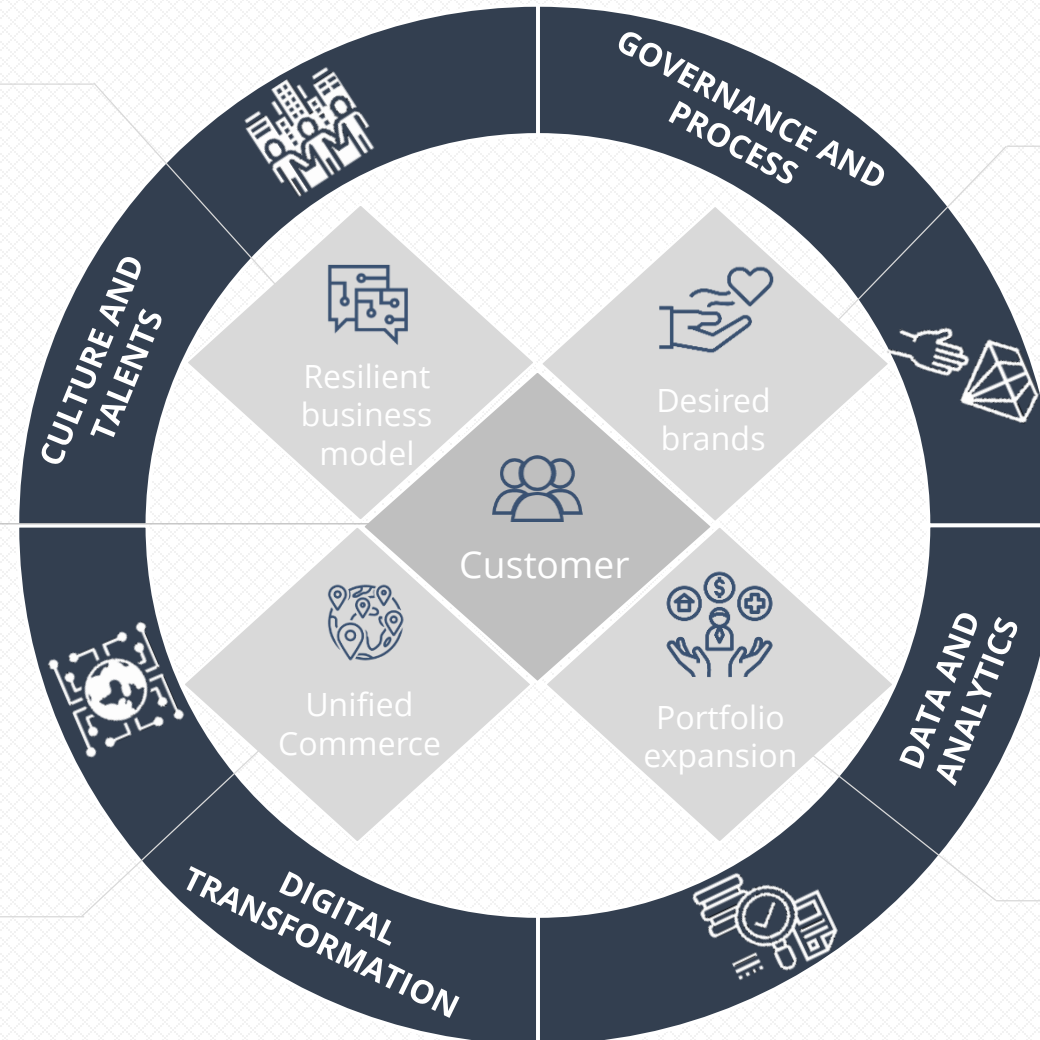


+ Content + Interaction + Technology + Data usage



THE JOURNEY

- Advanced Analytics and AI use
 - GTM Digitalization
 - Sourcing and distribution matrix review
 - Implementation of push and pull
-
- Client Unified Vision
 - CRM Platform – Salesforce
 - Sales cycle management
 - NPS 74 (goal: 80)
-
- Omncommerce consolidation
 - New store formats
 - Sales´ tools and digital channels (Social Selling, Whatsapp, APP)
 - B2B platform development



- Sustainable positioning and positive impact
 - Comfort journey
 - 360° Communication, Digital content and CRM
 - “Smart choice”
 - Experience and ease of purchase
-
- E-commerce long tail
 - Offers / activations customization
 - New categories of products and services
 - M&A opportunities with synergistic brands and businesses



Q&A

Investor Relations

ri.ciahering.com.br
+55 11 3371-4867/4805/4784
ri@hering.com.br



Cia.Hering

✕ HERING ✕ HERINGKIDS D Z A R M