

ALPARGATAS

## Conference Call 1Q20 results

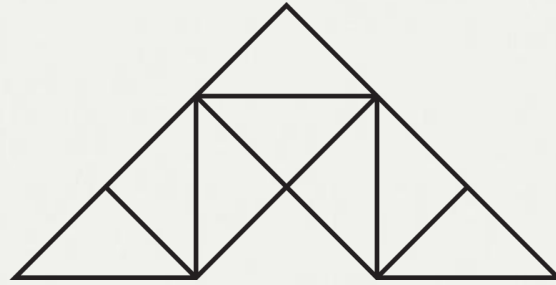
Beto Funari – CEO  
Julian Garrido – CFO





# ‘Beto Funari

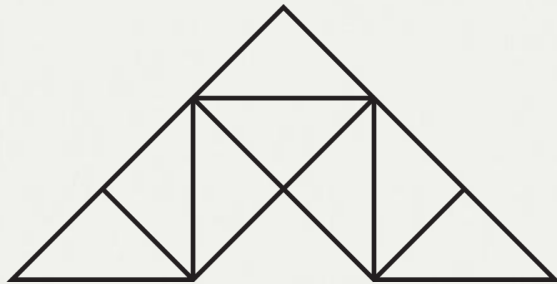




ALPARGATAS

- ▲ A humanitarian health crisis with unprecedented socioeconomic impact

**Fast to adapt, positioned to win**



ALPARGATAS

▲ Fast to adapt, positioned to win

**Operating on the new  
normal**

## We've been organized since the beginning of the crisis in China

- ▲ Crisis Strategic Committee
- ▲ Cash and Working Capital Committee
- ▲ Donation and Government relation Committee
- ▲ Working group: "Plan ahead"

### In addition, we have deployed in the organization:

Crisis management teams in each BMU and corporate areas

Agile teams to tackle risks and opportunities in sprints

Weekly engagement survey, transparent and high-frequency communication

Occupational Health and Safety Team implementing new norms and protocols



**#empathyleadstoempathy**



# Chain of goodness

## Healthcare professionals

More than 1 million masks

18,000 special footwear

30,000 meters of fabrics for lab coats and other

More than 50,000 Havaianas to healthcare professionals

Support to UFPB and to Gregorio Marañón Hospital in Madrid

## Vulnerable communities

More than 500,000 hygiene, cleaning and food items

More than 250,000 Havaianas

Support for combating fake news



# People's Health



- ▲ Factories **adapted and remodeled in record time**. Start of production of donation items to healthcare professionals
- ▲ Administrative offices operating in **home office, hyper connected and with agile teams**
- ▲ Own stores were closed according to local **authority guidelines**



# Survey

## ALPARGATAS ENGAGEMENT

+8pp

of engagement vs the last survey

90%

OF OUR TEAMS KNOW  
AND LIVE OUR CULTURE!





# Business Health

# Preserved liquidity and **cash protection**

Positive Net Financial  
Position

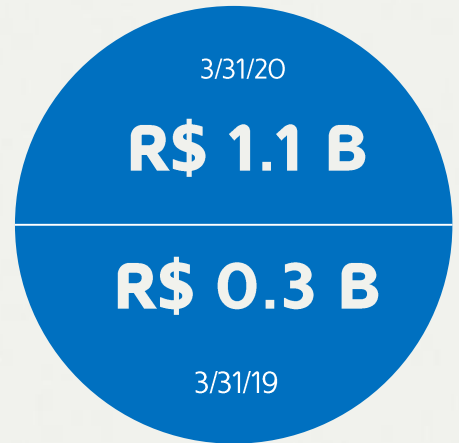


Total cash & stress test  
coverage



Stress test  
coverage

Funding



# Managing **the cash with focus** to win in the new normal

## Focus on working capital



Focus on the ecosystem (customers and suppliers)



