

+soma

# GRUPO SOMA

May 2021



# ***DIS CLAI MER***

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# ***AGENDA***

***1\_ COMPANY OVERVIEW***

***2\_ GROWTH AVENUES***

***3\_ FINANCIAL RESULTS***

***4\_ HERING – STRATEGIC PILLARS***

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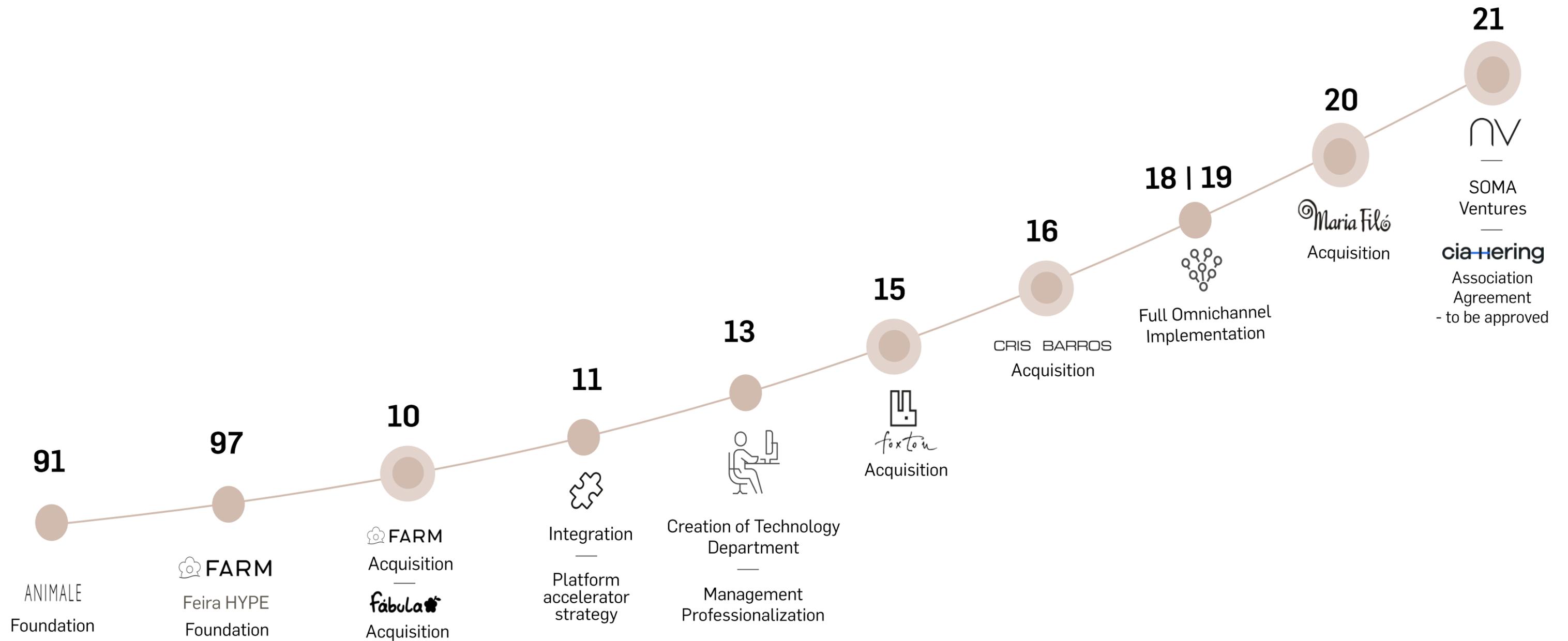
*COMPANY*

*OVERVIEW*

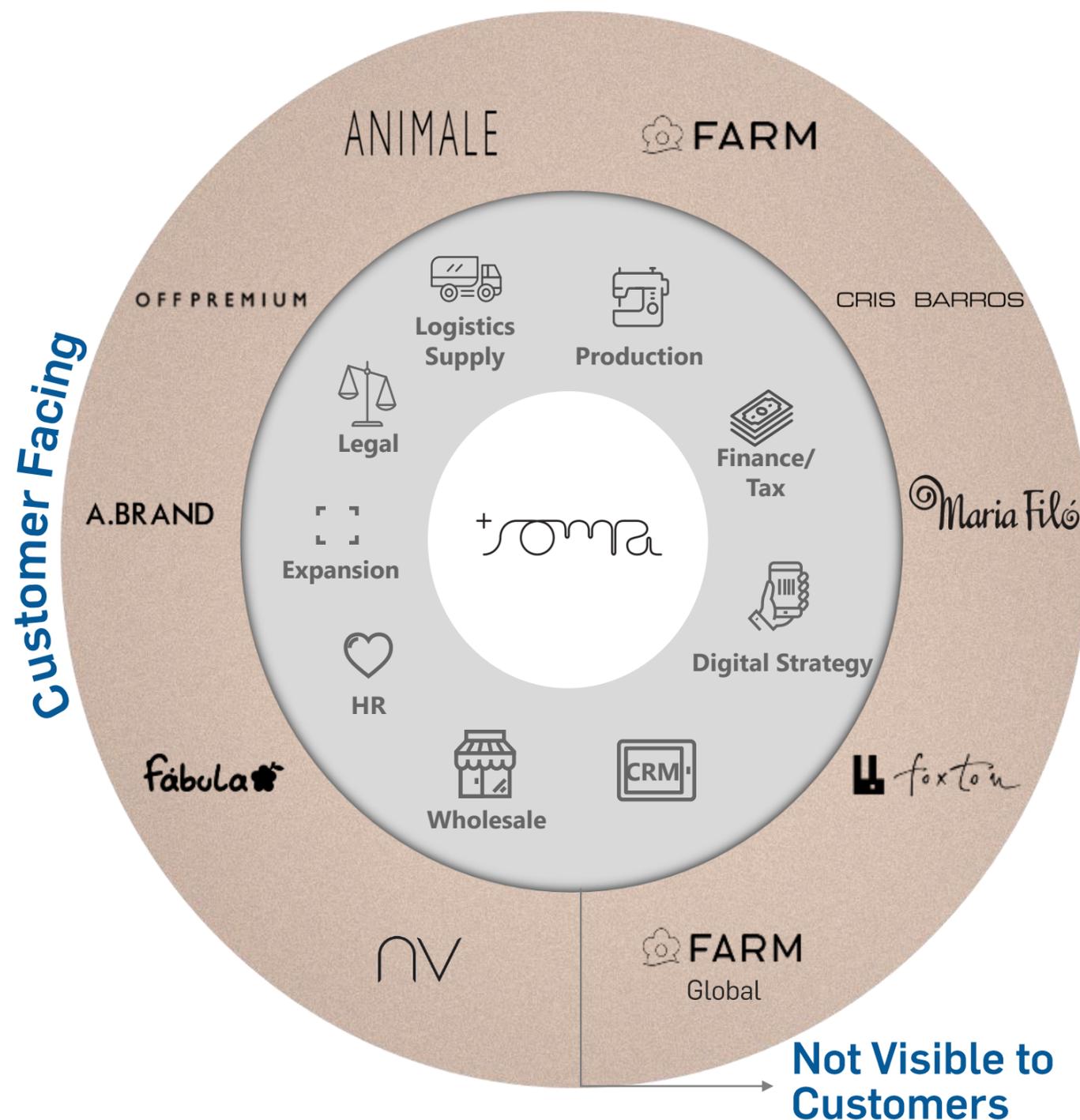


# BACKGROUND

*Grupo SOMA's pillars* were built from 1991 to 2010



# GRUPO SOMA'S BUSINESS MODEL



## Our Principles

- 
**Processes**

Platform subordination to brands and not the opposite
- 
**Brand**

Respect to creative directors
- 
**Creation**

Perpetuation of brands creation through succession plan
- 
**Partnership**

Corporate alignment enhanced by partnership model
- 
**Collaboration**

Association between creative and business directors

# UNIQUE PORTFOLIO

Building a *resilient portfolio of brands*

## Effective Fashion Strategy

- Building a brand portfolio is a path to **balanced business growth** and **brand exclusivity**
- Brands are perceived as **independent**, despite sharing operational resources
- Brands with different value propositions can serve the same customer in **different consumption situations**
- **Digital and consumer-focused mindset** support brands continuity keeping them aligned with market trends

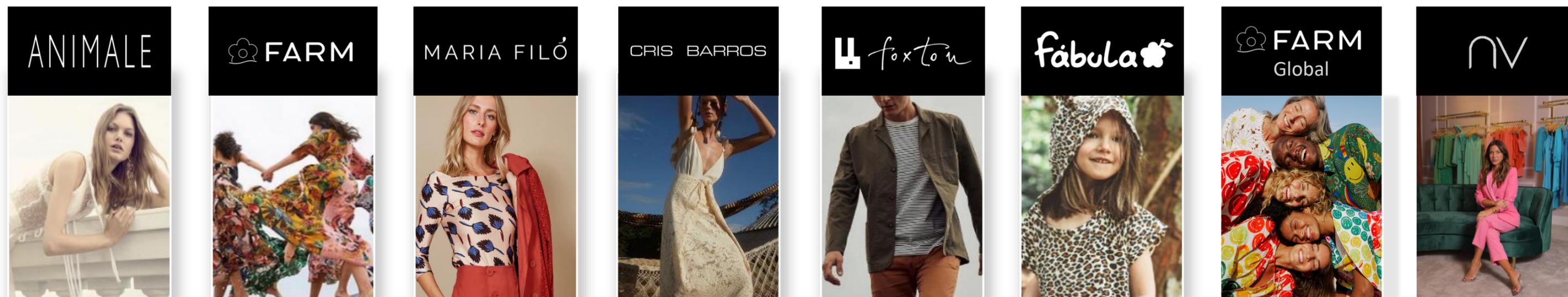
## Portfolio of current brands

Fashion Segment



# UNIQUE PORTFOLIO

Brands with *distinct cultures*



## Culture

Independent  
Sophisticate,  
Sensual

Carioca Style  
Colorful,  
Lightweight

Classic And  
Modern  
Everyday Wear

Creative  
Elegant,  
High Fashion

Classical  
Practical,  
Comfortable

Imaginative  
Comfortable,  
Creative

Unique style of  
FARM in the  
USA

Modern,  
Creative,  
Color work

Founding Year	1991	1997	1997	2002	2004	2008	2018	2009
Sales (%) <sup>1</sup> of Group	24%	42%	9%	5%	2%	3%	9%	10%
Number of Stores <sup>2</sup>	71	76	50	10	21	13	2	5

(1) Considers 1Q21 figures. For NV, the % includes the total revenue of NV in 1Q21 (R\$ 47.3 mm / R\$ 450.5 mm)

