



# Cia.Hering

 Hering   D Z A R M

## Results 1Q19

### Conference Call

April 26, 2019 – 11:00 am (BrT) / 10:00 am (NY)

**Brasil:** (+55) 11 3193-1001  
ou (+55) 11 2820-4001

**Toll-Free:** (+1) 800 492-3904 ou (+1) 800 469-5743  
**Access Code:** Cia. Hering

**EUA:** (+1) 646 828-8246  
ou (+1) 646 291-8936

Conference audio will be broadcast on the internet,  
with the slide show available at: [ciahering.com.br/ir](http://ciahering.com.br/ir)

---

# 1Q19 RESULTS

- Financial Performance
- Outlook
- Q&A



## 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

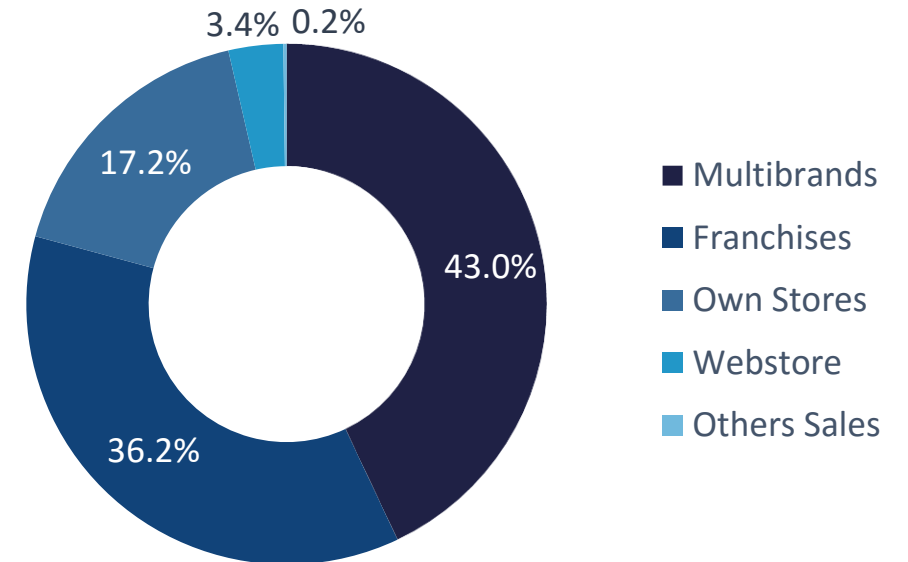
## GROSS REVENUES AND BREAKDOWN BY BRAND

R\$ MILLION

	1Q19	1Q18	Var.
<b>Cia.Hering</b>	<b>437.9</b>	<b>405.9</b>	<b>7.9%</b>
 Hering	327.1	293.0	11.6%
Hering  Kids	53.7	54.5	-1.5%
	22.5	23.3	-3.5%
<b>D Z A R M</b>	18.2	17.4	4.9%
Others <sup>1</sup>	6.4	6.9	-7.1%
Foreign Market	9.9	10.8	-8.2%

## GROSS REVENUES BREAKDOWN PER CHANNEL

DOMESTIC MARKET EX-OTHER REVENUES, R\$ MILLION – CHANGE 1Q19 X 1Q18



Cia. Hering's gross revenue reached **R\$ 437.9 million**, 7.9% higher than in 1Q18, influenced by the positive performance of all our channels.

<sup>1</sup> Considers the sale of second line items and leftovers.

# HERING STORE NETWORK

## GROSS SALES

SELL-OUT<sup>3</sup>, R\$ MILLION



Total sales in 1Q19 of the Hering Store ("sell-out"), grew by 8.2% compared to 1Q18, influenced by the resumption in the number of calls (+ 4.4%) and higher sales productivity per square meter (+ 15.2%), despite the reduction of sales area (-6.1%).

<sup>1</sup> Movement of the stores (own and franchises) in the last 12 months.