Renegotiating terms and rebalancing inventories



Capex

## Operational cost discipline



Reduce non essential spend



Hiring freeze



Travel expenses reduction

## Spend Reallocation



Zero based budget



CAPEX adjustment with focus on efficiency and digital



Performance Marketing

# ▲ Preserving the **business ecosystem**

## Supply chain



Rubber multi-sourcing



Adequacy of working capital



Safety stock increase on critical raw materials

## Operations (industrial and logistics)



Implementation of health and safety standards



Remodeling of production lines



Capex optimization

## Sales Channels



Adequacy of working capital



Special Franchise Package

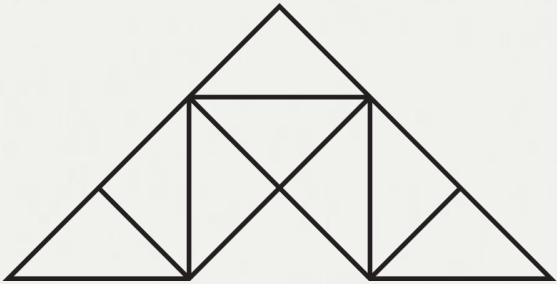


Renegotiation of rents



◀ Our brands, Culture and  
Value Creation Model  
position us for

**the new normal**



ALPARGATAS

▲ global powerhouse of  
**iconic brands**

OSKLEN



# HOW WE CREATE VALUE

## Growth



Global, digital, innovative and sustainable

## Margin expansion



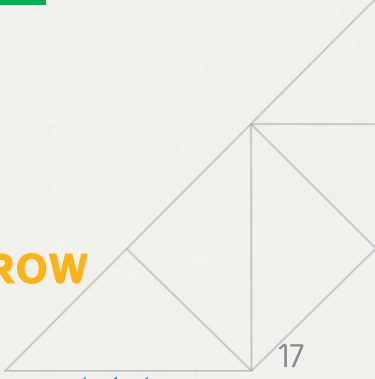
RGM

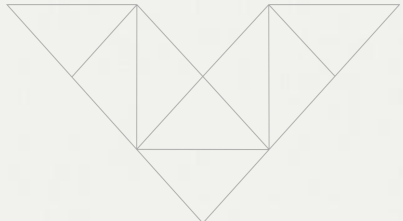
COGS efficiencies

SG&A optimization

## Culture

INSPIRED by PEOPLE Facing the IMPOSSIBLE Make it HAPPEN OWNER'S HEART Grow TOGETHER Taking care of TOMORROW

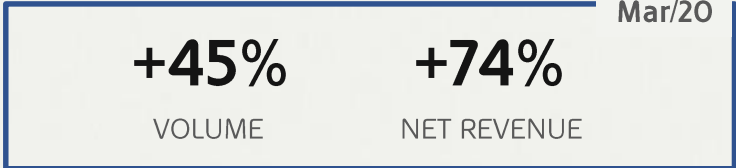
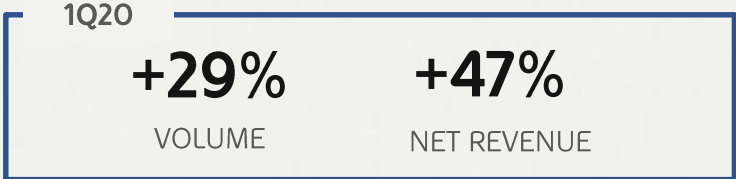




1Q20

# HIGHLIGHTS

## HAVAIANAS.COM GLOBAL



1Q20

## HIGHLIGHTS

E-COMMERCE | HAVAIANAS  
BRAZIL

1Q20

**+51%**

VOLUME

**+60%**

NET REVENUE

**+49%**

VOLUME

**+83%**

NET REVENUE

Mar/20

BRAND PERFORMANCE:  
HAVAIANAS BRAZIL

positive growth in sell-out  
volume in Brazil before  
closing stores



gain of market share  
mainly in the food  
channel

**+9%**  
**+0.7 PP**

GROSS MARGIN

**+8%**

AVERAGE PRICE



1Q20

## HIGHLIGHTS

## E-COMMERCE | HAVAIANAS APAC

1Q20

**+89%**

VOLUME

**+188%**

NET REVENUE

Mar/20

**+189%**

VOLUME

**+359%**

NET REVENUE



resumption of growth in  
the APAC region



stock replenishment for  
season in Australia and  
Philippines

**+46%**

NET REVENUE 1Q20  
(US DOLLARS)