(2) As of March 31, 2021. Considers owned stores and franchises of Maria Filó

2

*GROWTH*

*AVENUES*

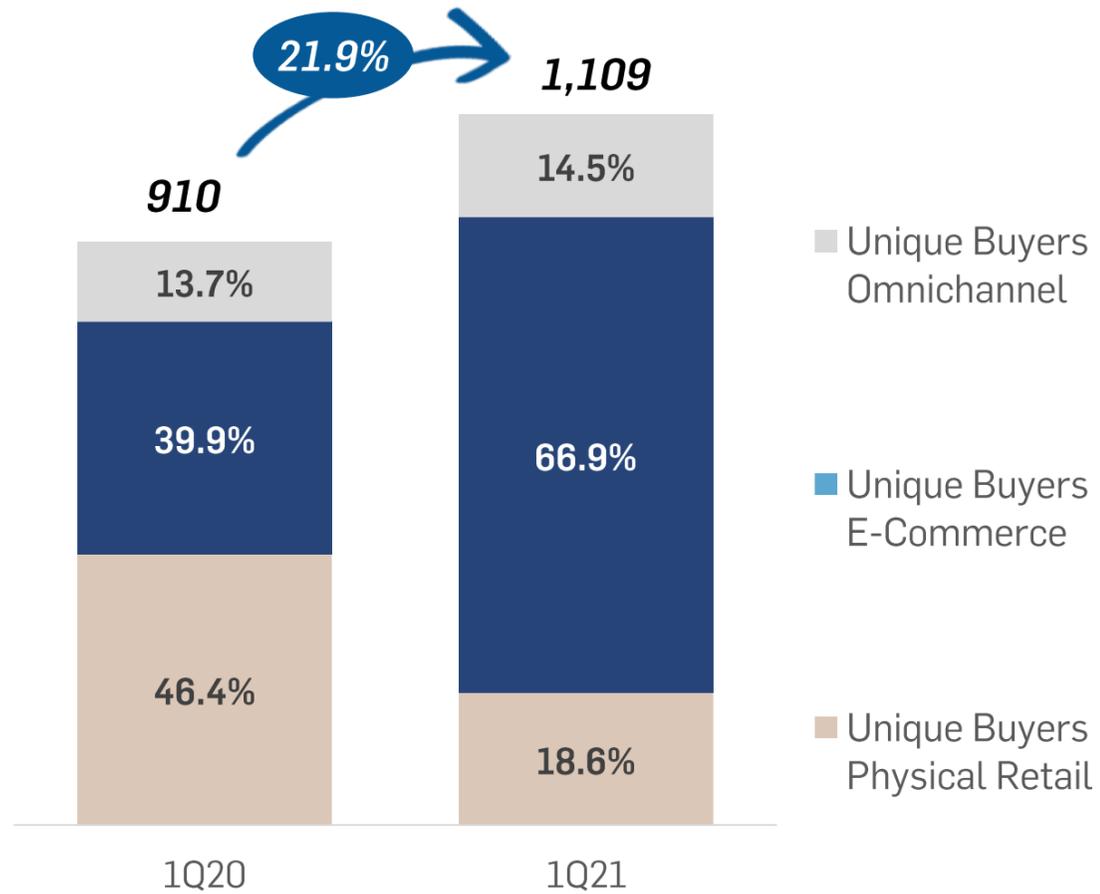


**DIGITAL  
AS A CHANNEL OF  
DESIRE  
GENERATION**

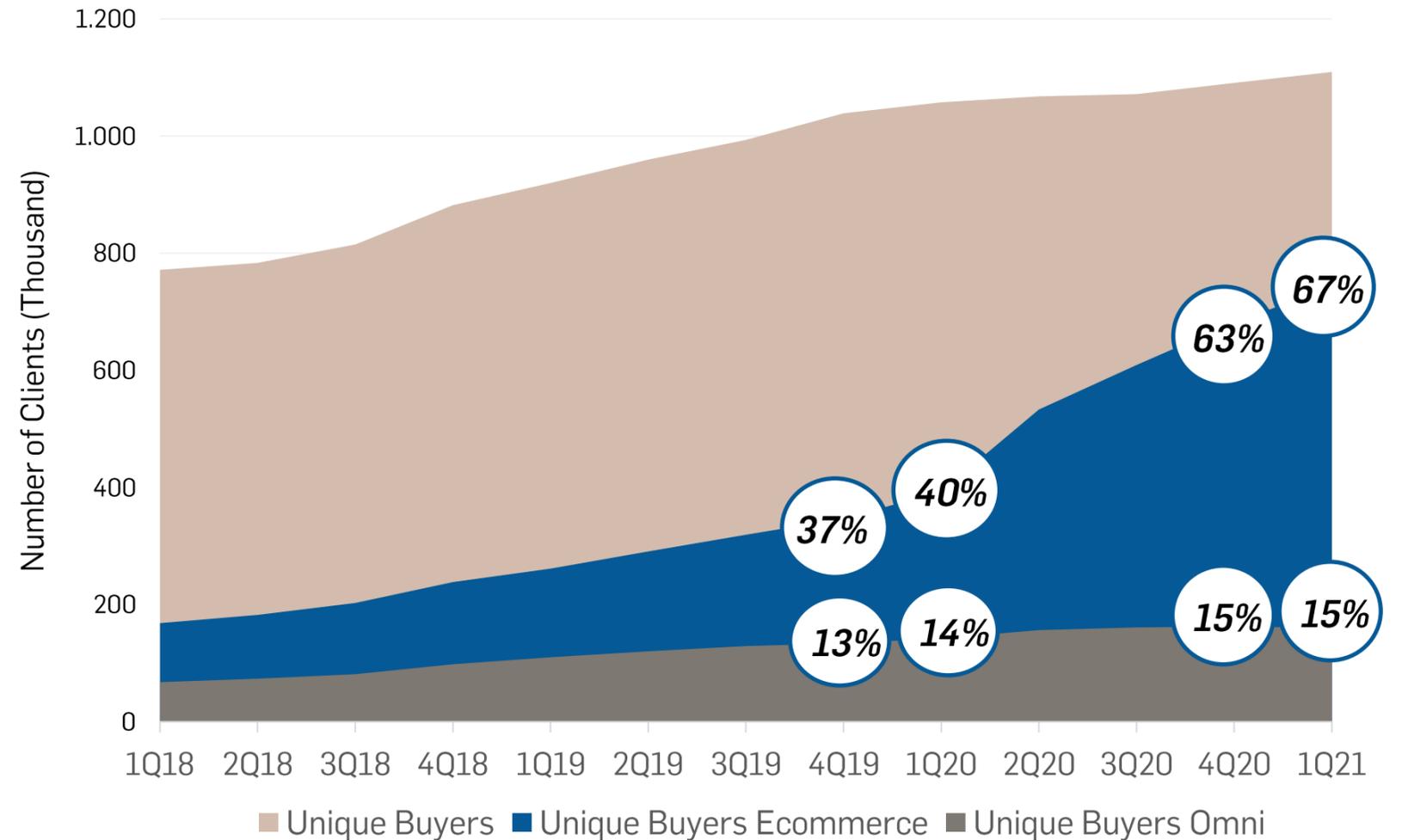


# Digital channels expanding the active clients base

CLIENTS BASE EXPANSION



DIGITAL AND OMNICHANNEL PROGRESS



**+21.9%**

clientes base 1Q21 vs. 1Q20

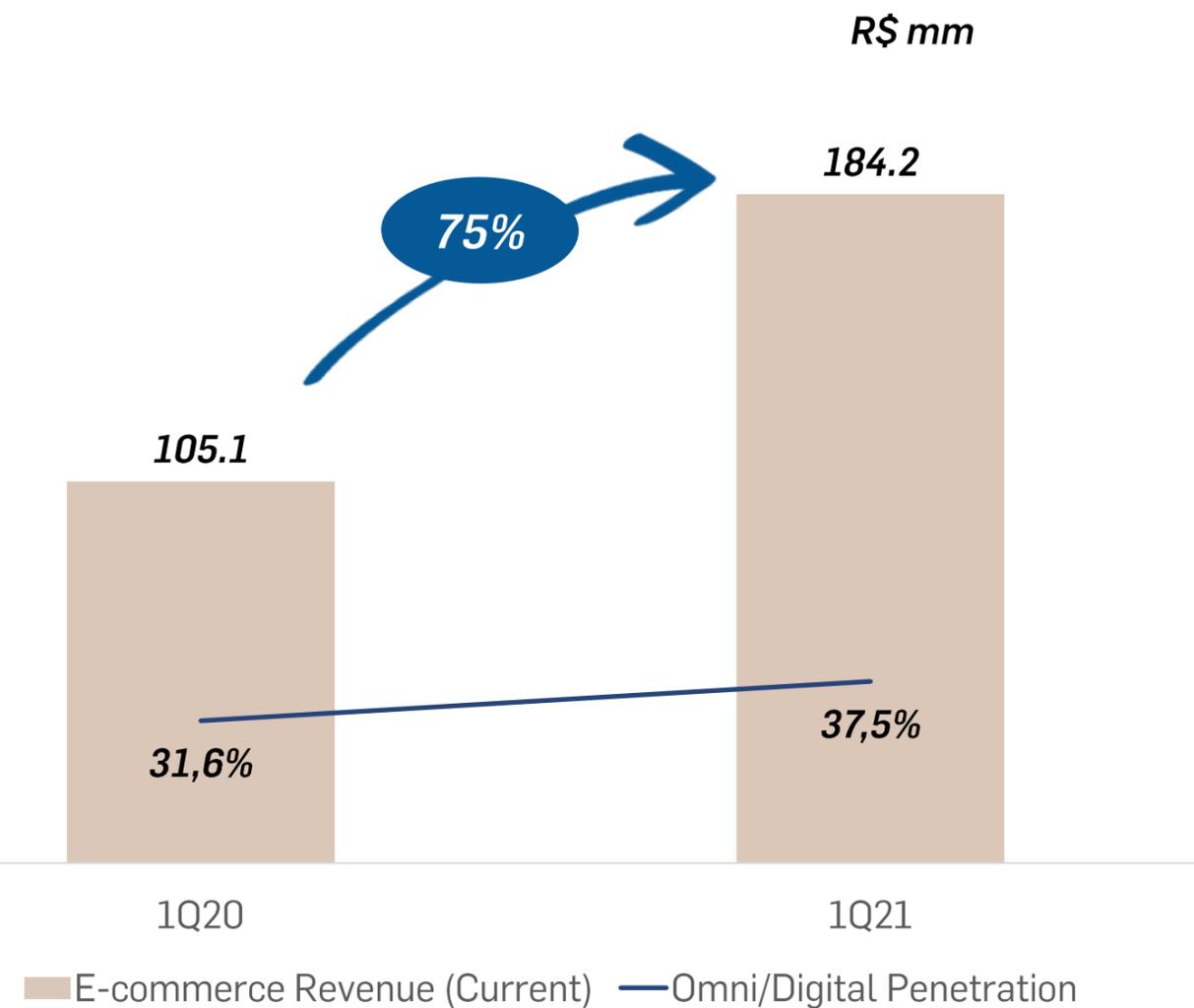
**67%**

of digital penetration

**+350 k**

digital clientes 1Q21 vs. 1Q20

**75%**  
*digital growth*



**44%**

*share in Company's total revenue*

**Gross margin** growth vector for the Company

On the other hand we keep on being prepared for the return of normal levels in the physical retail

# +VENDAS, A COMPLETE OMNICHANNEL

With the integration of the wholesalers on the + Vendas platform, the SOMA Group completed all of the stages of the omnichannel project.

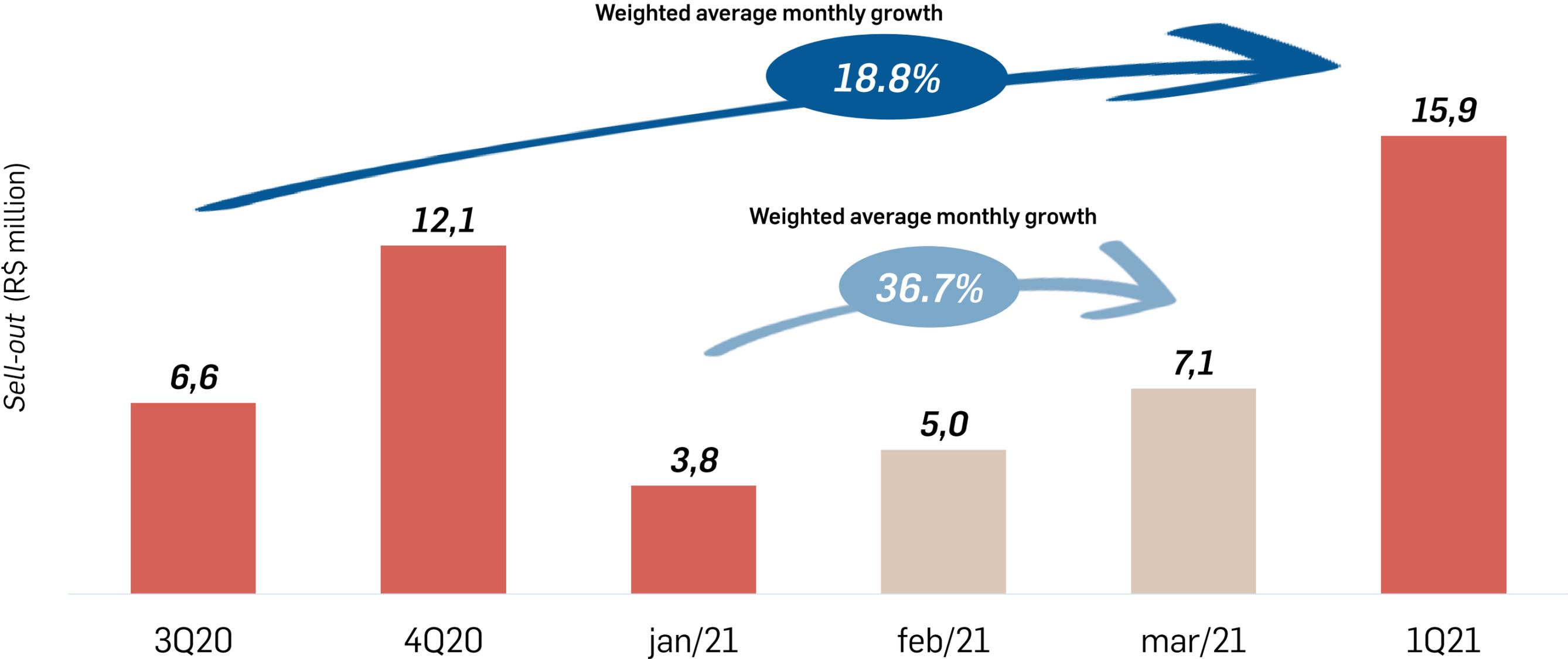
Today, **+ Vendas is a complete platform**, which not only integrates the inventory of Grupo SOMA to the multibrands, but also allows that the wholesalers to:

- have access to the **unified content of the Group**;
- launch **carts** for customers to complete purchases;
- track **sales in real time**;

**+ 450 k**  
*accesses on the quarter*

*Full Omni with high maturity  
and important value drive*

**+VENDAS: REVENUE WITH MULTIBRANDS ACCESSING GRUPO SOMA'S INVENTORY**



<sup>1</sup> Weighted average monthly growth since the beginning of the project, in april/20 until march/21

# LIVE COMMERCE

100% digital and interactive platform, with *proprietary technology* of SOMA.

**17%**  
*conversion*

**BRL 5.2mm**  
*of sales in 1Q21*

**BRL 2.0mm**  
*Record of sales in one live  
(12/May)*

**BRL 6.7mm**  
*of sales in the 2Q21<sup>1</sup>*

<sup>1</sup> Until 12/May



# APPS

With its **accelerated growth**, more and more the app represents **Animale** brand in the palm of the client's hand.

**28%**  
*of digital sales*

**+3X**  
*conversion in the web*

We launched last week **the FARM app**, which will be a **great growing opportunity** for brand sales, given the digital traction of the brand.

***IOS and Android launching***  
***May/21***



# FARM GLOBAL, INTERNATIONAL GROWTH AVENUE





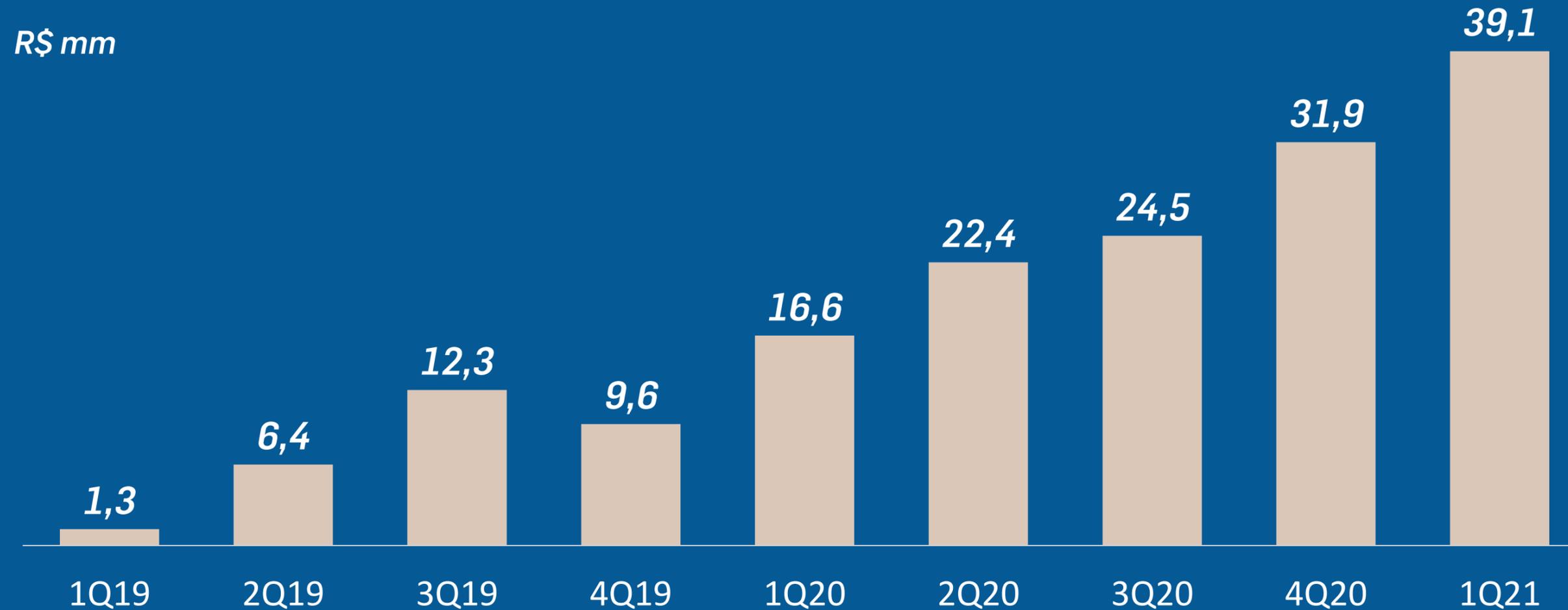
**“Desire brand”** in the North American market

Vigorous **return** of consumption in US

**Present** in the most renowned department stores worldwide

**2<sup>nd</sup> largest** gross margin in the Group

# FARM GLOBAL GROSS REVENUE



**Consistent top line growth** even during the pandemic  
A **unique product** in the North American market

Gross Revenue in 1Q21

***BRL 39.1mm***

***+135.5%***

vs.1Q20

Digital

***BRL16.1mm***

***+152.8%***

vs.1Q20

Wholesale

***BRL21.8mm***

***+152.3%***

vs.1Q20

# Broad presence in the United States in only 2 Years of operation

PRESENT IN  
**159 STORE**

IN THE 2Q21  
+ 5 store-in-store  
+ 2 pop-ups

**74 THOUSAND** CLIENTS IN ALL  
UNITED STATES TERRITORY



*Present in the main department stores, such as: Saks Fifth Ave, Neiman Marcus, Nordstrom, Anthropologie, Intermix, Shopbop and Rent The Runway*

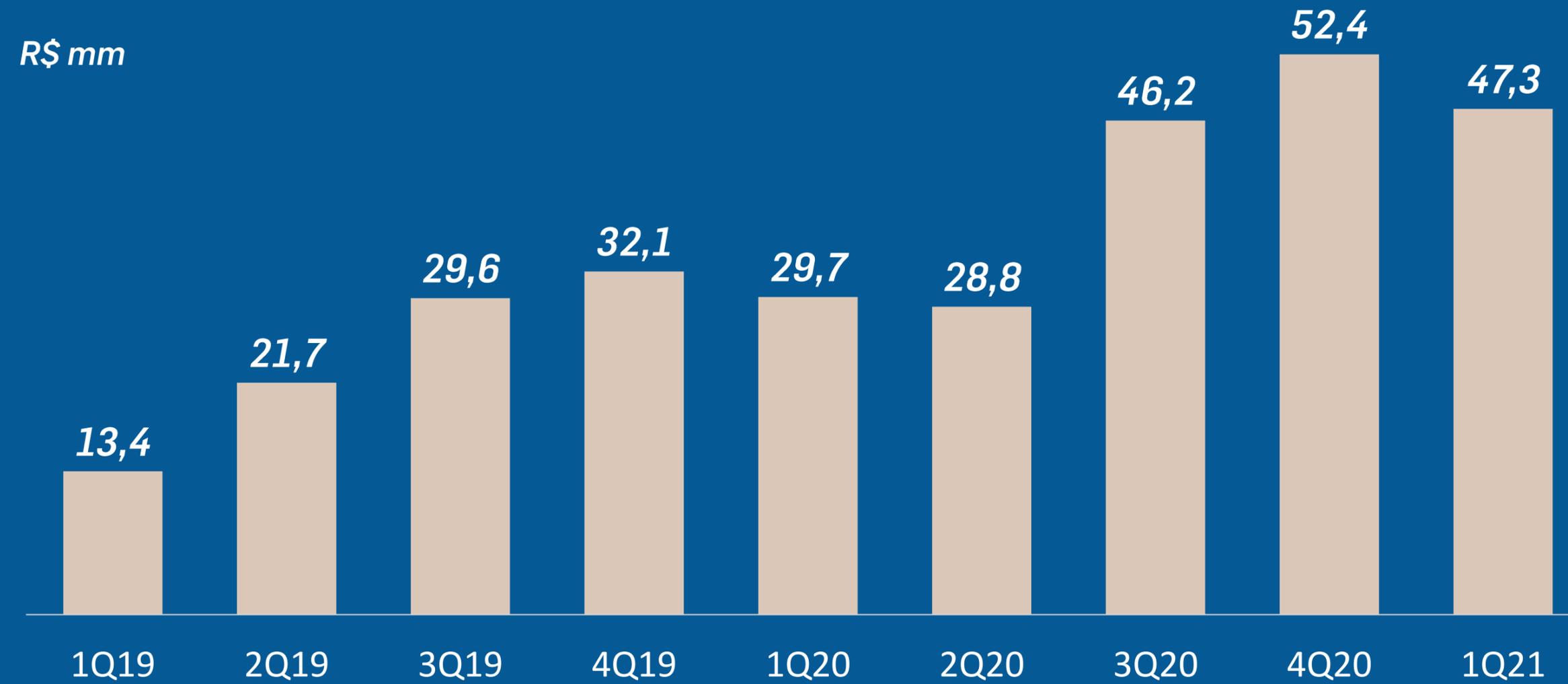


Already has clientes in all the USA, mainly due to the high participation of digital channel, which represents 93% in the retail sales in 1Q21.