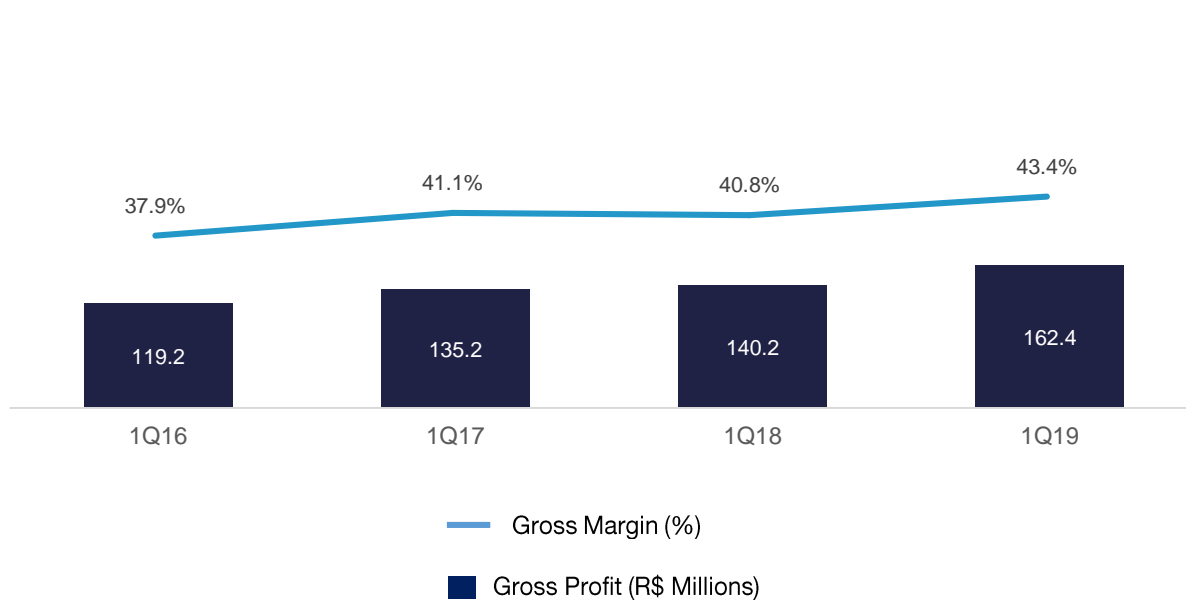
<sup>2</sup> Considers sales via webstore.

<sup>3</sup> The values refer to the revenue of the stores for the final customer (sell-out concept). Does not consider outlet and webstore.

# FINANCIAL PERFORMANCE

## GROSS PROFIT

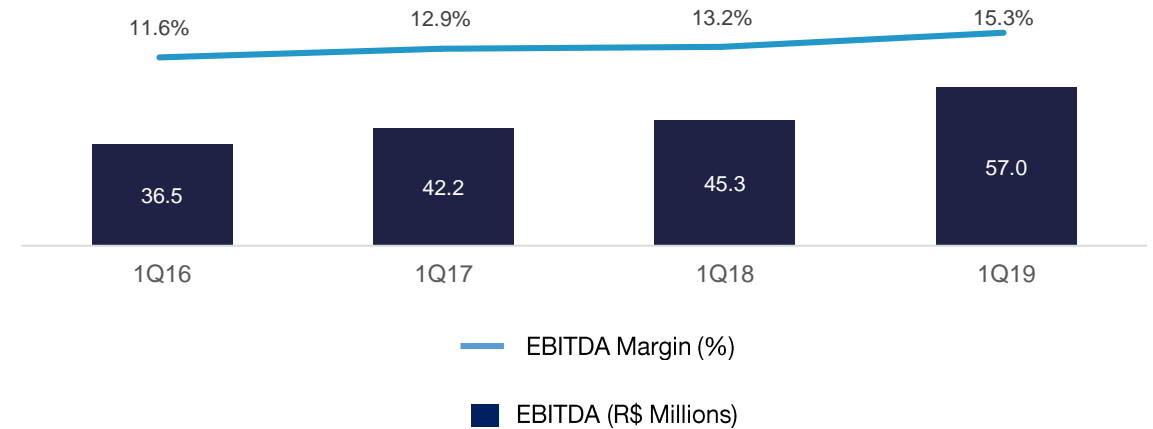
R\$ MILLION



The Company's gross profit reached **R\$ 162.4 million** in 1Q19, **15.8% higher than 1Q18**, explained by revenue growth and margin expansion.