# Julian Garrido



▲ Net Revenue reaches **R\$ 747 MM** and Recurring EBITDA **R\$72 MM**

# Consolidated Results 1Q20

**-8.8%**

Net revenue

**-43%**  
-5.8pp

Ebitda (recurring)

**-28%**

Net income (recurring)

**+R\$309 MM**

+ R\$ 29 MM in 1Q20

Δ total NFP

**R\$348**

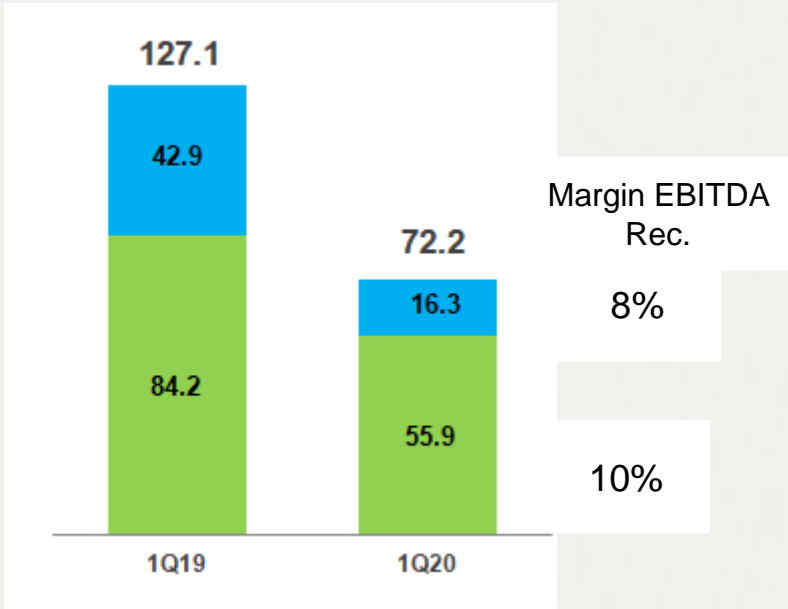
Free Cash Flow\*  
**MM**



\*variation in net operating financial position

# EBITDA recurring

(R\$ million)



▶ Brazil    ▶ International

MARGIN EBITDA RECURRING

	1Q20	1Q19	VAR.
CONSOLIDATED	10%	16%	-5.8pp
BRAZIL	10%	14%	-3.6 pp
INTERNATIONAL	8%	21%	-12.3 pp



# Recurring EBITDA

R\$ million	1Q20	1Q19	Δ (%)
<b>Recurring EBITDA</b>	<b>72.2</b>	<b>127.1</b>	<b>-43.1%</b>
<i>Recurring EBITDA margin</i>	<b>9.7%</b>	<b>15.5%</b>	<b>-5.8 pp</b>
<b>Other non recurring revenues (expenses)</b>	<b>81.0</b>	<b>-10.2</b>	<b>n/a</b>
<b>EBITDA</b>	<b>-8.8</b>	<b>137.3</b>	<b>-106.4%</b>
<i>EBITDA margin</i>	<b>-1.2%</b>	<b>16.8%</b>	<b>-17.9 pp</b>