**NV,  
OPPORTUNITY TO  
RAMP UP GROWTH**



# NV GROSS REVENUE



- NV, a digital native brand with an *incredible audience*
- Opportunity of *growth throughout the national territory*

Acelerating top line in 1Q21

***BRL 47.3<sup>1</sup> mm***

***+58.3%***

vs.1Q20

<sup>1</sup> Considering all of 1Q21,  
including the period before the  
incorporation of NV

***NV results were incorporated in Grupo SOMA in march/21,***  
when occurred the closing of the operation. The brand summed  
***BRL 14.9 millions*** in the Groups gross revenue in the 1Q21

Digital

R\$24.9<sup>1</sup>mm

+79.5%

vs.1Q20

<sup>1</sup> Considering aall of 1Q21,  
including the period before the  
incorporation of NV

*Desired brand with great audience.*

Accelerate growth with SOMA's *digital know-how*,  
enational physical expansion, generating brand awareness.

**+5 new stores** in the 2S21 – Rio, BH, Recife e Curitiba - in  
addition to the current 5 (all in SP).

**3**

***FINANCIAL  
RESULTS***



# HIGHLIGHTS

## 1Q21



**BRL 418.1 MM**  
Revenue

**+17.0%**  
vs. 1Q20

**+19.0%**  
vs. 1Q19



**BRL 184.2 MM**  
Digital

**+75.3%**  
vs. 1Q20

**+264.8%**  
vs. 1Q19



**BRL 39.1 MM**  
FARM Global

**+135.5%**  
vs. 1Q20

**+2,907.7%**  
vs. 1Q19



**64.6%**  
Gross Margin

**+5.5 p.p.**  
vs. 1Q20

**+3.0 p.p.**  
vs. 1Q19



**BRL 23.4 MM**  
Adjusted EBITDA

**+254.5%**  
vs. 1Q20

**BRL 14.9 MM**  
Adj. Net Income

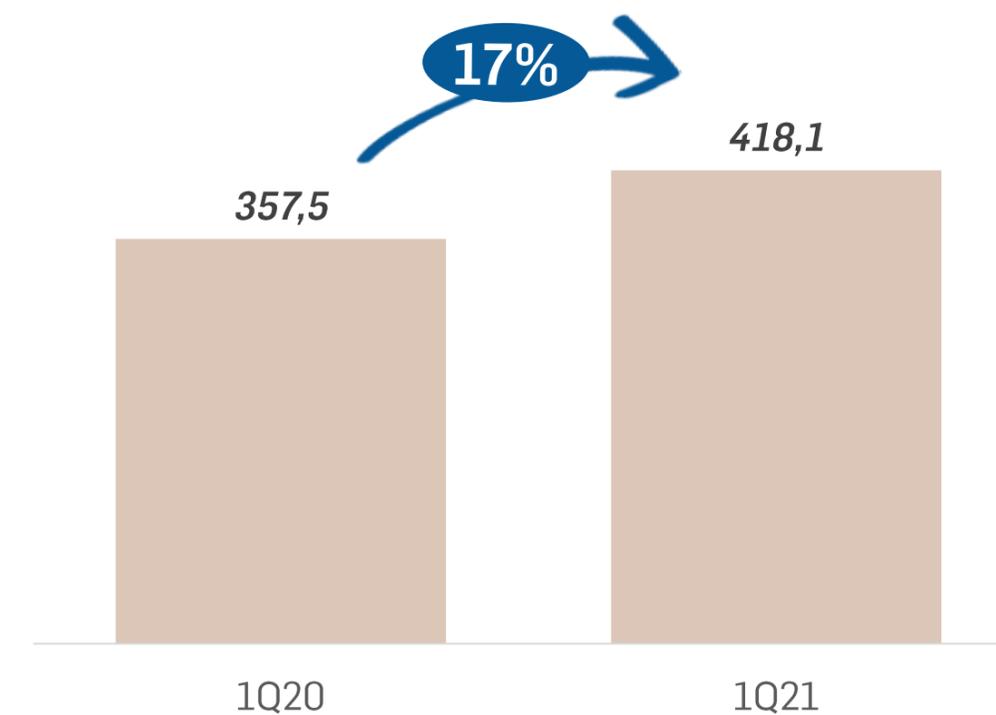
**+446.5%**  
vs. 1Q20

# Gross Revenue 1Q21

<i>BRL million Channel</i>	<i>1Q21</i>	<i>1Q20</i>	<i>1Q21 vs. 1Q20</i>
Retail (Physical + Digital)	306.6	274.3	11.8%
Wholesale	111.5	76.6	45.6%
<b>Total (Current)</b>	<b>418.1</b>	<b>350.9</b>	<b>19.2%</b>
Brands that were ended <sup>1</sup>	0.0	6.6	-100.0%
<b>Total</b>	<b>418.1</b>	<b>357.5</b>	<b>17.0%</b>

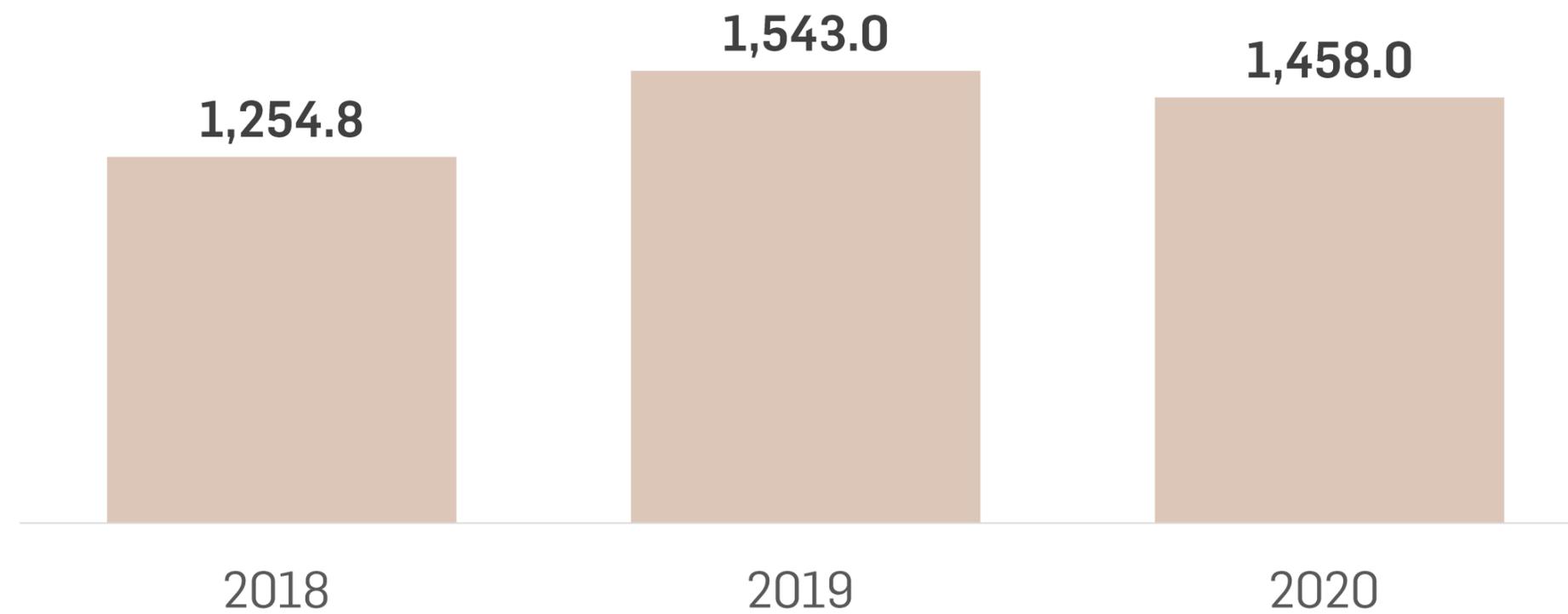
<sup>1</sup>Results from FYI, a brand that the Company ended