## EBITDA

R\$ MILLION

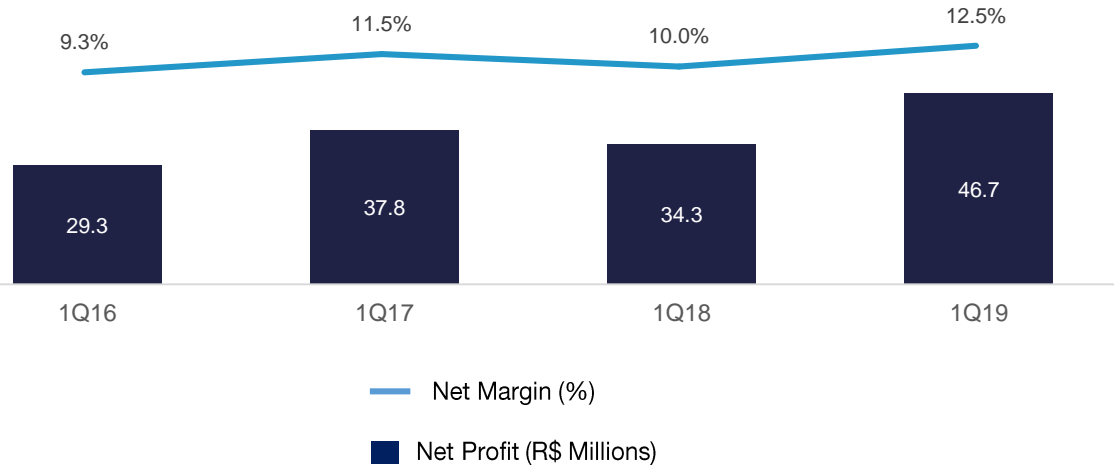


Earnings before interest, depreciation, amortization and taxes ('EBITDA') reached **R\$ 57.0 million**, an increase of **25.9%** in 1Q19, while EBITDA margin reached 15.3%, up 210bp, mainly due to better performance of gross profit. Excluding the impact of IFRS16, EBITDA would total R \$ 50.1 million, an expansion of 10.8% and an EBITDA margin of 13.4%, with an increase of 20bp.

# FINANCIAL PERFORMANCE

## NET INCOME

R\$ MILLION



Net income for the quarter totaled **R\$ 46.7 million**, a **36.1%** increase when compared to 1Q18, driven by the better operating income, as well as the lower effective income tax rate due to the deliberation of interest on shareholders' equity.

## CAPEX

R\$ MILLION

Investments (R\$ Thousands)	1Q19	1Q18	VAR. 1Q19   1Q18
Industrial Plant	3,759	1,247	201.4%
IT	3,210	1,656	93.8%
Stores	2,059	245	740.4%
Others	245	-	-
<b>Total</b>	<b>9,274</b>	<b>3,184</b>	<b>191.3%</b>

We continue to invest in different fronts and initiatives that support the company's new growth cycle. Investments in the quarter totaled **R\$ 9.3 million** and were mainly destined to:

- i. developments in the industrial park and automation of logistics processes;
- ii. developments in the B2B sales portal and other IT systems, and
- iii. acquisition of new points and expansion of store remodeling.

# FINANCIAL PERFORMANCE

## CASH FLOWS

R\$ MILLION

Cash Flow - Consolidated (R\$ thousand)	1Q19	1Q18	VAR. 1Q19   1Q18
<b>EBITDA</b>	<b>57,034</b>	<b>45,299</b>	<b>11,735</b>
No cash items	5,933	3,222	2,711
Lease Effect	-6,860	-	-6,860
AVP (Adjustment to Present Value) - Clients and Suppliers	5,016	6,326	-1,310
Current Income tax and Social Contribution	228	441	-213
<b>Working Capital Capex</b>	<b>19,957</b>	<b>40,584</b>	<b>-20,627</b>
Accounts receivable from clients	42,297	57,519	-15,222
Inventories	-37,306	-17,868	-19,438
Accounts payable to suppliers	22,318	22,454	-136
Taxes payable	-10,961	-10,153	-808
Franchisee Financing - Refurbishment plan	-664	2,923	-3,587
Others	4,273	-14,291	18,564
<b>CapEx</b>	<b>-9,274</b>	<b>-3,183</b>	<b>-6,091</b>
<b>Free Cash Flow</b>	<b>72,034</b>	<b>92,689</b>	<b>-20,655</b>

In 1Q19, Cia. Hering generated **R\$ 72.0 million** in free cash, R\$ 20.7 million lower than in 1Q18, explained by higher working capital investment due to higher business growth. The cash conversion cycle reduced in 26 days as a result of the lengthening of deadlines with suppliers, as well as the reduction of inventory levels.

---

# OUTLOOK

- Focus on the execution of our strategic priorities related to the consumer, in addition to the continuous strengthening of our brands, products and distribution network.
- The sales growth improvement and the maintenance of a balanced operation remain key factors for our results.
- Continuous search for productivity gains and Capex discipline.
- Focus on increasing the desire of our brands, strengthening our core business and accelerating marketing investments.
- Strengthening our entrepreneurial and retail culture as necessary enablers for the sustainable construction of the Company's results in the medium and long term.



# Cia. Hering

## INVESTOR RELATIONS

Fabio Hering – CEO

Rafael Bossolani – CFO e DRI

Relações com Investidores

Mariana Santo

Caroline Luccarini

Bianca Goyanna

[ri.ciahering.com.br](http://ri.ciahering.com.br)

+ 55 (11) 3371-4867/4805/4784

[ri@hering.com.br](mailto:ri@hering.com.br)