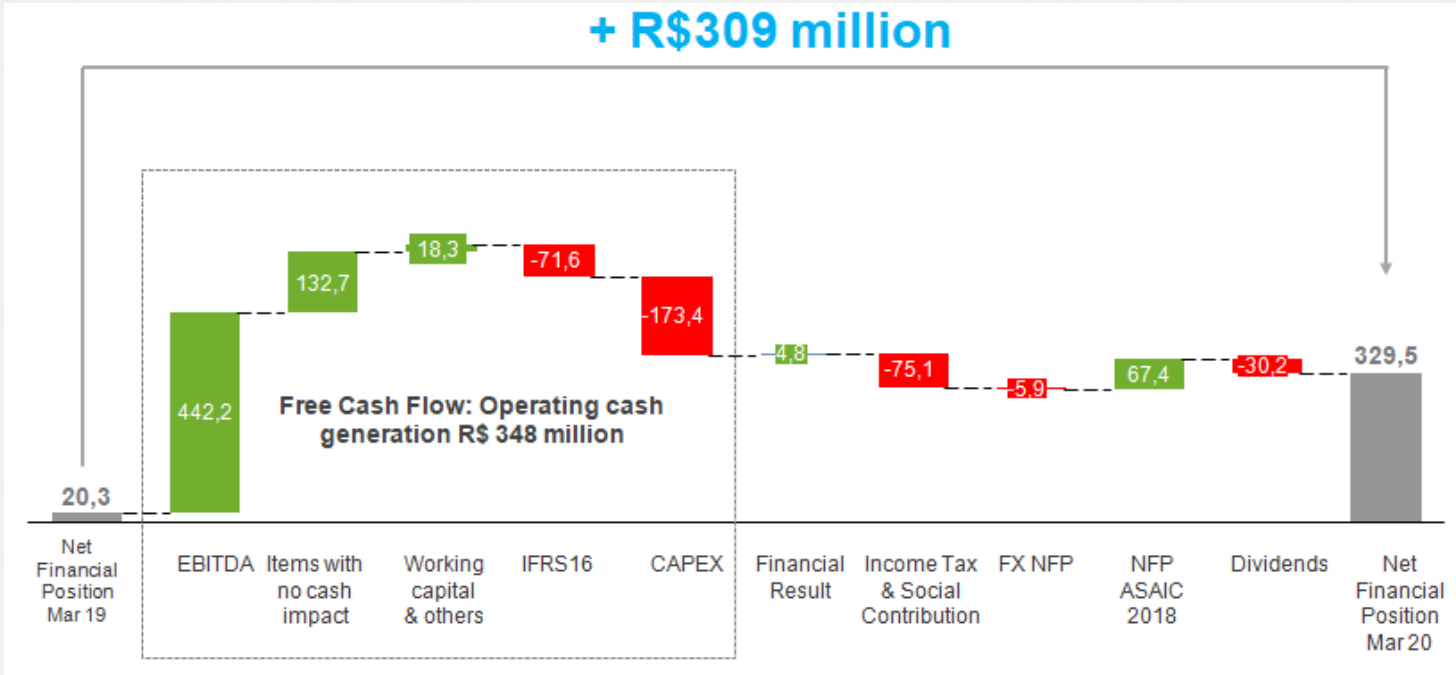
- Sale of ASAIC
- Restructuring
- IRFS 16 adjustments

- Sale of 7 Leguas Business
- IRFS 16 adjustments



# Net financial position

(R\$ million)





# Final Message



# ▲ Strong Fundamentals

- ▲ Iconic brands, strong and vibrant with an integrated value chain
- ▲ Agile management model focused on value creation
- ▲ Culture with an “owner's heart” and excellence in governance

**OSKLEN**





Sure of one thing

**We are already living  
in a new normal, a new  
consumption profile**



# ▲ The new normal, **we are positioned to win**



**Migration to online consumption**  
Reassignment of physical retail



**Assertive portfolio**  
High turnover, high margins



**Cash Management**  
Preserving the ecosystem



**Agile and distributed teams**  
Faster with less



**Digital engagement**  
New media and e-commerce platforms

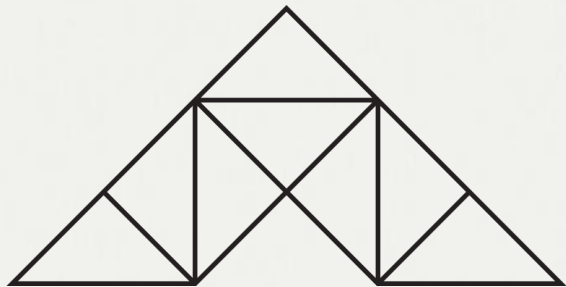


**Sustainability**  
For the society



**Resilient supply chain**  
Safe, flexible and uninterrupted





**ALPARGATAS**

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