**TOTAL GROSS REVENUE (BRL mm)**



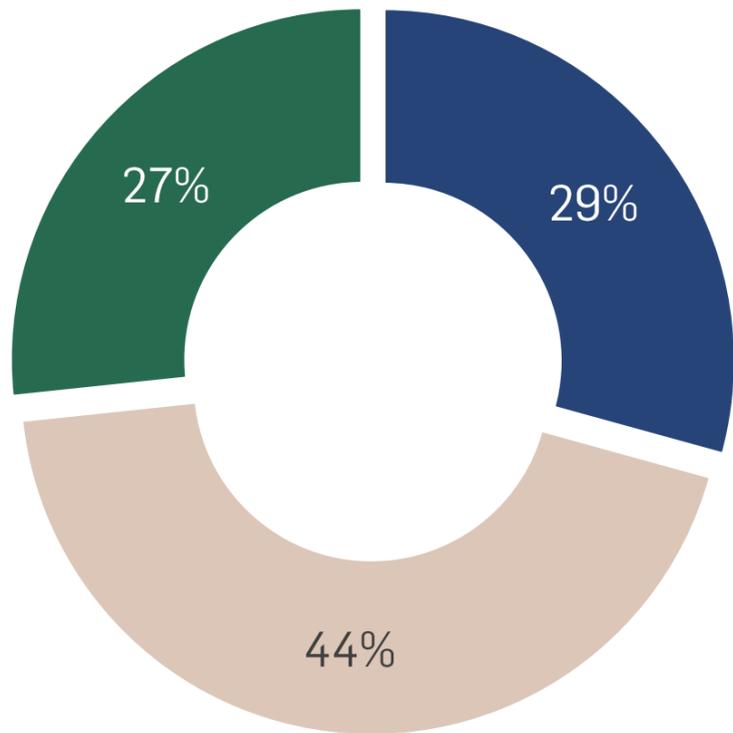
# *Gross Revenue Evolution*

*TOTAL GROSS REVENUE (BRL mm)*



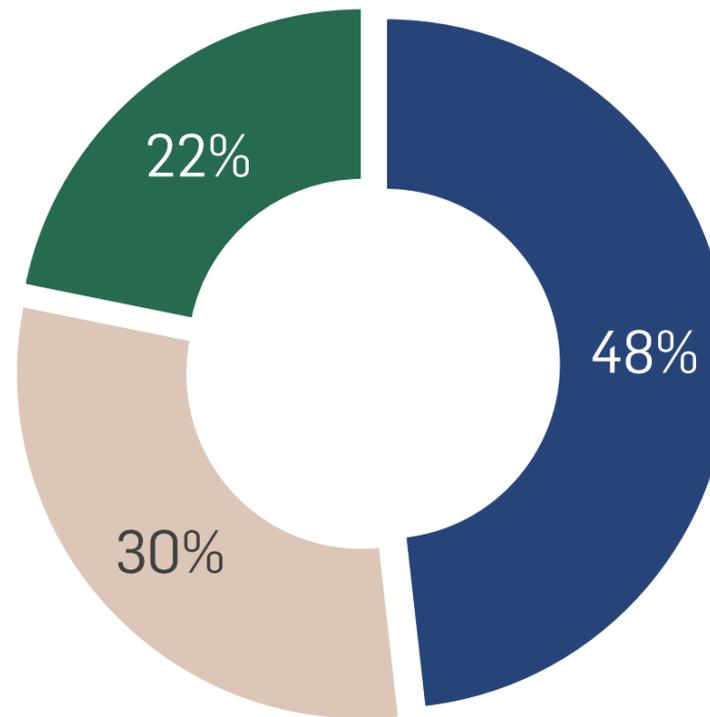
# Digital share growth

1Q21



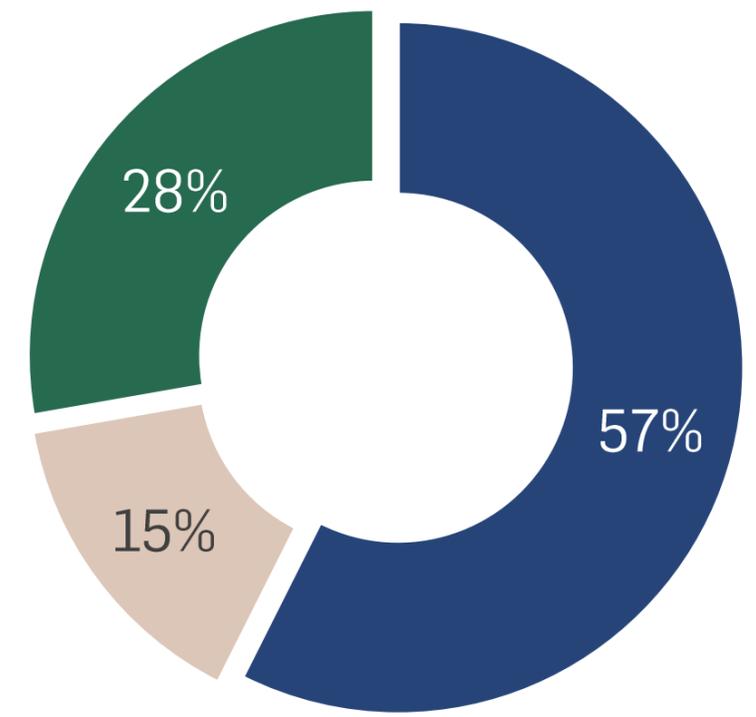
■ Physical Retail ■ Digital ■ Wholesale

1Q20



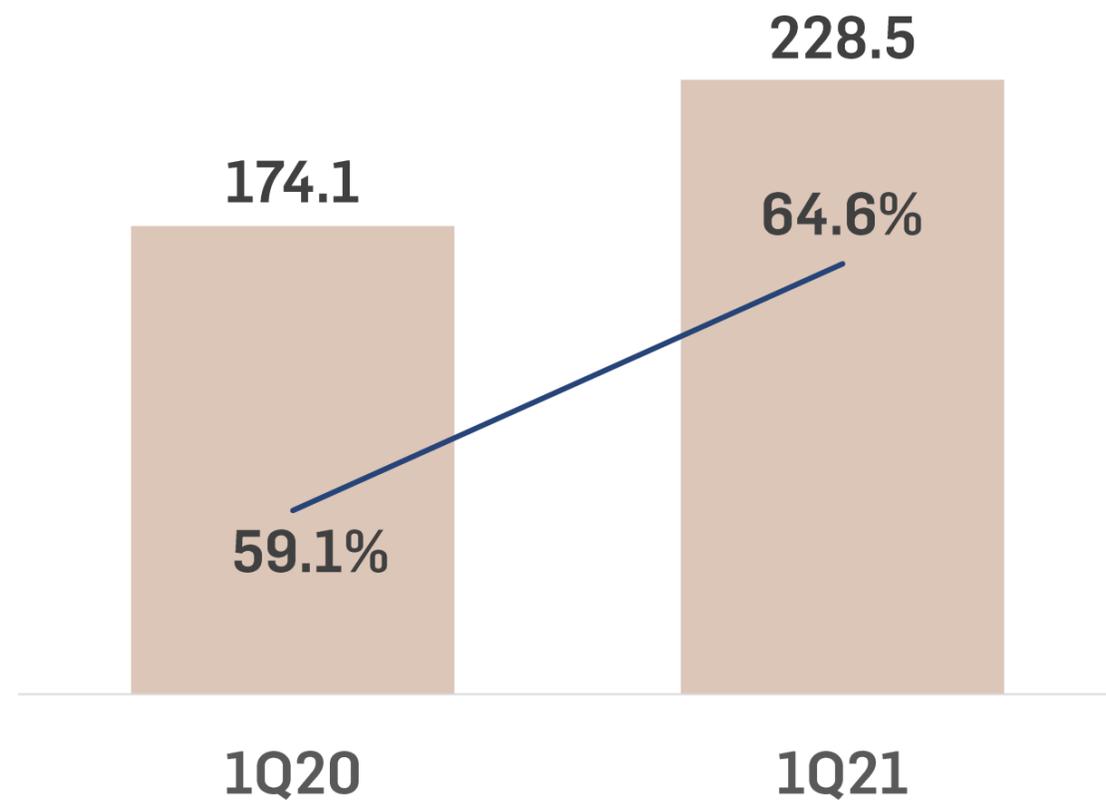
■ Physical Retail ■ Digital ■ Wholesale

1Q19



■ Physical Retail ■ Digital ■ Wholesale

# Gross Profit and Expansion of Gross Margin 1Q21



Growth of **31.3%** of the **Gross Income**

Expansion of **5.5 p.p.** of **Gross Margin**

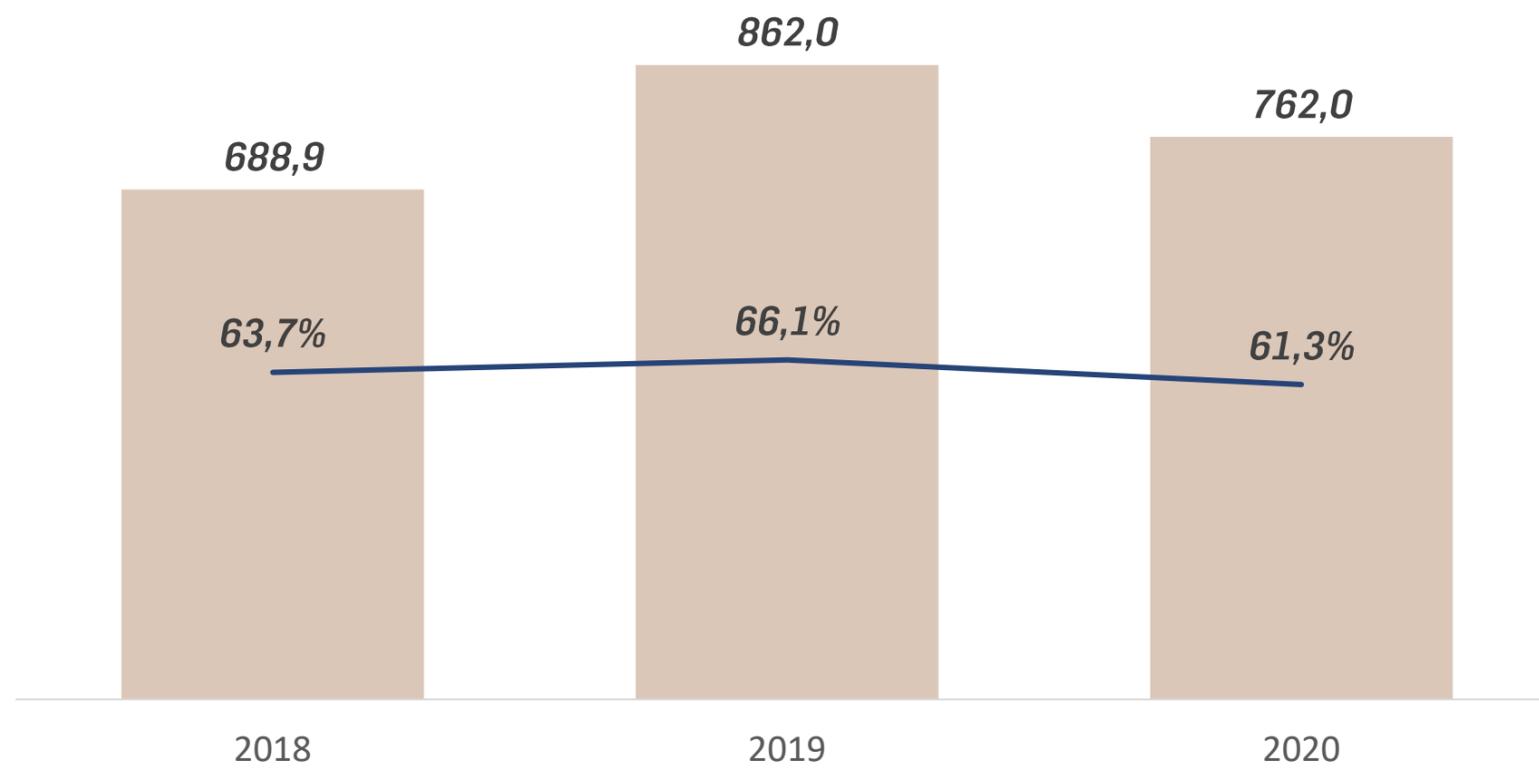
High sales in full price on digital

Better management of off inventory

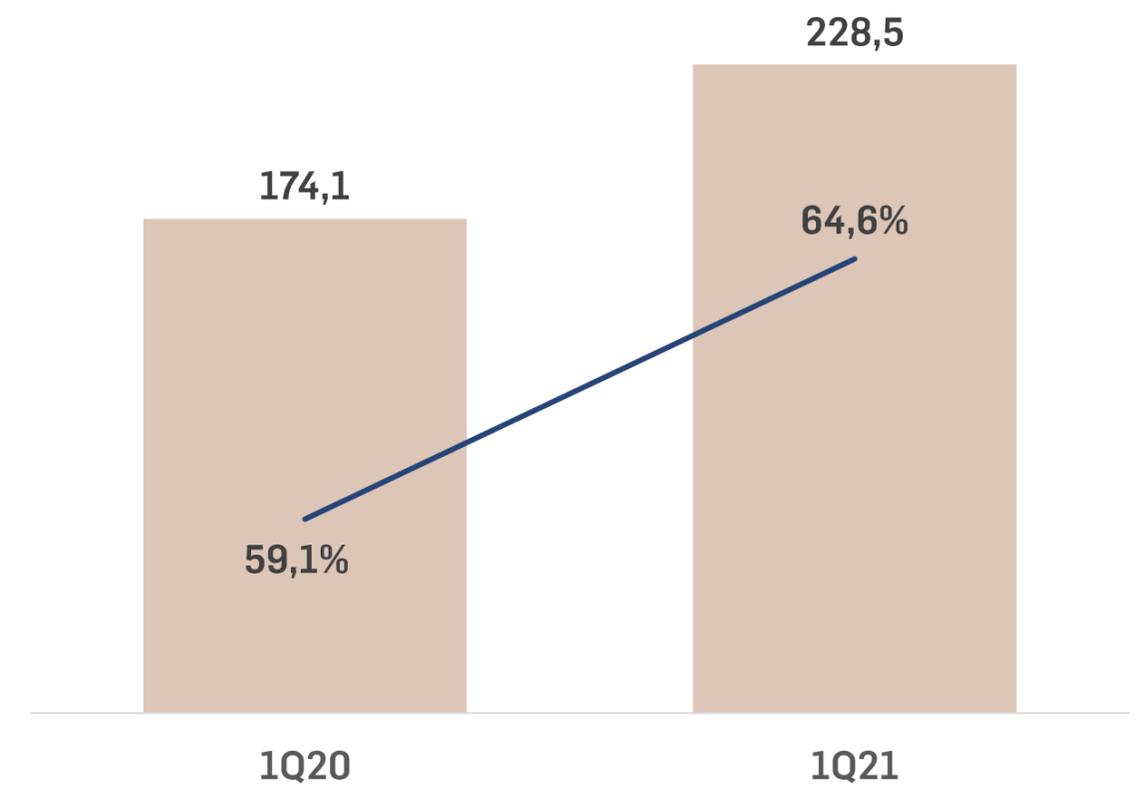
Higher gross margin of **FARM Global**

# Gross Profit and Gross Margin Evolution

*HISTORICAL EVOLUTION (BRL mm)*

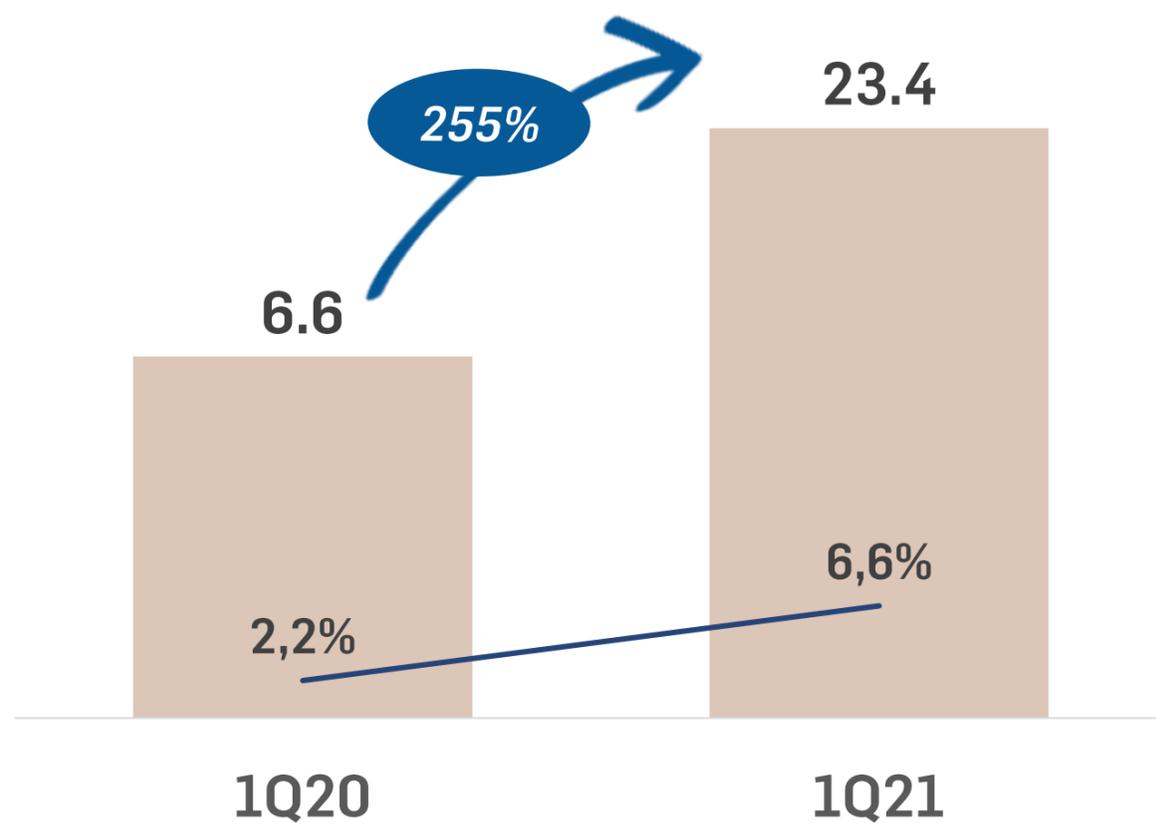


*1Q21 vs. 1Q20 (BRL mm)*

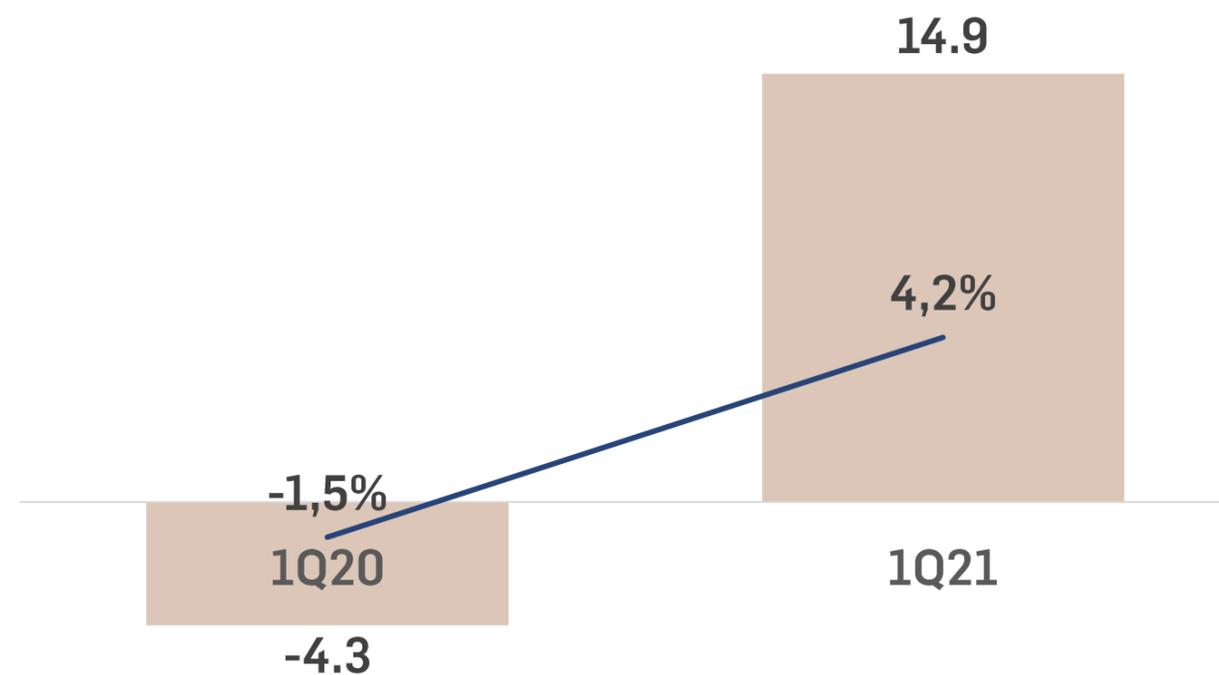


# EBITDA e Net Income 1Q21

EVOLUTION OF ADJUSTED EBITDA (BRL mm)

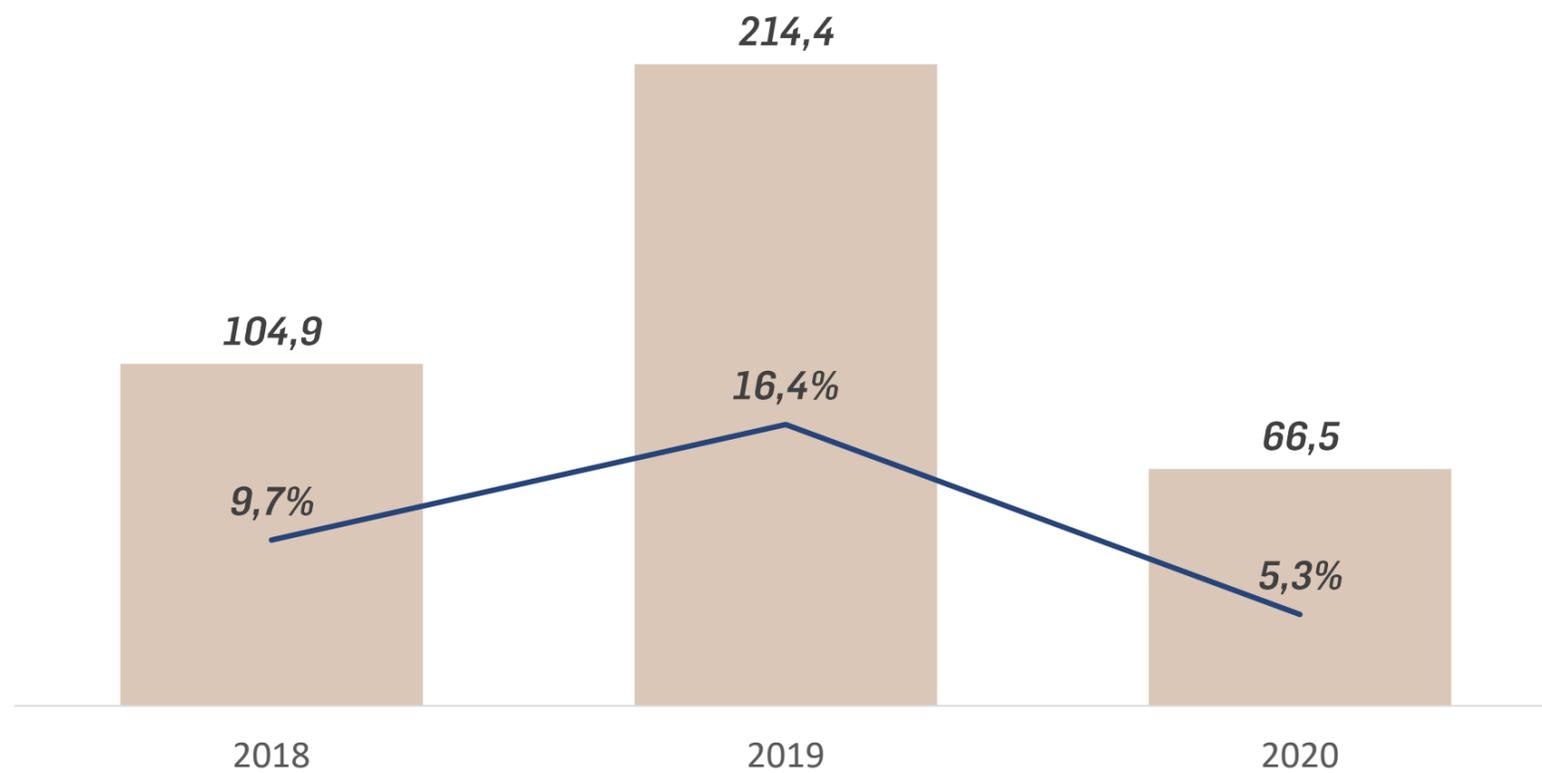


EVOLUTION OF ADJUSTED NET INCOME (BRL mm)

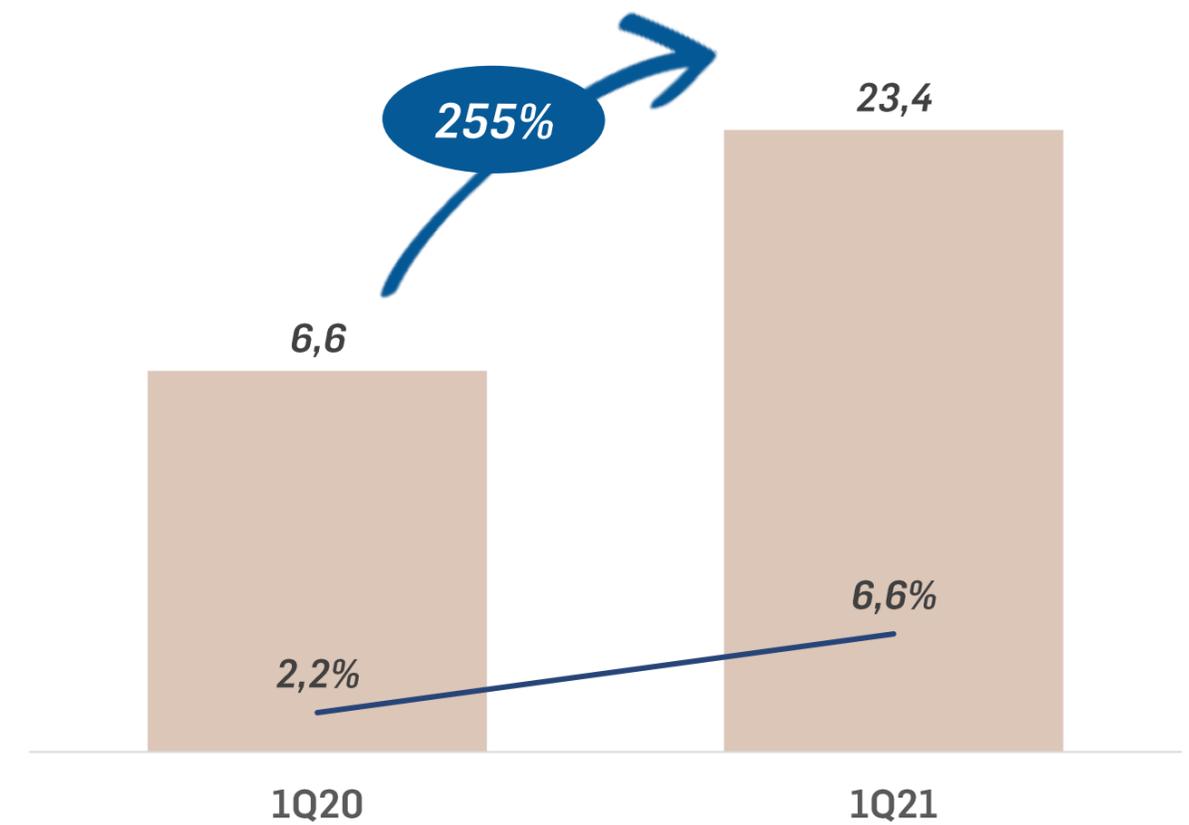


# ADJUSTED EBITDA EVOLUTION

HISTORICAL EVOLUTION (BRL mm)

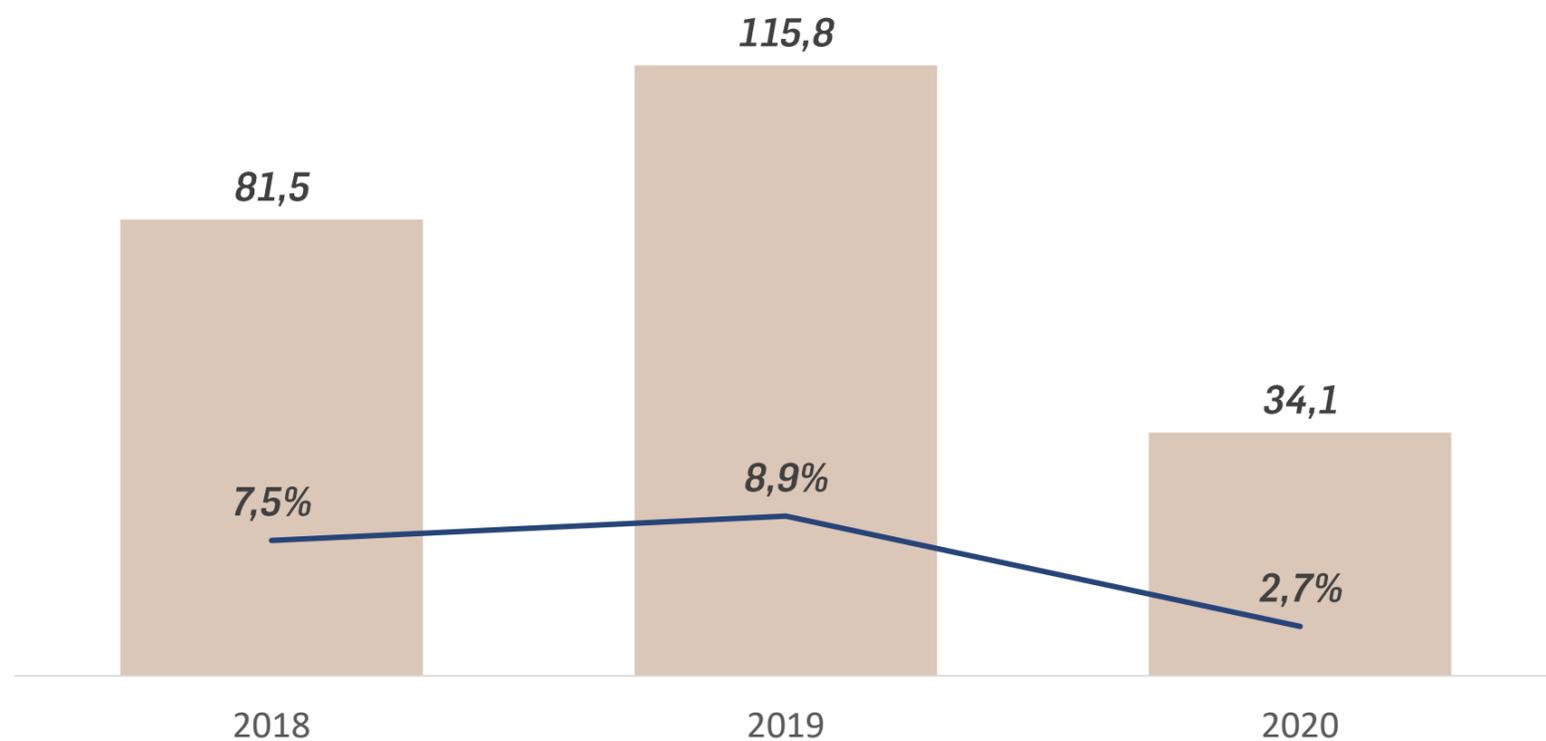


1Q21 vs. 1Q20 (BRL mm)

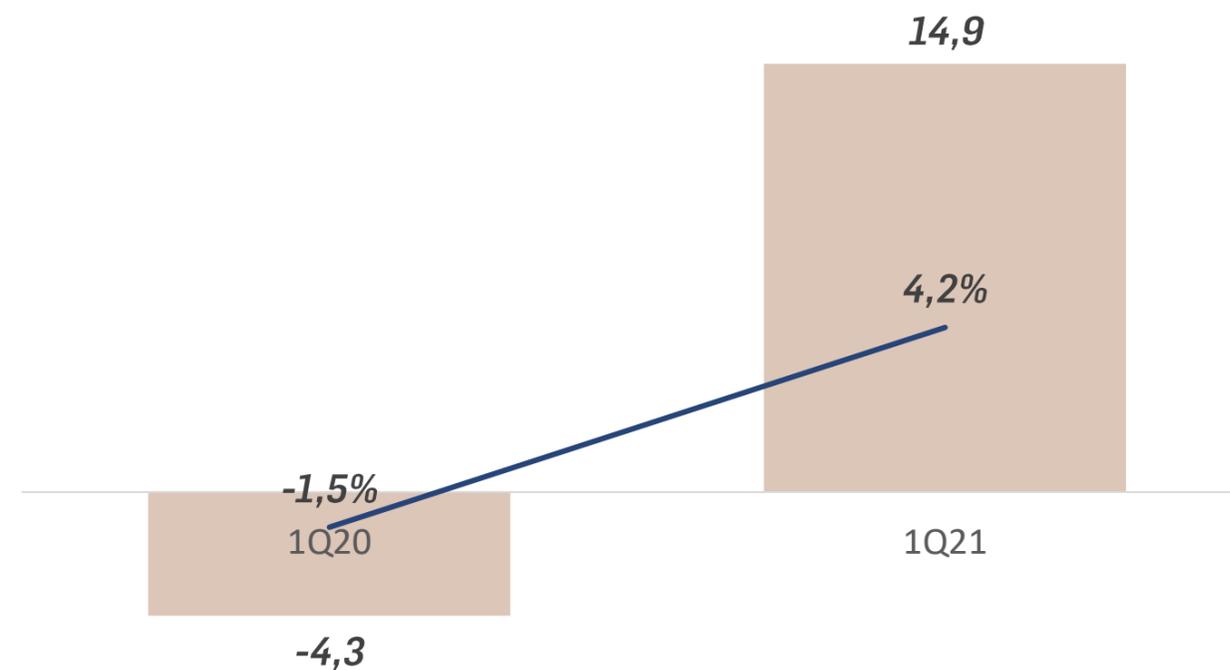


# NET INCOME EVOLUTION

HISTORICAL EVOLUTION (BRL mm)



1Q21 vs. 1Q20 (BRL mm)



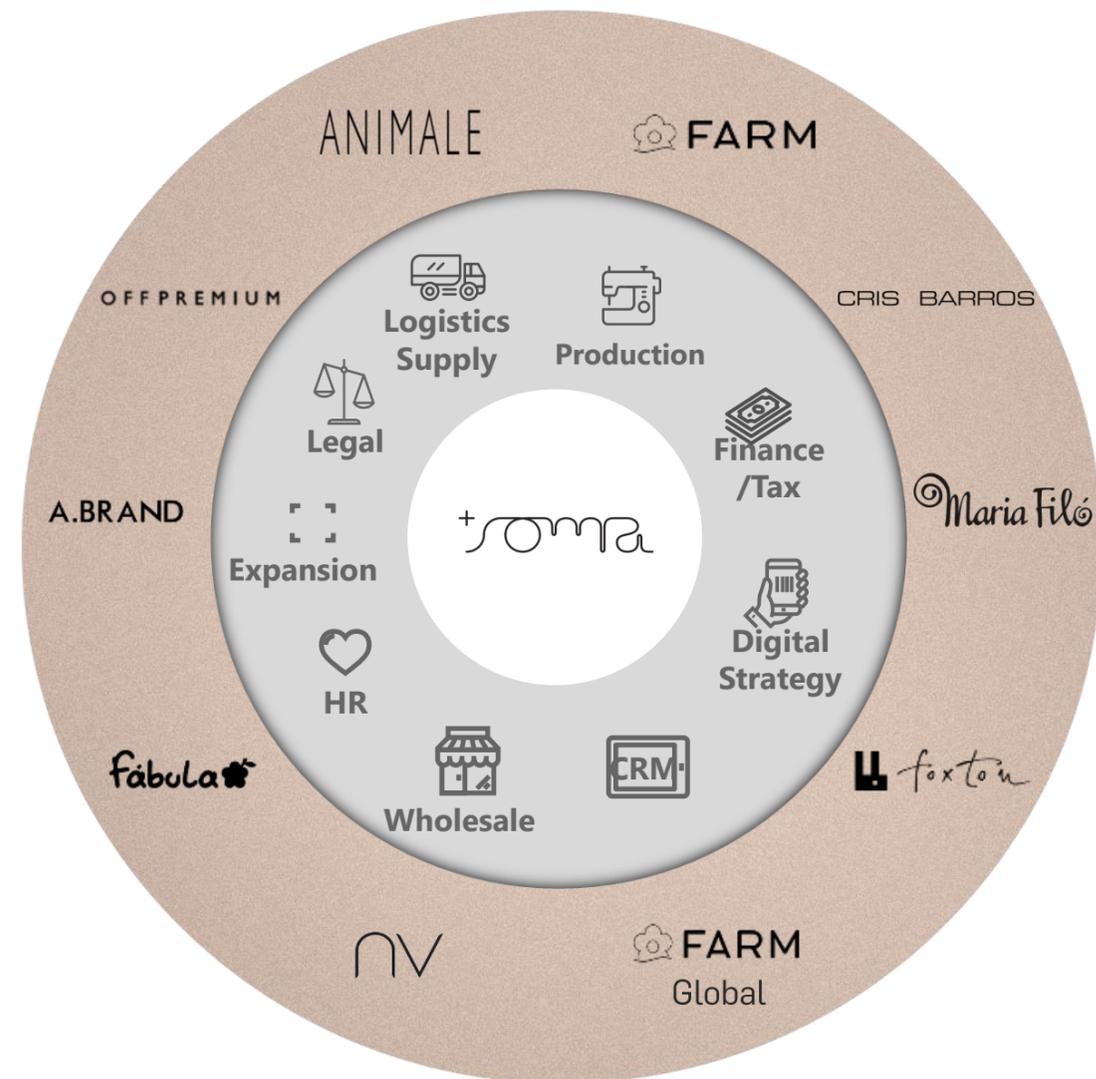
**4**

***HERING***

***ESTRATEGIC  
PILLARS***



# Consolidation Strategy



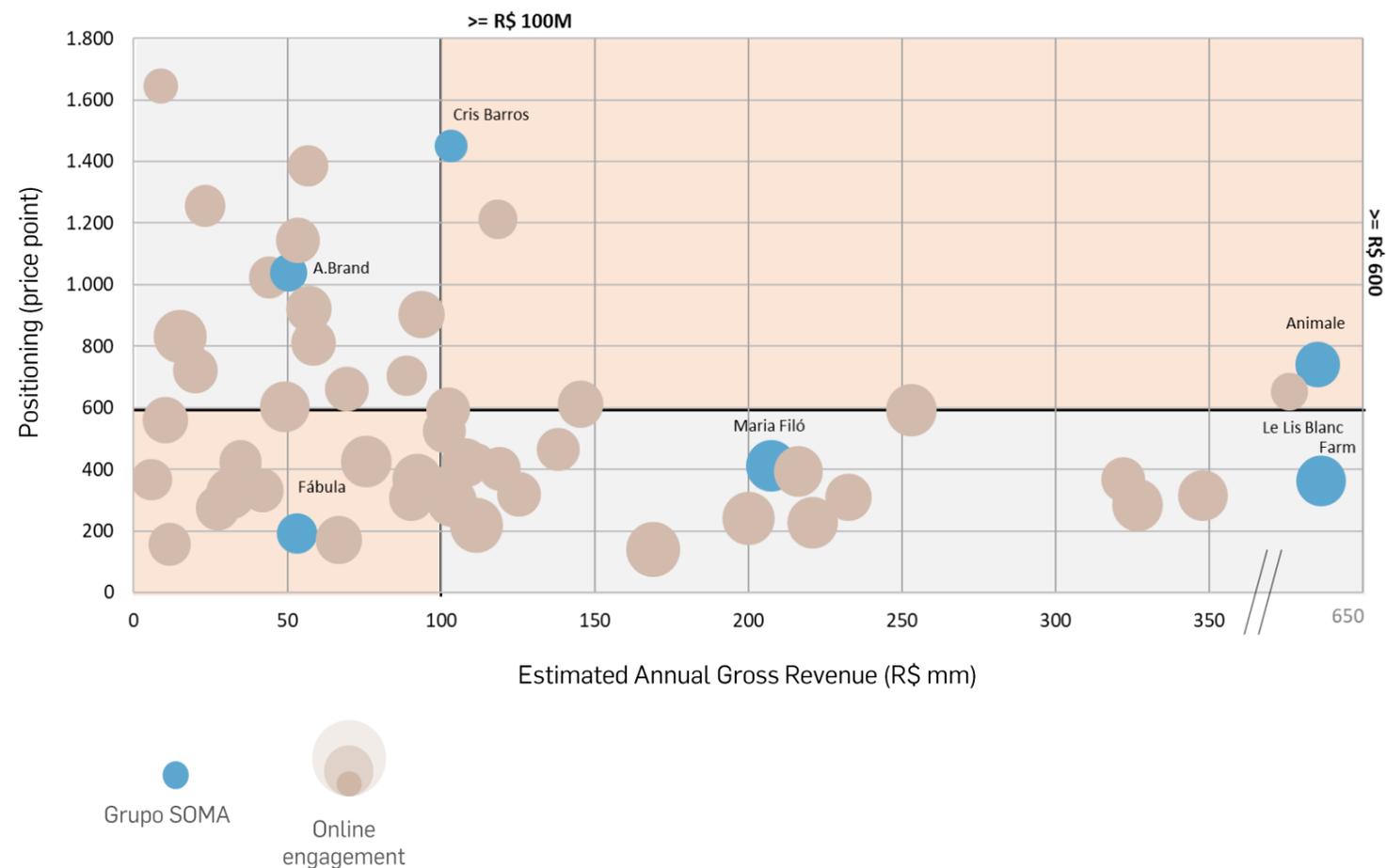
## The strategy was maintained...

- Support and accelerate the **growth of brands** through our platform
- **Consolidation strategy** in different price points and niches
- Build a **diversified and complementary brand portfolio of “desire brands”** in different stages of maturation and with potential growth

# Going back to the IPO thesis

## ... the tactic has changed

The brands were strongly affected by the pandemic with a drop in results and high leverage, which made new acquisitions unfeasible



## Our vision for the future

- **Polarization** of large mature brands and digital native brands
- **Absence of assets** available in our sweet spot (R\$ 15 - 40 mm EBITDA)
- **Digital natives**, still small and with unknown cycles
- **Risk of deceleration** in the pace of future growth of the Company
- **Hering as a unique opportunity and transformation for value generation**, with focus and attention on an iconic asset

# Motivations for the deal

Hering is **top of mind**

**Operation led** by creative directors, specially, from FARM

**140-year-old**, traditional, resilient brand that delivered **BRL 255M<sup>1</sup>** of EBITDA (average in 2018, 19, 21 and 22) and strong cash generation

The brand is recognized, **desirable** and loved by Brazilian consumers

**Large asset** that we will focus on for a long period, with a greater potential for incremental results

A **less “modal”** product

# Motivations for the deal

**Complementarity of skills** from both sides

Industrial efficiency (cost, lead time and SLA), added to gains in scale, positively impacting the group's gross margin

**Greater opportunity** in the collaborative process ("collabs" and brand activations) with Hering, due to the generational transition

Great growth potential in **digital channels**, due to the **desirability potential**

Brand with a strong **footprint** in the national market

# Motivations for the deal

**Great expansion** of Grupo SOMA's addressable market (increase of **BRL 51 Bi<sup>2</sup>** considering clothing for classes A, B and C1)

More than **9mm** customers, with CRM and financial product potential

Good level of **compliance** and a very mature ESG agenda

(2) Source: Statista, IPC Maps mercado de vestuário confeccionado 2019 and Cia Hering IR. Considered potential of consumption A, B1, B2 e C1.

# *The Hering investment thesis consists of 9 large quantifiable levers*

**Sinergies in Revenue**

**Sinergies in Cost and Expense**

**Sinergies in Cash Flow**

## **Opportunities in Digital and Whosale**

1. Acceleration of digital presence

2. Cross-selling Hering wholesaler POS for Grupo SOMA

SOMA impact

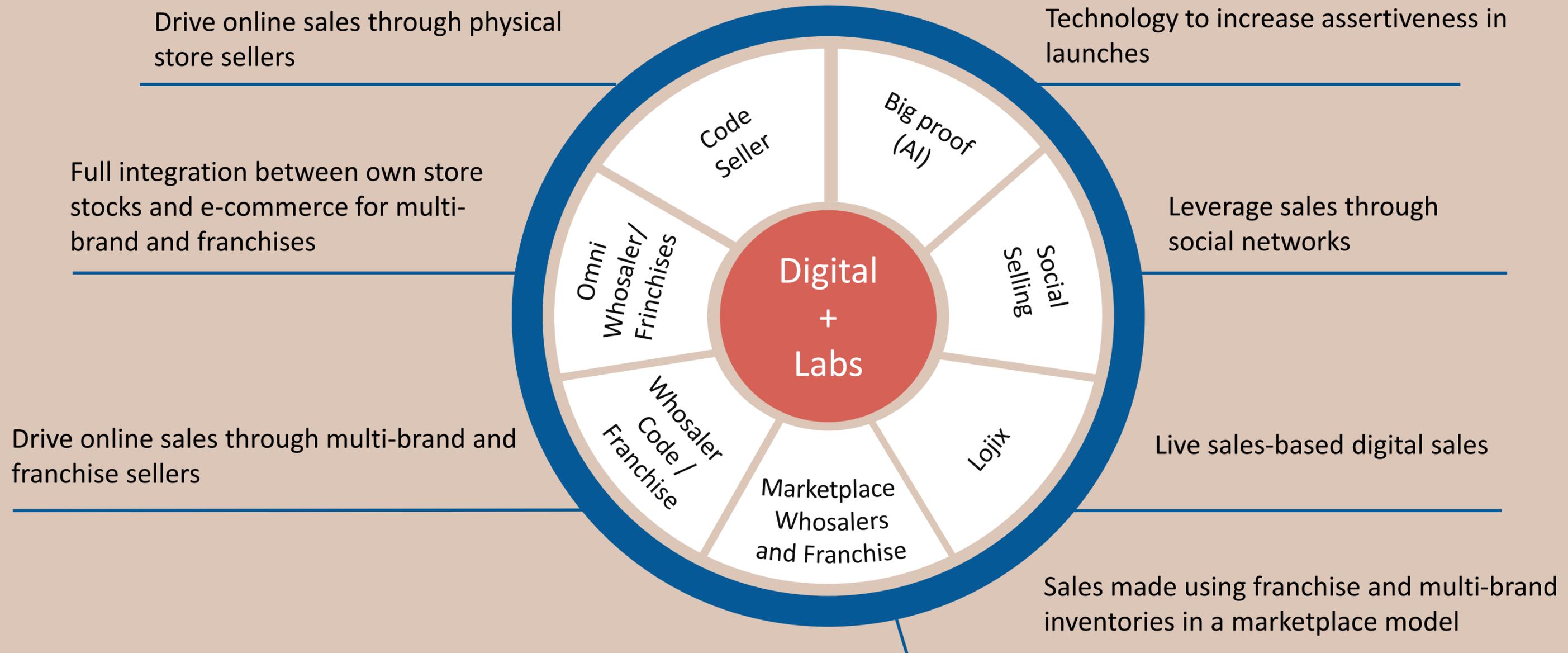
Hering impact

Both impact



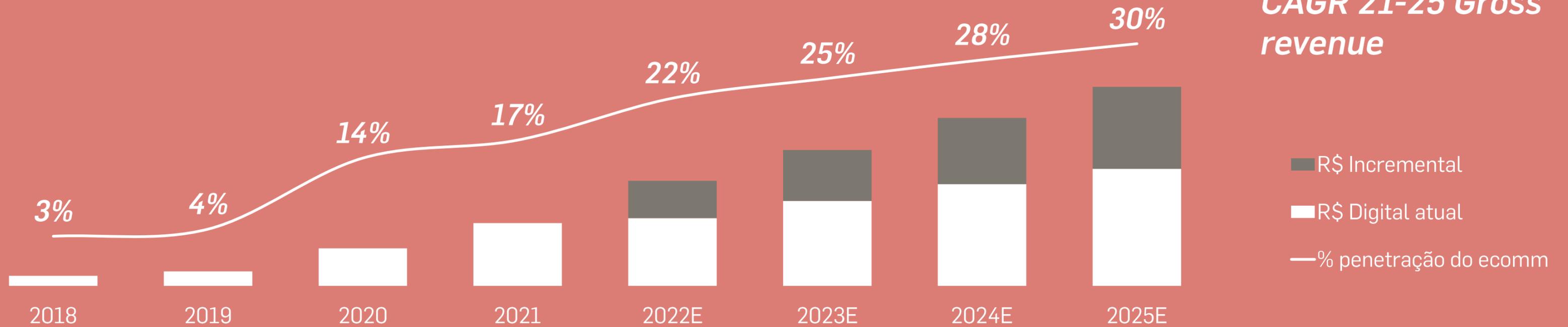
# Acceleration of digital presence, generating desire for the on and off brand

Major digitization projects:

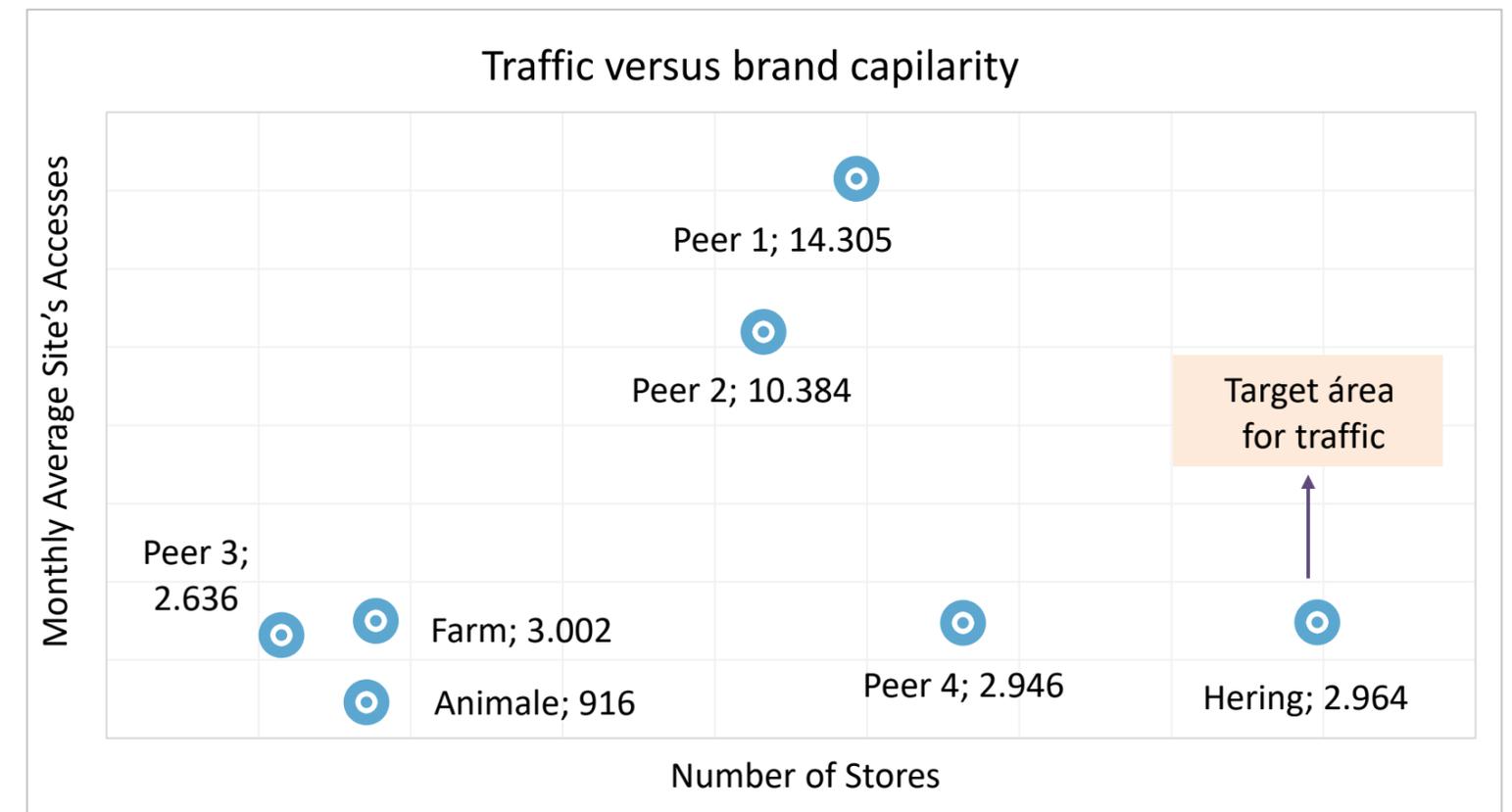


# Acceleration of the digital presence, generating desire for the on and off brand

E-commerce Gross Revenue (R\$ mm) and e-commerce penetration (%)



# Acceleration of the digital presence, generating desire for the on and off brand

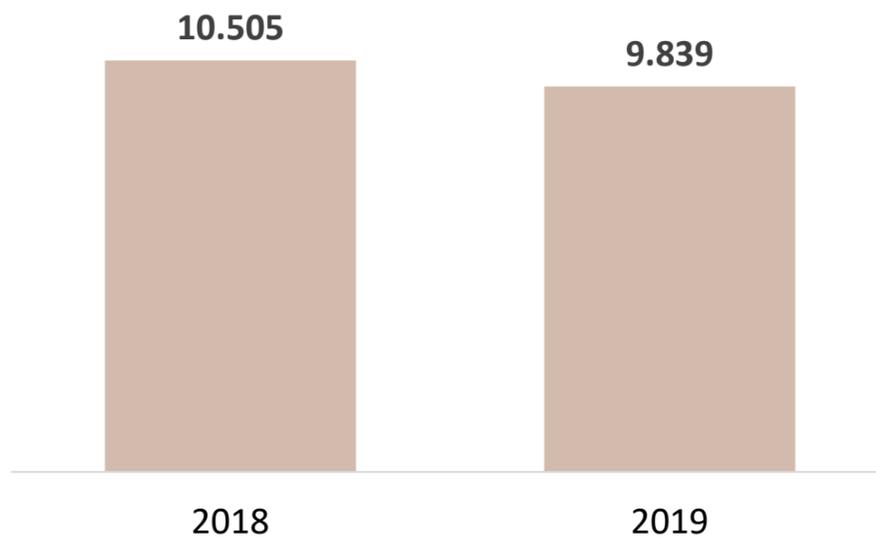


# Hering wholesale with know-how and footprint to boost the SOMA



Hering has almost 10,000 active wholesalers and a relationship with around 20,000, with national sales and logistical footprint

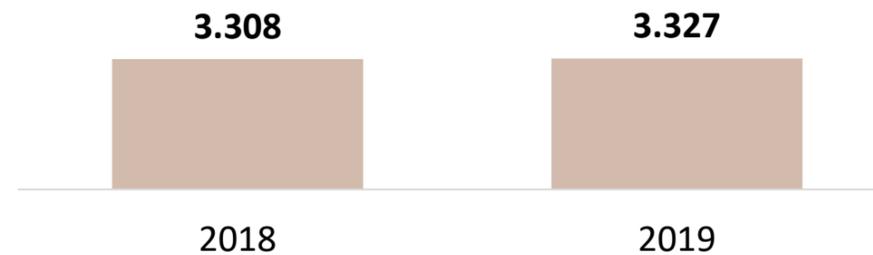
# of Sales points



Gente é o que soma.

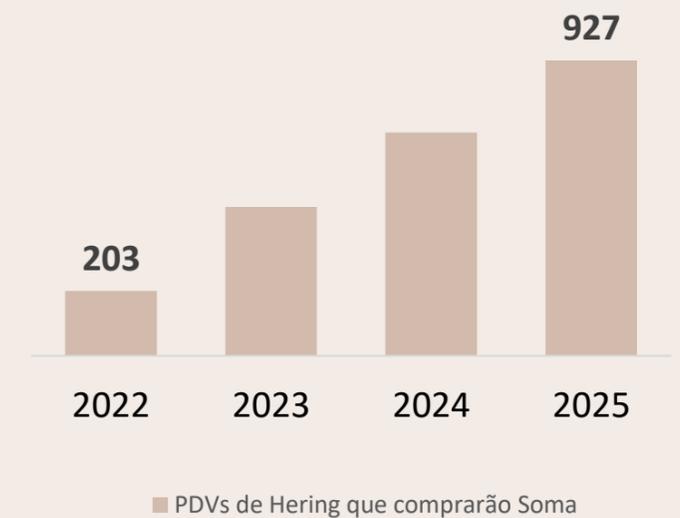
Grupo SOMA has increased the volume of wholesaler POS in the last few years, with more than 3 thousand wholesalers

# of Sales points



## Cross-selling whosalers Hering-SOMA

# of Sale points



Unquantified: Hering sales increase by digitizing the sale

# The Hering investment thesis consists of 9 large quantifiable levers

## Sinergies in Revenue

## Sinergies in Cost and Expense

## Sinergies in Cash Flow



Hering industry, scale and purchasing intelligence

3. Cost optimization due to scale gains and tax benefits

4. Verticalization of the chain, especially in the fabrics

5. Better shopping quality and assertiveness

6. Increased brand responsiveness with gross margin optimization

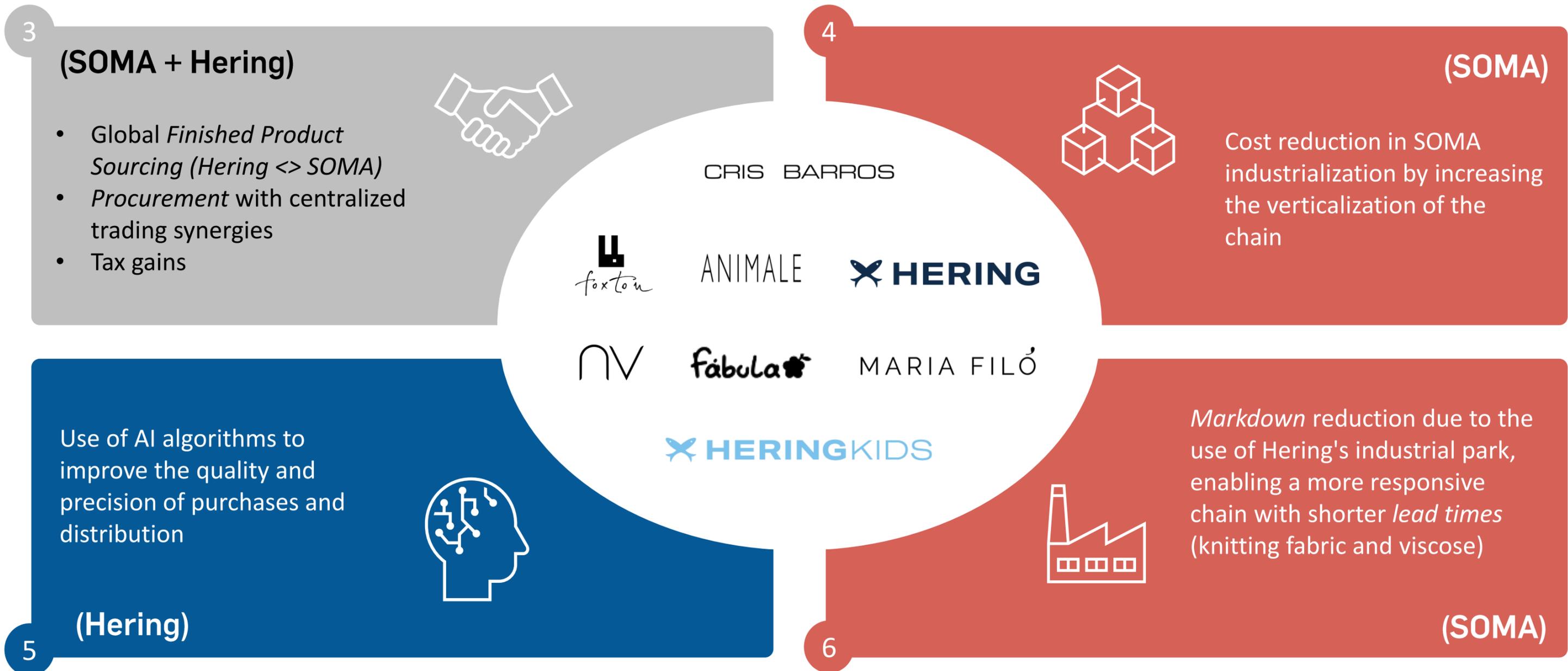
7. Sinergy in expenses

SOMA Impact

Hering impact

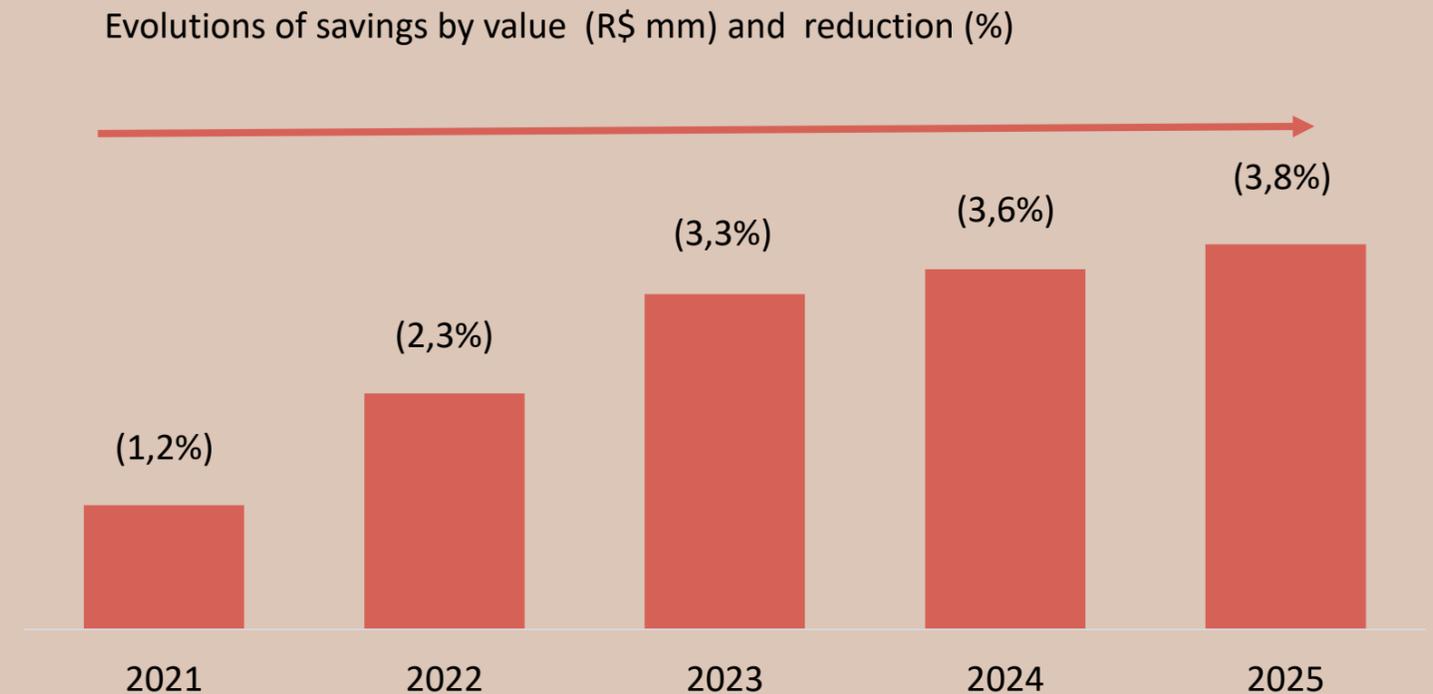
Both impact

## 3, 4, 5 e 6. Gross Margin gains through 4 great leverages



# Volume gains enable adjustments in the SOMA and Hering Groups and optimize expenses by approximately 3.8% by 2025

Front	% Saving <sup>1</sup> 2025
Staff	2.0% <sup>2</sup>
Marketing on and offline (↑ efficiency and scale)	4.0%
Logistics	7.0%
IT	8.0%
Facilities <sup>3</sup>	10.0%
MDR, Other Services and Long Tail	6.5%
<b>Total</b>	<b>3.8%</b>



### Levers for results:

- Trading volume: ads, MDR, marketing
- Route optimization: logistics and facilities
- Overlaps: personal, IT and legal

(1) Estimate benchmarks in SOMA (2) Corporate personnel only (3) Hering values contained in Other Services and Long Tail

# *The Hering investment thesis consists of 9 large quantifiable levers*

Sinergies in Revenue

Sinergies in Cost and Expense

Sinergies in Cash Flow

## Cash Flow Opportunities

8. Sinergies in CAPEX

9. Improvements in the financial cycle

SOMA impact

Hering impact

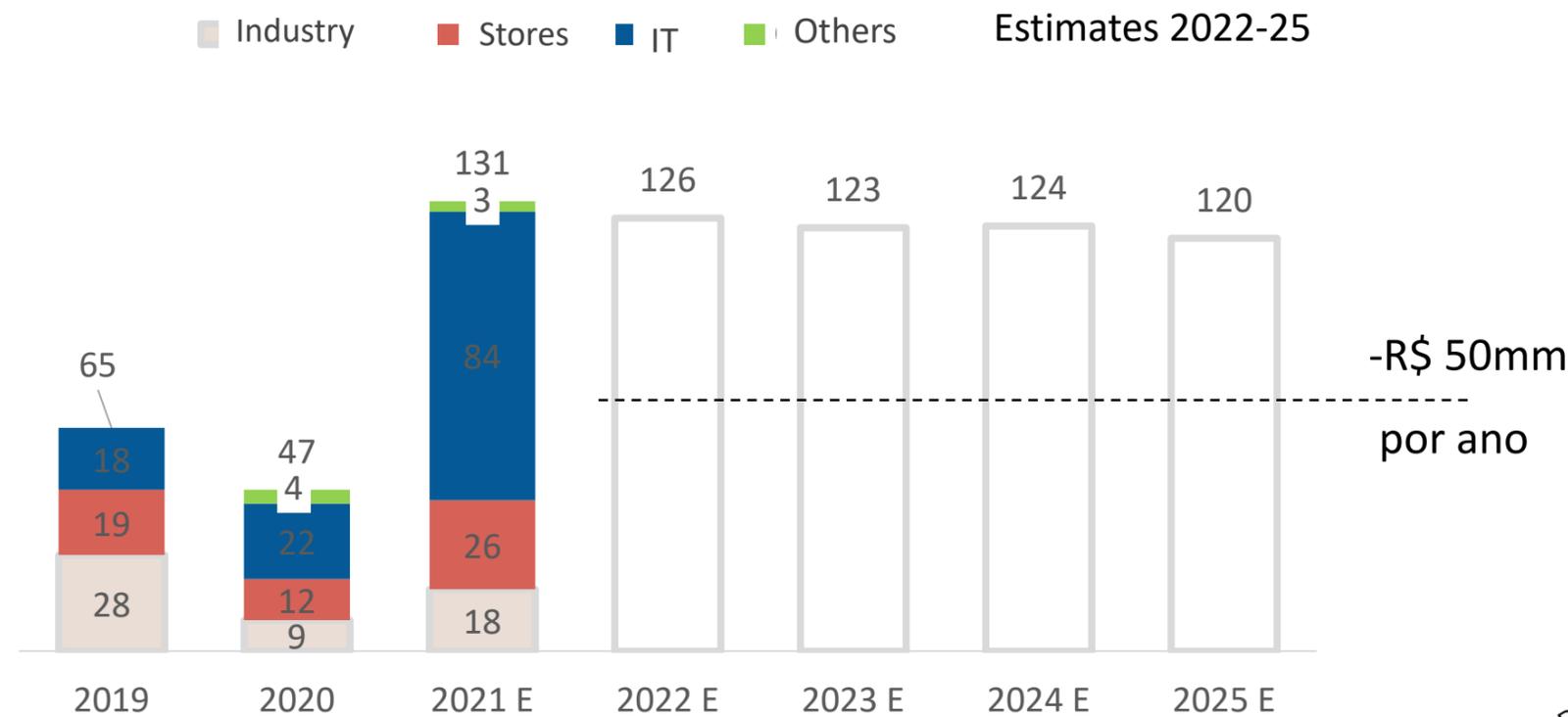
Both impact



# Adjustments in CAPEX and Working capital structure

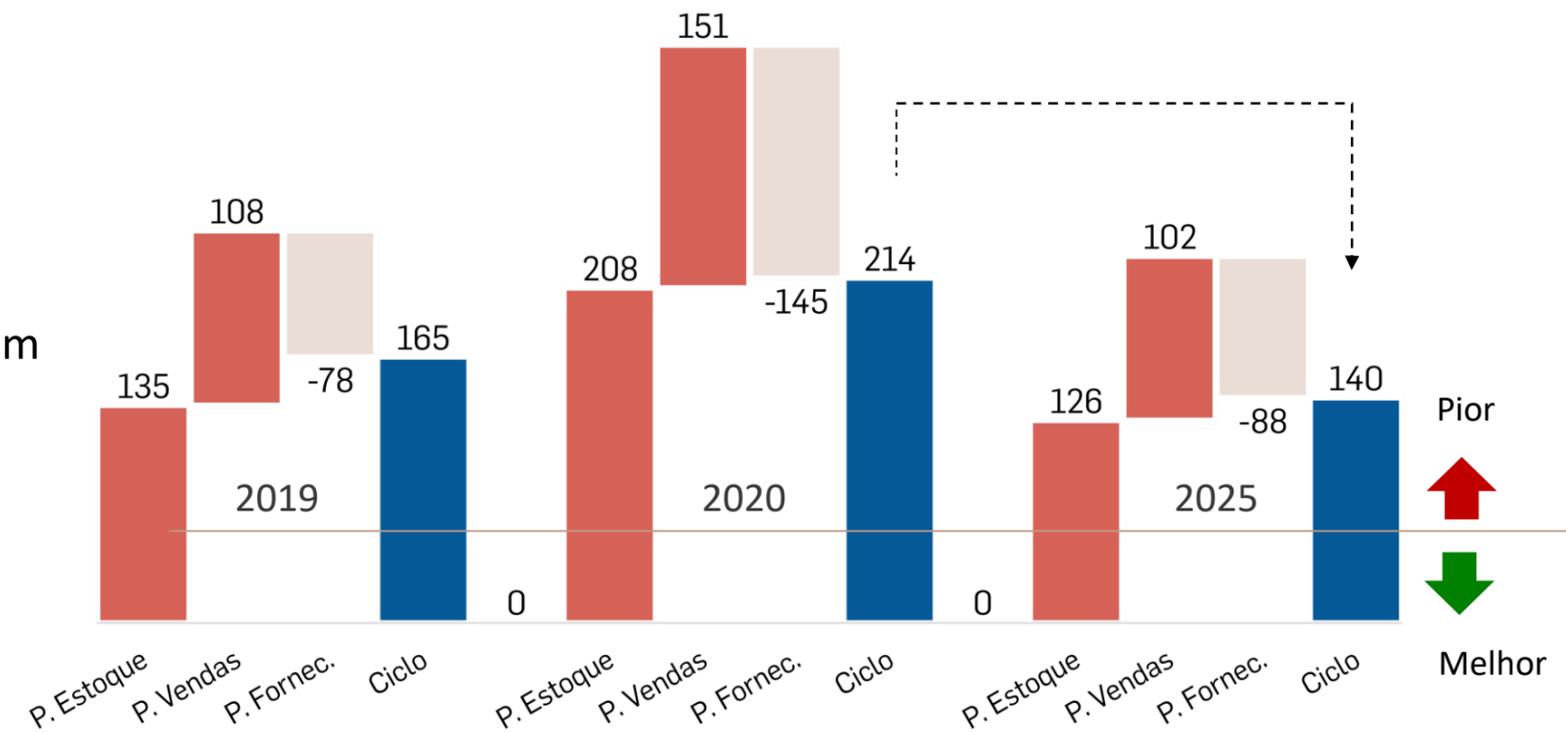
Capex can be optimized with SOMA digital operation

Capex (R\$ mm)



Financial cycle reduction until 2025

Financial cycle (days)



Opportunity to integrate areas and projects related to technology and systems with the SOMA Group

Improved inventory turnover and extended suppliers  
- Resuming the levels of the past, with a gain of 25 days over 2019.

(1) Estimativas referentes à Benchmarks  
(2) Capex 2021 anunciado pela companhia

**Vision 2025: synergies bring in 2025 between R\$ 266mm and R\$ 311mm, or between R\$ 181mm and R\$ 212mm at present value**

Opportunities			Capture beginning	Total in 2025 R\$ mm
Sinergias in Gross Revenue	1.	Acceleration in digital presence	2022	108 – 126 EBITDA
	2.	Cross-selling Hering wholesalers for Grupo SOMA	2022	
Sinergias in Costs and Expenses	3.	Optimization of costs due to scale gains and tax gains	2022	158 – 185 EBITDA
	4.	Verticalization of the chain, especially in fabric		
	5.	Melhor de qualidade e assertividade de compras		
	6.	Increased brand responsiveness with gross margin optimization		
	7.	Sinergias in expenses	2021	
<b>Total impact in EBITDA<sup>1</sup></b>				<b>266 M - 311 M</b>
Sinergias in Cash Flow	8.	Sinergias de CAPEX	2021	173 – Cash Flow
	9.	Working capital adjustments	2022	

Present Value<sup>2</sup> of R\$ 181 M to R\$ 212 M

(1) Includes cumulative effects between revenue gains, costs and expenses  
 (2) Discounted by the Company's WACC

**4**  
**APPENDIX**



**QUALITY  
EXPERIENCE IN  
ALL INTERACTIONS**



CSAT (proxy NPS)

**90%**

SAC sales

**BRL 6.8mm**

*Customers support (SAC) solidify as an additional sales channel.*

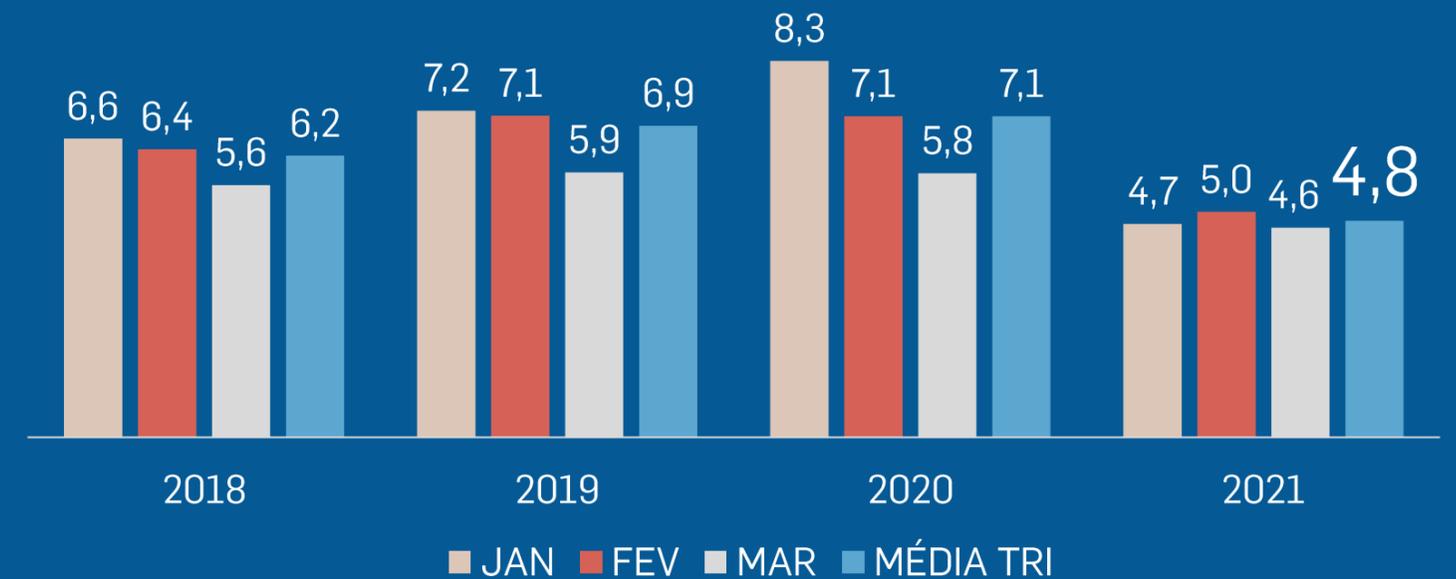
In *customers support (SAC)*, **86%** of orders are solved with WhatsApp.

24HRS Delivery

20%

of total

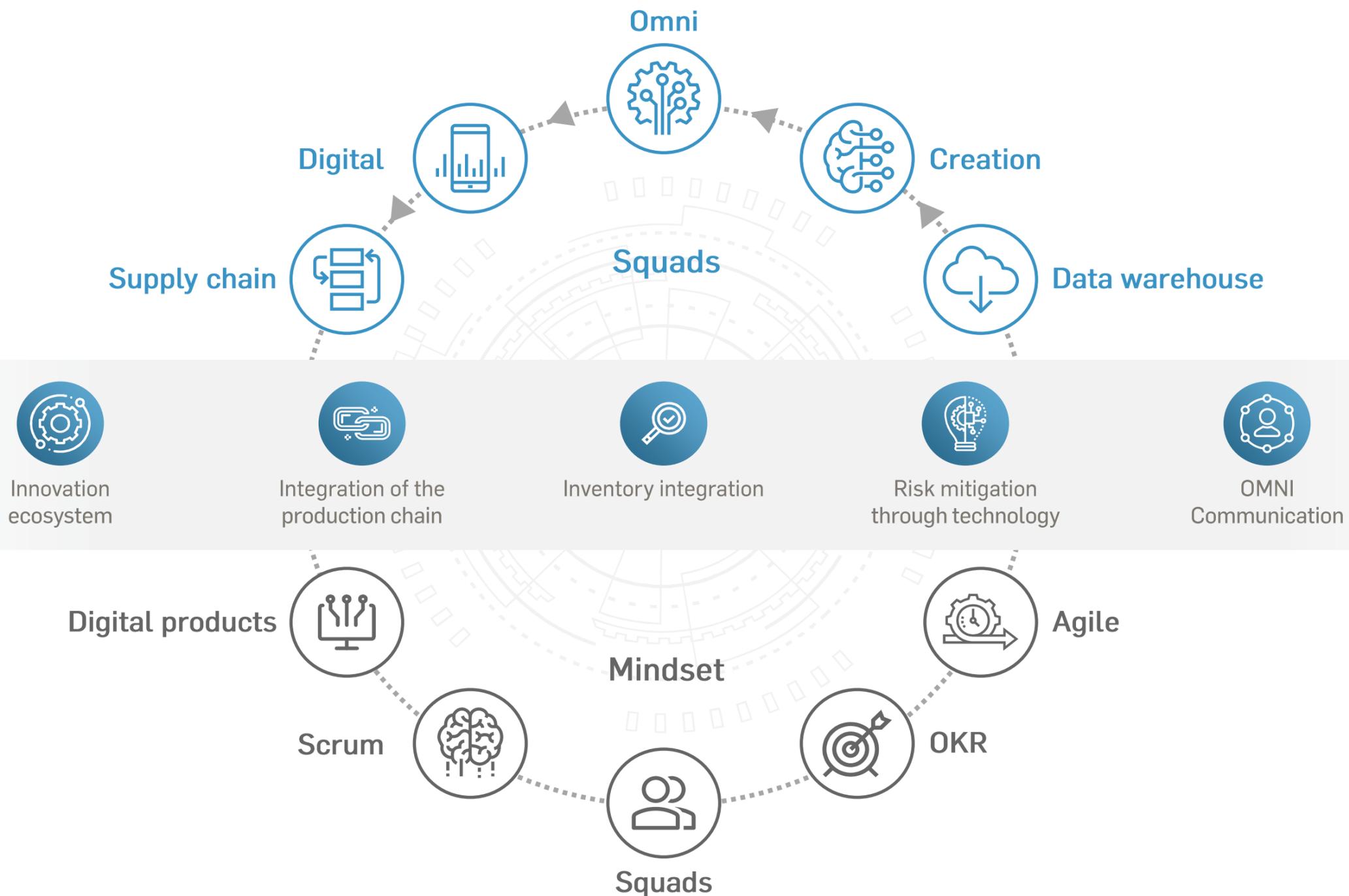
AVERAGE DELIVERY TIME (DAYS)



Average delivery day of products  
in **4.8 days**, -33% vs. 1Q20.

# SOMALABS AT A GLANCE

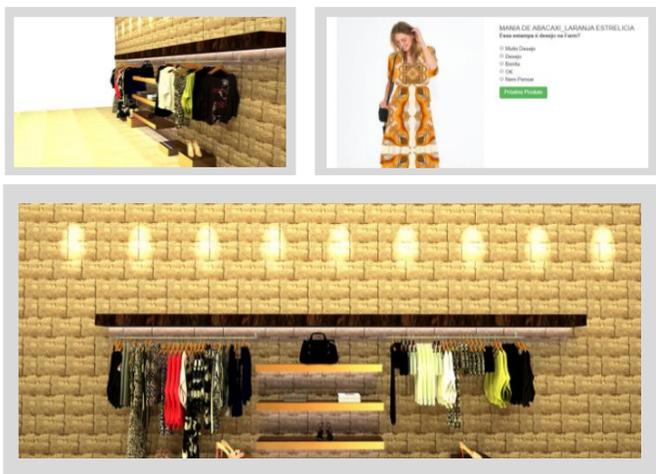
A technological platform focused on *enhancing fashion retail through innovation*



# RISK MITIGATION

## OVERVIEW OF KEY PROGRESS

Printing



+ Suggest the best printers

Product valuation

Physical

Online

Tagging

Prediction Algorithm

+ More Accuracy

1x1

Objective  
Connect points  
from beginning to  
the end

Product development

Algorithm

Production prep

Target production cost

Gamification

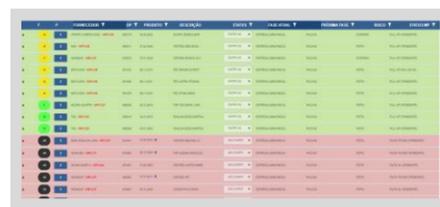
BID / WIP  
+Cost  
+Quality  
+Previous productions

+ Raw material cost savings  
+ Better organization in the product development process

+ Sewing lead time reduction  
+ Sewing cost savings

# RISK MITIGATION

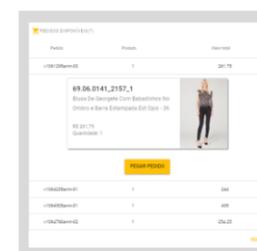
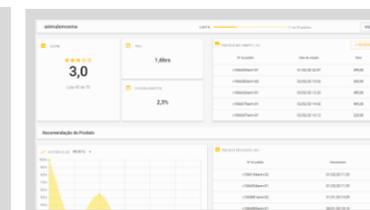
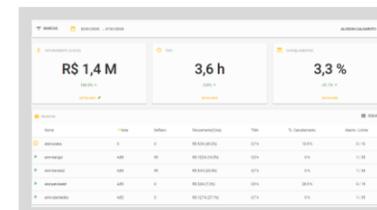
## OVERVIEW OF KEY PROGRESS



S&OE



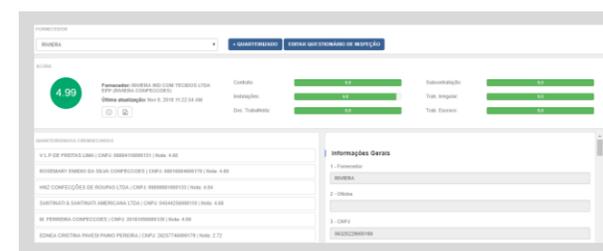
Production control



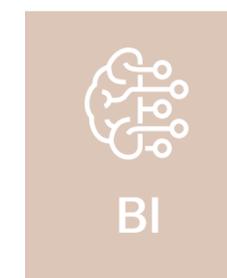
+ Ship from store (click-and-collect)  
Express aisle

Objective  
Connect points from beginning to the end

+ Friction reduction between supplier and Grupo Soma



+ Measure the sustainability of our chain



+ Structured data facilitating management, analysis and decision making

*Thank you.*

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+ **soma**

Gente é o que soma.